



Estate 35-1232404

TRUSTEES PRELIMINARY REPORT
IN THE MATTER OF THE BANKRUPTCY OF

**KIDS LINK INTERNATIONAL ADOPTION AGENCY o/a
IMAGINE ADOPTION**

OF THE CITY OF CAMBRIDGE, IN THE REGION OF WATERLOO, IN THE PROVINCE
OF ONTARIO

Trustee: BDO Dunwoody Limited

General Comments

An Assignment in Bankruptcy for the general benefit of creditors of Kids Link International Adoption Agency o/a Imagine Adoption ("Imagine Adoption") was signed on July 10, 2009 and filed with the Official Receiver. The effective date of bankruptcy was July 14, 2009.

Imagine Adoption is a not for profit agency. See the attached memo of information regarding the organization (Exhibit A).

Section A – Assets

Class I – Cash & Financial Deposits – Statement of Affairs Value – \$500,000

There were funds in Canadian, US and GIC accounts. These were seized and are in the Trustee's estate account.

Class II – Inventory – Statement of Affairs Value of nil

Class III – Accounts receivable – Statement of Affairs Value – \$122,003

These are estimated amounts for 5 accounts. Three are for \$1 being due from two staff and Global Reach given the uncertainty of the actual amounts due. An amount of \$70,000 was estimated as due from Saint Anne agency. An amount of \$52,000 is estimated due from an independent organization related to Ghana adoptions.

The Trustee is reviewing the records to assess the estimated amounts. The Ghana organization has made preliminary contact and disputed that any amount is due.

Class IV – Machinery, Equipment and Plant and Office Furnishings – Statement of Affairs Value \$10,000, \$10,000 and \$1,000

These represent office, computer and telephone equipment and were estimated values. These are all located at one of the leased premises and are secure pending the creditor meeting. The computers may be subject to a lease.

Class V – Vehicles – Statement of Affairs Value \$80,000

Two vehicles were leased by Imagine Adoption for two senior staff. The Trustee reviewed the Nissan lease and contacted them to arrange pick up of the vehicle that had been voluntarily returned. The other vehicle and paperwork is expected to have the same actions and conclusion. The values on the bankruptcy documents were estimates of the lease obligations. Actual values may vary. Any lease shortfall may be claimed in the bankruptcy.

Class VI Real Estate – Statement of Affairs Value \$1

This identifies the transition facility in Ethiopia. The project was an activity of Global Reach Children's Fund; however, the land lease was by Imagine Adoption given International accreditation requirements.

BDO has requested paperwork regarding this asset to consider any realizable value. From discussions, the realization may be limited given the land lease agreements.

Class VII – Books and Records

See Section C below – Some prior year accounting records are in possession of the accountants who are in discussion with the Trustee. Intellectual property including registered trade and domain names will be reviewed by the Trustee.

Class VIII – Other Assets – None

Section B – Secured Creditors

See comments at Section A Class IV and V above. One claim for a vehicle had been received by the Trustee at the time of preparing this report.

The Board, staff and some creditor claims submitted have indicated that a trust agreement may have existed for funds paid to Imagine Adoption. A valid trust agreement, in addition to the contract, requires separate accounting and bank funds with detail of the Trust balance. From the banking review, there does not appear to be full accounting and fund segregation for these trust claims. Funds appeared to have been regularly co-mingled. The finalization of the funds for any family will be reported further and prior to a distribution. The final status of Imagine Adoption (see Section G below) may affect these funds also.

Section C – Conservatory and Protective Actions

BDO attended the premises on July 14 and 15. All files were boxed, secured, inventoried and relocated to the BDO offices to ensure safety of records. The electronic data was also secured on copied drives. The bank accounts were seized.

Other immediate activities have been as outlined in the media statement on July 22, 2009 for the short term priorities and milestones (Exhibit B).

The licensing Ministry has confirmed the continued activation of the adoption license while the Trustee works to conclude approximately 40 adoptions for matched families.

Section D – Provable Claims

	#	<i>Declared</i>	#	<i>Filed</i>
Secured	3	90,000	1	49,612
Preferred	19	196,001	8	Included in unsecured
Unsecured				
• Families	400	800,000	191	1,747,693
• Families US			57	400,900
• Vendor	120	\$1	13	83,365
Contingent				
• Global Reach	1	\$1		
• Saint Anne	1	\$1		

Claims may still be filed after the creditor meeting. The above numbers were as of 2 pm on July 29, 2009 and will be updated prior to 9:30 am.

Section E – Legal Proceedings

The Trustee obtained Court direction on July 29 regarding a second estate bank account and receipt of gifted funds (Exhibit C). The Bankruptcy and Insolvency Act does not contemplate either of these events; thus, Court review was scheduled.

The Trustee has had preliminary discussions with the Waterloo Regional Police and the Office of the Superintendent in Bankruptcy. These related to possible personal use of Imagine Adoption funds by Senior Staff. These were held considering Sections 10 and 205 of the Bankruptcy and Insolvency Act regarding notice for investigations of any offenses.

No legal counsel has been retained. This may be required depending on Section G below.

Section F – Reviewable Transactions and Preference Payments

The Trustee reviewed four bank accounts for the period of October 2008 to May 2009. Transactions greater than \$2,000 were summarized. These consisted primarily of transfers, corporate visa card payments and some cheques. Almost all cheques were business related being for Receiver General, Insurance, rent, computer leases.

The transfers appear to be business related with the two other organizations being Global Reach and Saint Anne's Adoption.

The Visa statements were reviewed for the past 2 years from January 2007 to April 2009 to assess total purchases. There were 2 corporate cards held by each of Rick and Susan Hayhow, Chief Financial Officer and Executive Director respectively. There appear to be significant transactions that may be personal. The information was provided to the police by a Board Member. The Trustee will demand repayment of any personal amounts for the benefit of Imagine Adoption stakeholders as appropriate.

Section G – Anticipated Realization and Projected Distribution

The accounts receivable and land are the two assets to be concluded. Final proceeds from these assets are uncertain at the time of writing this report.

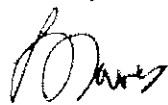
The status of the files and future activity by Imagine Adoption has been discussed at length since July 14 with families and the licensing Ministry. The families would prefer that their adoption files proceed if possible. There may be a group that meets qualification requirements to operate the not for profit organization. A plan would need to be endorsed by the Ministry, families, other stakeholders and the Bankruptcy Court. Should this occur, the bank funds and other asset realizations may be returned to the new organization for future operations. Thus, BDO as Trustee in Bankruptcy of Imagine Adoption would not pay out any creditor distribution. Details for how Imagine Adoption could transition from a bankruptcy to a proposal proceeding is being investigated further.

Section H – Other Matters

Professional fees of the Trustee; and legal counsel if required, will be reported for payment from the estate.

Dated at Kitchener Ontario the 29th day of July, 2009.

BDO Dunwoody Limited
Susan E. Taves, CA-CIRP
Senior Vice President



The Organizations

July 16, 2009

Kids Link International Adoption Agency, operating as Imagine Adoption, is a not for profit agency. The Ontario letters patent is dated April 12, 2005. That would be the commencement of operations. The purpose of the organization according to the letters patent is to "... operate a Christian faith-based non-profit organization to facilitate international adoptions in accordance with the provisions of the Inter-country Adoptions Act..."

There is a volunteer Board of Directors of 3 members who until 2009 met once per year. The Executive Director has been responsible for all day-to-day operations. The Provincial Ministry of Children and Youth Services issues the license for the right to do the adoption process.

The Board determined in 2009 that there may be limited funds available to service all family files. After many meetings and discussions, the Board decided that a bankruptcy was the best method to control the funds, files and present financial situation.

Global Reach Children's Fund is a federally incorporated business managed on a day-to-day basis by the Kids Link Executive Director. It was incorporated March 26, 2007. The objectives according to the letters patent are "... to provide the basic necessities of life for children living in poverty throughout the world..."

BDO is not responsible for this organization. However, the records have been secured with the Kids Link files to ensure their safety. We anticipate reviewing some of the Global Reach records as we understand funds may have been used between organizations. There is a Board of Directors responsible for this organization.

Saint Anne Adoption Centre is an Ontario company with an incorporation date of November 27, 1995. Similar to Global Reach Children's Fund, BDO is not responsible for this organization; however, records have been secured. Funds appeared to be transferred between organizations, so banking information may be reviewed. The Kids Link Executive Director appears to have become responsible for this operation in September 2006. Prior to Kids Link involvement, we understand the corporation was operated by a third party.

Update: July 22, 2009

BDO Dunwoody Limited, Trustee in Bankruptcy of Kids Link International Adoption Agency o/a Imagine Adoption receives generous monetary gift to ensure well being and placement of children in Ethiopian transition home.

Through a recent and generous gift of US \$100,000 from Yamana Gold Inc., a short-term milestone has been reached and the well-being of the 43 children in their transition home in Ethiopia is ensured. With this donation in place, we know the transition home in Ethiopia will continue operations until such time as the matched children are placed with their new families.

While many individuals and interest groups have generously offered donations to achieve this goal, the ability to deal with one corporate donation that would fully fund transition home operations over the near term was a more manageable option.

Yamana Gold Inc. is a Canadian-based organization with operations in South America. This gift from Yamana is to ensure the care and well-being of the children immediately impacted by the recent insolvency who were resident in the transition home on July 14th.

Business Continuity Options being pursued

As Trustee of an insolvency that directly impacts the lives of children in Ethiopia and families in Canada, BDO Dunwoody has focused on the appropriate management of the situation some of which has exceeded a standard bankruptcy administration. Upon engagement, it became immediately apparent that there were some short-term priorities and milestones for the organization including

- that care would be provided to ensure the physical and emotional well-being of children in the transition home in Ethiopia; and,
- that the needs of people who have engaged with the previous organization to pursue the adoption of a child are appropriately and fairly managed. This includes the safe management of personal and private data and, where possible, the continuation of processes initiated by the previous organization.

The Yamana gift noted above has addressed the first priority.

Regarding the second priority, BDO Dunwoody is fully aware that the emotional and sensitive nature of this insolvency extends to individuals and families in Canada that have pursued adoption through the previous entity but who are not yet matched with a child.

BDO Dunwoody is continuing discussions with the licensing government office, stakeholders, individuals and other organizations regarding continuity of services that were provided by the previous organization. If successful, and fully compliant with regulatory requirements, the unmatched files would continue to be managed. This objective is not typical for a bankruptcy of this nature; however, the sensitivity of this priority is recognized. We will continue to communicate the status of this option for the unmatched families between now and the creditor meeting on July 30th.

Ongoing Information Releases

Given the scale and urgency of the tasks at hand, BDO Dunwoody no longer has capacity to continue to grant media interviews.. However, BDO Dunwoody will continue to post updates on a regular basis as the situation unfolds. We appreciate the understanding of the media and the general public as we work to manage this situation.

CANADA
Province of ONTARIO
ESTATE NO: 35-1232404
COURT NO: 35-1232404

SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY

BEFORE THE DEPUTY REGISTRAR) On Wednesday, the 29th day
)
) of July, 2009.

IN THE MATTER OF THE BANKRUPTCY OF

KIDS LINK INTERNATIONAL ADOPTION AGENCY o/a IMAGINE ADOPTION
OF THE CITY OF CAMBRIDGE
IN THE REGIONAL MUNICIPALITY OF WATERLOO
IN THE PROVINCE OF ONTARIO

ORDER

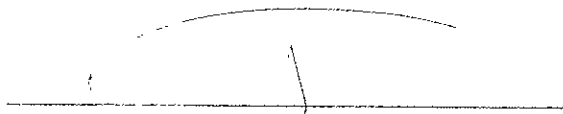
THIS MOTION, made by BDO Dunwoody Limited, Trustee, before the Deputy Registrar for an Order of Advice and Direction was heard this day in London, Ontario.

AND UPON reading the Affidavit of Susan Taves;

AND UPON the Trustee appearing ~~in person~~ *by counsel and Separately appearing.*

IT IS ORDERED that:

1. The funds received by Yamana Gold Inc totaling \$100,000 US, and any additional funds if provided, are not estate assets divisible amongst the creditors of Kids Link International Adoption Agency.
2. These funds are to be maintained by the Trustee in Bankruptcy separate and apart from the estate proceeds in an individual bank account and an accounting of the funds be maintained.
3. These funds, and any additional gifted funds from Yamana if provided, are to be used by the Trustee for the continued operation of the transition home in Ethiopia until such time as the matched children housed therein are placed with their new families.



Deputy Registrar