

**SHAAE (2001) Master Limited Partnership
Litigation Update
June 6, 2013**

The oral examination for discovery commenced on January 22, 2013, beginning with the representative of the Canada Revenue Agency (“CRA”) being discovered by Sentinel Hill’s counsel, Heenan Blaikie LLP. However, these discoveries were adjourned as a result of the CRA representative’s confirmation that it was CRA’s position that SHAAE (2001) Master Limited Partnership (“MLP”) and the second-tier production services partnerships (“PLPs”) did not constitute “partnerships” at law.

CRA had commenced the reassessment process by issuing partnership determinations to MLP and the PLPs. Given that a partnership determination can only be issued to a partnership, it raised the issue of how CRA could continue its support of the partnership determinations once it concluded that the partnerships never existed at law.

Consequently, the general partner of MLP instructed Heenan Blaikie to file motions to the Tax Court of Canada to rule whether the partnership determinations should be vacated or cancelled as a result of CRA’s position regarding the non-existence of the partnerships.

Given the uniqueness of this situation, a preliminary hearing in respect of the motion was held on June 4, 2013 for the sole purpose of determining whether the issue that was raised (i.e. were the partnership determinations vacated as a result of CRA’s position) was one that could be the subject of a motion under section 58 of the *Tax Court of Canada* Rules. At the end of the preliminary hearing, Justice Woods stated that she would need to consider the positions of the parties and therefore reserved judgment. It is not known how long it will take until Justice Woods renders her decision as to whether the substance of the motion can be heard.

Meanwhile, the timetable will continue to be held in abeyance.