

Court Administration

FEB 25 2020

Halifax, N.S.

2020

Hfx. No 496980

NOVA SCOTIA SUPREME COURT

BETWEEN:

GREG ZENTNER

Plaintiff

-and-

GOSPEL FOR ASIA, INC., GFA WORLD,
KADAPPILIARIL PUNNOSE YOHANNAN,
DANIEL PUNNOSE,
DAVID CARROLL and PAT EMERICK

Defendants

NOTICE OF ACTION
(PROPOSED CLASS ACTION)

To: GOSPEL FOR ASIA, INC., GFA WORLD, KADAPPILIARIL
PUNNOSE YOHANNAN, DANIEL PUNNOSE, DAVID CARROLL
and PAT EMERICK

Action has been started against you
The Plaintiff takes action against you.

The Plaintiff started the action by filing this notice with the court on the date certified by the Prothonotary.

The Plaintiff claims the relief described in the attached statement of claim. The claim is based on the grounds stated in the statement of claim.

Deadline for defending the action

To defend the action, you or your counsel must file a notice of defence with the court no more than the following number of days after the day this notice of action is delivered to you:

- 15 days if delivery is made in Nova Scotia
- 30 days if delivery is made elsewhere in Canada

- 45 days if delivery is made anywhere else.

Judgment against you if you do not defend

The court may grant an order for the relief claimed without further notice, unless you file the notice of defence before the deadline.

You may demand notice of steps in the action

If you do not have a defence to the claim or you do not choose to defend it you may, if you wish to have further notice, file a demand for notice.

If you file a demand for notice, the Plaintiffs must notify you before obtaining an order for the relief claimed and, unless the court orders otherwise, you will be entitled to notice of each other step in the action.

Rule 57 - Action for Damages Under \$100,000

Civil Procedure Rule 57 limits pre-trial and trial procedures in a defended action so it will be more economical. The Rule applies if the Plaintiffs state the action is within the Rule. Otherwise, the Rule does not apply, except as a possible basis for costs against the Plaintiff.

This action is not within Rule 57.

Filing and delivering documents

Any documents you file with the court must be filed at the office of the Prothonotary at 1815 Upper Water Street, Halifax, NS B3J 1S7 (Telephone: 902-424-4900).

When you file a document you must immediately deliver a copy of it to each other party entitled to notice, unless the document is part of an *ex parte* motion, the parties agree delivery is not required, or a judge orders it is not required.

Contact information

The Plaintiff designates the following address:

*McKiggan Hebert
502-1959 Upper Water Street, Tower One
Halifax, Nova Scotia B3J 3N2*

Documents delivered to this address are considered received by the Plaintiff on delivery.

Further contact information is available from the Prothonotary.

Proposed place of trial

The Plaintiff proposes that, if you defend this action, the trial will be held in Halifax, Nova Scotia.

Signature

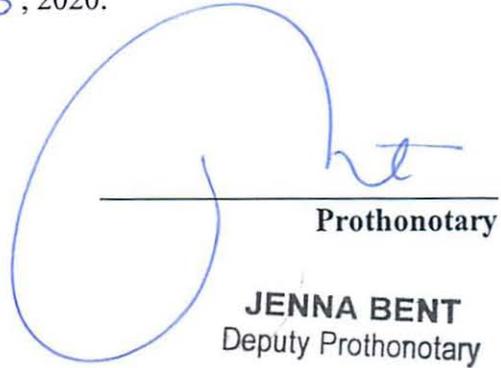
Signed this 25 day of February, 2020



John A. McKiggan, QC
McKiggan Hebert
502 – 1959 Upper Water Street
Purdy's Wharf Tower 1
Halifax, Nova Scotia B3J 3N2
Phone: 423-2050 Fax: 417-1280
Counsel for **Greg Zentner**

Prothonotary's certificate

I certify that this Notice of Action, including the attached Statement of Claim, was filed with the court on February 25, 2020.



Prothonotary
JENNA BENT
Deputy Prothonotary

NOVA SCOTIA SUPREME COURT

Between:

GREG ZENTNER

Plaintiff

-and-

**GOSPEL FOR ASIA, INC., GFA WORLD,
KADAPPILIARIL PUNNOSE YOHANNAN,
DANIEL PUNNOSE,
DAVID CARROLL and PAT EMERICK**

Defendants

STATEMENT OF CLAIM

CLAIM

1. The plaintiff claims:
 - (a) an order certifying this action as a class proceeding and appointing the plaintiff as representative plaintiff for the class;
 - (b) a declaration that the defendants breached their duty of care and fiduciary duty to the plaintiff and the class;
 - (c) a declaration that the defendants defrauded or made negligent misstatements to the plaintiff and the class members;
 - (d) a declaration that the defendants civilly conspired to misrepresent the nature of the donations collected from the class and the use to which they would be put;
 - (e) a declaration that the defendants are liable to the plaintiff and the class for the damages caused by their breach of their duty of care and fiduciary duty, fraud, misrepresentations or civil conspiracy;

- (f) return of \$20,000,000.00 in funds misdirected to GFA USA;
- (g) damages for the defendant's unlawful actions for the misuse of donor funds in excess of \$100,000,000.00 , or such other sum as this Honourable Court may find appropriate;
- (h) punitive damages of \$50,000,000.00, or such other sum as this Honourable Court may find appropriate;
- (i) prejudgment and post judgment interest;
- (j) costs of the action;
- (k) the costs of notice and of administering the plan of distribution of the recovery in this action, plus applicable taxes; and
- (l) such further and other relief as to this Honourable Court may seem just and appropriate in all the circumstances.

OVERVIEW

2. Thousands of well-intentioned Canadians were duped into collectively donating tens of millions of dollars to an international fundraising syndicate operating in Canada known by a variety of names including as Gospel for Asia, Gospel for Asia Canada, GFA, and, later, as GFA World. The donors were convinced by the representations of the Defendants that 100% of donations designated for use in the field would be used in the field, and that their donations would be used for specific charitable purposes to help the poorest of the poor in India. Instead, the funds were converted by the Defendants for their own use, including for the construction of a luxurious compound and personal residence in Texas, USA. In this action, the Canadian donors seek to recover these donations that were collected through fraud or misrepresentation.

REPRESENTATIVE PLAINTIFF AND CLASS

3. The Plaintiff, Greg Zentner is an individual who resides in Woodburn, Nova Scotia Canada. From 2006 to 2014 he and his wife made regular donations totaling thousands of dollars to the Defendant GFA World (“GFA Canada”).

4. Greg Zentner made the donations after learning of GFA’s guarantee that that 100% of the donations would be used in the field and that donations would be used as directed. The Plaintiff relied upon the Defendants representations that the donated funds would be used by the Defendants to fund specific individuals or projects in India as identified and directed by the Plaintiff, specifically in the Plaintiff’s case, donations for Native Missionaries.

5. Each donation made by the Plaintiff was made on the understanding, based on the representations made by the Defendants, that 100% of the donation would be used in the field and applied as directed. Had the Plaintiff known the funds would be misdirected as detailed below, he would not have donated to GFA.

6. The Plaintiff seeks to certify this proceeding as a class proceeding under the *Class Proceedings Act*, S.N.S. 2007, c. 28, and brings this proceeding on his own behalf and on behalf of the following proposed class:

All persons in Canada who made donations to GFA Canada using donation codes 1000 to 4900 from January 1, 2006 to date that were not specifically directed for use of the “Home Team” or “Home Office” (the “Class”).

7. The Plaintiff does not have any interest adverse to any other member of the Class.

8. The Plaintiff states that the Class is an identifiable class that would be fairly and adequately represented by him, that the claims of the members of the Class raise common issues, and that a class proceeding would be the preferable procedure for the resolution of such common issues.

THE DEFENDANTS

9. The Defendant, Gospel for Asia, Inc. (“GFA USA”), is a corporation incorporated under the laws of Texas, USA with headquarters in Wills Point, Texas. At all material times GFA USA was a registered charity and a member of the Gospel for Asia syndicate.

10. The Defendant, GFA World (“GFA Canada”), is a corporation continued under the *Canada Not-for-profit Corporation Act*, S.C. 2009, c. 23, and at all material times held itself out as a charity within the meaning of the *Income Tax Act*, R.S.C., 1985, c. 1 (5th Supp.). GFA World is a member of the Gospel for Asia syndicate. Prior to changing its name to “GFA World” on March 24, 2017, the corporation was known as GFA Canada or operated simply as “Gospel for Asia” from the date of its incorporation.

11. The Defendant, Kadappiliaril Punnose Yohannan (“Yohannan”), is an individual who resides in Wills Point, Texas. Yohannan is the founder of an international fundraising syndicate (“the GFA syndicate”) consisting of several related corporations operating in many countries, including Canada, the USA, Germany, the UK, and India under a variety of names including “Gospel for Asia” or “GFA” or “Believers Church”.

12. At all material times Yohannan was a corporate director and president and operating mind of GFA Canada, the Canadian corporate arm of the GFA syndicate, as well as director and president and operating mind of Gospel for Asia’s other corporate members including but not limited to GFA USA. At all material times Yohannan was also the Metropolitan (equivalent to the Pope) of all arms of the GFA syndicate. He served as the public face of Gospel for Asia, including within Canada, and solicitations for donations on behalf of Gospel for Asia were sent under his personal signature. He had signing authority for GFA Canada, GFA India, and GFA USA’s bank accounts. He was the leader of the fraudulent conspiracy detailed herein.

13. As Metropolitan Yohannan has extraordinary powers over the GFA syndicate including acting as the President and Managing Trustee of all societies of the GFA syndicate.

14. The Defendant, Daniel Punnose, is an individual who resides in Wills Point, Texas. He is the son of Yohannan and Gisela Punnose, is a director of GFA Canada and Vice President of GFA USA. At all material times Daniel Punnose promoted Gospel for Asia and solicited donations by speaking at conferences and churches worldwide, including frequently within the United States and Canada. He was a knowing participant in the fraudulent conspiracy detailed herein.

15. The Defendant, David Carroll ("Carroll"), is an individual who resides in Wills Point, Texas. At all material times Carroll was the Chief Financial Officer of GFA USA and GFA Canada and was responsible for the operations of the headquarters of the Gospel for Asia syndicate in Wills Point, Texas. He and Yohannan had signing authority for GFA Canada, GFA India and GFA USA's bank accounts. He was a knowing participant in the fraudulent conspiracy detailed herein.

16. The Defendant, Pat Emerick ("Emerick"), is a United States citizen who, at all material times, resided in Ontario Canada and served as a director and CEO of GFA Canada. He was a knowing participant in the fraudulent conspiracy detailed herein.

ALLEGATIONS

17. Gospel for Asia is an evangelical Christian syndicate that operates internationally through a network of affiliated corporations and organizations including GFA USA, GFA Canada, GFA International, Gospel for Asia – India ("GFA India"), Believers Eastern Church, Last Hour Ministries, and Love India Ministries.

18. At all material times the operations of the GFA syndicate and its members were under the effective control of Yohannan. Yohannan directly controlled or exerted ultimate authority over each member of the syndicate, including by directly controlling or exerting ultimate authority over each member's finances and corporate governance.

19. At all material times GFA Canada solicited donations from Class members through various media, including website, mail, radio, TV, in-person solicitations, and other promotional materials. In doing so, GFA Canada represented to Class members that the funds it was soliciting from Canadian donors were needed on an urgent basis.

20. GFA Canada further represented that Class members could choose the specific individual, items, and/or projects their donations would be used for, including, *inter alia*, direct financial support for an individual child, direct financial support to an individual missionary, the purchase of a blanket to keep an impoverished family warm, the purchase of a tool kit for gardening and home maintenance, the purchase of a motorcycle to assist a rural missionary in travelling to and from remote communities, the purchase of a sewing machine, and the provision of medical care and education.

21. GFA promised, through mail solicitations and its website, to apply donations only to the specific projects and items donors select. During the class period, GFA would often send out direct mail campaign solicitations, often tied to specific projects or items, such as its “Sewing Machines Appeal” from April 2012 or the “Pure Water Appeal” from August 2014, as well as occasional “Harvest” Newsletters and the “GFA World” magazine or the “GFA Christmas Catalog,” an annual glossy magazine with photos of specific “gifts” that donors may provide to the needy to coincide with the holiday season. All of these campaigns and publications are used to solicit donations to GFA Canada and other members of the GFA syndicate.

22. In its marketing materials, GFA Canada emphasized its representation that 100% of all donations would be used for the purpose for which it was donated and not used to meet administrative expenses. The marketing materials depicted a seal with the figure “100%” written on it which was accompanied by one or more of the following statements or a statement of similar import: “One hundred percent of what you give for sponsorship goes to the field. Nothing is taken out for administrative expenses.”; “100% of your sponsorship is sent to the field to support your child”; and, “100% of all contributions designated for use on the mission field are sent to the mission field”.

23. GFA defined “the Field” for which GFA solicits charitable relief as a specific geographic region, the section of the Eastern Hemisphere between 10 and 40 degrees north of the Equator. Countries in this region face high levels of socioeconomic challenge and have low access to Christian theology. This region (“the Field”) contains over 50 countries, but specifically does not include the United States.

24. Every donation received by GFA Canada was “coded” to show the specific purpose for which the donation was being made. All donations coded between 1000 and 4900 were designated to be used in “the Field”.

25. GFA did offer the option for persons to donate to the “Home Team” to defray the cost of GFA’s administration and staff salaries. GFA-USA is termed the “Home Office,” and the 100% Guarantee explicitly states donations for “the Field” would not be applied for projects or needs within the United States, including GFA’s administrative or salary expenses for the “Home Team”. Donations coded between 1000 and 4900 were not designated for use by the “Home Team” or “Home office”. Relying on the foregoing representations, Class members selected the individual child, missionary, item, or project they wished to support and made a donation to GFA Canada either on the GFA Canada website, or via telephone, by mail, or in person and the donation was coded according to the designated use for which the money was intended.

26. Thousands of well-intentioned and charitable Class members donated money to GFA Canada in this manner, believing that their donations were needed urgently, would be used in “the Field” and would be used for the specific persons, items, or programs they chose and directed. These representations were so successful that from 2008 to 2017, GFA Canada reported to the Canada Revenue Agency (“CRA”) that it had raised more than \$120,000,000.00 Cdn in donations from Class members.

27. The fact is that the funds being solicited were not required on an urgent basis. Under the direction of Yohannan, the GFA syndicate had collected huge sums of money through earlier donations which had not been used in the Field, had not been used as directed, and had stockpiled massive amounts of cash which were simply placed in accounts controlled by Yohannan and the other Defendants.

28. The claims that more money was required to support the specific individuals, items, and projects were completely false. The fact is that the members of the GFA syndicate had collected hundreds of millions of dollars’ worth of donations that had not been used in the Field or as directed by donors.

29. The representations that GFA Canada needed the funds urgently was fraudulent, false, and intentionally misleading and was knowingly and fraudulently made for the purpose of inducing Class members into making further donations to GFA Canada.

30. During the class period, GFA Canada collected over a hundred million dollars from charitable Canadians. Despite the representations and guarantees made by the Defendants to class member donors, only a small fraction of the donated money was used in the Field to support the specific causes for which the funds were donated.

31. Instead of using the donations of Class members in the Field to support the individuals, projects, and purposes selected and directed by Class members or for any similar objects or purposes, GFA Canada diverted the funds to GFA USA, GFA International, and other members of the GFA syndicate through bank accounts controlled by the Defendants Yohannan and Carroll knowing the funds would be used for other purposes including:

- (a) to build a 350-acre palatial compound in Wills Point, Texas to serve as a residence for Yohannan, Daniel Punnose, Carroll, and Emerick;
- (b) to acquire for-profit enterprises including a rubber plantation, private schools, and private colleges; and
- (c) to generate investment income; and
- (d) for purposes other than as designated by class member donors.

32. The representations that 100% of the donated funds would be used in the Field and used for the purposes selected by the Class members were fraudulent, false, and intentionally misleading and were knowingly and fraudulently made for the purpose of inducing Class members into making donations to GFA Canada.

33. Each of the Defendants knew that the representations were false and misleading or were reckless as to the truth of the representations. They knew that the purpose of the representations was to induce Class members to make a donation to GFA Canada, and they knew that the donations

were not going to be used in the Field and were not needed for the objects and purposes represented and that the funds would not be used for those objects and purposes.

34. In September 2015 the Evangelical Council for Financial Accountability (“ECFA”), a private oversight body that reviews the finances of Christian organizations that solicit charitable donations, decertified GFA USA after investigating its finances and finding multiple examples of the misuse and misrepresentation of charitable donations collected by the Defendants.

35. The Defendants conspired to conceal, did conceal, and continue to conceal the true state of affairs from Class members by:

- (a) Transferring funds from GFA Canada to other members of the GFA syndicate and falsely reporting such transactions as legitimate charitable expenses on the T3010 registered charity information returns filed with Canada Revenue Agency;
- (b) By denying (and continuing to deny) any allegations of impropriety on the part of members of the syndicate when faced with media reports, questions by donors, and legal claims in other jurisdictions; and
- (c) By refusing (and continuing to refuse) to provide accurate financial information when requested by individual directors or donors.

MISUSE OF CANADIAN DONATIONS

36. In Canada, the CRA requires charities to submit an annual Registered Charity Information Return on T-3010 forms. Canadian law requires charities that operate in a foreign country to abide by that country’s laws.

37. Indian law requires that all Non-Government Organizations (NGOs), such as GFA Canada and the other members of the GFA syndicate, file FC-6 forms titled, "The Account of Foreign Contribution" reporting all money received from foreign sources, including the country of origin.

38. Between 2007 and 2014 GFA Canada filed T-3010 forms with CRA indicating it had collected over \$100,000,000.00 in donations from class members. GFA Canada claimed to have spent just over \$90,000,000.00 outside of Canada in the Field.

39. However, between 2007 and March 31, 2014 the FC-6 forms filed by the members of the GFA syndicate in India reported zero (\$0) dollars having been received from Canada.

40. In 2010 GFA USA began constructing a state of the art \$45,000,000.00 compound in Wills Point, Texas to serve as a headquarters for the GFA syndicate and the personal residence of Yohannan and other defendants. In 2013 GFA USA claimed in its financial statements that a \$20,000,000.00 USD anonymous donation had been received for the development of the 350-acre plot of land where the compound was constructed.

41. In fact, the “anonymous donation” was actually funds collected by GFA Canada from numerous Canadian class members that had been directed to be used in the Field and for specific charitable purposes coded between 1000 and 4900, not the construction of a residence and headquarters in Texas. The various class members who donated the sums making up the \$20,000,000.00 USD relied upon GFA’s guarantee that 100% of the donations would be used in the Field to help the poor in India.

42. In 2013 Yohannan and Carroll and Emerick transferred funds totaling \$20,000,000.00 USD from Canadian donations from the GFA Canada bank account, to a bank account in the name of GFA India, in the same bank branch in Hamilton Ontario. Then Yohannan and Carroll and Emerick transferred the Canadian donated funds to GFA USA to use in constructing GFA’s lavish headquarters and personal residences in Wills Point, Texas.

43. This transfer was not reported to CRA as required on GFA Canada’s T-3010 form. Nor was it reported to the Indian government as required on GFA India’s FC-6 forms. Nor were the donors advised that the funds had not been used as directed by the donors. The Plaintiff states that the transfers were made in order to hide the actual source of the funds and to mislead class members and the Canadian and Indian tax authorities.

44. The Plaintiff states that the Wills Point GFA headquarters was built using funds designated for use in the Field and donor restricted funds from Canadian class members coded between 1000 and 4900 and GFA USA holds the \$20,000,000.00 USD in trust for the benefit of class members and is liable to the class members for the return of their misused and misdirected donations.

45. In 2015 and 2016, Emerick and two other employees of GFA Canada, Susan Whitman and Harvey Martens registered five Not-For-Profit (“NFP”) corporations with Corporations Canada (“CC”). Little Hills was incorporated on August 13, 2015; The Blind See on February 26, 2016; The Lame Walk on February 26, 2016; Lift Up Their Voices on February 29, 2016 and The Sick Healed also on February 29, 2016 (“the GFA NFPs”).

46. NFP corporations must file annual reports with CC. If an NFP corporation’s income is in excess of \$10,000 they must file financial statements. None of the five GFA NFPs filed annual reports or financial information as required by law.

47. Registered charities including GFA World are not permitted to send money to NFP corporations that are not registered charities in order to transfer money to other countries. The five GFA NFPs were not registered charities with CRA and were not eligible to receive funds from GFA Canada.

48. In 2016 GFA Canada improperly funneled in excess of \$10,000,000.00 of donations from Canadian class members through the GFA NFPs contrary to the directions made by class member donors and the specific representations made by the Defendants.

CLAIMS

Civil Fraud

49. The Plaintiff pleads the tort of deceit, also known as civil fraud, and states that the Defendants induced Class members to donate money by making false representations that such monies were needed urgently, that donations would be used for the individuals, items, and programs designated by the Class member making a donation, and that 100% of all donations made

by Class members would be used in the Field and for the individuals, items, or programs designated and not for administrative or other purposes. The Defendants knew that the representations were false or were reckless as to the truth of the representations. Class members acted on the false representations and donated money to GFA Canada, and, as a result, Class members suffered injury, loss, and damages.

Equitable fraud

50. In the alternative, the Plaintiff relies on the doctrine of equitable fraud and states that the Defendants and the Class members were in a special relationship as donee and donors. That the Defendants knew that the Class members were relying on the truth of the representations made by GFA when making donations, and that it was unconscionable for the Defendants to accept donations from Class members knowing that such donations were induced by false or misleading representations as set out above. As a result of the equitable fraud Class members have suffered injury, loss, and damages.

Negligent misstatement

51. In the further alternative, the Plaintiff pleads the tort of negligent misstatement and states that because of the relationship between the Defendants, as donee, and Class members, as donors, the Defendants owed Class members a duty to take care to ensure that any representations made to Class members about their charitable activities were accurate, true, and not materially misleading. The Plaintiff states that the representations made by the Defendants, as set out above, were false and materially misleading and that Class members relied and acted on the representations when making donations to GFA Canada and, as a result, suffered injury, loss, and damages, all of which were foreseeable by the Defendants.

Breach of fiduciary duty

52. In the further alternative, the Plaintiff states that the Defendants owed a fiduciary duty to the Class members to use donations for the purposes intended by the Class members and breached their fiduciary duty by failing to use the donations in the Field and for the purposes and in the manner intended by the Class members.

Unjust enrichment

53. In the further alternative, as described in detail in the factual allegations above, the Defendants intentionally made materially false representations to the Plaintiffs and the class members that resulted in their contributions of money for charitable purposes to their detriment. The Plaintiff states that the Defendants received benefits from the donations made by Class members and the Class members suffered a corresponding loss for which there is no juristic reason and the Defendants were unjustly enriched.

54. As a result, the Defendants are liable in restitution to the Plaintiffs and class members to disgorge and remit to Plaintiffs and the Class all monies contributed, in an amount to be proved at trial.

Civil conspiracy

55. The Plaintiff pleads unlawful means civil conspiracy and states that the Defendants acted in concert, by agreement, or with a common design or intention to defraud Class members and thereby deprive them of money by:

(a) Engaging, or assisting GFA Canada in engaging, in the tort of deceit, in equitable fraud, in the tort of negligent misstatement, and in breach of a fiduciary duty, or

(b) by making, or assisting GFA Canada in making, false or misleading representations to the public contrary to s. 52 and 74.01(1)(a) of the *Competition Act*, R.S.C., 1985, c. C-34, which unlawful conduct was directed towards the Class members and which conduct resulted in depriving the Class members of money which result the Defendants knew or should have known would flow from their unlawful conduct.

56. In the alternative, the Plaintiff pleads lawful civil conspiracy and states that the Defendants engaged in a course of conduct, the predominant purpose of which, was to harm Class members by depriving them of money and the Class members suffered a corresponding loss.

PUNITIVE DAMAGES

57. The high-handed, callous and misleading conduct of the Defendants warrant the condemnation of this Honourable Court. The Defendants conducted their affairs with wanton and callous disregard for the class members' wishes and preyed upon the class members' Christian charity in order to enrich themselves. The Defendants breached, and continue to breach, the duty of care, fiduciary duty and legal obligations owed to the Plaintiff and the class members.

58. The Defendants' actions were deliberate, calculated and done with the intent to deceive well-meaning charitable class members. The Defendants continue to deny that they have committed any wrongdoing. In these circumstances, punitive damages are necessary to act as a deterrent to prevent such conduct in the future.

59. The Plaintiff claims jointly and severally against the Defendants for the following:

- (i) special damages;
- (ii) general damages;
- (iii) equitable damages;
- (iv) disgorgement;
- (v) aggravated damages;
- (vi) punitive damages;
- (vii) costs on a solicitor-client basis; and
- (viii) such other relief as this Honourable Court deems just.

DATED at Halifax Regional Municipality, Nova Scotia this 25 day of February, 2020.



John A. McKiggan, Q.C.

McKiggan Hebert

502-1959 Upper Water Street

Halifax NS B3J3N2

Tel: (888) 510-3577

Marc R. Stanley

Stanley Law Group

6116 N. Central Expressway

Suite 1500

Dallas, TX 75206 USA

Tel: (214) 443-4301

Counsel for the Plaintiff and
the Class