

Interim Report July 8, 2013

1. Reasons for the Investigation

Profitable Giving Canada (PGC) initiates investigations based on a minimum number of PGC members who register complaints of a similar nature. The complaints must allege significant and sustained violation of PGC's code of ethics and business practice or the laws of Canada. Investigations are only initiated into the activities of an organization or individual within the scope of PGC's regulatory mandate. All PGC investigations are conducted by the Compliance and Disciplinary Committee or an assigned sub-committee. The results of the PGC Investigations are made public on the PGC website, once approved by the Executive Committee. In the case of the subjects below, the number of complaints was far in excess of the 15 needed to initiate this investigation. Complaints continue to be received as of the date of this report.

2. Subjects of the Investigation

Canadian Organization for International Philanthropy (COIP)
Relief Lending Group Ltd (RLG)
Mission Life Financial Inc (MLF)
Pharma Gifts International Inc (PGI)
Related Individuals and Corporations

3. Executive Summary and Interim Findings

Even though member complaints were directed towards numerous different organizations and individuals, it soon became evident that the actions of all of the entities were orchestrated in concert under the direction of one or a very few overlapping individuals and non-arms length parties. Thus, the PGC investigation did not separate the complaints into separate investigations, rather it grouped them all together and it refers to the subjects as the "Group". The interim findings are very disturbing and corroborate the majority of member complaints. The findings are summarized below. Details are shown in Section 5.

- It is apparent the Group has betrayed the trust of donors for its use of donor prepaid interest. Trust funds were not kept on account, rather used for the personal benefit of the Group and were therefore not available to refund to donors as anticipated. This has resulted in the Group resisting all attempts to allow donors to settle their debts in the anticipated contractual manner.
- It is apparent the Group has betrayed the trust of donors by using the funds in the donor's legal defense fund for the defense of the Group from CRA audit and questioning. Little if any funds remain available for the original purpose of defending a donor test case in tax court against the CRA.
- It is apparent the Group has deceived donors by perpetrating collection activities with the intent to settle donor's debts using the Group's own companies and organization. The Group advises donors that the purpose of the collection efforts are to show the CRA the program is valid. They knowingly understand that their non-arm's length process is not valid under current tax law, and the donor is likely to lose his tax credit. This constitutes the deception.
- The Group appears to have inappropriately withheld cash donations from one of their charity partners as ransom for payment of excessive fundraising fees. The Group also withheld donation information from the charity, thus not allowing the charity to issue donation tax receipts in a timely fashion.

4. The Individuals Involved - The Group's Directors and Management Only

The following diagram shows the Group's relationships and positions, in a hierarchy form.



Rob Steen

Founder of the COIP program. Rob is the founder of just about everything else as well, and the "defacto director" of the Group



Terry Bey

Owner of Beta Management Services. Negotiator and head of logistics for the pills shipments and offshore suppliers. Brother in law of John Pipa, the head of Agkuran Distributing and Logipharm Distributing..



Zeev Landesberg

Head of Spitfire , in control of all marketing programs. One of the founders of the 4 programs. Active in the control and marketing of all programs Father of Jamie Landesberg, head of Integrated Receivables Management Inc.



Steve Arnold

President and Owner of PanAggregate Financial, the second finance company in the COIP program. The supplier of medical units to PanAggregate was SunRx, an offshore company found to be controlled by the Group. Also acting to assist Relief Lending Group with their collection activities. Partners with Rob Steen and Phil Trudelle in a prior failed venture called Legal Services Plan.



Shane Saltzman=

Chartered accountant for the Group; husband of Rob Steen's niece.



Alfred Gembicki

President of COIP ; brother in law of Rob Steen



Phil Trudelle

President of Relief Lending Group and Mission Life Financial. Current and previous business partner with Steve Arnold and Rob Steen



Jamie Landesberg

President and owner of Integrated Receivables Management Inc. Son of Zeev Landesberg



John Pipa

President and Owner of Agkuran Distributing and Logipharm Distributing. Married to Terry Bey's sister.



Graham Arnold

President of RLG Marketing Inc. Brother of Steve Arnold.



Aran Kwinta

Lawyer with Chaitons ; Rob Steen's childhood friend and in house counsel to the Group. Not a tax attorney, rather a corporate and securities attorney.



Gary Siskos

Chartered accountant for the Group. With Shane, they have a company called Firefly (telemarketing), located in the offices of the tax shelters. He worked previously with Zeev Landesberg.



Steve Munden

President and owner of PGI and head marketer of MLF; Zeev Landesberg's friend from Dunn and Brad Street

For most of the time in question, the Group shared offices and staff at headquarters in Downsview, Ontario. The different operations were closely integrated and controlled by the above team.

5. Member Complaints and Investigation Details.

Below is a summary of the member complaints and the results to date of the investigation. Some of the complaints generated further discoveries and further PGC allegations. The findings are similar for several of the complaints and are therefore not duplicated in their entirety. All evidence supporting the allegations made herein is contained in the PGC Evidence Vault and summarized in Appendix "A".

Complaint 1: The Group is attempting to collect more money while not providing the refund of PPI anticipated to settle the original debts.

Results of Investigation: Relief Lending Group (RLG) was the first of the Group's companies to start collection activities on their donors' debts. Prior to the start of collection activities, several donors made written and verbal inquiries and attempted to pursue settlement of their debts according to the original anticipated process. These inquiries were ignored or "sluffed off" with statements like "send your pills to Toronto". Eventually, in the summer of 2012, RLG started sending out statements of account to their 2008 donors, demanding more interest be paid on the loan and giving the donor 1 or 3 year options. Additionally, RLG provided the donors with a "Release of Information" which was to allow RLG to put donors in touch with a "settlement vendor". It was also requested that donors amend their notice of objection with the CRA to show they had paid more interest. Most donors paid RLG the money they demanded, however, donors were not contacted by any settlement vendor. This was in spite of repeated requests and demands from several upset donors. The reason for this lack of response appears to be that RLG had no prepaid interest left on account, and would not be able to provide the donors their money as anticipated to put towards debt settlement. This constitutes the betrayal of donor of trust.

Prior to this activity in 2012, several COIP donors (the Group's first program) made inquiries regarding their debts that were anticipated to become due or be past due. Steve Arnold, the president of PanAggregate Financial, the second lender, told donors not to worry about their debts. He claimed the interest rate on the loans had been arbitrarily and legally reduced to a low level so the original prepaid interest would last several more years into the future and the loans would not go into default. He also claimed there would be no additional requests for interest, or if there were, it would be at the low CRA prescribed rate of 1%. This satisfied most donors who decided to wait. An ancillary note regarding Mr Arnold's statements, is the fact that Mr Arnold has been assessed promoter penalties in another jurisdiction for providing false and misleading information and has been assessed penalties in excess of \$1 million.

PanAggregate Financial provided no documentation or statements of account to verify the loan status to donors. When PanAggregate finally started to issue statements to donors, it came from SunRX (one of the companies controlled by the Group) who had reportedly assumed the debt because donors had not met their obligations to settle with PanAggregate Financial. Most donors were surprised to find their accounts were in default, with interest past due, and charged at the original high interest rate. There were demands for more interest and money to settle the debts. The options to settle involved cash payments or purchase of pharmaceuticals. Cash settlement is not a valid option under the terms of the original contract. Purchase of pharmaceuticals from the non-arms length SunRX company provided a significant indemnification from the face value of the debt. The Group's telephone collectors were authorized to offer other reductions to interest rates or payment terms, all adding to the indemnification. These indemnifications were offered in spite of knowing that they would result in the donors' loss of their tax credits under current tax law. In fact, they told donors it was important to "pay up" in order to protect the tax credit. This constitutes the deception and distortion of the facts to donors.

Mission Life Financial started debt collection activities in the spring of 2013. All the same types of documents, arguments, and tactics that RLG was using are employed by MLF. This is to be expected since MLF is apparently controlled by the Group.

Pharma Gifts International has not started collection activities yet, but has stopped RPGA promotion activities. Since PGI is another entity controlled by the Group, it is anticipated they will follow the same course of action. The Group's management has indicated they are "no longer in the tax shelter business", but rather in "the debt collection business".

Complaint 2. The legal defense fund that was supposed to be in place to defend donors in the CRA test case has been depleted.

Results of Investigation: This appears to be true. In fact, some of the Group's collection activities involved statements that the additional prepaid interest needed was to be used to replenish the legal defense fund. It is known that the Group underwent significant and ongoing audits from CRA. This was extremely expensive to defend their own interests and some of the donor defense funds were used for that purpose, depleting the accounts. This constitutes further deception and misuse of trust funds.

Complaint 3. Donors are provided with settlement options that are not in the original contract and constitute significant indemnification of the debt.

Results of Investigation: This has also been demonstrated to be true. Details of this part of the investigation are shown in Complaint 1. The indemnifications given from the Group's non arm's length entities will result in the donor's tax credits being lost, while the Group is knowingly claiming the opposite. This constitutes a further deception and distortion of the facts to donors.

Complaint 4. The Group (specifically Mission Life Financial and Pharma Gifts International) did not cooperate with one of their charities in order to issue tax receipts in a timely fashion for the year 2012.

Results of Investigation: The charity in question is Canadian Friends of Pearl Children (CFPC) . It has been determined that MLF & PGI withheld donor cheques for cash donations as ransom for rebates of previous cash donations. These rebates were invoiced as fundraising fees which were excessive and very inappropriate, leaving the charity in financial distress. The Charity terminated its relationship with MLF & PGI in late 2012, and legal action has commenced. This dispute resulted in MLF/PGI not providing the information needed for the charity to issue the receipts in a timely fashion. At present all tax receipts have been issued, but MLF and PGI have still refused to issue a T5003 form (Statement of Tax Shelter Information) to some donors.

6. Questions Remaining to be Answered.

There are several other issues/questions that have become part of this investigation and will form part of the final report. They are summarized as follows:

- PGC will attempt to find details of the numerous offshore companies involved, such as Globe Lending Co, and others.
- PGC will consider the option to pursue collaboration with the CRA to pool audit results with Investigation results.

- There is evidence the Group's management participated in corporate and personal tax evasion activities. While this is not relevant to member complaints, it is behaviour contrary to law and concerning to PGC management.
- The PGC Board will meet to consider the possibility of contacting the RCMP, White Collar Crime Division, to report criminal code offences.
- There are some Member donors attempting to settle their debts independently. PGC will monitor the progress and cooperation of the Group in this process and report status in the final report.
- Any new or related discoveries will be investigated as appropriate.

APPENDIX "A"
Evidence Supporting the Allegations.

All evidence supporting the PGC investigation results and allegations is contained in the PGC Evidence Vault which is not available publically until the appropriate time. The Evidence Vault is a record of information and documentation held by the Compliance and Disciplinary Committee. There typically is a separate vault for each investigation being conducted. This investigation contains evidence from the following types of documents:

- Ordinary letters sent to and received from the Group's entities
- Registered letters sent to the Group's entities.
- Emails sent to and from the Group's entities, including explanations to donors from the Group's leadership and executive.
- Emails sent to the Group's administrative staff.
- Testimonials from donors
- Affidavits from donors and other parties
- Recorded telephone conversations with the Group's top leadership.
- Recorded telephone conversations from the Group's collection agents.
- Recorded Skype conversations with the Group's top and middle leadership.
- Legal Opinions from independent professional entities.
- Testimonials and affidavits from former associates to the Group.
- CRA Audit Findings and Proposals for Reassessment
- Other miscellaneous documents.