

Corporate Bonds, Corporate Stocks, and Other Investments

From: VIVIAN KRAUSE <vivian.krause@me.com>

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Cc: martha@renewalpartners.com

Date: January 04, 2011 6:05:06 PM

Mr. Solomon,

Further to the short list of questions that I sent earlier today, I would like to add several questions about the fluctuations in the value of Endswell's corporate stock and program investments, and about the bequests and gifts that Endswell received in 1997 that had to be held for not less than ten years. I would also like to inquire about the asset that the Endswell Foundation had that was worth \$6.7 million at peak value ("ENVIRONMENTAL PROTECTED PROP."), about where that originated, and what happened to it.

I have listed my questions below, and the observations on which my questions are based. As before, if I have stated anything that is factually incorrect, or if I have missed any important points, please let me know. I can be reached at 604.618.8110.

I would appreciate your response during the course of this week.

Sincerely,
Vivian Krause

Observations:

1. \$3.4 Million not to be spent before 10 years - In 1997, Endswell received bequests and gifts totaling \$3,400,125. The U.S. tax return for that year specifies that the funds were "to be held not less than ten years."

2. Property Ownership - Over the course of 1997, the value of Endswell's "other assets" increased from \$849,795 to \$6.9 million. That same year, Endswell reported an asset worth \$6.7 million which is described as "ENVIRONMENTAL PROTECTED PROP."

3. Canada and Provincial Bonds - From 1997 to 1999, Endswell had approximately \$3 million (\$3.6 million in 1999) in Canada and provincial bonds. After 2000, no investments in Canada and provincial bonds were reported.

4. Corporate Stock - From \$13.4 Million (2003) to \$51,973 (2009). From \$8.9 million to \$271,207 in 2009 alone.

From 1999 to 2001, the value of Endswell's corporate stock more than doubled from \$4.4 million in 1999 to \$6.5 million in 2000 and then to \$10.9 million in 2001. Over the course of 2003, Endswell's corporate stock also increased substantially, from \$8.7 million to \$13.4 million within one year.

In 2008, the value of Endswell's corporate stock crashed from \$11.2 million to \$4.2 million, a decrease of \$7 million (62 percent). That same year, Endswell's other assets increased from \$399,355 to \$2.4 million but of the \$2.4 million, \$2.3 million was pre-paid grants. Of all Endswell's grants in that year, 99 percent went to Tides Canada. In previous years, the amount of pre-paid grants never exceeded \$400,000.

In 2009, the value of Endswell's corporate stock went from \$4.2 million to \$51,973. The value of Endswell's "other investments" fell from \$2 million to \$47,284. The value of Endswell's "other assets" went from \$2.4 million (mostly pre-paid grants) to \$383,067. As a result of these three substantial decreases in the value of corporate stock and other investments, the ending book value of Endswell's total assets went from \$8.9 million to \$271,207. This means, according to my calculations, that **Endswell's corporate stock lost 97 percent of its value in a single year**. Even considering that most corporate stocks took a big hit in 2009, this seems unusual to me.

5. Program Investments: From \$2 million to \$47,284 in a single year (2009)

Between 2000 and 2002, Endswell reported approximately \$80,000 in "community banking deposit" and \$700,000 in "program investments." From 2003 to 2004, the value of Endswell's program investments fell to \$243,360 in 2004 and to \$223,682 in 2005. In 2006, Endswell's program investments increased in value to \$1.6 million. By 2007, program investments were worth \$2.5 million. However, from 2008 to 2009, the value of Endswell's program investments crashed from \$2 million to \$47,284.

Questions:

1. Funds to be held for no less than 10 years - Where did the \$3,400,125 originate that the Endswell Foundation received in 1997? Why was it specified that these funds have to be held "not less than ten years." Isn't this at odds with Endswell's stated "spend-down strategy" which is, according to Endswell's web-site, "to maximize (the foundation's) immediate impact over its longevity as a private institution."

2. ENVIRONMENTAL PROTECTED PROP. - In the assets description "ENVIRONMENTAL PROTECTED PROP.," does "PROP" stand for property? Did Endswell acquire a real estate property in 1997? If so, which property? What became of that property?

3. Program Investments - What were Endswell's "program investments" between 2000 and 2009 and why did their value fluctuate so widely, from a high of \$2.6 million in 2007 to only \$47,176 in 2009?

4. Pre-paid grants for \$2.3 million to Tides Canada in 2009 - Of all years, why, in 2008, when corporate stock had lost \$7 million - more than half of its value - why did Endswell pre-pay grants to Tides Canada for \$2.3 million? Wouldn't this have been a good time to scale back grant-making in order to re-build capital and extend the life of the foundation, making a "graceful exit" as Endswell says on-line was its intention?

5. Canadian and provincial bonds - After 2000, did Endswell entirely discontinue investments in Canada and provincial bonds? Did Endswell shift from a mix of stocks and bonds to only stocks?

6. Severe Decrease in Endswell's Corporate Stock in 2009 - What are the factors that contributed to the severe decrease in the ending book value of Endswell's corporate stocks - from \$8.9 million to \$271,207 in a single year?

Begin forwarded message:

From: VIVIAN KRAUSE <vivian.krause@me.com>
Date: January 04, 2011 12:02:23 PM
To: joel@renewalpartners.com
Subject: Corporate Bonds and Corporate Stocks

Mr. Solomon,

Having taken a preliminary look at the corporate bonds and corporate stocks in which the Endswell Foundation has had investments, I would like to inquire as to whether Endswell may have or have had conflicting or competing interests related to investments in the oil and gas industry over roughly the same period that Endswell has been funding efforts for a continued moratorium on oil and gas development in British Columbia. Below, I have listed my questions and the observations on which they are based.

Observations:

- From 1997 to 1999, Endswell reported both corporate stocks and corporate bonds as part of its U.S. tax returns. From 2000 to 2009, corporate stocks were reported but corporate bonds were not. Corporate stocks were from either Genus or Real Assets which if I'm not mistaken, is held by VanCity.
- In 1997 and 1998, Endswell reported about \$780,000 in corporate bonds named "BUNDESobligation SERIES 124," German bonds. Endswell had more invested in BUNDESobligation SERIES 124 than in any other corporate bond.
- From 1997 to 1999, Endswell reported about \$470,000 in corporate bonds named "TIDES." Next to

BUNDESobligation SERIES 124, Endswell had more invested in TIDES corporate bonds than in any other corporate bonds.

- In 1997, 1998 and 1999, Endswell reported corporate stock in Consumers Gas Ltd., Nova Gas Transmission and BC Gas. According to on-line information, Nova Gas Transmission is a wholly owned subsidiary of TransCanada. The total ending book value of the bonds in gas companies was approximately \$470,000 and accounted for roughly 11 percent of Endswell's total corporate bonds. In addition to that, in 1998, Endswell reported \$406,906 in corporate bonds named "Trans Quebec Maritimes" and in 1998, Endswell reported \$390,429 in corporate bonds in the same company.
- In 2002, Endswell paid the B.C. Environmental Network Education Foundation \$5,000 for "support for the oil and gas moratorium project."
- Between 2000 and 2009, Endswell did not report corporate bonds. However, Endswell continued to report corporate stock with Genus and Real Assets. From 2000 to 2001, the ending book value of Endswell's corporate stock increased by about 2.5-fold, from \$3.4 million to \$10.9 million.

Questions:

1. Were the corporate bonds named "Trans Quebec Maritimes" part of Trans Canada which owns the Keystone pipeline?
2. In which industries and companies are the Genus and Real Assets corporate stock that Endswell owned from 2000 to 2009? Was any of this stock in companies in the oil and gas industry, such as TransCanada or any of its subsidiaries?
3. Are or were the TIDES corporate bonds affiliated with the U.S. Tides Foundation or with Tides Canada Foundation? In what industry are or were TIDES corporate bonds that Endswell held from 1997 to 1999?
4. What did the "oil and gas moratorium project" involve for which Endswell paid the B.C. Environmental Network Education Foundation \$5,000 in 2002? In addition to that \$5,000, did Endswell provide further funds for environmental organizations to pressure for a continued oil and gas moratorium?

I would appreciate your response during the course of this week.

If I have stated anything that is factually incorrect, or if I have missed any important points, please let me know.

As before, I can be reached at 604.618.8110.

Sincerely,
Vivian Krause