

QUEST UNIVERSITY CANADA

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2007

11. SUBSEQUENT EVENTS

- i) On October 1, 2007, the land for development was the subject of a purchase and sale agreement with a closing date of July 10, 2008, at an agreed price of \$15,000,000. This agreement was entered into with a related, private foundation. The \$15,000,000 in proceeds from the purchase and sale agreement were assigned to the Sea to Sky Foundation on the same date.
- ii) On November 21, 2007 the Sea to Sky Foundation transferred the \$65,000,000 loan receivable (Note 6) from Quest University Canada to a related, private foundation in exchange for a guarantee provided by the related, private foundation and a related person on a mortgage payable to a third party.
- On November 22, 2007 the related, private foundation in turn donated the loan receivable to Quest University Canada, effectively extinguishing the debt.
- iii) In December, 2007, a deposit of \$5,000,000 was paid to the Sea to Sky Foundation, pursuant to the assignment of sale proceeds agreement, towards the eventual purchase of the land held for development. Management expects that this sale will take place on, or before, the closing date, for the agreed price.

12. COMMITMENTS

The University's commitment to lease payments on the first of two student residence buildings commenced on November 1, 2007. The lease payments over the original term of the lease are as follows:

2008	\$577,500
2009	\$693,000
2010	\$693,000

The second building is under construction at year end.

13. COMPARATIVE FIGURES

Certain comparative figures for the 2006 year have been reclassified to conform with current year's presentation.

SEA TO SKY FOUNDATION

Notes to Financial Statements

Year Ended August 31, 2008

8. RELATED PARTY TRANSACTIONS

Quest University Canada
(related through economic interest)

The Foundation is responsible for overseeing the construction of the University campus for Quest University Canada. On March 8, 2006, the Foundation transferred a parcel of land totaling 60.3 acres, together with all improvements made thereon, to Quest University Canada for the development of the University campus for consideration equal to the carrying cost of \$21,940,292.

During the year, transactions with Quest University Canada have occurred as follows:

The Foundation has undertaken additional development and incurred expenses on behalf of Quest University Canada, in the amount \$10,175,450 (2007 - \$47,505,393), bringing the cumulative total of development costs of the University campus to \$90,276,316 at year end.

The Foundation transferred the loan receivable from Quest University Canada of \$1 to a related, private foundation for consideration of a guarantee on the mortgage payable (Note 7).

Quest University Canada sold land, previously transferred to Quest University Canada from the Foundation, to a related, private foundation. Quest University Canada assigned the proceeds from the sale of the land, of \$15,000,000, to the Foundation, which the Foundation recorded to decrease the amount due from Quest University Canada.

The Foundation gave donations of \$5,000,000 (2007 - \$5,665,327) to Quest University Canada.

Quest University Canada Foundation
(related as both have an economic interest in Quest University Canada)

Quest University Canada Foundation is no longer considered to be under common control, as it was in prior years, because the parties no longer share any common directors on their boards.

During the year, the Foundation gave donations of \$827,900 to Quest University Canada Foundation for scholarship purposes. In the prior year, the Foundation received donations of \$9,495,000 from Quest University Canada Foundation.

Quest University Canada
Notes to Financial Statements

August 31, 2008

5. Property Held for Development

On June 30, 2007, a foundation transferred a parcel of land totaling 57.6 acres to the University. The land, together with deferred property taxes and related capitalized expenditures, has been recorded at the exchange value of the transaction.

A debt of \$65,000,000 payable on December 1, 2017 was assumed by the University upon transfer of this parcel of land by the foundation. The exchange or approximate fair value at the date of this transaction was \$32,286,018.

On July 10, 2008, the property held for development was disposed in exchange for settlement of the full balance of loan payable on the property held for development. Property held for development was comprised of the following:

	2008	2007
Purchase cost	\$ -	\$ 30,190,451
Capitalized interest expense	-	2,095,567
	\$ -	\$ 32,286,018

6. Construction in Progress

A foundation is responsible for managing the construction of the University campus. On March 8, 2006, this foundation transferred a parcel of land totaling 60.3 acres together with all improvements made thereon to the University.

The resulting demand loan due to this foundation is repayable at the earlier of written demand or August 15, 2017. This demand loan is non-interest bearing, and is secured by a registered mortgage on the property securing a principal amount up to a maximum of \$75,000,000.

During fiscal 2008, the University completed the construction of several buildings and is continuing with the construction of other facilities on campus. The construction in progress relates to capital projects which are expected to be completed in fiscal 2009 with estimated costs to completion of approximately \$2,100,000.

	2008	2007
Land	\$ -	\$ 650,000
Construction costs	4,127,820	79,099,137
Deferred property taxes	-	292,554
	\$ 4,127,820	\$ 80,041,691

NOTES TO FINANCIAL STATEMENTS

Year Ended August 31, 2007

5. CONSTRUCTION IN PROGRESS

Sea to Sky Foundation is responsible for overseeing the construction of the university campus. On March 8, 2006, Sea to Sky Foundation transferred a parcel of land totaling 60.3 acres together with all improvements made thereon to the University for the development of a university campus for consideration equal to the carrying cost as follows:

Land	\$ 650,000
Construction costs	21,056,062
Deferred property taxes	<u>234,230</u>
	<u>\$ 21,940,292</u>

The resulting loan payable to Sea to Sky Foundation is repayable at the earlier of written demand or August 15, 2012, is non-interest bearing, and is secured by a registered mortgage on the property securing a principal amount of up to \$75,000,000.

	2007	2006
Land	\$ 650,000	\$ 650,000
Construction costs	79,099,137	31,594,479
Deferred property taxes	<u>292,554</u>	<u>292,554</u>
	<u>\$ 80,041,691</u>	<u>\$ 32,537,033</u>

6. PROPERTY HELD FOR DEVELOPMENT

On June 30, 2007, Sea to Sky Foundation transferred a parcel of land totaling 57.6 acres to the University. In accordance with the University's related party accounting policy, the land was recorded at the transferor's carrying costs as follows:

Land	\$ 463,595
Deferred property taxes	273,991
Deferred expenditures	<u>2,753,747</u>
Property held for development at June 30, 2007	<u>\$ 3,491,333</u>

The land was independently appraised at a value of \$22,560,000 as at July 20, 2007.

A debt of \$65,000,000, owing to the Quest University Canada Foundation, partially secured by a mortgage of \$10,000,000 registered on this property, was assumed by the University upon transfer of the parcel of land by the Foundation. The debt has a term to December 1, 2017, and has all interest prepaid to November 30, 2017. The difference between the carrying cost of the debt, net of prepaid interest, and the land received has been charged to net assets resulting in a deficit in the land fund.

Property held for development at August 31, 2007 is comprised of the following:

Purchase cost	\$ 3,491,333
Capitalized interest expense	<u>2,095,567</u>
	<u>\$ 5,586,900</u>

In August 2007, the Sea to Sky Foundation acquired, by way of a donation from Quest University Canada Foundation, a related, public foundation, the loan receivable of \$65,000,000 due from the University.

Subsequent to year end the property held for development was the subject of a purchase and sale agreement as described in Note 11.

22 SEP 2008 12 13

BB1008583

LAND TITLE ACT
FORM A
(Section 185(1))

Province of
British Columbia
FREEHOLD TRANSFER

(This area for Land Title Office use)

Page 1 of 2 pages

1. APPLICATION: (Name, address, phone number and signature of applicant, applicant's solicitor or agent)

Gali Gelbart, Barrister & Solicitor, Kornfeld Mackoff Silber LLP, Barristers & Solicitors,
Suite 1100-505 Burrard Street, Vancouver, British Columbia, V7X 1M5
Tel: 604-331-8300, LTO Client No. 010448

West Coast
Client # 10350

 PF

Our File: QUE009SAL701

Gali Gelbart

2. (a) Parcel Identifier and Legal Description of Land:*

(PID)
027-314-685

(Legal Description)
PARCEL A DISTRICT LOTS 512 AND 8048 GROUP 1 NWD PLAN
BCP33662

NL 08/09/22 12:13:26 01 LM 859858
FEE SIMPLE \$66.15

(b) Market Value: \$15,000,000.00

3. Consideration: \$1.00 and other good and valuable consideration

4. Transferor(s):*

QUEST UNIVERSITY CANADA

5. Freehold Estate Transferred:*

Fee Simple

6. Transferee(s): (including occupation(s), postal address(es) and postal code(s))*

STEWART & MARILYN BLUSSON FOUNDATION
of 1555 - 1500 West Georgia Street, Vancouver, B.C. V6G 2Z6

7. EXECUTION(S):** The transferor(s) accept(s) the above consideration and understand(s) that this instrument operates to transfer the freehold estate in the land described above to the transferee(s).

Officer Signature



Galatea Gelbart
Barrister & Solicitor
1100 - 505 Burrard Street
Vancouver, B.C. V7X 1M5
(604) 331-8305

Execution Date

Y	M	D
2008	08	01

Transferor Signature

QUEST UNIVERSITY CANADA by its
authorized signatories:


Michael Gibbons

OFFICER CERTIFICATION

Your signature constitutes a representation that you are a solicitor, notary public or other person authorized by the Evidence Act, R.S.B.C. 1996, c. 124, to take affidavits for use in British Columbia and certifies the matters set out in Part 5 of the Land Title Act as they pertain to the execution of this instrument.


- * If space insufficient, enter "SEE SCHEDULE" and attach schedule in Form E.
- ** If space insufficient, continue executions on additional page(s) in Form D.

**LAND TITLE ACT
FORM D**

EXECUTIONS CONTINUED

Page 2 of 2 pages

Officer Signature(s)



SANDY M. ABLEY
BARRISTER & SOLICITOR
legacy tax + trust lawyers
510 - 609 GRANVILLE STREET
VANCOUVER, BC V7Y 1G5
TEL: (604) 631-1298

Execution Date

Y	M	D
2008	08	15

Transfer Signature

QUEST UNIVERSITY CANADA by its authorized signatories:



Print Name: **IAN WORLAND**

OFFICER CERTIFICATION:

Your signature constitutes a representation that you are a solicitor, notary public or other person authorized by the *Evidence Act*, R.S.B.C. 1996, c. 124, to take affidavits for use in British Columbia and certifies the matters set out in Part 5 of the *Land Title Act* as they pertain to the execution of this instrument.

END OF DOCUMENT



Industry Canada Industrie Canada

Canada
Corporations Act Loi sur les
 corporations canadiennes

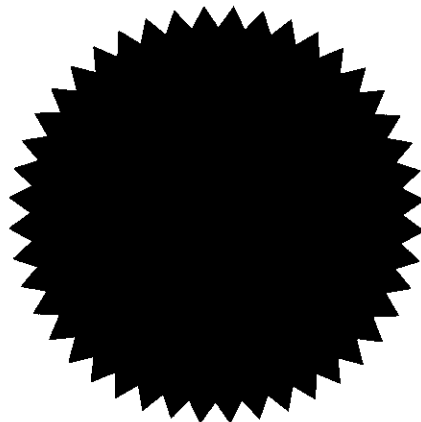
CERTIFICATE OF CORPORATE STATUS

I HEREBY CERTIFY that STEWART & MARILYN BLUSSON FOUNDATION is subject to the provisions of the Canada Corporations Act.

According to the information contained in the records of the Minister of Industry, as of the date of this Certificate, the corporation's charter is in force.

Given under the seal of office of the Minister of Industry this 31st day of July 2008.

Aissa Aomari
Director
Incorporation and Information Products & Services
for the Minister of Industry



Canada