



570129 B.C. Ltd.
c/o Loewen Kruse, CA
410 – 1285 West Broadway
Vancouver, BC
V6H 3X8

April 6th, 2009

Dear Sir/Madam;

Re: 2006 Corporate Tax Return

The Agency is reviewing transactions regarding the sale of former assets of Vision Poultry Ltd. (now 570129 BC Ltd.) This review is nearing completion, and at this time we are proposing the following adjustment to the above-mentioned return:

Disallow donation amount claimed	\$1,247,649
Disallow total donation amount reported	\$2,020,000

You have taken the position in filing your corporate tax returns that 570129 donated assets to Theanon Charitable Foundation. A receipt was issued to 570129 that indicated assets equal in value to \$2,020,000 were gifted. These assets include:

1. 30,050 Broiler Breeder Birds Quota
2. Land and improvements at 42420 Keith Road in Chilliwack, BC.
3. Livestock consisting of 9,000 pullets and 6,000 breeders.
4. Machinery and equipment
5. Inventory including feed and medicine.

Our Position

It is our primary position that there was no transfer of assets from 570129 BC Ltd. (570129) to any charities as claimed. It is also our view that the purported transfers were shams and can be ignored for tax purposes. In the alternative, it is our position that even if there was a transfer of assets, this transfer did not qualify as a gift at law. Reasons for these positions follow.

Primary Position

It is our view that 570129 did not transfer any assets to Theanon Charitable Foundation. In order for such a transfer to be legally effective, ownership must pass. In this case, Theanon did not receive unfettered ownership of the assets purportedly transferred; instead, the evidence suggests that it was predetermined that the assets would be sold to arm's length third parties. A contract of purchase and sale had already been entered into by 570129 to sell these assets to unrelated purchasers.

Vancouver Island Tax Services
c/o 9755 King George Hwy.
Surrey, BC V3T 5E1

Services fiscaux de l'Île de Vancouver
A/S 9755 Aut. King George
Surrey, C-B V3T 5E1

800-B

In addition, the quota could not have been acquired by Theanon since this is an asset that belongs exclusively to the British Columbia Hatching Egg Commission. Transfers of the right to use the quota must have prior approval of the Commission. In regards to the real estate, no transfer of title was registered at Land Titles.

It is also our view that the purported transfer was a sham, intended to give the appearance that ownership of assets passed from 570129 to Theanon and then to third party purchasers, when in fact ownership of these assets passed directly from 570129 to the third parties. This was done to minimize taxes to the company. We base our finding on the following:

1. There was a contract of purchase and sale drawn up and signed by Vision Poultry Ltd. (Vision) and the third party buyers, dated December 14th, 2004 and with a closing date of March 1, 2005.
2. There was a listing agreement in place that involved only Vision and the real estate brokers, not Theanon. There was no listing agreement with Theanon.
3. There was one deposit of \$50,000 paid by the third party purchasers pursuant to the agreement signed with Vision. This deposit was paid January 25th, 2005 when all conditions to the offer to purchase were removed. This deposit was not returned to the purchasers when the agreement was purportedly terminated, but instead was credited to the purchasers on the purported sale by Theanon.

The courts have found that a sham transaction can be ignored for tax purposes.

If there was no transfer of assets to Theanon the receipt issued by that foundation is invalid.

Secondary Position

Our secondary position is there was no gift at law. In order for there to be a gift for tax purposes there must first be a gift at common law. The courts have found a true gift has the following elements: there must be a transfer of property with actual delivery of the property; the gift must be voluntary, with donative intent and there can be no consideration to the donor. In addition, in order for a gift to qualify for tax purposes, it must be supported by a valid receipt from a registered charity.

It is our view that there was no transfer of property - Theanon did not receive unfettered use of the assets purportedly transferred, as discussed above. Secondly, it is our view there was no donative intent; the donation was just one transaction in a series of transactions that was designed to reduce taxes to the taxpayer and to its shareholders. Finally, it is our view that the receipt issued by Theanon was not a valid receipt for tax purposes because it over-stated the value of the assets, specifically the 'quota',

purportedly received by Theanon. The 'quota' would have no value to Theanon since the foundation could not use it without approval from the Commission

Next Steps

We have requested the Department of Justice to commence action to reinstate 570129.

These adjustments will be held in abeyance until May 8th, 2009 to allow you time to make representations. If you have any questions, or would like to discuss this matter, please contact the undersigned.

Yours truly,

Marilyn Brown, CA
Vancouver Island Tax Services Office
Audit Division

Phone: (250) 363-8789 Fax : (250) 363-3862