

HOW THE COIP PROGRAM WORKS

Promoting Philanthropy Through An Innovative Donation Program

COIP is a Canadian leader in the New Philanthropy, a philosophy that seeks new ways to encourage people to increase charitable giving. COIP has developed an innovative tax shelter program that creates an incentive for Canadians to open their wallets to help save the lives in Africa. Traditionally, tax shelters have been used by Canada's wealthiest individuals and corporations. COIP is providing the same opportunity to all Canadians as a way of inspiring them to make a difference in combatting the African AIDS epidemic. Indeed, the COIP program enables donors to leverage their donation using existing provisions in the Income Tax Act of Canada thereby allowing for a net immediate "cash on cash" return.

The COIP donation program works in a seamless process where participants donate units of AIDS drugs purchased on credit terms. These drugs, referred to in medicine units (MUs), are donated to the Orion Foundation, which works with other organizations that have established distribution networks for those pharmaceuticals across Africa.

The Orion Foundation then issues a donation receipt for the value of the donated drugs, entitling donors to a tax credit. An optional second loan provides new repayment terms and an alternative method of satisfying the outstanding loan obligation.

The following is a step-by-step explanation of the financial transactions involved in the COIP donation program:

:: Phase 1: Drug Purchase and Donation ::

:: Transaction Process ::	:: Transaction Costs ::	
1. Donor purchases AIDS medicine units (MUs) from COIP on credit terms	1. Value of medical units (MU) purchased	\$7,200*
2. Donor pre-pays \$1,400 interest on 36 month loan term	2. Number of MUs donated to registered charity	626**
3. Donor donates MUs to registered charity	3. Prepaid interest on loan for MU	\$1,400
4. Registered charity issues receipt to the donor for purchase price of MUs**	4. Value of tax credit (\$7,200 x 46.41%*** tax rate)	\$3,342
5. Donor files for tax credit for equal to the fair market value of donated MUs times the highest marginal tax rate	5. Outstanding debt to COIP	(\$7,200)
	*Value varies over time. This figure used for demonstrative purposes only **Value of each MU is \$11.50 ***Tax credit amounts vary by Province and may vary by income level or other factors	



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REWARDING YOUR PHILANTHROPY

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:: Phase 2: Loan Refinancing (Optional) ::

:: Transaction Process ::	:: Transaction Costs ::
<ol style="list-style-type: none"> 1. Donor makes optional donation to second charity (at 2% of initial donation) 2. After 61 days, donor refinances loan with secondary provider, PanAggregate Financial Corporation (PFC) to lower interest rate to the minimum prescribed CRA interest rate and extend life of loan. PFC loan is only repayable in MUs 3. PFC facilitates payment of the outstanding COIP loan 4. The remainder of the pre-paid interest (minus two-months accrued interest) is transferred to PFC 5. PFC is paid back for initial loan with replacement MUs 	<ol style="list-style-type: none"> 1. Donation to second charity (2% of initial \$7,200 loan from COIP) \$144 2. Amount owed to COIP after PFC enables donor to pay back outstanding COIP loan \$0 3. Amount owed to PFC 626 MUs 4. Amount owed to PFC after purchase of replacement MUs \$0

:: Transaction Process ::	:: Transaction Costs ::														
<ol style="list-style-type: none"> 1. COIP loan 2. Prepaid interest on loan Optional 2% of donation paid to second charity total borrowing costs 3. Value of tax credit* Value of tax credit minus transaction costs Immediate "cash on cash" return on tax credit 	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">\$7,200</td> </tr> <tr> <td></td> <td style="text-align: right;">\$1,400</td> </tr> <tr> <td></td> <td style="text-align: right;">+\$144</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">\$1,544</td> </tr> <tr> <td></td> <td style="text-align: right;">\$3,342 (\$7,200 x 46.41%)</td> </tr> <tr> <td></td> <td style="text-align: right;">\$1,798 (\$3,349 - \$1,544)</td> </tr> <tr> <td></td> <td style="text-align: right;">116.45%**</td> </tr> </table>		\$7,200		\$1,400		+\$144		\$1,544		\$3,342 (\$7,200 x 46.41%)		\$1,798 (\$3,349 - \$1,544)		116.45%**
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*Tax credits vary by Province

**Does not include effect of repayment of loan

Tax Shelter #: TS071555
Quebec Tax Shelter #: QAF0601159

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