

RESPONSE TO APPLICATION

[1.]¹

Please find below responses by the Rob Ford Campaign for Mayor of Toronto (the “Campaign”) to allegations in the application for a compliance audit filed by Ted Ho (the “Applicant”).

[2.]

The Campaign complied fully with the *Municipal Elections Act, 1996* (“MEA”) and denies all allegations that it breached any provision of the MEA or City of Toronto By-law 1177-2009 (“the By-law”).

[3.]

The Campaign’s filings are complete and transparent, in accordance with applicable law. The documentation filed with the Clerk of the City of Toronto shows that the Campaign complied with the MEA and the By-law. The Campaign’s finances and expenses as of December 31, 2010 have already been fully audited.² Accordingly, the compliance audit requested by the Applicant is not required, and the application for a compliance audit should be dismissed.

[4.]

Doug Ford Holdings Inc. (“DFH”) was a vendor/supplier to the Campaign, as stated in the Campaign’s filings with respect to expenses. Where goods or services being supplied to the Campaign by DFH were being subcontracted, particulars of the goods or services supplied by subcontractors have been provided.

¹ References, for convenience, are made to the corresponding paragraphs in the application of Max Reed and Adam Chaleff-Freudenthaler and the response thereto.

² See Attachment 1

The services referred to in the Toronto Congress Centre invoice were delivered by the Toronto Congress Centre on March 26, 2010, after Rob Ford was a registered candidate. The invoice was paid, and the services were provided, after the candidate was registered.

[5.]

DFH was a supplier to the Campaign and subcontracted for certain goods and services supplied to the Campaign. DFH has been fully paid by the Campaign. However, like other suppliers to the Campaign, DFH was not paid as of December 31, 2010 but has been paid since December 31, 2010 by the Campaign.

The Campaign paid DFH from the Campaign's account on March 25, 2011.³ No information as to when such expenses were actually paid from the Campaign's account has been provided to date because the filings to date are for the period ending December 31, 2010. This information will be included in the Campaign's filings for the period ending June 30, 2011, due September 2011.⁴

Accordingly, DFH did not pay any of the Campaign's expenses.

[6.]

The Campaign did not violate s. 69(1)(c) of the MEA. DFH was a vendor of goods and services to the Campaign. DFH delivered goods and services through its subsidiary, Deco Labels and Tags, or subcontracted for goods and services from other vendors. In every instance, all goods and services rendered by DFH have been paid from the Campaign's account.

[7.]

The Campaign did not violate s. 76(1) of the MEA. The Toronto Congress Centre invoice was for a reception held by the Campaign on March 26, 2010. The goods and services contracted for were

³ See Attachment 2

⁴ See Attachment 3

delivered by the Toronto Congress Centre on March 26th, not on March 25th. The Toronto Congress Centre expense was incurred on March 26th after the candidate was registered.

[8.]

The Campaign did not violate s. 75(1) of the MEA.

[9. - 14.]

DFH did not provide a loan to the Campaign. DFH was a supplier to the Campaign and was paid like other suppliers to the Campaign from the Campaign's account.

The interpretation of the wording of the invoice from Davis LLP, on its face, is incorrect.⁵ The invoice refers to reviewing, amending, signing and sending a commitment letter to the TD Bank and related matters. The word, "loan" in the phrase in the invoice which reads "... issues surrounding loan to Campaign and guarantee by Doug Ford Holdings Inc." cannot refer to a loan from DFH. Lenders do not guarantee their own loans.

The Campaign's filings appropriately document the loan received from the TD Bank. There is no evidence that the Campaign obtained the TD Bank loan in response to the advice received from Davis LLP.

There was no interest paid to DFH since DFH was a vendor, and not a lender, to the Campaign. Rather than draw on the TD loan to pay all vendors when the goods and services were delivered, the Campaign deferred payments until funds became available through the Campaign's fundraising efforts. Other vendors/suppliers, like DFH, were not paid until some months after the goods and services were delivered to the Campaign and were paid no interest. It is quite normal during a

⁵ No solicitor-client privilege is being waived by this response.

campaign for there to be some vendors who require immediate payments and others who are prepared to wait.

[15.]

As stated above, all invoices from DFH have been paid in full by the Campaign. DFH was not the only vendor whose invoices were not paid for some months.

[16.]

DFH was a supplier to the Campaign. Any vendor providing goods and services “directly” may be required to contract with others to obtain either the raw materials or services it needs to produce a product or render a service. There is nothing preventing a supplier from subcontracting for certain goods and services.

[17.]

As stated above, DFH was not a lender to the Campaign. The invoice refers to the “loan to Campaign and guarantee from Doug Ford Holdings Inc.” and only refers to the TD Bank loan.

Campaigns often do not have the cash flow available to pay for expenses as they are incurred. The MEA permits a candidate to borrow from a financial institution or to defer payment of expenses.

DFH was not the only vendor whose invoices were not paid on receipt. In any event, all invoices rendered by DFH have been paid in full by the Campaign.

[18. – 19.]

As stated above, DFH was at all times a vendor, not a lender.

[20. – 21.]

The Campaign did not violate the By-law. The goods and services rendered by DFH were not given

or donated to the Campaign. DFH rendered invoices to the Campaign for the goods and services delivered and the invoices have been paid in full by the Campaign.

[22.]

The Campaign has not accepted any corporate contributions.

Conclusion

[34.]

The Campaign has complied with Section 76(1) of the MEA. DFH did not pay the Campaign's expenses. All Campaign expenses were paid from the Campaign's account. No expenses were incurred before the candidate was registered.

[35.]

The Campaign has complied with Section 75(1) of the MEA. DFH was a vendor, not a lender, and was paid for goods or services supplied to the Campaign like other suppliers. DFH did not contribute to the Campaign, nor did any other corporation.

ATTACHMENT 1

D. Christopher Climo, C.A.

Chartered Accountant & Management Consultant

INDEPENDENT AUDITOR'S REPORT

To Rob Ford, Candidate for Mayor and Ulli S. Watkiss, City Clerk, City of Toronto

I have audited the accompanying financial statements of Rob Ford, which comprise the Statement of Assets and Liabilities as at December 31, 2010, the Statement of Campaign Period Income and Expenses for the campaign period then ended, the Statement of Determination of Surplus or Deficit and Disposition of Surplus, and other explanatory information. The financial statements have been prepared by the Candidate based on the financial reporting provisions of the Municipal Elections Act.

Management's Responsibility for the Financial Statements

The Candidate is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Municipal Elections Act and for such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

Due to the inherent nature of the transactions of organizations of this type, the completeness of the various categories of income and expenses is not susceptible to satisfactory audit verification. Accordingly, my verification of income and expenses was limited to the amounts recorded in the records of the Candidate and I was not able to determine whether any adjustments might be necessary to income, expenses, assets, liabilities and surplus/deficit. As well, the Act does not

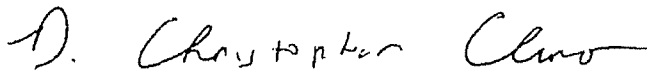
require me to report, nor was it practicable for me to determine, that contributions reported include only those which may be properly retained in accordance with the provisions of the Act.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Rob Ford as at December 31, 2010, his income and expenses for the campaign period then ended and the determination of surplus or deficit and the disposition of surplus in accordance with the financial reporting provisions of the Municipal Elections Act.

Basis of Accounting

Without modifying my opinion, I draw attention to the fact that these financial statements are prepared to assist the Candidate to meet the requirements of the Municipal Elections Act. As a result, the financial statements may not be suitable for another purpose.

A handwritten signature in cursive script that reads "D. Christopher Clow".

Chartered Accountant and Licensed Public Accountant

March 18, 2011
Mississauga, Ontario

ATTACHMENT 2

ROBERT FORD CAMPAIGN
28 GREENSBORO DRIVE
TORONTO, ON M9W 1E1

0542

DATE: 2011-03-25
Y Y Y Y M M D D

PAY to Doug Ford Holdings
the order of

\$ 77,722.31

Seventy seven thousand seven hundred & twenty two 31 DOLLARS



Canada Trust
REXDALE COMMERCIAL BANKING CENTRE
2038 KIPLING AVE. AT REXDALE BLVD.
TORONTO, ONTARIO M9W 4K1



100
ROBERT FORD CAMPAIGN

RE

PER

PER

ATTACHMENT 3

ROB FORD CAMPAIGN
Expenses
March 1, 2010 to December 31, 2010

Date	Ref	Suppliers	Amount	Expenses											Expenses not subject to spending limit				
				Advertising	Bank charges	Brochures	Interest on loan	Inventor y contributed to candidat er's campai gn (Sch. 3)	Meetings hosted	Nominatio n filing fee	Office expenses	Phone and/or internet	Salaries & benefits/hono raria professional fees	Sigas	Returned contributi ons	Accounting & audit	Costs of fund raising function	Voting day party/appreci ation notices	Other
Mar 2010																			
Mar 25/10	71205	Toronto Stamp	\$98.70								\$98.70								
Mar 25/10	414796	Label Supply -Deco	\$2,173.30			\$2,173.30													
Mar 25/10		Deco Labels invoiced Campaign, see A/R	(\$2,173.30)			(\$2,173.30)													
Mar 25/10	RF-1	Doug Ford Holdings	\$10,000.00														\$10,000.00		
Mar 26/10	71270	Toronto Stamp	\$41.56								\$41.56								
Mar 26/10	T233936/A	Sabic Polymershapes -Deco	\$3,492.85			\$3,492.85													
Mar 26/10		Deco Labels invoiced Campaign, see A/R	(\$3,492.85)			(\$3,492.85)													
Mar 26/10	RF-2	Doug Ford Holdings	\$25,379.81															\$25,379.81	
Mar 27/10	RF-3	Doug Ford Holdings	\$8,242.50															\$8,242.50	
Mar 28/10	108112	Toronto Community News	\$1,311.66	\$1,311.66															
Mar 28/10	INV4	Arctic Inc.	\$157.50	\$157.50															
Mar 29/10	190	Momentum	\$5,250.00										\$5,250.00						
Mar 29/10	111579	Deco Labels & Tags	\$719.35			\$719.35													
Mar 31/10	RF-5	Doug Ford Holdings	\$3,000.00										\$3,000.00						
Mar 31/10	111637	Deco Labels & Tags	\$2,477.72			\$2,477.72													
Mar 31/10	111638	Deco Labels & Tags	\$1,123.68							\$1,123.68									
Mar 31/10	111639	Deco Labels & Tags	\$2,209.15										\$2,209.15						
Mar 31/10	Bank	Bank activities	\$347.19		\$347.19					\$347.19									
		Total	\$60,358.82	\$1,469.16	\$207.15	\$3,197.07	\$0.00	\$0.00	\$0.00	\$0.00	\$1,403.98	\$0.00	\$8,250.00	\$2,209.15	\$0.00	\$0.00	\$43,622.31	\$0.00	\$0.00

ROB FORD CAMPAIGN
Expenses
March 1, 2010 to December 31, 2010

Date	Ref	Suppliers	Amount	Expenses											Expenses not subject to spending limit					
				Advertising	Bank charges	Brochures	Interest on loan	Inventor y contributed to candidat es's campaig n (Sch. 3)	Meetings hosted	Nominatio n filing fee	Office expenses	Phone and/or internet	Salaries & benefits/hono raria professional fees	Signs	Returned contributi ons	Accounting & audit	Costs of fund raising function	Voting day party/appreci ation notices	Other	
Apr 2010																				
Apr 1/10	In-kind		\$251.40								251.4									
Apr 1/10	RFC - 1	Deco Labels & Tags	\$1,050.00								\$1,050.00									
Apr 5/10	RF-6	Doug Ford Holdings	\$7,000.00										\$7,000.00							
Apr 7/10	141303	WPCJ	\$259.79									\$259.79								
Apr 14/10	10015	Kerri O'Callaghan	\$4,118.85	\$4,118.85																
Apr 19/10	22779	Rexdale Printers Limited	\$1,097.25								\$1,097.25									
Apr 23/10	6981	The Toronto Congress Centre	\$749.41														\$749.41			
Apr 27/10	112311	Deco Labels & Tags	\$1,494.31			\$1,494.31														
Apr 27/10	22793	Rexdale Printers Limited	\$367.50								\$367.50									
Apr 30/10	2	Mark Towhey	\$5,000.00										\$5,000.00							
Apr 30/10	Bank	Bank activities	\$535.84		\$535.84															
			\$0.00																	
		Total	\$21,924.35	\$4,118.85	\$535.84	\$1,494.31	\$0.00	\$0.00	\$0.00	\$0.00	\$2,766.15	\$259.79	\$12,000.00	\$0.00	\$0.00	\$0.00	\$749.41	\$0.00	\$0.00	\$0.00

ROB FORD CAMPAIGN
Expenses
March 1, 2010 to December 31, 2010

Date	Ref	Suppliers	Amount	Expenses											Expenses not subject to spending limit					
				Advertising	Bank charges	Brochures	Interest on loan	Inventor y contribut ed to candidat es's campaig n (Sch. 3)	Meetings bsted	Nominatio n filing fee	Office expenses	Phone and/or internet	Salaries & benefits/hono raria professional fees	Sigs	Returned contributi ons	Accounting & audit	Costs of fund raising function	Voting day party/appreci ation notices	Other	
Jun 2010																				
Jun 1/10	12882	Future Link Communications	\$630.00									\$630.00								
Jun 2/10	Jun 5	Liquor license (Baccus event)	\$75.00															\$75.00		
Jun 1/10		rent for the	\$1,050.00								\$1,050.00									
Jun 1/10	RFC - 003	Campaign Research	\$8,400.00										\$8,400.00							
Jun 3/10	AB100605-	Grand Baccus	\$20,106.29															\$20,106.29		
Jun 3/10	May 17-30	Kia Nejtajan	\$1,000.00										\$1,000.00							
Jun 4/10	1381	Direct Communications Mgt	\$6,201.20					\$6,201.20												
Jun 4/10	8536/2890	I & I Manufacturing	\$1,750.99										\$1,750.99							
Jun 4/10	May 17-30	Luke Robertson	\$1,200.00										\$1,200.00							
Jun 4/10	May 17-30	Mitch Wexler	\$1,320.00										\$1,320.00							
Jun 4/10	May 19-30	Paige Macpherson	\$882.00										\$882.00							
Jun 5/10	60510	Digital Dream Productions Inc.	\$6,615.00															\$6,615.00		
Jun 7/10	13211	Campaign Research	\$1,695.00								\$1,695.00									
Jun 7/10	113426	Deco Labels & Tags	\$591.18	\$591.18																
Jun 8/10	1121	3D Contact Inc.	\$91.61										\$91.61							
Jun 8/10	113425	Deco Labels & Tags	\$681.84			\$681.84														
Jun 14/10	1382	Direct Communications Mgt	\$6,397.86					\$6,397.86												
Jun 14/10	113673	Deco Labels & Tags	\$442.94	\$442.94																
Jun 17/10	10110	Kerri O'Callaghan	\$4,331.86	\$4,331.86																
Jun 18/10	41	Kia Nejtajan	\$1,200.00										\$1,200.00							
Jun 18/10	42	Luke Robertson	\$1,200.00										\$1,200.00							
Jun 18/10	43	Mitch Wexler	\$1,200.00										\$1,200.00							
Jun 18/10	44	Paige Macpherson	\$918.75										\$918.75							
Jun 18/10	45	Stephanie Gawur	\$1,200.00										\$1,200.00							
Jun 18/10	46	Emma Verity	\$600.00															\$600.00		
Jun 18/10	47	Fraser MacDonald	\$600.00										\$600.00							
Jun 18/10	48	Liz Gawur	\$547.58								\$547.58									
Jun 21/10	50	Sarah Hull	\$412.00															\$412.00		
Jun 21/10	51	for Scarborough office rent	\$3,000.00								\$3,000.00									
Jun 21/10	001-2010	Campaign Research	\$10,521.00										\$10,521.00							
Jun 25/10	RF-062910	Liberty Grand Entertainment	\$27,721.25															\$27,721.25		
Jun 30/10	57	Kia Nejtajan	\$59.38								\$59.38									
Jun 30/10	58	Luke Robertson	\$19.38								\$19.38									
Jun 30/10	59	Kia Nejtajan	\$1,200.00										\$1,200.00							
Jun 30/10	66	Sarah Hull	\$1,366.00															\$1,366.00		
Jun 30/10	Jun-10	Campaign Research	\$8,400.00										\$8,400.00							
Jun 30/10	69	Amin Massoudi	\$517.93								\$17.93		\$500.00							
Jun 30/10	Bank	Bank activities	\$722.94		\$722.94															
		Total	\$124,868.98	\$5,365.98	\$722.94	\$681.84	\$0.00	\$0.00	\$12,599.06	\$0.00	\$6,389.27	\$721.61	\$39,741.75	\$1,750.99	\$0.00	\$0.00	\$56,895.54	\$0.00	\$0.00	\$0.00

ROB FORD CAMPAIGN
Accounts Payable
December 31, 2010

Date	Invoice No.	Supplier	Particulars	Amount	Chq#	Date
Mar 25/10	RF-1	Doug Ford Holdings Inc.	Stephen Spurling fund raising fee	\$10,000.00	542	Mar 25/11
Mar 26/10	RF-2	Doug Ford Holdings Inc.	Toronto Congress Centre (campaign kick-off)	\$25,379.81	542	Mar 25/11
Mar 27/10	RF-3	Doug Ford Holdings Inc.	Digital Dreams Production Inc. (campaign kick-off)	\$8,242.50	542	Mar 25/11
Mar 31/10	RF-5	Doug Ford Holdings	Mark Towhey (Mar/10)	\$3,000.00	542	Mar 25/11
Apr 5/10	RF-6	Doug Ford Holdings	Tom Beyer (social media consulting)	\$7,000.00	542	Mar 25/11
May 11/10	RF-7	Doug Ford Holdings	Praxicux polls	\$23,100.00	542	Mar 25/11
Oct 25/10	ooking: 2477	Toronto Congress Centre	Election Night	\$74,339.31	537	Mar 14/11
Nov 7/10	oice end Oct	Campaign Research	Professional fees	\$22,611.30	516	Feb 18/11
Dec 31/10	C105	The Albany Club	Sep 23/10 fundraiser	\$977.82	519	Jan 10/11
Dec 31/10	166	Thirdeye Technologies Inc	Website hosting	\$271.11	520	Jan 10/11
Dec 31/10	583770 Dec 9	Bell Mobility	Internet	\$66.60	521	Jan 7/11
Dec 31/10	rd's Dec. cell	Roman Gawur	Telephone	\$118.01	522	Jan 17/11
Mar 25/10	2010-0256	Rob Ford	Nomination fee	\$200.00	544	Mar 25/11
Mar 11/11	2010	Chris Climo	Audit fee	\$10,452.50	539	Apr 4/11
Dec 6/10	18000-81119	City of Toronto	Sign rmoval charges	\$13,529.28		
Jun 3/10	Amex	Doug Ford Holdings Inc.	Grand Baccus Event deposit	\$1,000.00	542	Mar 25/11