Dear Sir,

I need a definitive "yes" or "no" based strictly on the mechanical definitions in the Income Tax Act. Here are the exact facts of my IFA plan as you [sold it to me / advised me on it]:

- Year 1 Premium: $X million
- Year 1 Loan: $X million
- Year 1 Net Expenditure: $0
- Year 1 NCPI & Loan Interest Deductions: > $1

The legal contract is an annual renewable/callable loan. There was no bona fide written agreement in place at the time the debt arose to repay the capital within 10 years. Furthermore, no capital repayment has been requested by the bank, nor has any been made. The loan has simply rolled over annually, matching the original expectation that it will carry until death.

Given these facts, I have two questions regarding the statutory math:

1. Under Section 143.2(7)(b), a loan is deemed a 'limited-recourse amount' if it lacks a bona fide written arrangement to repay the principal within 10 years. Since there was no such agreement in place, and under Section 143.2(12), a 'series of loans' (like an annual rollover for 14 years) cannot bypass this 10-year limit, does this loan not automatically trigger classification as a limited-recourse amount?

2. If it is a limited-recourse amount, Regulation 3100(3) legally defines it as a prescribed benefit, driving the 'net cost' of the arrangement to $0. Since the NCPI deduction in Year 1 mathematically exceeds the $0 net cost, are you willing to put in writing that this arrangement does not meet the statutory definition of an unregistered tax shelter under Section 237.1(1)?

Finally, please advise as to why this statutory risk was not taken into consideration at the time of the placement of this plan.

Sincerely,
[NAME]