PRIVATE COMPANY SHARES/PREFERRED SHARES

It is possible to donate private company shares (preferred shares or non-qualifying shares) to the College and receive a charitable tax receipt for the value of the shares. This is a particularly attractive situation as business owners look to transition their business to the next generation. Donors can relieve themselves of potentially significant tax liability while supporting the College's programs and activities.

Legal and tax advice should always be sought before a donation of private shares. There are several important tax rules that must be considered when donating private shares. Sophisticated planning is important and these gifts should not be rushed.

Private Company Shares are considered a non-qualifying security by CRA.

The ability to issue a charitable tax receipt depends on whether the non-qualifying security is considered an excepted gift. A non-qualifying security is considered an excepted gift if it meets all the following criteria:

- It is in the form of a share.
- The charity receiving the gift is not a private foundation.
- The donor deals at arm's length with each of the charity's directors, officers and like officials.

If the private company shares are considered an excepted gift, the following tax planning benefits could be realized:

The donor could realize a taxable capital gain vs a taxable deemed dividend on the donation of the shares vs selling the shares and donating cash.

When the corporation redeems the shares from Assiniboine College, it could result in the corporation realizing a refund from its refundable dividend tax on hand (RDTOH) pool.

ILLUSTRATION of $100,000 Gift

In essence, the donation of private company shares would take a process that may follow this illustration below:

1. Donor enters into an agreement with Assiniboine College to donate $1000,000 in private company shares. The agreement is to refer to the timing and amount of the donation, the timing on converting the private shares to cash, and recognition and benefits to the donor. Legal documents including the

share transfer agreement, new share certificates, director's resolutions, and indemnities and guarantees may be required.

2. The private company shares must be valued by a Chartered Business Valuator.

3. Donor transfers $100,000 in private company shares to Assiniboine College.

4. The donor's company declares a $100,000 taxable deemed dividend to the charity and avoids tax on the dividends.

5. Within 60 months of the disposition, the donor's company buys back the shares at the fair market value of $100,000 and the College issues a charitable tax receipt for $100,000.

6. The redemption of the shares triggers a taxable dividend to charity, which pays no tax, so the donor avoids the tax on the dividend.

7. If the donor's private corporation has a balance in its 'refundable dividend tax on hand" (RDTOH) account, then a taxable deemed dividend to redeem the shares gifted to charity would trigger a refund of the RDTOH.

The purpose of this publication is to provide general information, not to render legal advice. In addition, any changes in the tax structure may affect the examples listed in this information. You should consult your own lawyer, tax accountant or other professional advisor about the applicability to your situation.

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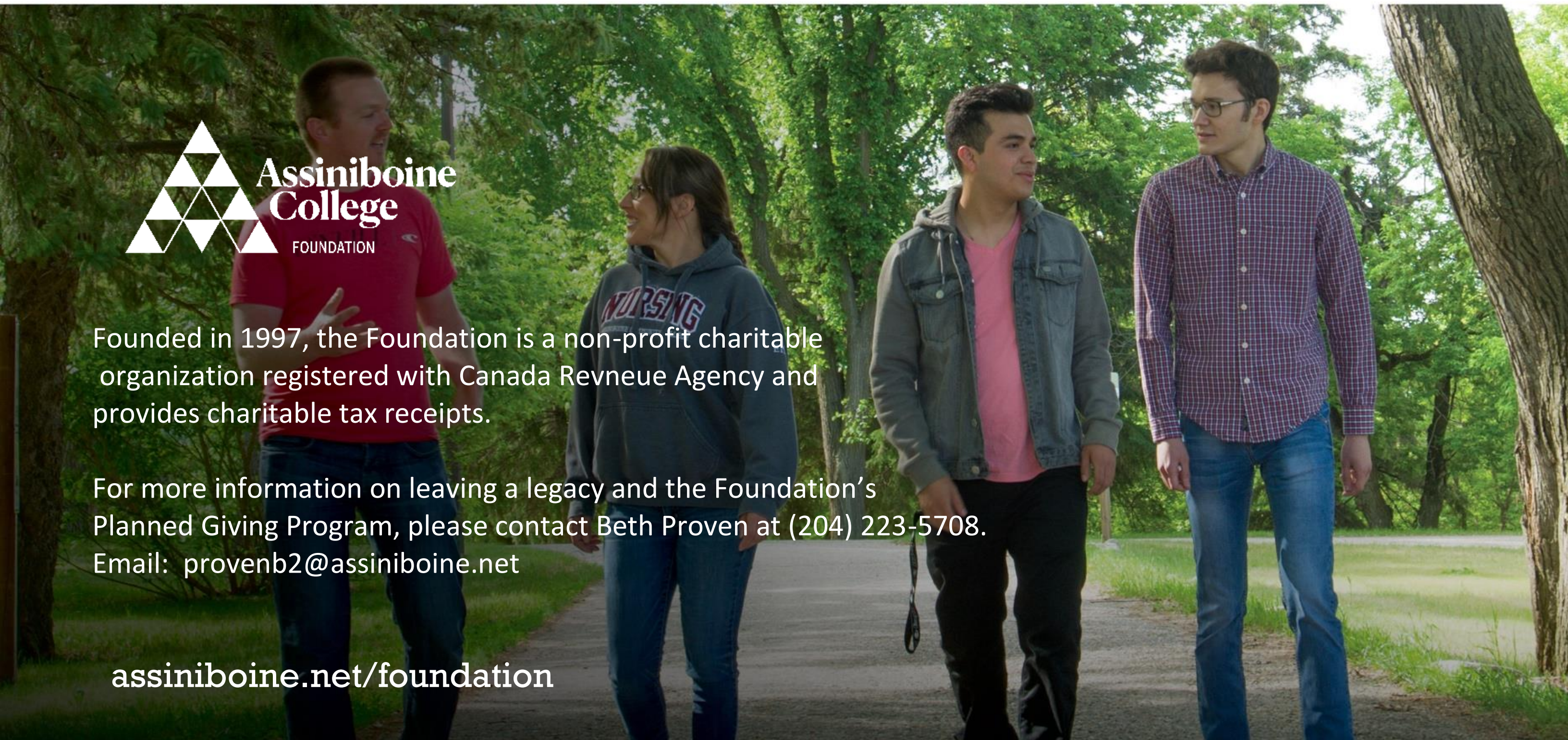

Assiniboine College
FOUNDATION

Founded in 1997, the Foundation is a non-profit charitable organization registered with Canada Revneue Agency and provides charitable tax receipts.

For more information on leaving a legacy and the Foundation's Planned Giving Program, please contact Beth Proven at (204) 223-5708.
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assiniboine.net/foundation