

IN THE MATTER OF THE TORONTO COMPUTER LEASING INQUIRY

PRELIMINARY SUBMISSIONS OF PAULA LEGGIERI

A. THE COMMISSIONER DOES NOT HAVE THE JURISDICTION TO MAKE ANY FINDING OF MISCONDUCT AGAINST PAULA LEGGIERI.

1. Section 5(2) of the *Public Inquiries Act* R.S.O. 1990 ch. P. 41 provides:

No finding of misconduct on the part of any person shall be made against the person in any report of a Commission after an inquiry, unless that person had reasonable notice of the substance of the alleged misconduct and was allowed full opportunity during the inquiry to be heard in person or by counsel.

2. In the course of preparing Affidavit material for the benefit of this Inquiry, Ms. Leggieri disclosed to Commission counsel her concern that her employment with the City was terminated because of her co-operation with the Commission.

3. The Commission, on its own initiative, decided that it would hold a week long hearing into this issue. This is not something that Ms. Leggieri requested or wanted.

4. An investigation was undertaken into Ms. Leggieri's complaint. Commission counsel decided to outsource this investigation to external counsel for the City of Toronto. This was a curious decision given that the City of Toronto was the party the allegation was being made against.

5. In the course of preparing for this unique one week hearing, Ms. Leggieri's counsel made an application for standing. There was a ruling by the Commissioner on that application in which she expressly stated:

I do not agree with Mr. Orr that his client has a substantial and direct interest in the subject matter of the Inquiry.

6. The only standing given to Ms. Leggieri was a limited standing for the one week hearing that took place. As a result, Ms. Leggieri's counsel had cross-examination cut off whenever the cross-examination threatened to touch upon the broader matters directly at issue in the main inquiry.

7. No Court has ever before found that an individual against whom misconduct may be found is a person without a substantial and direct interest in the subject matter of the inquiry. A finding of this nature would turn the legislation, and its intent, on its head.

8. It is therefore submitted that if, in the course of an inquiry, a Commissioner determines that an individual has no substantial or direct interest in the subject matter of the inquiry, the Commissioner is precluded from later making any finding of misconduct against that individual.

9. Despite the Commissioner's finding, at the end of many months of hearing and many months after Ms. Leggieri's permitted participation had ceased, a Confidential Notice of Alleged Misconduct was provided to Ms. Leggieri by Commission counsel. It itemizes ten general potential findings that may be made against Ms. Leggieri.

10. It is submitted that the provision of this notice, after Ms. Leggieri has testified without notice that she was a potential target, and after all of the testimony, has effectively deprived her of reasonable notice of the substance of the alleged misconduct, and certainly deprived her a full opportunity during the Inquiry to be heard in person or by counsel. Ms. Leggieri was not permitted to call evidence on any of these issues, nor was she permitted to cross-examine any accusers.

11. The provision of late notice was dealt with by the Federal Court of Appeal in *Re Canadian Red Cross Society et al and Kreever* (1997), 142 D.L.R. (4th) 237. This decision was upheld by the Supreme Court of Canada in *Re Canadian Red Cross Society et al and Kreever* (1997), 151 D.L.R. (4th) 1.

12. These decisions dealt with the provision of notices of alleged misconduct after the completion of the evidence phase of an inquiry. These Court decisions are binding on this Commission. These decision stand for the proposition that jurisdiction to make findings against an individual in the position of Paula Leggieri has been lost as a result of the late provision of notice.

13. Both decisions emphasize the need for procedural fairness and natural justice. As was stated by the Supreme Court of Canada, "Nonetheless, procedural fairness is essential for the findings of Commissions may damage the reputation of a witness. For most, a good reputation is their most highly prized attribute. It follows that it is essential that procedural fairness be demonstrated in the hearings of the Commission." It was expressly found that this same principle of fairness must be extended to the provision of notices of misconduct required by statute.

Re Canadian Red Cross Society (1997) 151 D.L.R. (4th) 1, at p. 23

14. In the *Canadian Red Cross* decisions, the Courts were dealing with the late provision of statutory notice in three distinct circumstances:

- (a) To parties that had standing and had participated throughout the hearing;
- (b) To a corporation which the Court found knew of the possibility of adverse findings but which made a deliberate and tactical decision not to seek standing;
and
- (c) To an individual, Mr. Anhorn, who participated in the hearing by giving evidence, but who did not otherwise have standing.

15. In the case of Mr. Anhorn, the Federal Court of Appeal found as follows:

In the circumstances, I find it unacceptable that Commission counsel did not inform Anhorn in the spring of 1995 of the possibility that he would be summoned as an important witness, that they did not caution him of the dangers lying in wait for him when he was examined, that they left him out of the process of the invitations sent to the parties on October 26, 1995, that they waited until the very end of the hearings to give him a notice containing allegations that were so numerous, so important and so little identified with his own conduct that they were, in certain cases, false on their face, that they gave him so little time to react.

In these circumstances, I cannot do otherwise than quash the notice given to Anhorn. We have here the type of situation that I described earlier, in which the Commission must, in all fairness to a person who is targeted, offer the person an opportunity to participate in the proceedings of the Commission and play fair with them.

Re Canadian Red Cross Society (1997), 142 D.L.R. (4th) 237 at p. 268

16. The quashing of the Notice provided to Mr. Anhorn was not directly dealt with by the Supreme Court of Canada as there was no appeal from that part of the Federal Court of Appeal decision. However, it was commented on by the Court in the context of the corporation's appeal. In dismissing the corporation's appeal the Court stated that the corporation "submits that its position is analogous to that of Craig Anhorn, whose notice was quashed by the Court of Appeal because he took part in the Inquiry without realizing that he was a potential target of the investigation" (at page 32).

17. The Supreme Court rejected the notion that the corporation was in a similar position to Mr. Anhorn and implicitly agreed with the Federal Court's decision regarding Mr. Anhorn and stated:

I believe that a private individual such as Craig Anhorn is in a very different situation from that of a large corporation which must have known from the outset what was at stake in the Inquiry and made a calculated decision not to participate (at page 32).

18. Like Mr. Anhorn, Ms. Leggieri testified before the Inquiry without realizing she was a potential target. Like Mr. Anhorn she is an individual and her reputation and rights should be jealously guarded.

19. Unlike Mr. Anhorn, Ms. Leggieri has a finding of the Commissioner to rely upon; a finding that she is not a person with a substantial and direct interest in the subject matter of the inquiry.

20. In the circumstances, it is therefore submitted that the Commissioner is compelled to decline any invitation to make findings of misconduct against Paula Leggieri because, like Mr. Anhorn she has effectively been deprived of a full opportunity to be heard during the inquiry. In addition, like Mr. Anhorn she in fact took part in the inquiry without being told that she was a potential target.

B. MINIMUM STEPS REQUIRED SHOULD THE COMMISSIONER DECIDE TO RESILE FROM THE FINDING THAT MS. LEGGIERI DOES NOT HAVE A SUBSTANTIAL AND DIRECT INTEREST IN THE SUBJECT MATTER OF THE INQUIRY

21. It is submitted that should a change of course of this nature be contemplated, there are a number of steps that are required to provide some minimal semblance of fairness to Ms. Leggieri.

22. She has not participated in the hearing. She has not heard the evidence. She has not been allowed to call evidence. She has not been allowed to confront adverse witnesses.

23. As a practical matter, she is not currently in a position to even understand what the allegations against her are and what evidence might be relied on in support of those allegations. It is therefore submitted that before any finding can be made negatively commenting upon Ms. Leggieri or her conduct she must be permitted:

- (a) an opportunity to review the written submissions of all other parties, including Commission counsel, to determine the case she must meet;
- (b) be provided a reasonable time to make a decision as to what further evidence is required, either by way of affidavit evidence, direct testimony or cross-examination of witness, to properly respond to the allegations; and

(c) adequate time to put that evidence and written submissions forward.

24. Ms. Leggieri is currently not in a position to do any of this. Neither she nor, presumably, Commission counsel, currently know what other parties may be saying against her and what specific evidence they will be relying on. It may be that in the end no one attacks her and there is no need to call any additional evidence. That cannot be determined until the position of the various parties is revealed and assessed.

25. Basic fairness requires that Ms. Leggieri be protected in this fashion. The Notice provided indicates that the adverse findings sought are being sought by senior employees currently with the City of Toronto who are engaging in the unfortunate bureaucratic game of passing all blame down to subordinates. They are apparently willing to do this even though the documents placed in evidence, and particularly the performance planners, contain no assertion from these same people that Ms. Leggieri failed to properly carry out her duties.

26. These current City managers are well-funded and well-represented in this Inquiry through the City's counsel. Ms. Leggieri is not funded and not represented. There is a danger that this imbalance could inappropriately lead to Ms. Leggieri being blamed for matters which are properly the responsibility of more senior employees.

27. The Federal Court of Appeal in the *Canadian Red Cross* case commented on the need to protect an individual's rights in the face of the mandate of an Inquiry:

“This respect for the institution that the creation of a Commission of Inquiry has come to be in Canada must not, however, amount to blind respect. However legitimate and important the objective may be, it does not justify all the means that might be used to achieve it. The search for truth does not excuse the violation of the rights of the individuals being investigated. Individuals whose conduct is being scrutinized at a public inquiry conducted under Part 1 of the Act are so vulnerable and so powerless that the Courts must not allow an inquiry to continue when a Commissioner is ostensibly abusing his powers and transforming his role from investigator into inquisitor. The considerable powers of Commissioners and the ready, numerous and often tempting opportunities for abuse make it particularly necessary that the Courts be vigilant.” (at page 251)

C. THE POSITION OF MS. LEGGIERI IN RESPONSE TO THE NOTICE

28. Attached as Appendix “A” is a document prepared by Ms. Leggieri in direct response to the ten items contained in the Notice.

29. This document comprises both Ms. Leggieri’s understanding of the state of the existing evidence as well as a summary of the evidence she would have given had she been permitted to do so.

30. This document can be sworn should that be deemed to be necessary. It must be emphasized that this document is no substitute for the right to directly lead evidence and cross-examine.

All of which is respectfully submitted.

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APPENDIX "A"

1. After being hired as Supervisor, I was instructed by my immediate report, Kathryn Bulko, that MFP would be the vendor of record for leasing. While mapping out the leasing process, it was communicated to me by Line, Lana and Brendan that MFP had been awarded the contract for leasing, therefore, they would be the vendor of record for leasing over a three year term. At this time, it was not communicated that the City nor the departments could chose another vendor or method of acquiring technology assets. The leasing program was already in place when I began working as the Supervisor of Leasing. Kathryn was already appointed as the Manager. This information was communicated to me at the beginning of the program.

I did not interpret this council report. I may have worked for a councillor at one time, but it was not up to me to interpret a council report nor direct an entire department based on my interpretation of this report and its implications. Kathryn, in her testimony, explained meeting with Finance and Departmental staff independent of me. I was not hired as Supervisor by then but also was not included in upper management meetings to discuss these important issues.

In Kathryn's testimony regarding lease rate factors she notes that she would review the rates to see if they matched last term rates. I was not part of this process. It was directed by Kathryn to me that in the beginning Lana would be reviewing and/or approving lease rates. It was only much later in the leasing process that finance was to be sent the lease rates. Kathryn testified that she thought Finance would do an analysis based on the contract, but this was never communicated by her at the beginning of the program. Also, the lease rate factor and how it was determined in the MFP contract was not tied to the Canada Bond rate so there was no bench mark for finance as Kathryn may be suggesting. This was never communicated to me and I was told in the beginning that Lana would be the signing authority for these lease rates. We were not aware of how Lana conducted her analysis.

When I was asked to help map out the leasing process, I was given the document by Line Marks which was stated as the council authority. As I recall, Line was given this report by Lana. This was explained to me by Lana and Brendan and Line Marks. We were instructed by Kathryn Bulko who also ensured that MFP was included on the ITLA. Kathryn and Chris compiled reports noting negatively any department "bypassing" this process.

My position was administrative and reporting. I performed my job duties within the guidelines set by my superior. I had neither signing authority nor authority to challenge a council report. I was not employed as Supervisor of Leasing when the council report was written nor did I participate in this process.

It was communicated to me that the City would be leasing from MFP as they had been awarded the tender which was to be for 3 years and not that the City would

be leasing from various vendors. It was specifically communicated to me by Kathryn that the City would be leasing from MFP and that all technology hardware and software would be leased under the leasing guidelines. The process first developed and approved by Lana Viinamae, and later approved solely by Kathryn Bulko, never gave options or instructed the use of other vendors. I was CLEARLY given instruction that MFP would be the vendor of record for leasing. It was always my understanding that we were mandated to lease product and we could not acquire product outside the leasing process. Although, near the end of the leasing program I heard that the City could chose NOT to lease in our contract, we clearly were instructed that we were mandated to lease and departments could not work outside this process.

Kathryn came into my office on the 2nd floor of Metro Hall when I was involved in helping to map out the process to ask for help in calculating the leasing of equipment at an approximate rate for 4 years at 2%. Other departments were communicated this information and as I recall Chris Hull worked on acquisitions for another department and prepared spreadsheets of assets to be leased. I understand this was done by Line and Kathryn said she was taking this over. How the City determined the rate for the first leases, I do not know. I was not part of this decision making process. The City had already done a leasing “buy-back” and I found out this after the fact.

When attempting to automate the process, I was instructed that MFP eventually would be part of the process during its 3 year term and the intent to have them receive electronic orders as part of this process.

2. I was directly instructed by Kathryn Bulko to use this description and told where to make this change on the ITLA. It was her wording that was used. There was a specific incident that prompted her to make this change. I believe it was a supplier for a large item, not the usual suppliers of pcs and printers. This arose after her discussions with a vendor. The vendor indicated that unless MFP was on the ITLA the City would be made responsible for payment. This was when MFP was added to the ITLA; it was prompted by both Kathryn Bulko and Chris Hull.

Prior to Kathryn's involvement, the ITLA was approved by Brendan Power and Lana Viinamae. After her appointment, the ITLA **in all cases** was always SIGNED FOR AND APPROVED by Kathryn. Chris Hall also made changes to this form to assist his unit in this process and he also would have to obtain the approval of Kathryn. The asset management unit, which is the first part of this leasing process, was instructed that all products should be leased. Asset Management reported directly to Kathryn Bulko through the Supervisor, Chris Hull. Asset Management did not work outside of the leasing process.

I did not have responsibility or authority to approve or challenge the vendor of record for leasing. I did not have final approval or authority on any form or report

whatsoever. As Manager of the Leasing Process, no other vendors were leasing vendors of record and no other vendors were offered to the departments. Purchasing was also not given any option.

Kathryn and Chris Hull provided lists of departments “by-passing” the leasing process. Purchasing would notify Kathryn and/or Chris when departments were trying to buy equipment “instead of lease”.

All technological purchases were referred back to Kathryn. Departments attempting to challenge this process were told that council granted this authority. This was what we, as an entire department were told to communicate to client departments.

Kathryn was the manager of asset management, lease management and contract management. It was not the place of the supervisor of leasing to direct the staff of asset management and I could not. Therefore, they also communicated this information to departments as directed by our manager – Kathryn Bulko.

During her testimony Kathryn Bulko indicated she took direction from me on MFP being the vendor of record. This is false. Kathryn did not take direction from me. She questioned everything I did. Kathryn has said that I had to be constantly directed. Although I disagree with this assessment, if she felt this way, why would she take direction about a council report from a Supervisor who joined her department AFTER she was she hired and AFTER the process of leasing had already begun.

Kathryn was mentored and met frequently with the directors of our department and had access to the Chief Financial Officer and met with her. She in no way relied on my direction on the council report and this is nothing more than an attempt to pass the blame downward, an unfortunate tendency at the City. If Kathryn could take the paycheck she should take the responsibility that comes with it.

3. I was told by Kathryn Bulko and Lana Viinamae that all hardware and software would be leased according to Council authority. Kathryn Bulko was the Manager before I became the Supervisor. When I was hired she spoke to me and gave me direction on what my job duties would be, how the program operated, authority for approval and how she wanted this area to operate. The leasing process was not initiated by me but by the department, then in turn by Chris Hull. Upon approval of any product, an ITLA was issued for leasing; which was again approved and signed by Kathryn Bulko.

I was not responsible for a leasing Budget nor was I ever made aware that there was a 43 million dollar cap. This would have change the entire leasing process, as well as my immediate job functions. As Kathryn states in her testimony, she was also not aware of the cap and I took direction from her. It was not my

responsibility to interpret the council report. I did not prepare nor participate in the writing of the report. I did not attend meetings to discuss budget preparation. My immediate report attended these important meetings and communicated instructions to me.

4. Ordering equipment, tracking equipment and asset management was the role of Chris Hull as approved by Kathryn Bulko. My administrative function was keeping track of department's lease payments. It should be noted that Asset Management only ordered equipment through the leasing process prior to the freeze of leasing.

Departmental representatives, Information Technology Director Lana Viinamae, as well as Finance staff all reviewed the leasing process and approved it's format and process. I trusted that upper management would have the knowledgebase and authority from which to follow direction. I relied on their direction and expertise in this process.

Full leasing reports were issued on a quarterly basis and upon demand. Departments were fully aware of what was being leased and expected from their budget. Kathryn Bulko, Lana Viinamae and heads of departments on the FACT committee received complete reports of what was on lease. There were samples of these reports provided.

To the best of my knowledge, these reports were accurate as to what was being leased and those in the decision making process were fully aware of what was being leased and the amount of leases, including the exceeding of any 43 million dollar mark.

To the best of my knowledge, the leasing process accurately captured what was being leased. I met with departmental budget staff and sent reports to departments to ensure that our records matched and balanced. Reports were sent to FACT Directors and Information and Technology staff and Departmental heads.

I attended one or two meetings where MFP demonstrated how they would handle the asset management of the leased products. I stated my concerns to Kathryn that we should handle our own asset management; that we should not rely on a vendor to tell us what is and what is not on lease; and that we needed our own records. My concern was shared by no one else at the City. I was instructed that under the contract MFP would handle the asset management. This was why the re-writes were done to coordinate the assets.

I constantly complained to Kathryn about the lack of asset management and handling of asset management. This caused Chris Hull and I to butt heads sometimes. I had no control over asset management, the approval and ordering of the product and the placing product on lease.

Goods received forms show receipt of product and the ability to lease. As part of both the accounting and leasing process until a product was received, it could not be placed on lease. Partial shipments could not be leased. In my review of ITLA's, there were hundreds of Goods received forms missing and the tracking file was not updated by asset management. This was our only asset management tool and it was not being given priority and as a result was full of errors. I requested that Asset Management staff review each and every ITLA to ensure that the goods were received. This was part of their job function. Asset Management staff complained about having to undertake this initiative.

In general asset management, was not made a priority by Kathryn and therefore it was not dealt with properly by asset management staff. The entire approach was too easy going and casual. This program ended as a 100 million dollar program and Kathryn did not give it the priority it required. Kathryn and Chris Hull focused on other contracts with vendors of supply etc. There was no formal asset management tool put in place by the City. When the contract management office was formed, there were no records or reports brought forward from the Y2K rollout of the assets on lease by serial number, location etc.

In closing, asset management was not part of my job function, which was clearly communicated to me and to others in our department. Even though I expressed an interest in taking this over this function and complained about the way it was carried out, I was given no authority.

I am a person who likes to learn and I do take initiative in any job that I have ever done. I did read and try to understanding the MFP-City contract. Any questions, would have been directed to Kathryn Bulko or MFP. I NEVER gave others direction on the interpretation of the contract or presented myself as the authority. I would research specific wording on a few occasions for Kathryn concerning certain sections, as directed. There were many parts of the contract I did not understand, such as how MFP came up with their rates. I also questioned MFP on this. If I could be accused of anything it is trying to learn and understand. I asked a lot of questions to learn.

5. I reviewed these leases even though I was instructed to file them away by Kathryn Bulko. Kathryn called my review a "make work" job function for me and said that the CFO had signed them and they were a done deal. After I found discrepancies and reported to Kathryn, she said she would not challenge the CFO of the City, who signed these leases.

Kathryn stated in her testimony that she thought it was Wanda and Lana who approved the re-write. I prepared a letter to MFP and signed for by Lana to address the issues that I raised as a result of my review. Kathryn was given a copy of this letter. Kathryn Bulko and Lana Viinamae did not take this information further.

One of the common questions when applying for a position in the City is what would you do if you could not solve an issue? The answer: report it to your supervisor for them to handle. After reporting this issue to Bulko and Viinamae I understood that they would rectify this issue as they had both the authority and power to do so I was not given any further instruction, other than they would take this up with MFP. They were fully aware of these issues as we met on a weekly basis and all issues were communicated to Kathryn.

In fact, during her testimony I recall that she stated that I needed a lot of direction. I reported all issues to her and expected direction or assistance in resolving those issues that I could not rectify given my position and lack of authority. I had absolutely no signing authority nor the authority to challenge the decision of my immediate report. I was constantly being told that I was the Supervisor and she was the Manager and she could fire me at any time.

Kathryn Bulko did not act on the information I gave her following my review. Lana Viinamae was also fully aware of this information. Lana Viinamae and Kathryn Bulko met with Rob Wilkinson and Dash Domi. As stated in her testimony, Kathryn talked to Dash Domi frequently (she even stated it was once a week). She was fully aware of these issues. What were the reasons for these discussions if not to rectify outstanding issues as important as this? In my position of Supervisor, I approach my manager and then the director. I would be considered insubordinate if I escalated to the CFO or council. I am sure they would not even have met with me.

6. I had no authority to halt the leasing program. Kathryn Bulko was FULLY aware of this issue and instructed leasing to continue. I was not aware of the re-writing of the leases. I did not direct the rewriting of the leases or the extension of the terms of amortization, nor did I have the authority or power to do so. I communicated to my Manager directly.

I had communicated to Kathryn that we should not put anything else on lease until MFP rectified outstanding problems. Of course, this was not implemented because Kathryn explained that we could not halt a corporate wide program. Not leasing from MFP was not given any consideration by Kathryn. She told me that the leasing of all product was mandated by council and also that leasing all product through one area would assist Asset Management in tracking assets in one central location.

7. Absolutely wrong. As per my testimony, I was the person that reviewed these leases even though instructed by Kathryn to file these leases away as the CFO had signed for and approved them. I was told I was creating a "make work project". I brought the issue to the attention of Lana Viinamae. Lana agreed with this in her testimony. I let Kathryn know that I had taken this step afterwards.

It was my responsibility to report this information to my immediate report. As Kathryn stated in her testimony she was aware. Both Kathryn Bulko and Lana Viinamae were aware of these issues by me and I was told that this would be handled at a higher level. As Supervisor, I had no authority to halt leasing or direct that a corporate-wide City program be halted. I was never directed to halt this program, but rather to continue business as usual. This does not mean that I did not make this suggestion, as I did on many occasions. But, once again I was told that there was a contract in place.

8. I followed directions from Kathryn Bulko. She considered it appropriate for Dash Domi to pick up and drop off leasing documents. Kathryn Bulko herself would give them directly to Dash and/or drop off or pick up schedules whenever she had meetings. She agreed that this occurred in her testimony.

This contributed to the relaxed and friendly relationship that Kathryn had with this vendor, as I tried to communicate in my testimony. After feeling very frustrated, and having this continue to affect my job function, I directly contacted MFP and asked that in future all documents be couriered to me.

Kathryn Bulko was well aware of this happening as I complained about it. This practice negatively and directly affected my ability to do my job and there is no way that I would endorse the practice. Kathryn Bulko's acceptance and endorsement of this loose practice and friendly approach to Dash is what I was referring to as their friendly relationship. This approach to vendors, gave the vendor an impression of the City being more informal and gave an ability to control the City's internal process where a vendor should have no access. This practice was absolutely not accepted nor endorsed by me.

9. Absolutely incorrect. I never reviewed or analyzed the lease rate factors or told anyone that the lease rate factor was ok. I was not expected to do so. Kathryn in her testimony agreed that this was never part of my job function. Kathryn said that she would review the lease rate factor and compare it to last rate. Lana would sign and approve lease rate factors. I have no idea what she based her approval of these factors on. She would call me on occasion and ask what the last quarter rate factor was and apparently used this as a comparison.

Afterwards, Finance was to review lease rate factors. I never was told to review lease rate factors. This was not part of my job function.

10. I am not the City tax specialist nor do I prepare The City's tax submissions. I am not qualified to do this and it is not in my authority level nor job function. In reviewing invoice amounts and going through copies of past cheque stubs I realized that the GST and PST amounts were not accurate. I brought this information to the attention of my immediate report as well as Lana Viinamae. I also discussed it with Alex So, the City tax specialist and continued to follow up with him on this issue. I provide him with all information that I had. Those

individuals who approved the sales/lease back should have researched the tax implications prior to program implementation. It is my understanding that a letter of intent to lease back should have been provided prior to the actual sale lease back to ensure refunding of the PST.