

PGC Class Defence 15-1 Frequently Asked Questions

1. What exactly is the PGC Class Defence?

A group of PGC Members who participated in one or more of the 4 Pharma Tax Shelter programs (COIP, RLG, MLF, PGI) and who have settled their donation debts using the Justice Pharma program have formed to defend themselves against the CRA reassessments for these programs. It's the Group's intention to appeal to Tax Court or another Court for a decision on their tax position, thus obtaining closure on CRA's collection agenda. The PGC Board of Directors has approved the funding model and legal support needed for this effort. The legal process and confidential updates will be posted on the PGC website, in the private section that has been created for Class Members. Formal legal Class Actions cannot be filed in Tax Court, so any reference to Class Action is in regard to a Class of PGC Members who are taking action. That action could possibly be a formal legal Class Action in a Court other than Tax Court, however, that will depend upon the full legal strategy that will be determined by the Legal Affairs Committee and the Law Firm engaged.

2. Why should I join the PGC Class Defence?

Simple answer: To have the best chance possible to keep your tax refunds. The CRA has an effective tactic when it comes to their reassessments of tax shelters. When you filed your Notice of Objection, that just puts the tax "in dispute" and buys some time. CRA is supposed to respond within 120 days, but they never do. They wait some 10-12 years before confirming their reassessments and starting to collect the tax in dispute. By this time, the amount of money owing by taxpayers has really grown, with 5% interest compounded daily for years. And usually at that time, the tax shelter company is long gone and there is no support. CRA also attacks these companies with expensive audits and other tactics that usually puts them out of business. So taxpayers have no choice but to pay up, unless they are able to go to Tax Court themselves. For the 4 Pharma programs involved, the PGC Class Action is very likely the only choice available for taxpayers to defend themselves as a group, if they want the best chance possible to keep their tax refunds.

3. Why do I need to settle my debt with the Justice Pharma program before I can join the Class.

PGC wants to be successful with our case on behalf of Members. In order to be successful, our case must comply with tax law and court precedence. The strongest argument that CRA has made against the 4 programs involved, is that the loan contract was a "sham" and the debt was "partial recourse", making it ineligible for donations. In order to have a strong case, we must defeat these arguments with facts to the contrary. So the debt issue is the most important issue that needs to be resolved compliantly before you can join the Class. Settling the debt with indemnification from the original lender or his agent Integrated Receivables Management Inc, is not compliant with tax law. PGC will not waste time and money on a case that is doomed from the start.

4. Why do I need to join the PGC Class Defence, I thought Justice Trading was going to give me full support?

Justice Trading has pledged support for their clients for all elements of proving their compliant debt settlement to CRA and/or anyone else. This support is delivered through an audited "Evidence Package" that will counter the CRA's primary argument for denying your donations. Namely, the loan was a "sham" loan, you never intended to settle the debt, and the debt was partial recourse debt. CRA, however, also has **other** arguments for denying your donation. There are 4 main points in their proposal letters. Some of these points have nothing to do with the Justice debt settlement process and therefore cannot be argued by Justice. So Justice and PGC are **teaming up** to give our Class Members the **full** support to argue the whole case. The PGC Class Defence is your only choice for group legal support on these programs. Most taxpayers do not have the knowledge or funds to personally defend themselves in Tax Court.

5. Why should I join now, rather than wait for awhile and see how it goes?

It is important for PGC to be able to go to the Court or the CRA with a "full house". If they know we are representing a large number of taxpayers, our negotiating position will be greatly enhanced. In addition, PGC requires the funding to get started, and the more Members we have joining, the better legal representation we will be able to retain. Finally, PGC has structured the Class Membership such that if you join later, it will be more expensive than joining from the start. It now will cost a onetime fee of \$100 to subscribe to the Class Defence, in addition to the regular membership fees. Also, we are currently offering discounted membership fees for longer Memberships.

And finally, CRA is now starting a massive campaign of [Notices of Confirmation](#). This means you really need to be ready to have us defend you from that, rather than wait until it's too late.

6. What are the chances of success against CRA?

We feel that with the facts of our case and the tax law in effect now and proposed at the time of our participation, we have a very good chance of success. It is very much dependent upon the legal representation we retain, so that has been a priority for us to obtain the best available. We are very pleased that

we have been able to retain one of the very best legal teams available to argue our case. The team feels we can win, which is a very important factor for us. A weak case with a good lawyer will often win. A good case with a weak lawyer will often lose. A good case with a strong lawyer will most likely win. While there are never any guarantees when it comes to Tax Court or any Court for that matter, we feel this Class of taxpayers with our case and our lawyers has the best chance possible. One thing that is virtually guaranteed is that those taxpayers who don't join the Class Defence will most certainly lose their tax credits eventually.

7. What information do I need to provide in order to join the Class Defence?

The full information that is needed from Class Members will be determined by the legal team. You may be asked to provide a "Limited Power of Attorney", or sign a "Retainer Agreement", or a "T1013" for example, in order to be represented. You will be notified in due course of what documents you need to provide. In order to register now, however, we only need proof that you qualify to join the Class. This involves providing us with your history of Tax Shelter participation in any of the 4 programs from 2006 to 2013. We also need to know that you have at least one reassessment and subsequent objection of file with CRA. That confirms that you have "Tax in Dispute" Finally we need to know that you have settled your debt with the Justice Pharma program. So for the reassessment, objection, and Justice order, we are asking for the date of your "first" one only. Please remember, we will be needing more specific information at a later date and will advise details at that time.

8. How do I go about joining the PGC Class Defence?

Complete instructions to join the PGC Class Defence are shown on our website www.profitablegiving.ca, and in Section 10 of the [Members Section](#). The first step is to become a PGC Member, if you are not already a Member. After that, it is a very simple online registration process where you provide us with your history of participation in any of the 4 programs, the date of your first CRA reassessment, the date of your first Notice of Objection, and the date of your first Justice Pharma purchase order. We will do the rest.

9. How much is this going to cost?

Because we have hired the best legal representation available, we expect this initiative to be expensive, well in excess of \$1 million. At this point, however, we are hoping that the PGC Annual Membership fees of \$100 might be enough to cover the costs. We know that there are in excess of 10,000 donors who have participated in one or more of these 4 programs so when costs get shared by a large number, it greatly reduces the cost per member. Justice has over 2,400 clients already and those donors would be foolish to not join this Class Defence. Since we expect this action to take some years before resolution, we are asking Members who join the Class to pledge to maintain their Membership in good standing for the next 5 years minimum. If you do the math, you will see we anticipate having sufficient funds to see this action to completion, however, PGC does reserve the right to ask Class Members for an additional contribution if necessary. It might be to our advantage, for example, to offer the Law Firm a financial incentive in order to further motivate them and see it through to completion. The last thing we would want is to have our lawyers abandon us when funds run short, something we have seen with other situations we are following. Joining the Class Defence 15-1 online will cost a onetime fee of \$100 in addition to the \$100 per year Membership fee. This is an extremely low fee for the services you will receive.

10. How long will it take before I get some resolution or closure to my tax position?

We expect the PGC Class Defence initiative will result in closure as soon as we possible can. However, it is still expected to take several years, possibly 5-6 or more to obtain a final decision. It is possible that appeals to Federal Court or higher may extend things even further.

11. Can you really argue all 4 tax shelter programs together in one Class Defence?

Probably not. However, we are hopeful to start our negotiations on that basis. The response from CRA and the advice from our legal team will determine if we need to subdivide the Class by program or other detail.

12. What happens if I don't have all the documents that I need to join the Class?

If you are sure you qualify to join the Class, but don't have the specific documents immediately available, you can give us an estimate. Once you are registered, you will have the ability to edit your information provided by using the Edit Profile section in the Members Section of our website. Please note, however, that you will eventually need to provide detailed and specific information. If you don't have access to your Tax Shelter documents, Justice Trading is providing a free legal service to get those documents if needed. We expect that all taxpayers will have kept proper records of all their communication with CRA, however, if that is missing, CRA can provide you with copies upon request.

13. What if my spouse participated in the donation program, does he/she need to join the Class separately?

Yes, CRA treats every taxpayer individually and so does PGC. Even if only one spouse participated in the program, but they split the charitable donations on their tax returns, each spouse must become a PGC Member and join the Class separately. It comes down to the fact that if anyone has tax in dispute as a result of a CRA reassessment, that person must join individually.

14. What if I participated in a program for several years, but have only settled my donation debt for one year? Can I still join the Class.

Yes. We are only asking for your information for your first participation and settlement at this time. However, you will not be defended for those years where your donation debt was not settled, so you would be well advised to settle those years as soon as possible.