



Department of Justice
Canada

Ministère de la Justice
Canada

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July 6, 2010

BY FAX

Warren J. A. Mitchell
Thorsteinssons
Barristers and Solicitors
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Dear Sir:

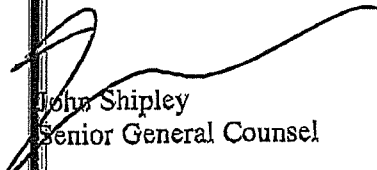
Re: **Robert C. Strother v. Her Majesty The Queen**
Court Number: 2007-329(IT)G - Justice File: 3-705321
Sentinel Hill Productions IV Corporation, member of Sentinel Hill No. 207 Limited
Partnership v. Her Majesty The Queen
Court Number: 2009-2247(IT)G - Justice File: 3-707093
Sentinel Hill Productions IV Corporation, member of SHAAE (2001) Master
Limited Partnership v. Her Majesty The Queen
Court Number: 2009-2248(IT)G - Justice File: 3-707094

The Canada Revenue Agency has now had an opportunity to consider the settlement offer dated June 11, 2010 respecting the 1998 appeals. I am instructed to reject the settlement offer.

In addition, the Canada Revenue Agency has now considered the counter-proposal to settle the 2001 appeal dated May 21, 2010. I am also instructed to reject this settlement offer.

I have no instructions to provide any further offers to settle at this time. Absent acceptable proposals from your client, I suggest we move these matters forward as expeditiously as possible in accordance with the timetable discussed with Chief Justice Rip.

Yours truly,


John Shipley
Senior General Counsel

c.c. CRA, R. Carvalho