

Client: Prescient Foundation

Auditor: Jeanne Effler

Account # 855802708 RR0001

Date: April 1, 2008

File #: 3026623

Year End: Dec 1/04 - Nov 30/07

VISION POULTRY TRANSACTIONSParties Involved:

Vision Poultry Ltd. ("Vision") BN: 12091 8818 RC0001 (subsidiary of 570129)

570129 BC Ltd. ("570129") BN: 88748 5829 RC0001

Herman Dekker ("Dekker") SIN: 735 471 120

Riet Dekker-Vogel ("Vogel") SIN: 735 471 104

Theanon Charitable Foundation ("Theanon") BN: 89110 6841 RR0001

Essential Grace Foundation ("Essential") BN: 863309977 RR0001

The Gateway Benevolent Society ("Gateway") BN: 894271618 RR0001

Prescient Foundation ("Prescient") BN: 855802708

Philanthropy Without Frontiers ("PWF") BN: 137201315 RR0001

A review of the books and records of the Foundation and the 'Documents Binder' provided to auditor after the fieldwork revealed the following transactions took place as a result of the purchase and sale of assets and purchase of shares of Vision Poultry/570129 B.C. Ltd:

1) Loan to Vision and Payout of BMO Debt

Feb 14/05 Theanon gifts to PWF	\$1,100,000
Feb 25/05 Theanon gifts to PWF	90,000
Feb 25/05 PWF loans Vision (undated loan agreement directs Vision to pay off loans to BMO & Dekker & Vogel)	\$1,440,000
Feb 28/05 Payment made to BMO	\$1,086,955

2) Purchase of 570129 B.C. Ltd.

Feb 28/05 Gateway, Essential & Prescient purchase all shares of 570129. (undated purchase & sale agreement between Dekker & Vogel and Gateway, Essential & Prescient)	\$3,370,000
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COMPLETE VISION DOCUMENT BOOK
INCLUDES IN THEANON CHARITABLE
FOUNDATION AUDIT FILE.

800-1

3) Amalgamation of 570129 B.C. Ltd. And Vision Poultry Ltd.

Feb 28/05 Dekker & Vogel resign as directors and John Bromley (son of Blake Bromley) is named the sole director of 570129.

Mar 1/05 Amalgamation of Vision and 570129. (Property transfer tax return completed and filed between 570129 (purchaser) and Vision (vendor) re property at 42420 Keith Wilson Rd, Chilliwack).

4) Gift by 570129 BC Ltd to Theanon Charitable Foundation

Mar 1/05 570129 gifts all of the assets to Theanon (S/H are Gateway, Essential and Prescient - Sole director is John Bromley)

Deed of Gift between 570129 and Theanon:

FMV \$3,460,000

Debt 1,440,000

\$2,020,000 Eligible amount of gift

Schedule A: (Assets)

- 1) 30,050 Broiler Breeder Birds Quota
- 2) Land & improvements at 42420 Keith Wilson Rd, Chilliwack
- 3) Livestock (9,000 pullets and 6,000 breeders)
- 4) Machinery and equipment
- 5) Inventory

Mar 1/05 Official donation receipt issued to 570129 by Theanon

\$2,020,000

5) Sale of Assets of 570129 by Theanon to S. Brandsma and K. Brandsma

Mar 1/05 Contract of purchase and sale between Theanon and Steve and Krista Brandsma (prepared by BC Farm & Ranch Realty) Possession Noon March 2/05)

\$3,460,000

Note: Contract of purchase and sale originally signed on December 14, 2004 - Realtor BC

Farm & Ranch Realty - realtor G. Walton)

Deposit cheque (\$50,000) dated Jan 25/05 to realtor before Theanon owned assets and entered into purchase agreement with the same buyers.

Is it possible that the purchase agreement was rewritten on March 1, 2005 to indicate seller was Theanon, not 570129 or Vision?

Feb 28/05 Mortgage document between Brandsmas (borrowers) and Theanon (lender) was dated before the assets were gifted to Theanon from 570129 and before the sale of assets to Brandsma. (\$350,000 mortgage was part of the sale) - refer to Statement of Adjustments). \$350,000

Mar 1/05 Land Title Act transfer form completed on property at 42420 Keith Wilson Road between Theanon and Brandsmas (hand written note on transfer form specifies "do not register"

Land Title Act transfer form completed on property at 42420 Keith Wilson Road between 570129 and Brandsmas (registered)

Mar 1/05 Bills of Sales between Theanon & Brandsmas signed by Theanon director only:

1) for 30,050 Birds Quota	\$2,704,500
2) Equipment	40,000
3) Inventory (2 flocks)	<u>100,000</u>
Total	\$2,844,500

Variance between sale price \$3,460,000 and \$2,844,500 = \$615,500 value of land)

6) Assignment of Loan and Security

Mar 2/05 Brandsma debt owed to Theanon as a result of the sale (\$350,000) assigned to Dekkers. Page 2 states "Now therefore this agreement witnesses that in consideration of the sum of \$350,000,

the receipt and sufficiency of which is hereby acknowledged, the Assignor and Assignee " indicating the debt was paid by Dekkers.

No indication of the amount being received by Theanon although the loan is no longer outstanding on the 2006 f/s.

7) Charitable Gift by Dekkers to Theanon

Mar 2/05 According to Legacy Trust, Dekker donates \$350,000 to Theanon. (funds flow through trust account of Legacy Trust who in turn send the funds to Theanon.
Official donation receipt is issued by Theanon.

(Eligible amount of the gift should be 0 because the loan owed to Theanon and assigned to Dekkers was not paid off. This amount should be subtracted from the "donated amount" resulting in an eligible amount of gift of 0 for receipting purposes.)

Appendix "A"

Summary of 570129 BC Ltd/Vision Poultry Ltd ("570129) TransactionsParties Involved

Theanon Charitable Foundation (Theanon) was incorporated under the British Columbia Society Act on September 22, 1986. It is a registered charity.

Vision Poultry Ltd was incorporated in British Columbia on January 14, 1988. Prior to February 2005, it was owned by 570129. It owned various assets including bird quota, real estate and equipment.

570129 BC Ltd was incorporated in British Columbia on August 13, 1998. Prior to February 2005, it was owned by Herman Dekker and Riet Vogel.

Essential Grace Foundation (Essential) was incorporated under the BC Society Act on October 4, 2004. It is a registered charity.

Prescient Foundation (Prescient) was incorporated under the BC Society Act on March 18, 2004. It is also a registered charity.

Gateway Benevolent Society (Gateway) was incorporated under the BC Society Act on July 3, 2000. It is also a registered charity.

Philanthropy Without Frontiers (PWF) was incorporated under the Canada Corporation Act on March 18, 1993. It is also a registered charity.

Herman Dekker is the spouse of **Marie Vogel**. (The Dekkers). They are Canadian residents of British Columbia.

BC Farm and Ranch Realty (BC Farm) is a real estate company in BC specializing in farm property.

Legacy Advisors Law Corporation (Legacy) is a law firm that acted for various charities.

Sliman Stander & Co (Sliman) is a law firm that acted for the Dekkers.

John Glazema (Glazema) is a shareholder of BC Farm and a director of Gateway.

INCLUDES IN ITR (050)

Summary of Transactions

November 15, 2004

Listing agreement was signed between BC Farm and Ranch Realty (BC Farm) and 570129 whereby BC Farm agreed to sell property owned by 570129 for a commission. The property included real estate, 30,050 BC egg hatching quota and equipment.

December 14, 2004

Contract of Purchase and Sale was signed whereby Johnston Farms Ltd offered to purchase property from 570129 for \$3,460,000. A deposit of \$50,000 was to be paid once conditions were removed.

January 24, 2005

All conditions of the December 14th agreement were removed. This agreement was transferred from Johnston Farms Ltd to Steve and Krista Brandsma (the Brandsmas).

January 25, 2005

A cheque from the Borderline Cattle Company to BC Farm in Trust was written in the amount of \$50,000. (It is assumed that Borderline Cattle Company is the name of Brandsma's business).

February 8, 2005

A share purchase agreement was signed between Gateway and the Dekkers, the shareholders of 570129 whereby Gateway agreed to purchase all of the shares of 570129 for \$3,460,000. The deal was to close February 9th, although there is no evidence that it did.

February 14, 2005

Theanon purportedly gifted \$1,100,000 to Philanthropy Without Frontiers (PWF) \$1,100,000.

February 25, 2005

Theanon purportedly gifted \$90,000 to PWF
PWF purportedly lent 570129 \$1,440,000, for the purpose of paying off amounts owing to the Bank of Montreal (BMO). A cheque was written in this amount from Legacy to Sliman, a law firm acting on behalf of the Dekkers.

Theanon purportedly made the following "Specified Gifts"

- \$665,000 to Gateway
- \$665,000 to Essential
- \$570,000 to Prescient

These gifts were purportedly disbursed through Legacy's trust account. A total of

\$3,332,000 was deposited into a trust account at Sliman. The funds were purportedly from Essential, Prescient, Gateway and PWF.

February 28, 2005

A payment was made to Bank of Montreal in the amount of \$1,086,955.38 from the Trust account of Sliman.

Essential, Prescient and Gateway (hereafter collectively referred to as "the foundations"), purportedly purchased all the outstanding shares of 570129 from the Dekkers for \$3,370,000 as per an Agreement for Sale (AFS). The purchase price was reduced by \$1,440,000 to account for the outstanding loan, resulting in a net purchase price of \$1,930,000. (According to the charities, this transaction actually happened on February 25, 2005).

A cheque was received by Legacy from Sliman in the amount of \$350,000. The letter accompanying this cheque states that it is a charitable gift from Herman Dekker to Theanon.

March 1, 2005

570129 and Vision amalgamated and continued as 570129.

570129 purportedly gifted all its assets to Theanon. Assets transferred purportedly included a broiler breeder birds quota, land and improvements (at 42420 Keith Wilson Road, Sardis), poultry, machinery and equipment and miscellaneous inventory in addition to livestock.

570129 received a donation receipt in the amount of \$2,020,000 from Theanon.

The amount due to PWF by 570129 appears to have been assumed by Theanon in this transaction. It recorded a liability of \$1,440,000.

Theanon purportedly sold the former 570129 assets to the Brandsmas for proceeds of \$3,460,000. Theanon purportedly took back a mortgage in the amount of \$350,000 secured by the assets.

March 2, 2005

A document titled "Assignment Loan & Security" purportedly assigned the Brandsma mortgage to the Dekkers in exchange for \$350,000. This document, however, was not signed by any of the parties involved.

Payment of \$3,109,152.98 was received from the Brandsma's lawyer representing the amount owing for the assets purchased.

March 3, 2005

The following cheques were written from the Sliman trust account:

- \$3,002,852.98 to Legacy (in trust for Theanon)
- \$96,300.00 to BC Farm (regarding commissions plus GST)
- \$1,563,917.89 to the Dekkers

May 9, 2005

A mortgage transfer was registered with Land Titles. This document purportedly records the transfer of the Brandsma mortgage from Theanon to the Dekkers. Its Terms indicate that consideration paid for the mortgage was \$350,000.

June 24, 2005

The Foundations received a specified gift from Theanon of \$54,000. Handwritten notes on trust account printout indicate the amount was paid to them as a fee for participating in the 570129 transaction.