



Canadian Tax Audit Protection Plan

**MEMBERSHIP GUIDE
FOR THE 2008 TAXATION YEAR**

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Welcome to the Canadian Tax Audit Protection Plan™

The Canadian Tax Audit Protection Plan™ is a legal services plan that is designed to provide you with the advice, assistance, and services of a qualified, experienced tax lawyer and their staff in the event that your 2008 personal income tax return is audited or reassessed by the Canada Revenue Agency. The Plan does not pay your taxes for you. What it does do is provide you with legal counsel at a reasonable price to protect your rights as a Canadian taxpayer and ensure that you pay only that amount of tax that you are legally required to pay by law.

The Canadian Tax Audit Protection Plan™ levels the playing field between you and the Canada Revenue Agency. The CRA and federal government employs over 9,500 tax auditors¹ and more than 250 tax lawyers to assist them in reviewing and auditing tax returns, issuing tax reassessments, and then defending those reassessments before the Tax Court of Canada. Taxpayers who are not Members of the Plan and who are audited and reassessed by the CRA will typically face thousands, if not tens of thousands, of dollars in professional fees if they wish to challenge and appeal the CRA's reassessment. Frequently, the legal fees are so high, the taxpayer's only choice is to either give up and pay whatever the CRA alleges you owe, or alternatively, go-it-alone through the complex and intimidating tax objection and appeal process.

As a Member of the Canadian Tax Audit Protection Plan™, you have the peace of mind of knowing that if your 2008 taxation year is audited by the CRA and your 2008 income tax return is reassessed, you will have the knowledge, experience, and expertise of a qualified tax lawyer and their staff in your corner to assist you in understanding the issues, to deal with the CRA and Department of Justice on your behalf, and if reasonable grounds exist for doing so, to challenge, object to, and appeal the CRA's reassessment, including representing you in the Tax Court of Canada.

Before You Begin

The Canadian Tax Audit Protection Plan™ is provided by Sixth Sphere Services Professional Corporation ("Sixth Sphere"). By becoming a Member in respect of your 2008 Taxation Year, you are retaining Sixth Sphere on a limited basis as your legal counsel to act on your behalf in the event that your 2008 Personal T1 Income Tax & Benefit Return is audited and/or reassessed by the CRA. The terms, conditions, scope, and limits your engagement of Sixth Sphere are set out in The Canadian Tax Audit Protection Plan™ Terms & Conditions for the 2008 Taxation Year (the "Terms & Conditions") that is available on our website at www.ctapp.ca. Please ensure that you review the Terms & Conditions carefully as it constitutes your legal agreement with Sixth Sphere. Consider reviewing the Terms & Conditions with your accountant or tax preparer and with other legal counsel before you decide to become a member. This Guide provides a general description of the Plan. Accordingly, if there is any discrepancy between this Guide and the Terms & Conditions, the Terms & Conditions shall govern.

¹ Canada Revenue Agency's Annual Report to Parliament 2005-6, pg. 49.

Benefits of Membership in The Canadian Tax Audit Protection Plan™

There are five major benefits to becoming a 2008 Member of The Canadian Tax Audit Protection Plan:

1. Peace of Mind.
2. Up To 15 Hours of legal services if your 2008 taxation year is audited or reassessed by the Canada Revenue Agency.
3. Up to 45 Hours of legal services if your 2008, 2009, or 2010 taxation years are audited or reassessed by the Canada Revenue Agency.
4. A 20% Reduction off of Sixth Sphere's Normal Hourly Rates, both for you and your corporation.
5. The extension of Solicitor-Client Privilege confidentiality to discussions between you and your accountant or financial planner that are for the purpose of obtaining legal advice.

Peace of Mind

As a 2008 Member of the Canadian Tax Audit Protection Plan, you have peace of mind knowing that if the Canada Revenue Agency audits or reassesses your 2008 income tax return, you will have access to the legal advice and experience of Sixth Sphere and its staff to advise and assist you and to ensure that your rights as a taxpayer are respected and protected.

Fifteen (15) Hours of Legal Service

After you file your 2008 Income Tax Return with the Canada Revenue Agency, the CRA will review your return, assess the income taxes owing by you, and then send you a Notice of Assessment.

If within three years of the Date of Mailing of your 2008 Notice of Assessment:

- (a) The CRA notifies you that they intend to audit your 2008 Taxation Year, Sixth Sphere will provide you with up to two (2) hours of service by telephone, fax, email, or other electronic means to advise and assist you with respect to the audit ("Your 2008 Audit Hours");
- (b) The CRA sends you a Notice of Reassessment reassessing the income tax payable by you in respect of your 2008 Taxation Year, Sixth Sphere will provide you with up to four (4) hours of service by telephone, email, fax, or other electronic means to review CRA's reassessment and, if there are reasonable grounds to challenge it, to assist you with the preparation and filing of a Notice of Objection to the Reassessment and to deal with the CRA's Appeal Division on your behalf ("Your 2008 Objection Hours");

If the CRA's Appeal Division does not to vacate or adjust the CRA's reassessment as requested in your Notice of Objection, Sixth Sphere will provide you with up to nine (9) hours of service to review the CRA's Appeal Division's decision, and if reasonable grounds remain to do so, to

appeal the CRA's Appeal Division's decision to the Tax Court of Canada ("Your 2008 Appeal Hours").

Are You Personally Registered for GST/HST Purposes?

If you, as an individual, are personally registered for GST/HST purposes, you may elect at the time you become a Member to extend your Membership to your 2008 GST/HST return(s). If you do and should any of your GST/HST reporting periods ending in 2008 be audited or reassessed by the CRA before the expiry of your 2008 Membership in the Plan, you may elect to use:

- Your 2008 Audit Hours to receive advice and assistance with respect to the audit of your 2008 GST/HST Returns,
- Your 2008 Objection Hours to receive advice and assistance in reviewing any assessment or reassessment of your 2008 GST/HST returns, including filing a Notice of Objection to the assessment or reassessment if reasonable grounds exist for doing so, and
- Your 2008 Appeal Hours to review any decision by the CRA Appeals Division in response to such a Notice of Objection, and if reasonable grounds exist for doing so, to appeal that decision to the Tax Court of Canada.

Potential of Up To Forty-Five (45) Hours of Legal Service

One of the benefits of continuing to qualify for and maintaining your Membership in The Canadian Tax Audit Protection Plan™ annually is that unused hours of service associated with your 2008 Membership is transferable to consecutive Membership years to a maximum of three consecutive years.²

For example, you become a 2008 Member of the Plan. However, when you file your 2009 and 2010 Income Tax Returns, you become a Member of the Plan in respect of those taxation years as well. If either of your 2009 or 2010 taxation years are audited or reassessed within three years of the Date of Mailing of your 2008 Notice of Assessment, you can elect to use any unused 15 hours of service associated with your 2008 Taxation Year to obtain advice and assistance with respect to the audit or reassessment of your 2009 or 2010 taxation year by the CRA. Assuming the terms and conditions of the 2009 Plan and 2010 Plan remain the same as set out in this the 2008 Plan, then that would mean that by 2011 you would have:

- up to six (6) hours of service by telephone, fax, email, or other electronic means from Sixth Sphere to advise and assist you with an audit of your 2008, 2009, or 2010 Taxation Years,
- up to twelve (12) hours of service by telephone, fax, email, or other electronic means from Sixth Sphere to review any resulting reassessment of your 2008, 2009, or 2010

² The transferability of a member's 2008 Hours of Service to subsequent taxation years as described herein assumes that the Terms and Conditions of The Canadian Tax Audit Protection Plan™ for the 2009 Taxation Year and for the 2010 Taxation Year remains the same as those set out herein for the 2008 Taxation Year. Sixth Sphere does not represent and warrant that this will, in fact, be the case and expressly reserves its right to alter, change, or vary the terms, conditions, scope, and benefits of the Plan for subsequent Taxation Years or to cease offering the Plan.

Taxation Years and, if reasonable grounds exists for doing so, to assist in preparing and filing of a Notice of Objection to the CRA's reassessment of your 2008, 2009, or 2010 Taxation Years on your behalf, and

up to twenty-seven (27) hours of services from Sixth Sphere to appeal the 2008, 2009 or 2010 reassessment to the Tax Court of Canada if the CRA's Appeal Division did not vary or vacate the reassessment as requested in your Notice of Objection and there remained a reasonable basis for filing the appeal.

Twenty Per Cent (20%) Reduction Off Of Any Additional Audit-Related Legal Services

If you require additional legal assistance, advice, or representation in respect of an income tax audit or reassessment by the CRA in respect of your 2008 Taxation Year beyond the Hours of Service under the Plan and you engage Sixth Sphere or a Plan Participating Law Firm to provide these services to you, as a 2008 Member of the Canadian Tax Audit Protection Plan™, you will be entitled to a 20 per cent reduction off of the normal hourly rates charged by Sixth Sphere or Plan Participating Tax Law Firm.

Do You Carry On Business Through A Corporation?

Currently, only individuals are entitled to be 2008 Members of the Canadian Tax Audit Protection Plan.™ However, we recognize that many individuals and small businesses carry on business through a corporation. We also recognize that if the CRA audits your corporation, they will generally audit you. If you are a 2008 Member of the Plan and

- You carry on business through a corporation,
- You are an officer or director of that corporation,
- You own more than 50 per cent of the voting share of that corporation,
- The CRA audits and/or reassesses your corporation's fiscal year ending in 2008, and
- If you engage Sixth Sphere or a Plan Participating Law Firm to provide legal advice and assistance to your corporation in respect of the CRA's audit and any resulting reassessment

as a 2008 Member of the Plan, your corporation will also be entitled to receive a 20 per cent reduction off the normal hourly rates in respect of legal services provided by Sixth Sphere of the Plan Participating Law Firm in respect of the CRA's 2008 audit and reassessment.

Solicitor-Client Privilege

Solicitor-Client Privilege is the legal principle that anything you say to a lawyer for the purpose of obtaining legal advice and any legal advice you receive is strictly confidential, and neither you nor your lawyer can be compelled – even by a Court of Law – to disclose what was said.

By comparison, generally speaking, any information that you share with your accountant or financial planner and any advice they provide to you is not privileged, meaning that the Canada Revenue Agency can compel either of you to disclose what you said to one another.

However, conversations between you and your accountant or financial planner may be subject to solicitor-client privilege if the purpose of your discussion is to obtain legal advice from a lawyer.

One of the benefits of being a 2008 Member of The Canadian Tax Audit Protection Plan™ is that if your 2008 Taxation Year is audited by the Canada Revenue Agency, you will have already retained Sixth Sphere as your legal counsel to assist and advise you with respect to the audit. To the extent that you communicate with Sixth Sphere for the purpose of obtaining legal advice in respect of the audit, either directly or indirectly through your accountant or financial planner, all such communications should be subject to solicitor-client privilege. In other words, neither you nor your accountant or financial planner should be required to disclose to anyone – not even the CRA or a Court of Law – what you might have said to one another if what was said was for the purpose of obtaining the legal advice from Sixth Sphere.

Membership & Fees

Who Can Become a Member?

Any individual who files a 2008 Canadian Federal T1 Income Tax & Benefit Return may apply for Membership in the Plan for the 2008 Taxation Year. However, in order to be eligible, you must

- file your 2008 federal Income Tax Return with the Canada Revenue Agency on or before its due date (June 15, 2009 for self-employed individuals or April 30, 2009 for everyone else)

and at the time you apply to become a member, you personally, any partnership of which you are a member, and any corporation that you own or control:

- cannot be under audit by any tax authority,
- must not have any outstanding tax returns, and
- cannot have any outstanding dispute with any Canadian tax authority.

A complete list of Pre-Conditions to Membership for the 2008 Taxation Year is set out in Appendix B to these Terms & Conditions.

2008 Plan Membership Fee

Your membership fee to become a 2008 Member of The Canadian Tax Audit Protection Plan™ is based upon the sources of income you report and the types of deductions and credits you claim in your 2008 Income Tax Return. For individuals whose only sources of income are from employment or pensions, the 2008 Membership Fees start at just under \$20. For individuals who have income from self-employment, rental properties, or investments, the 2008 Membership Fees start at just under \$50. Your Participating Tax Professional will provide you with your specific Membership Fee once they have submitted your application for membership to us.

How to Apply for Membership in The Canadian Tax Audit Protection Plan™

Step 1 – Review Terms & Conditions for The 2008 Taxation Year

Review the document *The Canadian Tax Audit Protection Plan™ Terms & Conditions for Membership for the 2008 Taxation Year* as it constitutes the legal document that sets forth your rights and obligations as a Member of the Plan, as well as the scope and limits of your agreement with Sixth Sphere. Please ensure that you review it carefully to ensure that you are clear as to the scope and limits of the Plan. It is available on our website at www.ctapp.ca under Forms & Guides.

Step 2 – Complete Consent to Obtain Membership Quote Form

Complete The Canadian Tax Audit Protection Plan™ Consent to Obtain Membership Quote Form for the 2008 Taxation Year that is available on our website at www.ctapp.ca under Forms & Guides.

Step 3 – Send Form to Participating Tax Professional

Take or send your completed Consent to Obtain Membership Quote Form to a Participating Tax Professional on or before July 15, 2009. If you have already prepared and filed your own 2008 Canadian Federal T1 Income Tax & Benefit Return, be sure to provide a copy of your income tax return to them. If not, consider having your 2008 Income Tax & Benefits Return prepared by the Participating Tax Professional.³

Step 4 – Submit Application

Your Participating Tax Professional will submit your application electronically to us for review. It will only take a moment for us to analyze your application and confirmed whether you qualify for Membership, and if so, the amount of your Membership Fee for the 2008 Taxation Year.

Step 5 – Accept Terms & Conditions & Payment

Complete your Membership Application Process by paying your Membership Fee for the 2008 Taxation Year and accepting these Terms and Conditions of Membership, and enjoy the peace of mind that comes from knowing that if your 2008 Income Tax Return is audited or reassessed by the Canada Revenue Agency within three-years of the Date of Mailing of your 2008 Notice of Assessment, you and your accountant or tax preparer will have access to the advice and assistance of Sixth Sphere and its staff to aid and assist you through the audit and appeals process, including representing you before the Tax Court of Canada.

³ Any fees charged by the Participating Tax Professional for preparing and/or filing your income tax return are not included in your Membership Fee and you are solely responsible for paying such fees. Furthermore, all Participating Tax Professionals are independent and separate from Sixth Sphere Services Professional Corporation and Sixth Sphere Services Professional Corporation in no way represents, warrants, or in any way guarantees the quality of any work performed for you by any Participating Tax Professional.

Exclusions, Limitations, & Scope of the Plan

The Canadian Tax Audit Protection Plan™ is designed to provide legal assistance to honest, hard-working Canadians, the self-employed, small businesspeople, seniors, students, and families to ensure their rights as taxpayers are protected. The Plan levels the playing field between you as an individual taxpayer and the Canada Revenue Agency.

The Canadian Tax Audit Protection Plan™ is not designed to assist those who attempt to evade taxes, fail to report income, purchase or participate in tax shelters, or who engage in aggressive or abusive tax avoidance schemes. Accordingly, by becoming a 2008 Member of the Plan, Sixth Sphere shall only provide legal services to you with respect to:

- income tax audits and reassessments by the CRA of income tax owing by you under Part I of the *Income Tax Act* (Canada)
- that are in respect of your 2008 Taxation Year.

Other types of assessments and reassessments and transactions are excluded from the Hours of Service provided under the Plan. Examples of types of exclusions are set out below.

However, if

- You find yourself facing an audit or reassessment by the CRA or any other tax authority that is not included within the scope of the Hours of Service provided under the Plan,
- The audit or reassessment relates to your 2008 Taxation Year, and
- You engage Sixth Sphere or a Plan Participating Law Firm to provide such additional legal services to you assist and advise you with respect to such an audit or reassessment that is outside of scope of the Plan

then as a 2008 Member of the Plan, you will be entitled to receive a 20 per cent reduction off of Sixth Sphere's or the Plan Participating Law Firm's normal hourly rates.

Examples of Exclusions

Examples of the types of assessments, reassessments, and actions that are excluded from the scope of Hours of Service provided under the Plan are as follows.

Tax Evasion & Other Offences

Investigations undertaken by the Special Investigations Unit of the Canada Revenue Agency or by any other tax authority, and any charges laid for allegedly committing any criminal or quasi-criminal offence under any taxing statute (i.e. tax evasion investigations or charges) or any other law, do not fall within the scope of the Hours of Service provided under the Plan.

Tax Shelters

Any assessment or reassessment of taxes owing that arises because you purchased or participated in a tax shelter⁴ is excluded from the Hours of Service provided under the Plan.

⁴ According to the CRA a tax shelter is generally an investment in property (other than a flow-through share or a prescribed property); or a gifting arrangement under which a person entering into the arrangement makes a gift to a qualified donee or

However, as a general rule, the promoters of such tax shelters create a fund in order to assist their clients in the event of a tax audit or reassessment of the tax shelter. If you are audited, assessed, or reassessed as a consequence of your participation or involvement in a tax shelter, you should contact the promoter of the program to find out what assistance they are able to provide to you.

General Anti-Avoidance Rule (GAAR) Assessments

If you undertook or participated in any transaction or series of transactions for the primary purpose of reducing the income tax payable by you and the planning that went into the transactions or series constitute abusive tax planning, the Canada Revenue Agency or any other tax authority may reassess you on the basis of the General Anti-Avoidance Rule (a “GAAR Assessment”). GAAR Assessments are excluded from the Hours of Service provided by Sixth Sphere under the Plan.

Net Worth Assessments

In certain circumstances, the Canada Revenue Agency will assess or reassess the income taxes owing by a taxpayer based upon the net worth of the taxpayer. Such assessments or reassessments are generally raised only in circumstance where, without reasonable explanation, the taxpayer’s net worth greatly exceeds the income that the taxpayer previously reported on his or her income tax returns. The authority for the CRA to raise such assessments or reassessments is found in subsection 152(7) of the *Income Tax Act* (Canada). Such net worth or arbitrary assessments or reassessments do not fall within the scope of the Hours of Service provided by Sixth Sphere under the Plan given that (a) a Plan Member’s membership fee is based, in part, upon the information contained in the Member’s income tax returns, and (b) such net worth or arbitrary assessments are extraordinary actions taken by the CRA in circumstances where it would appear that a taxpayer has significantly misreported or under-reported his or her income.

Corporate Taxes

The Canadian Tax Audit Protection Plan™ is designed to assist and advise individual Canadians in respect of audits and reassessments by the Canada Revenue Agency of normal income tax payable under Part I of the *Income Tax Act* (Canada) and the equivalent provincial income tax payable under equivalent provincial income tax laws that are administered by the Canada Revenue Agency. Currently, corporations and other entities are not entitled to become Members of the Plan.

makes a monetary contribution to a registered party, a provincial division of a registered party, a registered association, or a candidate as those terms are defined in the Canada Elections Act; or incurs a limited-recourse debt that can reasonably be considered to relate to a gift to a qualified donee or to a monetary contribution.

Generally, the investment in property or the gifting arrangement is a tax shelter if it is promoted as offering income tax savings and if it is reasonable to consider, based on statements or representations made or proposed to be made, that within the first four years of buying an investment in the property or entering into the gifting arrangement, the buyer or donor will have losses, deductions, or credits. Further, it has to be reasonable to consider that the losses, deduction, or credits would be equal to or more than the cost of the original investment or of the property acquired under the gifting arrangement, net of any prescribed benefits expected to be received or enjoyed, directly or indirectly, by the person or another person with whom the person does not deal at arm's length.

However, if you are a 2008 Member of the Plan and you carry on business through a corporation that you control,⁵ you and your corporation can still benefit from your membership in The Canadian Tax Audit Protection Plan™. If

- Your corporation is audited or reassessed by the Canada Revenue Agency in respect of Canadian federal income taxes owing in respect of a fiscal period ending in your 2008 Taxation Year, and
- Your corporation requires legal assistance in respect of any such audit or assessment

Your corporation can still benefit from the 20 per cent reduction off of Sixth Sphere's or a Plan Participating Law Firm's normal hourly rates should you choose to retain Sixth Sphere or a Plan Participating Law Firm to assist, advise, or represent your corporation in respect of such an audit or reassessment.

Audit & Assessments of Other Taxes

The Canadian Tax Audit Protection Plan™ is designed to provide legal assistance individual Canadians in respect of audits and reassessments by the Canada Revenue Agency of normal income tax payable under Part I of the *Income Tax Act* (Canada) and the equivalent provincial income tax payable under equivalent provincial income tax laws that are administered by the Canada Revenue Agency. Audits, assessments, and reassessments of other forms of taxes (i.e. payroll source deductions, CPP/EI, GST/HST, Part XIII Withholding Taxes, etc.), or of taxes administered by tax authorities other than the CRA (i.e. provincial sales taxes, Quebec personal income taxes, etc.) are excluded from the scope of the Hours of Service provided by Sixth Sphere under the Plan.

Third-Party Assessments

The *Income Tax Act* (Canada) and other taxing statutes contain provisions that allow the CRA to assess a person for the tax liability of others. For example: (1) if you are a director of a corporation and the corporation fails to remit payroll source deductions or CPP or EI Premiums, the CRA can assess the directors of the corporation for these amounts; (2) If a family member or someone with whom you are not dealing at arm's length transfers money or property to you at a time that the other person owes taxes to the CRA, section 160 of the *Income Tax Act* (Canada) allows the CRA to assess you for the taxes owing by the other person to the maximum value of the money or property they gave you. Such third-party assessments are beyond the scope of the Hours of Legal Services provided under the Plan.

Special Situations

Preassessment Reviews

Once you file your 2008 income tax return, the CRA will enter the information into their computer system. As part of this process, after you have filed your return but before the CRA

⁵ You are considered to own and control a corporation for purposes of The Canadian Tax Audit Protection Plan™ if you are an officer or director of the corporation and you beneficially own more than 50 per cent of the voting shares of the corporation.

issues a Notice of Assessment to you, your return might be selected for a preassessment review. Generally the preassessment review process involves the CRA requesting support documentation from you to validate specific deductions or credits that you may have claimed, such as copies of your charitable or political donation receipts. As a pre-assessment review typically only involves you providing to the CRA support documentation to validate specific amounts you claimed, the person who prepared your tax return for you is generally in a much better position to assist you as they know the documentation upon which they relied to prepare your return. Accordingly, pre-assessment reviews are not included in the scope of the Hours of Service provided under the Plan.

Partnerships

If you are a partner in a partnership, there are two sets of expenses that are used to calculate your income or profit from a partnership. The first are those expenses incurred by the partnership. The second are those expenses incurred by you personally for which you are not reimbursed by the partnership.

If you are a 2008 Member of the Plan and also a member of a partnership and your partnership is audited by the Canada Revenue Agency, the audit or reassessment of your partnership is beyond the scope of the Plan unless all of the members of your partnership are also 2008 Members of the Plan. However, if you are personally audited by the Canada Revenue Agency and the Canada Revenue Agency challenges the deductibility of those expenses you incurred personally for which you were not reimbursed by the partnership, such an audit or reassessment based upon the deductibility of such personal partnership expenses falls within the scope of the Hours of Service provided by the Plan.

Loss Carryforwards & Carrybacks (Lines 251, 252, 253)

On lines 251, 252, and 253 of your income tax return, you are permitted to deduct from your taxable income losses that you may have incurred and reported in your income tax return filed in respect of previous years. The CRA will, at times, review these losses and deny all or part of them on the basis that the amount of the loss you reported in the prior year was incorrect. While the CRA's audit and reassessment may be in respect of your current tax year, the basis for the reassessment (i.e. the denial of the prior years' losses) is based upon information you reported when you filed your income tax return for the prior years. If you are a Member of the Plan in respect of the Taxation Year under audit and were also a Member of the Plan in respect of the prior year(s) in which the losses were initially reported, the Plan will assist you with respect to the audit and reassessment by the CRA in accordance with the terms and conditions of the Plan for the relevant year. However, if you were not a Member of the Plan in respect of the prior Taxation Year(s) in which you initially reported the loss, any audit or reassessment based upon a denial of the prior-year's losses does not fall within the scope of the Hours of Service provided under the Plan.

The same applies with respect to loss carrybacks. If you report a loss in the current Taxation Year and then apply to adjust a prior year's income tax return to carry the current year's loss back, the Plan will provide the Hours of Service to assist you with any audit or reassessment of the loss carryback but only if you are a Member of the Plan in respect of both the current Taxation Year (the year in which the loss was incurred) and the Taxation Year to which you are requesting the loss carryback be applied.

Exploration & Development Expenses (Line 224)

The *Income Tax Act* (Canada) allows individuals who invest in petroleum, natural gas, or mining ventures but who did not actively participate in the venture to deduct expenses related to the venture. These expenses are claimed on line 224 of your income tax return. If you claim exploration and development expenses in these circumstances, it is based upon information provided to you by the principals of the venture. As these expenses which are claimed as a deduction by you are determined by others, audits, reviews, and tax reassessments based upon a denial of a portion or all of these expenses fall outside the scope of the Plan.

Scientific Research & Experimental Development Investment Tax Credits (Lines 412 & 454)

The Canada Revenue Agency administers the federal government's Scientific Research & Experimental Development (SR&ED) program. It is a tax incentive program that provides for an investment tax credit (ITC) for qualified expenditures incurred for SR&ED engaged in Canada. Audits, reviews, and reassessments by the CRA of SR&ED expenses and claimed ITCs fall outside of the scope of the Plan.

Excluded Costs

The Canadian Tax Audit Protection Plan™ is designed to provide individual Canadians with the advice, experience, and expertise of a qualified tax lawyer or law firm and their staff in the event that their personal income tax return is audited or reassessed by the Canada Revenue Agency. The Plan does not cover additional fees or charges, such as the professional fees charged by your accountant, tax preparer, or financial planner, disbursements incurred by Sixth Sphere in the course of assisting and representing you, or other costs associated with challenging a tax audit or reassessment. You are responsible for reimbursing Sixth Sphere and any Plan Participating Law Firm for any expenses and disbursements they incur on your behalf, including office charges allocated to your file.

Why? There are two primary reasons.

First, no two tax cases are the same. The issues and evidence required to prove a person is entitled to deduct employment expenses are substantially different from proving the fair market value of a piece of property at the time of a deemed disposition for capital gains purposes. The former generally won't require the evidence of an expert whereas the latter will require a report and testimony from a professional valuator. It would be inequitable for other Members of the Plan to cover the extraordinary and out-of-pocket expenses associated with certain types of tax objections and appeals. It would also significantly increase the annual membership fee, thereby placing the benefits of membership beyond the financial reach of many of the Plan's Members.

Second, by having Members bear a portion of the costs associated with objecting to and appealing their own tax reassessment ensures that a Member does not use the Plan's resources to pursue frivolous objections and appeals in circumstances where there is no reasonable chance of success. This would not be fair to other Members of the Plan as it would not only waste the Plan's resources but would substantially increase the cost of membership for all Members.

Examples of Excluded Costs

The following is a list of examples of the types of expenses that may be involved in challenging a tax audit or reassessment for which a Member would be responsible for paying, or if the expense is incurred by Sixth Sphere or a Plan Participating Law Firm on behalf of the Member, for reimbursing Sixth Sphere or the Plan Participating Law Firm.

Accounting & Bookkeeping Fees

A Member's accountant or bookkeeper can provide invaluable assistance to a Member during an audit and in the course of objecting to a reassessment. The Plan, however, is not responsible for paying any amounts that may be charged by the Member's accountant or bookkeeper to assist the Member or Sixth Sphere or a Plan Participating Law Firm in the course of an audit or objecting to or appealing a reassessment, even if the accountant or bookkeeper is a Participating Tax Professional.

Why?

Once again, it comes down to ensuring equity and fairness between the Member of the Plan. For example, many taxpayers keep organized and complete books and records along with annual financial statements with the assistance of their accountant or bookkeeper. Others, however, may not. If a Member who hasn't maintained organized accounting records is audited by the CRA, it may be necessary to organize their books and records and to prepare proper financial statements in order to challenge or overturn any resulting reassessment by the CRA. If the fees charged by the Plan Member's accountant to undertake this work were paid for by the Plan, it would effectively mean that those Members who independently maintained organized accounting records and financial statements would be paying for this work to be done for a Member who chose to organize their accounting records after the fact. By ensuring all Members of the Plan are responsible for the professional fees charged by their own accountant, bookkeeper, or tax preparer ensures that all Members are treated equally.

Experts

Not all audits and assessments involve the same issues. Sometimes, to resolve the issues, it is necessary to involve experts in order to give opinions or provide testimony in order to settle the dispute. A common example is where the Canada Revenue Agency alleges that the fair market value of a particular item was higher than the amount recorded or declared by the taxpayer. In such a circumstance, it is necessary to retain the services of a professional valuator. Because the requirement for expert testimony is the exception rather than the rule, to be fair to the other members of the Plan, a Member is responsible for paying the expert's fees.

Court Fees & Other Disbursements

To institute an appeal before the Tax Court of Canada and for certain steps taken during the Tax Court of Canada process, the Tax Court of Canada charges certain filing fees. These fees currently range between \$100 for an appeal taken under the Informal Procedure Rules of the Tax Court of Canada to \$550 for an appeal involving federal tax in dispute of \$150,000 or more. These filing fees and any other disbursements incurred on your behalf remain your responsibility and to the extent they are incurred by Sixth Sphere or a Plan Participating Law Firm, you are responsible for their reimbursement. Other disbursements that may arise in the course of a tax

appeal include such items as process server fees, witness fees and conduct money, court reporter fees, photocopying charges, registry searches such as land title search fees and personal property registry search fees, long distance calls, faxes, postage, deliveries, photocopying, and agents' fees. Such fees and other disbursements are the financial responsibility of the Member and not the Plan.

Travel Costs

The legal services provided to you under the Plan will be provided to you by telephone, fax, email, post, or the Internet. In a perfect world, the Plan would be able to provide all Members with service in-person in every town and city across Canada. However, Canada is the second largest country in the world and the costs of providing such face-to-face service would be prohibitively expensive. Thankfully, technology makes it possible to provide you with the advice and expertise of experienced, qualified tax lawyers regardless of where you are located.

That being said, there are steps in the tax objection and appeals process when you and your Sixth Sphere lawyer may need to meet in-person. For example, when oral examinations-for-discoveries are held as part of the appeal process to the Tax Court of Canada and for actual hearings before the Tax Court of Canada. Such in-person meetings and proceedings will take place in whichever of the following major Canadian cities is closest to you: Victoria, Vancouver, Calgary, Edmonton, Regina, Saskatoon, Winnipeg, Toronto, Ottawa, Montreal, Halifax, or St. John's. Should a Member choose or request that such meetings or proceedings take place outside of these major cities, the Member shall be responsible for reimbursing Sixth Sphere or the Plan Preferred Law Firm for the travel and accommodation costs of the attending lawyer.

Court Ordered Costs

If a taxpayer chooses to appeal a reassessment to the Tax Court of Canada, and if the taxpayer is not successful, the Tax Court may order the taxpayer to pay the Crown's "Costs". Costs are generally comprised of the other side's out-of-pocket costs, plus an amount to pay a portion or all of the winning side's legal fees. If a Member of the Plan appeals a reassessment to the Tax Court of Canada and the Court orders the Member to pay costs to the Crown or any other party, the Plan Member is solely responsible for paying such Court-Ordered Costs.

Conversely, if a taxpayer appeals a reassessment to the Tax Court of Canada and his or her appeal is successful, the Tax Court may order the Crown to pay the taxpayer's Costs. If a Member of the Plan appeals a reassessment to the Tax Court of Canada and the Court orders the Crown or other party to pay the Member's Costs, the Costs received from the Crown or other party shall be divided between the Member and the Plan as follows:

- (a) First, all disbursements and out-of-pocket costs incurred by the Member shall be paid out of the Costs award to the Member, and then
- (b) The balance, if any, of any Costs award shall be divided pro rata between the Member and Sixth Sphere based upon the hours of legal service paid for by the Member and the Hours of Service provided by Sixth Sphere under the Plan.

Additional Fine Print

The Plan is Not Insurance

Please note that the Plan is not insurance but rather a limited retainer agreement between you and Sixth Sphere Services Professional Corporation. If you are reassessed by the CRA, the Plan does not pay any taxes, interest, or penalties owing by you. You remain solely liable for these amounts. By becoming a Member of the Plan, you have retained Sixth Sphere on a limited basis to advise, assist, and represent you in respect of an audit or reassessment of your 2008 Income Tax Return to the extent set out under the Plan's Terms & Conditions for the particular Taxation Year. Merely because you have retained legal counsel does not mean that you don't owe the additional amounts assessed by the CRA. In fact, the *Income Tax Act* deems the amounts assessed by the CRA to be immediately due, owing, and payable. Sixth Sphere will be able to assist you in reviewing the reassessment, determining if the CRA made any errors or erroneous assumptions, and, if appropriate, to assist you in objecting to and appealing the CRA's reassessment.

If you are reassessed, it is generally in your best interest to pay the amounts assessed immediately and then to proceed to object to or appeal the reassessment. If you do not and your objection or appeal is not successful, interest will continue to accrue on the amounts reassessed by the CRA, resulting in you owing even more money to the CRA. Furthermore, such interest is not deductible for income tax purposes.

If you do pay the additional amounts assessed immediately and your objection or appeal is successful (in whole or in part), the CRA will pay interest to you on your excess payment.

No Guaranteed Outcome

As a 2008 Member of the Plan, if your 2008 Taxation Year is audited or reassessed, Sixth Sphere will work with you towards your desired outcome in accordance with the scope and limits of the Plan. However, the outcome of any income tax objection or appeal to the Tax Court of Canada is subject to many possible variables such as the demeanour and recollection of witnesses, the availability of substantiating documents and other evidence, and the evidence marshaled by the Canada Revenue Agency – all of which affects the decision of a CRA Appeals officer or a Tax Court of Canada judge. Accordingly, Sixth Sphere cannot guarantee that your desired result will in fact be achieved. For you and Sixth Sphere to work towards your desired outcome, it will be necessary for you to cooperate with Sixth Sphere and abide by the Terms & Conditions of the Plan.

Who Will Provide the Hours of Legal Service

The Hours of Legal Service provided to you as a 2008 Member of the Plan will be performed by lawyers, paralegals, law clerks, and other staff employed by Sixth Sphere. To the extent that work is performed by paralegals, law clerks, or other staff of Sixth Sphere, such work will be supervised by a Sixth Sphere lawyer. Sixth Sphere reserves its right to select the lawyers and staff who will provide and perform the Hours of Legal Service, including the right to contract work to other lawyers and law firms. While we will seek to accommodate any request you might have as to the Sixth Sphere lawyers and staff who may be assigned to assist you or, if Sixth Sphere chooses contract the work to other lawyers or another law firm, with respect to your

preference of such counsel, the selection, choice, and assignment of lawyers and staff to your file remains exclusively within Sixth Sphere's discretion.

Hours of Legal Service Have No Monetary Value

The Hours of Legal Service provided to you as a Member of the Plan by Sixth Sphere have no monetary value and no specific notional dollar value.

If you choose to retain another lawyer or law firm on your own to assist you with respect to a tax audit or reassessment of your 2008 Taxation Year – even if the lawyer or law firm is a Plan-Preferred Law Firm – Sixth Sphere will not pay or reimburse you for your any legal fees that you might pay or owe to such lawyer or law firm nor does it have any obligation to do so.

The Hours of Legal Service also do not have any dollar value. The value you receive from the Hours of Legal Service provided to you by Sixth Sphere under the Plan very much depend upon the type of services performed. Like most law firms, Sixth Sphere's lawyers, paralegals, law clerks, and other professional staff will keep track of the time spent working on your file. Any such time spent working on your file will be attributed to and drawn down against the Hours of Legal Service available to you under the Plan. Who performs the works will depend upon the sophistication of the work your file requires.

For example, assume you are notified by the CRA that your 2008 income tax return will be audited. One of the first steps you should take is to ensure that your receipts and other documents that support the amounts you reported in your return are properly organized and categorized. If you ask Sixth Sphere undertake that task for you as part of the Hours of Legal Service available to you under the Plan, Sixth Sphere will generally assign a paralegal to perform that work and the time taken by the paralegal to perform this task will be drawn down against the Hours of Legal Service available to you under the Plan. Conversely, if you undertake this work yourself or have your accountant or bookkeeper do it for you, the Hours of Legal Service from Sixth Sphere available under the Plan will remain available for more sophisticated legal work and advice. For example, typically at the end of an audit, the CRA auditor will issue a "proposal to assess" letter outlining the changes he or she proposes to make and the reasons why. A possible better use of hours of Legal Service available to you under the Plan would be to request that the letter be reviewed by Sixth Sphere to provide comments and suggestions as to how to refute the position of the auditor as outlined in the proposal to assess letter.

Fees for Additional Legal Services

If you require additional legal services that are beyond the Hours of Legal Service provided to you under the Terms & Conditions of the Plan and you engage Sixth Sphere to provide those additional legal services to you, then Sixth Sphere's fees will be based principally on the time spent by it on your behalf. Records of all time will be kept and accounts will then be prepared and sent to you periodically. Sixth Sphere's fees for such additional legal services will be calculated on the basis of our normal hourly rates at the time the services are performed, but subject, of course, to the 20 per cent reduction that is available to you as a 2008 Member of the Plan if the additional legal services related to a tax audit or reassessment that relates to your 2008 taxation year or an audit or reassessment of a 2008 fiscal period of a corporation that you own and control.

Before we begin any additional legal services on your behalf, we may require a retainer to secure our fees for such additional legal services. The amount of the retainer will be determined by us at the time you request such additional legal services. The retainer will be placed in our trust account and will serve as a source of payment for all or part of our account or accounts when rendered for such additional legal services. You will be asked to replenish the retainer from time to time. Any unused portion of the retainer will be returned to you upon the completion or termination of our services in respect of any additional legal services.

Information & Disclosure Regarding Participating Accountants, Financial Planners, & Other Tax Professionals

Any accountant, financial planner, or other tax professional (including any Plan Participating Law Firm) is independent and separate from the Plan and is not an agent, servant, or partner of Sixth Sphere Services Professional Corporation. Sixth Sphere does not represent, warrant, or covenant in any way the quality or accuracy of any services or goods that they provide to you.

Lawyers and law firms that have agreed to participate in the Plan by becoming Plan Participating Lawyer or Law Firm are not required to pay any amount to Sixth Sphere to participate. Equally, any accountant, financial planner, or other tax professional that has agreed to participate by becoming a Participating Tax Professional is not required to pay any amount to Sixth Sphere to participate.

Sixth Sphere does pay a service fee to Participating Tax Professionals to compensate the Participating Tax Professional for the time they take and resources they use during the tax season to inform you and their other clients of the benefits, exclusions, and scope of the Plan, to complete the membership application process on your behalf and on behalf of their clients, and to provide assistance to Members of the Plan in obtaining legal services from Sixth Sphere under the Terms & Conditions of the Plan should a member request such assistance. The service fee paid by Sixth Sphere to Participating Tax Professionals for these services is an amount equal to 15 per cent of the aggregate memberships purchased by them during a particular tax season on behalf of their clients, with 2/3rd of the service fee being payable to the Participating Tax Professional following the end of the particular tax season, and the remaining 1/3rd being payable to the Participating Tax Professional three years following the end of the particular tax season provided the percentage of Plan Members whom the Participating Tax Professional assisted in becoming Members of the Plan for the particular Taxation Year who were audited within the three year period did not exceed the CRA's target audit rate for small and medium-sized businesses for the particular Taxation Year.

Members' Responsibilities & Obligations

To successfully deal with any tax audit or to successfully object to or appeal a tax reassessment, it is important to keep in mind that all that your accountant or tax professional, Sixth Sphere, and any Plan Participating Law Firm retained to represent you can do is assist, advise, and represent you. Any taxes, interest, and penalties that are ultimately assessed are your responsibility and it is essential that you remain actively involved and participate in the audit, objection, and appeal process. This includes ensuring that any correspondence you receive from the CRA is dealt with in a timely manner and that you continue at all times to cooperate with the professionals who are

assisting and advising you. It is also important to realize that there are certain strict deadlines and limitation periods contained in Canada's tax legislation and that if they are missed, you may lose all of your rights of appeal.

45 Days To Send Certain Documents Received From CRA

The *Income Tax Act* (Canada) provides taxpayers 90 days to appeal

- (a) a reassessment of tax, or
- (b) a decision made by the Appeals Division of the CRA.

The 90-day limitation period starts on Date of Mailing of the Notice of Reassessment or the Notice of Decision. In order for Sixth Sphere to have sufficient time to properly assist you in objecting to or appealing such a reassessment or decision, we must receive from you a copy of the Notice of Reassessment or Notice of Decision within 45 days of the Date of Mailing of the Notice. If we do not receive the Notice within 45 days, Sixth Sphere shall have no obligation to provide any Hours of Service to you to assist, advise, or represent you with respect to objecting to or appealing the reassessment or decision. Furthermore, you shall not be entitled to any refund of any portion of any membership fee paid by you to Sixth Sphere to participate in the Plan. For information on where to send the Notice and how to obtain the Plan's assistance, please see the section "Obtaining Legal Assistance".

Co-operation

As a Member, it is essential that you cooperate with Sixth Sphere and any Plan Participating Law Firm to assist us in assisting you. Cooperation includes providing documentation and information within a reasonable period of time when requested to do so. If at any time you cease to cooperate with us in any reasonable request, we may terminate our services to you, including ceasing to provide any remaining Hours of Service under the Plan. If we terminate our services as a consequence of your failure to cooperate with us, you agree that we shall have no obligation to return any portion of any membership fee(s) previously paid by you to us. If you have retained Sixth Sphere to provide additional legal services to you that are beyond the Hours of Service provided under the Plan and we terminate our services as a consequence of your failure to cooperate with us, you are only required to pay Sixth Sphere's fees and expenses up until the time we stop acting for you.

Obtaining Legal Assistance

What to do in the event . . .

. . . of a AUDIT by the CRA

If you are a 2008 Member of The Canadian Tax Audit Protection Plan™ and are notified by the Canada Revenue Agency that they intend to audit your 2008 Taxation Year, you must send the following documents to us before we will commence providing legal services to you under the Terms & Conditions of the Plan.

- (1) A copy of your 2008 T1 Income Tax & Benefit Return;
- (2) A copy of your 2008 Notice of Assessment;
- (3) A copy of the letter from the CRA informing you that they intend to audit your books and records in respect of your 2008 Taxation Year; and
- (4) A Request for Legal Assistance Form.

Once we receive this documentation from you, we will confirm that you did, in fact, qualify for Membership in the Plan at the time you applied for your 2008 Membership, and if so, we will then contact you to schedule a time for you to speak with you, or your accountant or tax advisor should you direct us to do so.

... of receiving a NOTICE OF REASSESSMENT

If you are a 2008 Member of The Canadian Tax Audit Protection Plan™ and you receive a Notice of Reassessment from the Canada Revenue Agency in respect of your 2008 taxation year, ***we must receive from you within 45 days of the Date of Mailing of the Notice of Reassessment*** the following documents in order for us to provide or continue to provide legal services to you under the Terms & Conditions of the Plan. If we do not receive these documents within 45 days, Sixth Sphere shall have no obligation to provide or continue to provide any legal services to you under the Terms & Conditions of the Plan. You do not need to resend any of these documents if you have already sent them to us as part of an audit.

- (1) A Request for Legal Assistance Form;
- (2) A copy of the Notice(s) of Reassessment in respect of which you are seeking assistance from the Plan;
- (3) A copy of any letter or letters you received from the Canada Revenue Agency in which they set out the basis upon which they proposed to reassess you and a copy of the CRA auditor's working papers to the extent that such papers were provided to you;
- (4) A copy of your T1 Income Tax & Benefit Return for the taxation year(s) in question; and
- (5) A copy of your Notice(s) of Assessment for the taxation year(s) in question.

Once we receive this documentation from you and have confirmed that you did, in fact, qualify for Membership in the Plan at the time you applied for your 2008 Membership (if we have not already done so), we will contact you to schedule a time to speak with you to advise and assist you with respect to the reassessment.

... of receiving a NOTICE OF DECISION from CRA Appeals

If you are a 2008 Member of The Canadian Tax Audit Protection Plan, you have filed a Notice of Objection with the CRA in respect of a reassessment by them of your 2008 Taxation Year, and you receive a Notice of Decision or Notice of Reassessment in response to your Notice of Objection, ***we must receive from you within 45 days of the Date of Mailing of the Notice of Decision*** the following documents in order for us to provide or continue to provide legal services

to you under the Terms & Conditions of the Plan. If we do not receive these documents within 45 days, Sixth Sphere shall have no obligation to provide or continue to provide any legal services to you under the Terms & Conditions of the Plan. You do not need to resend any of these documents if you have already sent them to us.

- (1) A Request for Legal Assistance Form;
- (2) A copy of the Notice(s) of Decision and/or Notice(s) of Reassessment in respect of which you are seeking assistance from the Plan;
- (3) A copy of the Notice(s) of Objection that you filed with the Canada Revenue Agency or that were filed on your behalf;
- (4) A copy of any letter or letters you received from the Canada Revenue Agency in which they set out the basis upon which they proposed to reassess you and a copy of the CRA auditor's working papers to the extent that such paper were provided to you;
- (5) A copy of your T1 Income Tax & Benefit Return for the taxation year(s) in question;
- (6) A copy of your Notice(s) of Assessment for the taxation year(s) in question; and
- (7) A T1013 Form (Authorizing or Cancelling a Representative) authorizing the CRA to deal with Sixth Sphere Services Professional Corporation as your representative in respect of your 2008 taxation year;

Once we receive this documentation from you and have confirmed that you did, in fact, qualify for Membership in the Plan at the time you applied for your 2008 Membership (if we have not already done so), we will contact you to schedule a time to speak with you to advise and assist you with respect to the reassessment.

How & Where To Send These Documents

You may send these documents to us:

BY MAIL or COURIER	The Canadian Tax Audit Protection Plan c/o Suite 402 – 1999 Nelson Street Vancouver, BC V6G 1N4 ATTENTION: Audit Services
BY FAX	(416) 866-8278

Termination of Membership in the Plan

Your 2008 Membership in The Canadian Tax Audit Protection Plan™ commences on the date that you purchase your 2008 Membership and terminates on the earlier of:

- day that is three years following the Date of Mailing of your 2008 Notice of Assessment, and
- December 31, 2012.

Your Membership Termination Rights

You have the right to terminate your 2008 membership in the Plan upon written notice to us.

If you terminate your membership in the Plan within 30 days of the date of purchasing your 2008 membership in the Plan and you have not requested or received any services under the Plan, we shall refund to you your 2008 Membership Fee in full.

If you terminate your membership within one year of the date of purchasing your 2008 membership in the Plan and you have not requested or received any services under the Plan, we shall refund to you 50 per cent of your 2008 Membership Fee.

If you terminate your 2008 membership in the Plan at any other time or at any time after you have requested or received services under the Plan, you shall not be entitled to any refund of any portion of your 2008 Membership Fee.

You have the right to terminate any additional legal services you have engaged us to provide to you that are beyond the scope of the Hours of Service provided by us under the Plan upon written notice to us. If you so terminate our provision of such additional services, you will only have to pay our fees and expenses for those additional services up until the time we stop acting for you.

Our Termination Rights

We reserve the right to terminate your 2008 Membership in the Plan for any reason at any time prior to your seeking to obtain legal services from us under the Terms & Conditions of the Plan. If we exercise this right to terminate your 2008 Membership, we shall do so by providing written notice to you at the mailing address you provided at the time you purchased your 2008 Membership in the Plan and concurrently refunding to you in full your 2008 Membership Fee.

Subject to our obligations to you to maintain proper standards of professional conduct, we reserve our right to terminate your 2008 Membership in the Plan at any time after you have sought to obtain legal services from us under the Terms & Conditions of the Plan for good reasons which include, but are not limited to:

- If at any time after receiving your request for legal assistance it is determined that you were not, in fact, eligible for Membership in the Plan at the time you applied for Membership because you did not meet any one of the prequalifying conditions to membership or failed to file your 2008 Income Tax Return by the due date;
- If you fail to cooperate with us in any reasonable request;
- If our continuing to act would be unethical or impractical;
- If you have not paid our retainer for any additional legal services requested that are beyond the Hours of Service provided under the scope of the Plan;
- If you fail to pay our accounts for any such additional legal services when rendered.

If, for good reasons, we terminate your 2008 Membership in the Plan or we withdraw, we shall be entitled to retain and not be obligated to refund any portion of your 2008 Membership Fee, and to the extent that we have provided any additional legal services to you, you will only have to pay our fees and expenses for those additional legal services up until the time we stopped acting for you.

APPENDIX A: Understanding the CRA's Audit & Appeal Process

Pre-Assessment Review

Once you file your tax return with the CRA, the return goes through a pre-assessment review by the CRA. The pre-assessment review is typically a very basic review of the information you filed in your return. If the CRA has any questions at that time regarding your return or the information you have provided, they will contact you and ask you to provide such information or documentation to support the amounts you reported in your return. For example, they may ask you to provide receipts to support the charitable deductions you claimed in your return or invoices and receipts to evidence any moving expenses you may have claimed. Once the pre-assessment screening is completed, the CRA will issue to you a **Notice of Assessment**.

Audit & Reassessment

Merely because you've received a Notice of Assessment does not mean that that you do not owe any additional taxes. The Income Tax Act gives the CRA broad powers to conduct a subsequent and much more detailed review or audit of your income tax return. Generally speaking, the CRA has three years from the Date of Mailing of your Notice of Assessment to further audit your income tax return and to reassess the taxes you owe. If you have been selected for an audit, the CRA will generally send you a letter informing you that they intend to audit your tax return, telling you when they would like to start the audit, and instructing you on the information and documentation that you are to make available to them for their inspection. Once they have completed their audit, the CRA will send you one of two possible forms of letters. The first, if you are one of the very few and very lucky, is a letter informing you they have completed their audit and that they have no changes or adjustments. The second, and much more common, is a **Proposal to Reassess Letter**. This letter will inform you that they are in the process of completing their audit, that they are proposing to reassess you, and providing details of the changes and adjustments that they propose to make. The letter will then inform you that you have 30 days from the date of the letter to provide further information or submissions regarding the CRA's proposed reassessment. Once they have reviewed any further information you have provided to them, the CRA will then issue to you a **Notice of Reassessment** that will set out the additional taxes they believe you owe, along with any interest and penalties that they have assessed.

Filing A Notice of Objection

Upon receipt of a Notice of Reassessment, you have 90 days from the date of mailing of the Notice to file with the CRA a formal **Notice of Objection** to the reassessment. Your Notice of Objection will then be considered by the Appeals Division of the CRA. The CRA's Appeals Division may (a) vacate the CRA auditor's reassessment, (b) confirm the auditor's reassessment of your tax return, or (c) make its own adjustments and issue to you a new Notice of Reassessment. In any event, they will issue to you a **Notice of Decision** outlining the reasons that they have chosen to vacate, confirm, or vary the CRA auditor's reassessment of your return.

Appealing to The Tax Court of Canada

Once you receive a Notice of Decision from CRA Appeals in respect of your Notice of Objection, you have the right to appeal that decision to the Tax Court of Canada. However, in order to do so, you must file a Notice of Appeal with the Tax Court of Canada (and pay the prescribed filing fee) within 90 days of the date of mailing of the CRA's Notice of Decision.

APPENDIX B: Prequalifying Conditions to Membership

You must meet all of the following conditions in order to qualify for Membership in the Canadian Tax Audit Protection Plan™.

If you become a Member of the Plan and it is subsequently determined that you did not meet any one of these conditions, Sixth Sphere shall have no obligation to provide any Hours of Legal Services to you or to refund any portion of your Membership Fee. If Sixth Sphere does provide any Hours of Legal Services to you and it is subsequently determined that you did not meet any one of these conditions, you are obligated to pay Sixth Sphere for its services based upon Sixth Sphere's Normal Hourly Rates for the legal services provided.

Pre-Conditions To Membership

1. 2008 Tax Returns Filed On Time

- (a) *Federal Income Tax*: Your 2008 T1 Income Tax & Benefit Return has been or will be filed with the Canada Revenue Agency on or before its due date.
- By June 15th, 2009, if you or your spouse was self-employed in 2008; or
 - By April 30, 2009 in all other cases.
- (b) *GST/HST*: If you are self-employed and registered for GST/HST purposes and have chosen to extend the benefits of your 2008 Membership in the Plan to include your 2008 GST/HST return(s), you must have filed all of your 2008 GST/HST return(s) with the CRA on or before their due date.

2. No Outstanding Tax Returns or Disputes

On the day your Membership in the 2008 Canadian Tax Audit Protection Plan™ is purchased:

Not Currently Under Audit

- (a) You cannot be under audit by any Canadian Tax Authority (i.e. income tax, GST/HST, payroll source deductions, CPP/EI, provincial income tax, provincial sales tax, etc.) and if you have previously been audited by any Canadian Tax Authority, such audit must have been finalized and concluded;

No Notice of Pending Audit

- (b) You cannot have received or been notified by any Canadian Tax Authority that it intends to audit you or any tax or information return previously filed by you;

No Outstanding Tax Disputes

- (c) You cannot have any outstanding or unresolved disputes with any Canadian Tax Authority, such as an outstanding Notice of Objection or tax appeal;

No Outstanding Tax Returns

- (d) You cannot have any tax or information returns (i.e. income tax, GST/HST, payroll source deductions, CPP/EI, provincial income tax, provincial sales tax, etc.) that are outstanding and that are overdue;

No Outstanding Adjustment Requests or Voluntary Disclosures

- (e) You cannot have made any request to any Canadian Tax Authority to adjust any previously-filed tax or information return (including any voluntary disclosure to any tax authority of any error previously made in filing any tax or information return) that remains outstanding or that is still awaiting consideration or approval by the particular tax authority to whom the request was made (*other than* an outstanding request to carry back losses you reported in your 2008 T1 Income Tax & Benefit Return to earlier years).

Not a “Large Business”

- (f) You cannot be a sole proprietor who carries on a “Large Business” which is defined by the Canada Revenue Agency as being a business with annual revenues greater than \$250,000,000.

3. Compliance By Partnership of which The Taxpayer Is A Member

If in 2008 you were a member of a partnership (other than as a limited partner in a limited partnership), then on the date your 2008 Membership in the Plan is purchased – any such partnership of which you were a member in 2008:

Not Currently Under Audit

- (a) Cannot be under audit by any Canadian Tax Authority (i.e. income tax, GST/HST, payroll source deductions, CPP/EI, provincial income tax, provincial sales tax, etc.) and any prior audit of any such partnership by any Canadian Tax Authority must have been finalized and concluded;

No Notice of Pending Audit

- (b) Cannot have received or been notified by any Canadian Tax Authority that the tax authority intends to audit the partnership or any tax or information return previously filed by the partnership;

No Outstanding Tax Returns

- (c) Cannot have any tax or information returns (i.e. income tax, GST/HST, payroll source deductions, CPP/EI, provincial income tax, provincial sales tax, etc.) that are outstanding and that are overdue;

Is Not a “Large Business”

- (d) Is not or does not carry on a “Large Business” which is defined by the Canada Revenue Agency as being a business with annual revenues greater than \$250,000,000.

4. Compliance By Corporation Affiliated or Controlled By Taxpayer

If in 2008 you were an officer or director of a corporation and you directly or indirectly own or owned more than ten per cent (10%) of the voting stock of that corporation, then on date that your 2008 Membership in the Plan is purchased – any such corporation:

Not Currently Under Audit

- (a) Cannot be under audit by any Canadian Tax Authority (i.e. income tax, GST/HST, payroll source deductions, CPP/EI, provincial income tax, provincial sales tax, etc.) and any prior audit of any such corporation by any Canadian Tax Authority must have been finalized and concluded;

No Notice of Pending Audit

- (b) Cannot have received or been notified by **any** Canadian Tax Authority that the tax authority intends to audit the corporation or any tax or information return previously filed by the corporation;

No Outstanding Tax Returns

- (c) Cannot have any tax or information returns (i.e. income tax, GST/HST, payroll source deductions, CPP/EI, provincial income tax, provincial sales tax, etc.) that are outstanding and that are overdue;

Is Not a “Large Business”

- (d) Is not or does not carry on a “Large Business” which is defined by the Canada Revenue Agency as being a business with annual revenues greater than \$250,000,000.