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October 17, 2012

To: Mr. David Berge c/o Mr. Kenneth McEwan, kmcewan@litigationchambers.com

To: Mr. Joel Solomon

RE: The Underdog Foundation

I am writing to introduce myself to Mr. Berge and to inquire about the initial capital, revenue, programs and investments made by the Underdog Foundation.

I am a contributor to The Financial Post where I have written a series of articles about the science and the funding of environmental campaigns. As it appears to me that my questions are a matter in which the public has a legitimate interest, this is an open letter that I will post at my blog: www.fair-questions.com.

Noting that the Underdog Foundation is a related party to the U.S. Tides Foundation, I recently took a look at the tax returns of the Underdog Foundation ("Underdog") and the grants that have been made to Underdog by the U.S. Tides Foundation. The following pages present my observations, analysis, opinions and questions.

My over-arching question is whether Tides' investment in Underdog, and its subsequent partnership with VanCity was part of the Rockefeller Brothers' "Tar Sands Campaign" that would block Canadian oil exports to Asia and continue the U.S. monopoly on Canadian oil exports. One of the Rockefeller Brothers's documents states that the campaign plan is to involve "opinion leaders" and "key decision makers."¹ I would like to know whether Tides' engagement with Vancity, through the Underdog Foundation/Underdog Ventures LLC was to leverage Vancity as an opinion leader in British Columbia. Put another way, was Tides/Underdog using Vancity a way of re-branding Tides' money as Vancity funding? If that isn't the reason why Tides/ Underdog engaged with Vancity, what is?

I would also like to ask you for your comments on the performance of the investments of the Underdog Foundation where Mr. Berge has been president/chair for ten years, including the eight years before he joined Vancity. According to my analysis, even after ten years, the total amount of interest and investment income that Underdog earned was *negative*, (-\$327,683).

If I have presented anything here that is factually incorrect or if I have missed any important points, please let me know. If I do not hear from you by the end of this week, I will assume that you do not dispute any of the information and analysis that I have presented here.

In Vancouver, I can be reached at 604.618.8110 or at vivian.krause@mac.com

Sincerely,

Vivian Krause

¹ http://fairquestions.typepad.com/rethink_campaigns/2012/05/rockefeller-tar-sands-campaign.html

The Underdog Foundation 2000 - 2010

Background

- The Underdog Foundation ("Underdog") was created in 2001 and is a "related party" of the U.S. Tides Foundation ("Tides"). That same year, Tides granted \$5,999,403 to Underdog.
- According to Underdog's U.S. tax returns, between 2000 and 2010, Underdog has had a total of four directors: David Berge, Joel Solomon and Drummond Pike have been directors throughout the entire ten years. From 2001 to 2004, Lisa Mortimer of Brattleboro, Vermont was a director. She was replaced in 2005 by Alisa Gravitz of Washington D.C.
- Drummond Pike is the founder of Tides and was its CEO for 34 years. Solomon is a long-time director and current chair of Tides, according to Tides' 2011 tax return. Pike and Solomon are also the founding chair and vice-chair of Tides Canada, respectively.

Revenue

- Underdog's total revenue (2000 - 2010) was \$7.2 million. Of that, \$6.2 million (85%) came from Tides. As mentioned above, most of that was granted in 2001. Between 2004 and 2008, Tides also made grants to Underdog ranging in size from \$25,000 to \$60,000 per year.
- Aside from the initial \$6 million that Underdog got from Tides in 2001, Underdog has had two major contributions: a) \$500,000 cash in 2005, b) \$2,032,727 non-cash contribution in 2006.
- Total revenue (2000-2010) from **interest and investment income was -\$327,683**. Investment income in both 2009 and 2010 was negative; -\$22,115 and -\$387,687, respectively.
- Underdog had "other revenue" of \$230,291 and \$18,192 in 2009 and 2010, respectively.

Expenses

- Underdog has spent a total of \$1.6 million on program service expenses. Of that, **\$1,080,333 was spent on "education about socially responsible business practices."** More than half of Underdog's entire program expenditures over a ten year period were made in the first year, a cash payment for a total of half **\$850,025 in 2001**.
- There seems to be no pattern in Underdog's grant-making except for one year, 2005, when Underdog made most of its grants to environmental groups in British Columbia (Georgia Strait Alliance, T.Buck Suzuki Foundation, Raincoast Conservation, Raincoast Research, Watershed Watch Salmon Society, IMPACS and Smart Growth BC).

Assets

- Underdog's total assets have fallen from a peak of \$6.2 million in 2001 to \$4.7 million in 2010.

Major Losses

- Underdog reported a loss of \$2,081,014 in 2003 and a further \$400,000 loss the following year.

Investments

- Over the past 10 years, Underdog has had investments in a total of **six companies**.
- **Not one** of Underdog's investments has grown in monetary value over the years.
- The total value of Underdog's investments was \$3.4 million in 2010, down from \$4.8 million in 2004.

- Underdog's biggest investments are in Underdog Ventures Legacy Fund (UVLF) and Underdog Ventures LLC. Mr. David Berge, the chair and president of the Underdog Foundation, appears to me to have ownership in both UVLF and Underdog Ventures LLC. UVLF began with \$1.5 million in 2004. That fell to \$1.1 million the following year. Since 2004, the book value of UVLF has remained unchanged at \$1.1 million. Underdog Ventures LLC had a book value of \$1,225,000 (2005-2008). That fell to \$647,343 in 2009 and remained unchanged in 2010.
- **Just Desserts and Pura Vida:** In 2004, Underdog had \$2,081,014 in Just Deserts. From 2005 onwards, that \$2 million is no longer on the books as reported in Underdog's U.S. tax returns. Between 2005 and 2009, Underdog had a \$400,000 investment in Pura Vida. As of 2010, that's no longer on the books as reported in Underdog's U.S. tax returns.
- **Innesfarm Inc.:** Since 2006, Underdog has had an investment in Innesfarm Inc. worth \$667,727, unchanged.
- Underdog made a small investment of \$25,000 in RSF Social Investment Fund in 2009.

QUESTIONS:

On the basis of my observations and analysis as outlined above, my questions are:

1. Revenue and Losses

- a) What is the origin of the \$6 million that Tides granted to Underdog in 2001? Where did that money come from and what was the goal that Tides wanted to achieve with its \$6 million investment in Underdog? Simply put, why did Tides create and invest in Underdog in the first place?
- b) What is the origin of the \$500,000 that Underdog received in 2005 and what was its purpose?
- c) What was the \$2,032,727 non-cash contribution that Underdog received in 2006? From whom was that received and for what purpose was that \$2 million given to Underdog?
- d) Underdog reported a substantial loss in 2003, a loss of \$2,073,116. Why was that? Why did Underdog lose \$400,000 the following year?

2. Expenditures

- a) Who was or were the recipient(s) of the \$1,080,333 that Underdog spent on "*education about socially responsible business practices*?"
- b) Why were Underdog's program expenses exceptionally higher in 2001 than in any other year? Why was Underdog's first year its year of greatest program expenditures?

3. Investments

- a) Why did Underdog's investment in Underdog Ventures LLC fall **from \$1.5 million to \$667,727?**
- b) What happened to the investments that Underdog made in **Just Desserts and Pura Vida?**
- c) Was the \$25,000 that Underdog invested in RSF Social Investment Fund then invested by in Underdog Ventures LLC? In other words, was Underdog's \$25,000 investment in RSF Social Investment Fund **an indirect way** of investing in Underdog Ventures LLC?

UNDERDOG FOUNDATION		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2000-2010
Revenue	Tides Grants	\$5,999,403			\$50,000	\$60,000		\$60,000	\$25,000			\$6,194,403
	Direct Public Support (CASH)	\$6,224,477	\$91,000	\$1,308	\$54,600	\$500,000		\$97,082	\$75,000	\$287,987	\$0	\$7,331,454
	Direct Public Support (NONCASH)						\$2,032,727					
	Interest	\$1,455	\$23,624	\$7,898	\$7,482	\$10,060	\$13,146	\$9,075	\$9,379	-\$22,115	-\$387,687	-\$327,683
	Net Gain or Loss			-\$2,081,014	-\$400,000							
	Other Revenue									\$230,291	\$18,192	\$248,483
	TOTAL REVENUE	\$6,225,932	\$114,624	-\$2,071,808	-\$337,918	\$510,060	\$2,045,873	\$106,157	\$84,379	\$496,163	-\$369,495	\$7,252,254
Expenses	Program Services		\$850,025	\$151,308	\$50,000	\$129,000	\$2,500	\$202,082	\$219,000	\$7,000	\$34,500	\$1,645,415
	Management & General	\$13,869	\$644	\$6,725	\$2,729	\$4,380	\$2,918	\$2,224				\$33,489
	Other Expenses								\$66,441	\$90,474	\$3,207	\$160,122
	Total Expenses	\$13,869	\$850,669	\$158,033	\$52,729	\$133,380	\$5,418	\$204,306	\$285,441	\$97,474	\$37,707	\$1,839,026
Net Assets or fund balances at end of year	\$6,212,063	\$5,476,018	\$3,246,177	\$2,855,529	\$3,232,209	\$5,272,664	\$5,174,515	\$4,973,454	\$5,130,124	\$4,697,491		
INVESTMENTS Ending Balance Book Value	Underdog Ventures Legacy fund				\$1,500,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	\$1,100,000	
	Underdog Ventures LLC				\$1,225,000	\$1,225,000	\$1,225,000	\$1,225,000	\$1,225,000	\$647,343	\$647,343	
	Just Desserts Common				\$1,081,000							
	Just Desserts Preferred A				\$1,000,014							
	Pura Vida Coffee					\$400,000	\$400,000	\$400,000	\$400,000	\$400,000		
	Altrushare Securities					\$40,000	\$1,405,000	\$1,372,439	\$1,372,439	\$1,266,429	\$926,835	
	Innesfarm Inc.						\$667,727	\$667,727	\$667,727	\$667,727	\$667,727	
	RSF Social Investment Fund									\$25,000	\$25,000	
					\$4,806,014	\$2,765,000	\$4,797,727	\$4,765,166	\$4,765,166	\$4,106,499	\$3,366,905	