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Ministry of Health and Long-Term Care

Emergency Health Services Branch

Final Report

Investigation of Ornge & Related Entities

Date: June 2012

Ontario Internal Audit Division
Ministry of Finance

Forensic Investigation Team
ISO 9001:2008 Certified
Table of Contents

SECTION ONE - INTRODUCTION....................................................................................... 3
  Purpose............................................................................................................................ 3
  Background .................................................................................................................... 3
  Scope ............................................................................................................................... 4
  Methodology .................................................................................................................. 4
  Summary Findings ......................................................................................................... 5

SECTION TWO: DETAILED ANALYSIS AND CONCLUSIONS........................................ 16
  ISSUE 01: Organizational Structure........................................................................... 16
    CONCLUSION .............................................................................................................. 16
    ANALYSIS .................................................................................................................. 16
  ISSUE 02: Cash Flow Overview and SAP System..................................................... 26
    CONCLUSION .............................................................................................................. 26
    ANALYSIS .................................................................................................................. 26
  ISSUE 03: Sale and Leaseback of Building............................................................... 42
    CONCLUSION .............................................................................................................. 42
    ANALYSIS .................................................................................................................. 42
  ISSUE 04: $275 Million Debenture .......................................................................... 50
    CONCLUSION .............................................................................................................. 50
    ANALYSIS .................................................................................................................. 50
  ISSUE 05: Agusta Helicopter Purchase, Marketing Services Agreements, and
            Donations ........................................................................................................... 55
    CONCLUSION .............................................................................................................. 55
    ANALYSIS .................................................................................................................. 55
  ISSUE 06: Sikorsky Helicopter Purchase ................................................................ 70
    CONCLUSION .............................................................................................................. 70
    ANALYSIS .................................................................................................................. 70
  ISSUE 07: Pilatus Fixed Wing Purchase .................................................................. 71
    CONCLUSION .............................................................................................................. 71
    ANALYSIS .................................................................................................................. 71
  ISSUE 08: Cost of Air Ambulance Service ............................................................... 74
    CONCLUSION .............................................................................................................. 74
    ANALYSIS .................................................................................................................. 74
  ISSUE 09: Proposed Hamilton Air Base ................................................................. 79
    CONCLUSION .............................................................................................................. 79
    ANALYSIS .................................................................................................................. 79
  ISSUE 10: Critical Care Land Ambulance Program ............................................... 84
    CONCLUSION .............................................................................................................. 84
    ANALYSIS .................................................................................................................. 84
  ISSUE 11: Payroll and Other Remuneration ............................................................ 87
    CONCLUSION .............................................................................................................. 87
    ANALYSIS .................................................................................................................. 87
  ISSUE 12: Potential Conflicts of Interest and Other Expenses............................... 95
    CONCLUSION .............................................................................................................. 95
    ANALYSIS .................................................................................................................. 95
SECTION ONE - INTRODUCTION

Purpose

The investigation was initiated to establish the validity of a series of allegations related to Ontario’s air ambulance service provider known as Ornge. The allegations arose in the early stages of a forensic audit that had been initiated for the purpose of determining whether Ornge expenditures were in compliance with the applicable Performance Agreements. The allegations came from a number of sources both internal and external to Ornge.

Background

In 2004, a business case led by Jacob BLUM and Dr. Christopher MAZZA (affiliated with Sunnybrook and Women’s College Health Sciences Centre) was put forward to Cabinet, regarding the consolidation and transfer of the Air Ambulance Program into a new not-for-profit non-share capital corporation, Ontario Air Ambulance Services Co. (OAA). These air ambulance services included the provision of dispatch, base hospital and aviation services. Cabinet approval was received in 2005.

In 2005, George SMITHERMAN, Minister of Health and Long-Term Care subsequently entered into a Performance Agreement with OAA following recommendations made by the Ontario Auditor General to improve the coordination and delivery of air ambulance services. In 2007 the Performance Agreement was amended to expand Ornge’s critical care fixed wing air ambulance services. The Agreement was further amended in 2008 to include the provision of critical care land ambulance services. In 2012 the Performance Agreement was amended again.

MOHLTC provides Ornge with funding under the Performance Agreement to ensure the provision of air ambulance, critical care land ambulance and related services. These related services include air ambulance base hospital services, the Provincial Transfer Authorization Centre, air dispatcher and air paramedic training, certification and continuing medical education, as well as organ recovery flights.

Ornge, the not-for-profit charity, is subject to the Public Sector Salary Disclosure Act. Ornge is not an Agency, Board or Commission of the Ontario Government. Ornge is considered a designated broader public sector organization under the Broader Public Sector Accountability Act.

Since 2006, Ornge and its management team have initiated a strategic vision that has seen the creation of a series of related entities to supplement the provision of funding for the core air and land ambulance service.

At the peak of its growth, Ornge and its related entities (hereinafter referred to as “The Conglomerate”) employed more than 400 people, including paramedics, pilots and aviation specialists. In addition to the fleet of air and land ambulance vehicles operated by The Conglomerate and situated at 12 bases across Ontario, standing agreements exist with independent service providers to transport patients. In the fiscal year ended March 31, 2011, Ornge reported transportation of 20,700 patients, medical teams and organs. More than 90% of the reported transports were transfers...
between health-care facilities. MOHLTC funding to Ornge for the fiscal year ended March 31, 2011 was approximately $150 million.

**Scope**

A forensic audit led by the Health Audit Service Team was designed to review the use of MOHLTC funding by Ornge for the period January 1, 2007 to December 31, 2011. Shortly after the commencement of this audit, allegations regarding the specific use of Ministry funds were brought forward and the forensic audit was converted to a forensic investigation.

The forensic investigation began by assessing how provincial funding was used by Ornge. The scope was expanded to include The Conglomerate and to identify all sources of funds. In addition the timeframe under review was extended back to include the commencement of MOHLTC funding. The investigation of the other Conglomerate entities began upon receiving approval and access by the new interim CEO, Ron MCKERLIE. MCKERLIE was cooperative and accommodating with all requests from the investigation team.

Subsequent to the commencement of the investigation, two entities of The Conglomerate, Ornge Global GP Inc. and Ornge Global Holdings LP were petitioned into bankruptcy. As a result, the investigation team entered into a record sharing protocol with the Trustee in Bankruptcy.

During the forensic audit and investigation other related areas of concern were brought forward by internal and external sources and the scope was expanded accordingly.

**Methodology**

The investigation team was led by:

- Forensic Investigation Team (FIT), Ontario Internal Audit Division, Ministry of Finance

With the support of:

- IT Forensics (ITF), Corporate Security Branch, Ministry of Government Services
- Forensic Investigations Section, Investigations & Inspections Branch (IIB), Ministry of Finance
- Finance Audit Service Team, Ontario Internal Audit Division, Ministry of Finance
- Health Audit Service Team, Ontario Internal Audit Division, Ministry of Finance

The methodology included identifying, securing and reviewing relevant documents. A more detailed description of those documents is included in the following sections. A series of both informal and formal interviews with relevant parties was conducted throughout the investigation. In addition, some informants came forward. FIT
assessed the relevance of information received and conducted interviews as appropriate.

Challenges obtaining information were encountered during the course of this investigation. The Conglomerate did not consistently provide complete and accurate information in a timely manner. The reasons were various, but primarily due to weaknesses in organizational structure, accesses and record keeping. Note however, that the processes for obtaining information and overall cooperation with the investigation were improved upon the arrival of Ron McKERLIE as interim President and CEO of Ornge.

Summary Findings

CORPORATE STRUCTURE

In order to conduct the investigation, FIT was tasked with identification of The Conglomerate’s complex corporate structure and how it may contribute to the generation of additional funding.

Ontario Air Ambulance Services Co., which changed its name to Ornge, became a conglomerate of twenty (20) inter-related not-for-profit and for-profit companies. There appeared to be an intention to utilize Conglomerate personnel and infrastructure for activities in the for-profit entities, ultimately controlled by certain Board Directors. One of the stated intentions was to build global business and generate additional revenue. A portion of those external revenues was to eventually flow back to Ornge.

The property and mobile assets used to provide services were owned by The Conglomerate trust entities and was charged out under a transfer pricing model as a related party transaction. Executive and back-office services were also provided to Ornge under a Management Services Agreement from several of the for-profit Conglomerate entities.

This complex corporate structure led to multiple related party transactions and appears to have created an opportunity for excess operating costs to be charged to the MOHLTC.

Each Board within The Conglomerate was controlled by a common group of individuals. Many of the Board Directors were also officers and employees of The Conglomerate. Only eight (8) of the twenty (20) entities had any employees. There was a lack of effective records management and corporate minute books\(^1\) could not be fully relied on for information because:

- All of the existing corporate minutes books were incomplete and six (6) minute books for Conglomerate entities had never been prepared.
- Several board minutes and resolutions within the existing minute books were unsigned drafts or duplicates that contained differing dates and details.

\(^1\) Corporate minute books contain minutes of board meetings, resolutions and shareholder registries.
Some board meetings for two (2) different entities appeared to occur on the same date and time with the same board members.

OVERALL SOURCES AND USES OF FUNDS

The forensic investigation began by assessing how provincial funding was used by Ornge. Given the need to follow disbursements to or from other related entities, the scope was expanded to include all sources and uses of funds within The Conglomerate. The cash flow team was tasked with identifying the sources and uses of all funds from inception of the Performance Agreement until December 31st, 2011.

If the Conglomerate’s accounting system had been set up and used to account separately for each entity, it should have been possible to identify how specific funding was spent. However, this was not the case. Further, the complexity of the movement of money did not allow for individual dollars to be traced from receipt to ultimate disbursement. Many of the source documents were found to be incomplete and difficult to locate, particularly for periods prior to fiscal 2011.

FIT encountered many challenges accessing information from the Conglomerate’s information system, SAP. This complex system contained the accounting records and FIT was informed that the SAP software acquired by Ornge did not provide a reporting function such as a general ledger format. FIT was advised that special expertise was required for access. Several weeks passed before an independent expert could be available to download information into a useable Microsoft format. Additionally, FIT found that SAP had weaknesses and inconsistencies including issues as basic as debits and credits not balancing. As such, that data could not be relied upon without conducting additional verification procedures on key financial data. The cash flow team identified the external recipient of all disbursements. However, it was not possible to identify the purpose of those disbursements or to trace a specific receipt through to an external recipient due to the transfers of funds to other entities within the Conglomerate.

Through expanded procedures, the investigation was nonetheless able to show how much money was received by The Conglomerate, the transfers between each entity and the external payees of the monies.

Ornge has received $839,164,837.19 in funding from MOHLTC representing 93.47% of the total source of funds. A further 4.06% was received by way of GST/HST rebates and the final 2.47% of receipts was from other sources.

In 2009/2010 the Conglomerate had funding from a $275M debenture and in 2010/2011 the Conglomerate further benefited from proceeds of a $23M mortgage bond. During the course of the investigation, it was also noted that the Conglomerate made and received donations. It also made investments and obtained financing in addition to the debenture and the mortgage bond.

However, from 2006 to December 2011, the cash flow team did not identify any material recurring source of funds for any entity in the Conglomerate aside from
government funding. For the period April 1 to December 31, 2011, 72% of Ornge disbursements were paid to other entities within the Conglomerate.

KEY TRANSACTIONS

The investigation was divided into key areas covering the most significant revenue and expenditure transactions.

Agusta Helicopter Purchase, Marketing Services Agreements, and Donations

It was alleged that Ornge colluded with Agusta Aerospace Corporation (Agusta), the American branch of AgustaWestland, to overpay for the purchase of helicopters, with the excess used as a kickback to Ornge through marketing agreements and donations. The money received from the marketing agreements and donations was to provide Ornge with a source of non-Ministry operating funds.

Ornge entered into an Aircraft Purchase Agreement with Agusta Aerospace Corporation on March 27, 2008 for the purchase of ten model AW139 helicopters. The stated cost for each helicopter was $12,135,700. The Agreement included an option for Ornge to purchase an additional two (2) helicopters at the same price, as long as the option was exercised on or before September 30, 2008. On July 15, 2008, Ornge exercised their option per the Agreement to purchase the two (2) additional helicopters.

There is indirect evidence supporting the allegation that Ornge overpaid Agusta for the purchase of helicopters, in the amount of $6.7 million USD. FIT did not, however, find direct evidence substantiating this allegation.

There were four amendments to the original Agreement:

- Amendment #1, dated October 30, 2008, provided a revised payment/delivery schedule to incorporate the addition of the two (2) option helicopters.

- Amendment #2, dated April 28, 2010, further delayed the delivery schedule and stated that penalties will be applied due to the delayed delivery of the first five helicopters. The penalties amounted to $107,600 per helicopter based on the agreed rate of $1,200 per day of delay. Additionally, item #4 of this amendment added that, “The Seller shall ensure that the "Increased Gross Take-Off Weight 6,800 kg" Type Certificate from Transport Canada and all other Transport Canada certifications are obtained by the Seller."

- Amendment #3, dated May 5, 2010, included a number of equipment additions and deletions (deletion of life rafts, addition of landing lights, and alteration to communication systems) for all 12 helicopters. This amendment also incorporated the addition of a Maximum Take-Off Weight (MTOW) 6800 kg upgrade for helicopters #1 to #10.
FIT was advised by two witnesses that it was the cost of the MTOW 6800 kg upgrade that is at the root of the kickback allegation.

Their statements were that there should have been no charge for the certification at 6800 kg, yet the value ultimately agreed to was $665,000 for each of the original 10 helicopters purchased. The additional costs for the optional equipment, spare parts and other changes was stated to be $6,284,790 (US) in total for the 12 helicopters.

- Amendment #4, dated May 7, 2010, changed the “ice protection system” to apply to helicopters #1 to #10 only, thereby deleting this system from helicopters #11 and #12. Additional items added included changes to the cabin arrangement and passenger seating. The net result of the adjustments was a $1,254,489 credit to the original price as per the Agreement.

On August 3, 2010 a Marketing Services Agreement (MSA) was executed between Ornge Peel Limited (Service Provider) and Agusta Aerospace Corporation – AgustaWestland (Service Receiver) for marketing services totalling $4.7 million.

On August 30, 2011 a second agreement, referred to as the Joint Global Marketing Agreement, valued at $2 million, was executed between Ornge Global Marketing Agreement Inc. and Agusta. Ornge Global Marketing Agreement Inc. is 100% owned by Ornge Global Holdings LP, both of which are for-profit entities. Ornge Global Holdings LP is 99.99% owned by Ornge Global Management Inc. which, through majority ownership, is controlled by MAZZA. Ornge Global Solutions issued one invoice, dated December 6, 2011 to AgustaWestland in regard to the “First of the quarterly instalments, Report 1, on the series of deliverables under the Joint Global Marketing Agreement with AgustaWestland”. The invoice, in the amount of $250,000 US was not paid.

As evidenced by correspondence obtained by FIT, a donation from Agusta, in the amount of $2.9 million USD was negotiated between MAZZA, on behalf of Ornge Foundation, and Giuseppe ORSI, the Chief Executive Officer of Agusta. FIT did not find evidence to support the allegation that the receipt of donations from Agusta resulted in an increase to the direct cost of the helicopters. However, there is evidence that the original schedule for instalment payments to Agusta were accelerated in order to secure the donation. While the total payments remain unchanged, the accelerated payments required that Ornge apply the funds received from the debenture issuance at earlier dates than were originally planned, thereby resulting in a loss of interest revenue (proceeds drawn from interest bearing facility).

Mortgages Bond Proceeds

It was alleged that the sale and leaseback of the head office building created an inflated cost structure through a series of related party transactions for the financial benefit of non-Performance Agreement related businesses.

The current Ornge building was initially purchased by a company with Ornge as the beneficial interest holder for $15.2 million. The building was sold, in a related party transaction, to Ornge Global Real Estate (OGRE). Ornge now makes lease payments to a related company for a building in which Ornge had previously been
the beneficiary. The related company, OGRE, used the present value of the lease to support a $23 million mortgage bond. The excess of funds ($8.36 million) were used as working capital for Ornge Global Holdings LP, an entity indirectly controlled by MAZZA.

In a letter prepared for the MOHLTC, dated January 19, 2011, entitled Stakeholder Briefing – Ornge and Ornge Global Holdings LP, general statements were made with regard to the 2009 property acquisition and the effects of the subsequent leaseback arrangement. The Conglomerate’s representatives stated that although Ornge will face incremental annual costs of $1,460,000 these costs are more than offset by interest savings and contributions to overhead including occupancy costs and salary reimbursements from Ornge Global Holdings LP or its affiliates. However, the referenced cost savings were allocated between entities as part of shared use of assets (personnel and facilities) and had little to do with the actual lease arrangement itself.

The reference to interest savings also appeared to be misleading, as ultimately, the source of funds used to repay the Mortgage Bond may be traced back to the lease payments made by Ornge. Effectively, Ornge funding is the source of the principal and interest payments on the bond. It was further noted that between February 2010 and the commencement of a sublease arrangement in December 2011, Ornge continued to make lease payments for the location which they had previously occupied.

Debenture
Two specific issues were identified with regard to the $275 Million Debenture issued on June 11, 2009. Were the proceeds of the $275 Million Debenture Issue applied to the uses as stated in the Offering Memorandum? And, was MOHLTC funding applied to the interest payments on this debenture?

The assets identified in the Offering Memorandum were purchased with the proceeds of the debenture.

Following the flow through of funds from Ornge to Ornge Air to Ornge Issuer Trust, it can be stated that the ultimate source of both, principal and interest, payments on the debenture were and will continue to be funding provided by the Ontario government and/or the proceeds of the debenture itself.

The arrangements entered into by Ornge, regarding the debenture issuance, appear to have been put in place with a view towards allowing Ornge the financial flexibility to consider purchasing assets as opposed to being continuously tied to lease and performance agreements.

The transaction had the effect of insulating, as much as is possible, the aircraft from the claims of other creditors of, or claimants against, Ornge. It was also through this structure that Ornge was able to leverage a favourable credit rating which, in turn, reduced the cost of financing the services provide by Ornge.

It is the use to which the assets, acquired with the debenture proceeds (fixed wing, rotor wing, hangars, etc.), are applied that determines whether the application of
MOHLTC funding to cover the debenture principal and interest payments are appropriate.

If the assets have been, and continue to be, used for purposes pertaining to Ornge’s responsibilities under the Performance Agreement, it would appear that the application of MOHLTC funding to meet the debenture payment obligations is appropriate. The caveat, however, is that the benefits of this arrangement become clouded when monies and assets (or use of the assets) flow through to usages in non-government, for-profit business ventures.

Cost of Air Ambulance Service
It was alleged by an informant that Ornge had inflated profits by charging excessive transfer prices within The Conglomerate for internal air ambulance services and entered into standing agreements with independent carriers that placed them at an economic disadvantage.

The investigation did not find conclusive evidence that Ornge placed independent carriers at an economic disadvantage.

However, FIT noted inappropriate reporting to the Ministry where previous Ornge management intentionally overstated patient transport numbers.

The Ministry funds Ornge air operations based on reported overall flight statistics and operating costs, not on a fee per flight basis. Overall costs are calculated by Ornge as the summation cost per flight charged by standing agreement carriers and internal costs for the Ornge fleet.

FIT reviewed internal correspondence that alleged that MAZZA had ordered use of a patient count methodology related to flight legs, not individuals actually transported. The result was an overstatement of patient transport data.

In the internal example used if patient A was transported from X to Z, with a stop at Y to pick up patient B, the trip was reported to the Ministry inaccurately as the transport of 3 patients (A 2 legs + B 1 leg), by Ornge calculations. This inappropriate methodology represented an overstatement of 9,100 patients (9.9%) over a 5 year period. The documentation indicates Ornge has adopted an appropriate patient count methodology for fiscal 2012.

Critical Care Land Ambulance (CCLA) Program
It was alleged that unspent Ministry funding for the land ambulance program was improperly reallocated to other Ornge operations through inter-entity charges as well as improper accounts payable coding.

FIT found evidence to support the allegation that at the direction of Maria RENZELLA, the Chief Operating Officer of Ornge at the time, inappropriate charges were applied to the land ambulance program.
Since 2006 Ornge has received funding from MOHLTC for the provision of Critical Care Land Ambulance Services. Under the terms of the funding agreement, the Ministry has the power to recover land ambulance funding that Ornge does not use.

Starting in 2008/09 Ornge included an allocation in the CCLA funding for what they term “back-office" expenses.

This allocation results from the process employed by Ornge to charge back the other Conglomerate entities for administrative expenses, such as accounting, human resources and payroll. Also included is executive compensation and bonuses.

FIT’s analysis of the data related to these back-office expenses found that, while the stated basis of the corporate allocation against CCLA funding was to be a percentage of employee full-time equivalents (CCLA/Ornge), the actual breakdown was adjusted to ensure all funding was spent.

FIT also noted that the corporate allocation includes a charge back from Ornge Peel and Ornge Global GP for executive salaries and bonuses as well as an amount identified as Contract Salary – Stipend $279,576, paid in 2011, which was confirmed to be a payment to MAZZA as a medical director with Ornge and paid in addition to other amounts in connection with his role as CEO. This amount is included in the totals paid to MAZZA as detailed in ISSUE 11: Payroll and Other Remuneration.

A high level analysis of CCLA expense statements further revealed that in 2008/09 Ornge charged $1,714,366 against Uniform Expenses. Included in this total were invoices relating to three (3) Purchase Orders including: 200 Flight Helmets, 250 Jackets; 205 Parkas; 300 Rain Jackets; 832 Flight Suit Shirts and Pants; and other items. Since the CCLA program has approximately 33 paramedics who do not fly, it can be concluded that a significant portion of these purchases were for employees of the Air Ambulance Program.

**Payroll and Remuneration**

It was alleged that Ornge and The Conglomerate executives received extremely high benefits and bonuses. It was also alleged that some employees of Ornge received remuneration exceeding $100,000 yet their remuneration was not disclosed pursuant to the requirements of The Public Sector Salary Disclosure Act (PSSDA).

FIT found evidence that executives of Ornge and The Conglomerate received bonuses and benefits totalling $9,303,376.85 equal to 34% of the total remuneration paid to executives. It is a value judgment to determine whether these salary and benefits were excessive.

For the period from 2007 to 2011, the total remuneration for MAZZA including loans was $7,614,632.82. In September 2010, MAZZA corresponded directly with Brad KELLY, an executive compensation consultant, copied Luis NAVAS on the email, and advised what he would like his own salary to be. Brad KELLY replied, “this is not a problem”.
Various executives are paid through several of the twenty (20) Conglomerate entities and billed back to Ornge through management agreements. These management fees are also not subject to the requirements of the PSSDA.

FIT found evidence to support the allegation that remuneration exceeding $100,000 was paid to three executives of Ornge, which was not disclosed and thereby failed to comply with the disclosure requirements of the PSSDA.

FIT found further evidence suggesting that amounts paid as remuneration was paid to some of The Conglomerate employees when:

- No services appear to have been performed or
- The services were performed but had no relation to the delivery of emergency transportation services in Ontario.

**Potential Conflicts of Interests and Other Expenses**

It was alleged that certain other cash disbursements paid through MOHLTC funding were inappropriate with respect to the terms of the Performance Agreement. During the course of investigating this issue, FIT also found other issues, such as potential conflict of interest, that may be in contravention with The Conglomerate’s policies and/or by-laws, as described in ISSUE 12 of the Detailed Analysis and Conclusions.

FIT found a number of expenditures that appeared inconsistent with the requirements of the Performance Agreement. Additionally, there appeared to be instances of potential conflict of interest, lack of independence, and lack of clear and transparent procurement and recruitment practices that, in some cases, were in contravention with The Conglomerate’s own policies and/or by-laws, as described in ISSUE 12.

**Inter-entity Loans, Credit facilities, and Donations**

During the course of the investigation, it came to FIT’s attention that there were some personal loans, inter-entity loans, and credit facilities between Ornge and The Conglomerate. For example:

- Between July 2010 and July 2011, MAZZA received $1,200,000 in personal loans. All three loans were approved by Ranier BELTZNER and not by documented majority board vote.
  
  a) July 2010 - $500,000. FIT could not find any documented evidence to substantiate that the board formally approved the loan by majority vote as required by Corporate By-Law. The loan agreements (documents) were signed by BELZNER and Maria RENZELLA per the Ornge Global Corporate Services Inc. (Ornge Peel) board resolutions, by-laws and signing authority matrix. The loan was not disclosed in the Consolidated Financial Statements. The funds in the Ornge Global Corporate Services Inc. bank account at the time of the loan payment to MAZZA were from a transfer from Ornge.
b) March 2011 - $250,000. FIT could not find any documented evidence to substantiate that the Ornge Global Holdings GP board formally approved the loan by majority vote as required by Corporate By-Law.

c) July 2011 - $450,000. FIT could not find any documented evidence to substantiate that the Ornge Global Holdings GP board formally approved the loan by majority vote as required by Corporate By-Law.

- Ornge provided a start-up loan of up to $350,000 to J Smarts, secured by $68,000 in assets that previously belonged to Ornge.
- Ornge developed an Agreement to offer various credit facilities to Ornge Peel for amounts up to $950,000.
- Ornge made an $8.4M donation to Ornge Foundation in 2008.

**Legal Fees**

Of the legal fees FIT could identify, The Conglomerate paid over $12 million to various law firms between 2006 and 2011. Approximately 80% of legal fees ($9.8 million) were paid to one firm (Fasken Martineau LLP) and about 53% of all fees ($6.5 million) were paid from Ornge bank accounts.

**Public Relations and Media**

Of the fees FIT could identify, between January 2006 and December 2011, The Conglomerate entities paid $1,372,762 to public relations, communications and media firms. Approximately 85% of these expenditures were paid from Ornge bank accounts.

**Security**

In addition to the specific issues noted above, the following are summary concerns identified by IT Forensics (ITF).

The IT security review found that initial data requests from the project team were not yielding complete responses from staff at The Conglomerate. As a result, repeated follow-up queries were necessary. The project team determined that this communication challenge was due primarily to data requests being interpreted in a very narrow and literal manner by staff at The Conglomerate and the existence of secondary IT systems that few staff seemed to be aware of.

- **Physical Security:**
  - Early in the engagement, the project team detected a pattern where the initial building tour did not fully identify the location of important records.
  - Door logs were not maintained in the building.
  - The project team was not advised of the existence of master keys to open executive offices, with the exception of MAZZA’s office. Copies of this key
were found in the possession of executive staff, their respective Executive Assistants and Facilities personnel.

- **IT Asset Security:**
  - The Conglomerate failed to recover IT assets from NAVAS, MAZZA and RENZELLA at the time of their departure from the organization.
  - The Conglomerate allowed the use of personal devices on its network to conduct business. There was no governance on usage as well as no policy on The Conglomerate’s ability to access this information.
  - The Conglomerate could not produce a complete list of IT assets assigned to staff and executives, placing information security at risk.

- **Information Security:**
  - The project team noted a pattern of information disclosures to media sources during the early stages of the investigation that should not have occurred.
  - The review found some of The Conglomerate’s executive staff (e.g. Rick POTTER) conducted Conglomerate business using external communication such as Gmail accounts that could not be accessed through The Conglomerate’s servers.
  - The review of staff communications at The Conglomerate found indicators that data may have been created, manipulated or deleted. In one case, FIT discovered an email in the confidential shredding waste regarding a request from FIT for the POTTER employment competition file. That email was printed by Jean HULL with handwritten instructions stating “No file – create one”.
  - Indicators were found suggesting individuals no longer working at Ornge, including MAZZA, continued to receive communication from Ornge staff and may have issued instructions to The Conglomerate staff in January 2012 after the investigation began.

- **Patient Safety:**
  - The project team was mandated to maintain Ornge’s operational requirements and patient safety. Ornge’s network did not separate operational functions from critical functions.
    - This had an impact on the ability to secure assets in a timely fashion.
    - This may have impacted data integrity as ITF was unable to completely secure the data into a read-only mode on the network.

The OPP physical search of the building identified a sound masking device in an executive office and subsequently located throughout the building. The investigation determined that The Conglomerate purchased these devices, which are used to produce white noise near the ventilation system, to prevent individuals in adjoining rooms (e.g. next to MAZZA's office) from hearing conversations.
The investigation team confirmed and/or verified all information to the extent possible. Further specific details will be addressed in the appropriate sections of the investigation report.

The investigation, as presented in the following Section Two: Detailed Analysis and Conclusions, was divided into the following areas.

Issue 1  Organizational Structure  
Issue 2  Cash Flow Overview and SAP System  
Issue 3  Sale and Leaseback of Building  
Issue 4  $275 Million Debenture  
Issue 5  Agusta Helicopter Purchase, Marketing Service Agreements, and Donations  
Issue 6  Sikorsky Helicopter Purchase  
Issue 7  Pilatus Fixed Wing Purchase  
Issue 8  Cost of Air Ambulance Service  
Issue 9  Proposed Hamilton Air Base  
Issue 10  Critical Care Land Ambulance Program  
Issue 11  Payroll and Other Remuneration  
Issue 12  Potential Conflicts of Interest and Other Expenses
SECTION TWO: DETAILED ANALYSIS AND CONCLUSIONS

ISSUE 01: Organizational Structure

In order to conduct the investigation, FIT was tasked with identification of The Conglomerate’s complex corporate structure and how it may contribute to the generation of additional funding.

CONCLUSION

There was a lack of effective records management and corporate minute books could not be fully relied on.

There appeared to be an intention to utilize Conglomerate personnel and infrastructure for activities in the for-profit entities, ultimately controlled by certain Board Directors. Those activities were outside of emergency transportation services in Ontario.

FIT found evidence to show that the complex corporate structure lead to related party transactions. This appeared to create a non-competitive business environment and an opportunity for excess operating costs to be charged to the MOHLTC.

ANALYSIS

The Conglomerate retained the services of a number of external firms to assist with executing its corporate vision. For example, the legal firm Fasken Martineau LLP was retained for advice on designing and establishing the new corporate structure and the Hay Group was retained to assess what Ornge perceived as a service gap between MOHLTC funding and the service delivery needs.

A strategic plan was developed to address this alleged gap through a series of for-profit entities and the initiation of revenue generation mainly from international clients.

Verification of the corporate structure required a review of all corporate minute books. Those books contain information regarding each entity including:

- Original incorporation documents,
- Board of Directors list,
- Shareholder list and share certificates,
- Minutes of Board meetings and resolutions.
During the review of the available corporate minute books, it was discovered that:

- All corporate minute books were incomplete. Documents missing from some of those books included incorporation documents, board minutes, resolutions and shareholder registers.

- Some board meetings for two (2) different entities appeared to occur on the same date and time with the same board members.

- Several board minutes and resolutions within the existing minute books were unsigned and appeared to be drafts or duplicates. Issue 12, Potential Conflicts of Interests and Other Expenses, highlights Personal Loans made to MAZZA.

  - Unsigned draft Board Resolutions indicate that a board meeting was held and a unanimous vote was received giving approval for the loan of $250,000.00 (March 1, 2011) and $450,000.00 (July 1, 2011). Later correspondence shows that there was no vote made on either of these issues.

- Multiple requests were made to Conglomerate staff and to The Conglomerate’s legal counsel (Fasken Martineau LLP) for missing documentation.

- Some of the missing documents, but not all were later discovered in file rooms and in the offices of several Conglomerate executives.

- Six (6) of The Conglomerate entities had no minute books. The investigation team prepared summaries for these entities from corporate searches, correspondence and documents received from The Conglomerate and Fasken Martineau LLP. Those entities were:

  - Ornge Issuer Trust - 7506406 Canada Inc
  - Ornge Global US Risk - 7731272 Canada Inc
  - Ornge Global Rotor Inc - Ornge Global Holding LP

- Several Conglomerate entities were incorporated federally and provincially. A review of those documents was required to ensure the incorporation information was congruent.

The Conglomerate was initiated in 2004 and grew from the single entity now known as Ornge; to the December 31, 2009 corporate structure containing eight (8) entities. By December 31, 2011 the structure contained twenty (20) Conglomerate entities and two (2) affiliated entities. Those two entities were affiliated with, but not owned by, The Conglomerate. ERA Canada Inc. is owned by a US citizen and BNY Trust Company of Canada Inc (public company) was the Trustee for OIT and 4495125 Canada Inc.

The Conglomerate organization structure as at December 31, 2011 is presented below. A table is also presented for the Board and Officers based on the minutes provided to FIT.
### The Conglomerate and Board Members

<table>
<thead>
<tr>
<th>Entity</th>
<th>1</th>
<th>3</th>
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<th>Entity</th>
<th>12</th>
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<td>employees</td>
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#### Non-for-Profit Entities
- **Ministry of Health and Long-Term Care**
- **Investigation of Ornge & Related Entities**
- **Final - June 2012**
- **CONFIDENTIAL – HIGH SENSITIVITY**

#### For-Profit Entities
- **Ornge Global Mgmt Inc (OGM)**
  - **16**
  - **Ornge Global Holdings LP**
  - **17**
  - **Ornge Global Real Estate Inc**
  - **18**

**Legislative**
- **ERA Canada LLC**
  - **25%**
  - **Owned by nonresident**
Due to the evolving nature of these Boards of Directors, the members noted herein may NOT have been members for the entire period under review.

Entities 8 (OIT) and 16 (Ornge Global Holdings LP) were not included as for OIT no information was available and Ornge Global Holdings LP was not a corporation (no board directors).

<table>
<thead>
<tr>
<th>(1) ORNGE - Incorporated on October 4, 2004</th>
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<tr>
<td><strong>Revenue from MOHLTC</strong></td>
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<tr>
<th>(2) Ornge Global Corporate Services Inc (prev. Ornge Peel Ltd) - Incorporated on October 18, 2006</th>
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</thead>
<tbody>
<tr>
<td><strong>Revenue from inter entity fees and transfers</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(3) JSmarts - Incorporated on June 11, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue donations and inter entity fees and transfers</strong></td>
</tr>
</tbody>
</table>
### (4) Orngeco - Incorporated on July 10, 2007

| Revenue from inter entity fees and transfers | Provide management services to Ornge. | Owned by Ornge | Officers: Mazza Beecher Renzella | For-Profit entity | External auditors appointed |

### (5) Ornge Foundation - Incorporated on July 10, 2007

| Revenue from donations and inter entity fees and transfers | Accept donations made to the Conglomerate | Owned by Ornge | Officers: Mazza Beecher Renzella | Charitable Not-for-Profit entity | External auditors appointed |

### (6) Ornge Global Air Inc - Incorporated on September 17, 2007

| Revenue from inter entity fees and transfers | Provide emergency medical transport services | Owned by Ornge | Officers: Mazza Beecher Renzella | For-Profit entity | External auditors appointed |

### (7) 4495128 Canada Inc (Bare Trust) - Incorporated on February 2, 2009

| Revenue from inter entity fees and transfers | Hold legal title to all real estate assets for The Conglomerate | Beneficial interest holder of all assets is Ornge | Officer: Mazza | Not-for-Profit Trust | Declared exempt from external audit |

### (8) Ornge Issuer Trust (OIT) - Incorporated on February 11, 2009

| Revenue from $275,000,000 debenture | Hold legal title to all other (non-real estate) assets for The Conglomerate | Beneficial interest holder of all assets is Ornge | Officers: not applicable | Not-for-Profit Trust | External auditor appointed |

### (9) 7506406 Canada Inc - Incorporated on May 10, 2010

| Revenue from inter entity fees and transfers | Provide fixed wing air transportation services | Owned by Ornge Global Air Inc | Officer: Mazza Potter | For-Profit entity | No external auditor appointed |

### (10) Ornge Global US Inc - Incorporated on September 15, 2010 in the US

| Revenue from inter entity fees and transfers | Provide services to international clients | Owned by Ornge Global Holdings LP | Officers: Mazza Renzella | For-Profit entity | No external auditor appointed |

### (11) Ornge Global GP Inc - Incorporated on November 26, 2010

| Revenue from inter entity fees and transfers | Provide management services to Ornge. The minority limited partner (0.01%) in The Conglomerate for-profit entities | Owned by Orngeco | Officers: Mazza Renzella | For-Profit entity | Exempt from external audit until January 2011 when external auditor appointed |
(12) **Ornge Global Management Inc** - Incorporated on November 26, 2010

| Revenue from inter entity fees and transfers | Investment company | Majority owner was MAZZA | Officer: Mazza | For-Profit entity | Exempt from external audit |

(13) **Ornge Global Real Estate Inc** - Incorporated on December 16, 2010

| Revenue from inter entity fees and transfers | Hold legal title to the corporate head office at 5310 Explorer Drive | Owned by Ornge Global Management Inc | Officers: Pickford, Colle | For-Profit entity | Exempt from external audit |

(14) **Ornge Global Solutions Inc** - Incorporated on December 17, 2010

| Revenue from inter entity fees and transfers | Provide management services to Ornge |Owned by Ornge Global GP Inc. | Officer: Mazza | For-Profit entity | Exempt from external audit |

(15) **Ornge Real Estate Inc** - Incorporated on January 14, 2011

| Revenue from inter entity fees and transfers | Hold the sub-lease to the Corporate head office at 5310 Explorer Drive | Owned by Ornge | Officers: Mazza Renzella | For-Profit entity | External auditor appointed |

(16) **Ornge Global Holdings LP** - Incorporated on January 14, 2011

| Limited Partnership | No revenue generating activities. | Invest by way of debt or equity, in each Ornge Global Operating company engaged in a permitted business approved by the general partner | Partnership between OGMI (controlled by MAZZA) and OGGP (controlled by Ornge) to control the For-Profit entities | Officers: Not applicable | For-Profit limited partnership |

(17) **7731272 Canada Inc** - Incorporated on May 10, 2011

| Revenue from inter entity fees and transfers | Provide services to international clients | Owned by Ornge Global Solutions Inc. | Officers: Navas Renzella | For-Profit entity | No external auditor appointed |

(18) **Ornge Global US Risk Inc** – Incorporated on June 3, 2011

| Revenue from inter entity fees and transfers | Provide services to international clients | Owned by Ornge Global US Inc | Officer: Navas | For-Profit entity | No external auditor appointed |

(19) **Ornge Global Rotor Inc** – Incorporated on Jun 24, 2011

| Entity was never active | Provide all rotor wing emergency air transportation services | Owned by unknown | This entity closed prior to Dec 31, 2011 | For-Profit entity | No external auditor appointed |

(20) **Ornge Global Brazil Inc** – Incorporated on December 8, 2011

| Entity was never active | Provide services to international clients | Owned by Ornge Global GP Inc | Officers: Not stated | For-Profit entity | No external auditor appointed |
Each board within The Conglomerate was controlled by a common group of individuals.

<table>
<thead>
<tr>
<th>Name</th>
<th># of Boards</th>
<th>Name</th>
<th># of Boards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chris MAZZA</td>
<td>15</td>
<td>Maria RENZELLA</td>
<td>8</td>
</tr>
<tr>
<td>Rainer BELTZNER</td>
<td>13</td>
<td>Luis NAVAS</td>
<td>8</td>
</tr>
<tr>
<td>Barry PICKFORD</td>
<td>12</td>
<td>Bethann COLLE</td>
<td>6</td>
</tr>
<tr>
<td>Aris KAPLANIS</td>
<td>11</td>
<td>Lorne CRAWFORD</td>
<td>5</td>
</tr>
<tr>
<td>Donald LOWE</td>
<td>9</td>
<td>Robert LESTER</td>
<td>5</td>
</tr>
</tbody>
</table>

Many of those Board Directors were also Officers and/or employed within The Conglomerate.

For some boards, members received an annual retainer and/or fees to attend meetings and committees. The Board Chair’s retainer for 2011 was $155,000. See Issue 11, Payroll and Other Remuneration, for details on remuneration paid to The Conglomerate executives and board members.

Only eight of the twenty entities had any employees.

A corporate structure diagram was provided to FIT by Conglomerate management. The main differences between this corporate structure and the structure identified by the investigation team are:

- Ornge Global Rotor Inc. and Ornge Global Brazil were missing.
- OGRE Inc was owned by OGMI not by Ornge.
- Ornge is the sole member (100% owner) of Orngeco as this is the link from the not-for-profit side to the for-profit side of The Conglomerate.

FIT interviewed Bruce TAVENDER, VP of Finance on March 7, 2012 at 1:00pm in order to gain an explanation of these differences. He stated that:

- The federally incorporated Ornge Global Rotor Inc. was initialized in June 2011 and closed by October 2011. The provincial incorporation documents to close this entity had not been prepared or submitted at the date of this report.
- Ornge Global Brazil Inc was a dormant entity.
- MAZZA told TAVENDER that the head office property located at 5310 Explorer Drive was sold from OIT to OGRE. TAVENDER told MAZZA that this sale may result in a “Capital Gain” for income tax purposes as the property was sold from a not-for-profit entity (OIT) to a for-profit entity (OGRE).
- MAZZA consulted with Fasken Martineau LLP and OGRE regarding this tax issue. As a result, the sole share of OGRE was transferred on January 9, 2012 to Ornge, within the not-for-profit entities of The Conglomerate. This would make it appear that no Capital Gain had occurred.
- Orngeco was the link between the not-for-profit side of the Conglomerate as it was wholly owned by Ornge. A corporate minute or resolution was prepared in January 2011 transferring ownership of Orngeco to the individual board members of Ornge.
• This transfer severed the link between the not-for-profit and the for-profit entities of The Conglomerate.

FIT indicated that no such resolution transferring the ownership of Orngeco had been discovered within the corporate minute books. TAVENDER agreed to investigate.

At 3:34pm on March 7, 2012 TAVENDER sent an email to FIT with a document titled Resignation. This document shows:

• The link between the not-for-profit and for-profit entities of the Conglomerate has been severed;
• Ornge resigned as the sole owner of Orngeco.
• The individual Directors of Ornge became the owners of Orngeco.

The document was altered by pen to indicate the year was “2011”. Documents altered from their original state without any signature, initials, or explanation for the purpose of that alteration, have questionable evidentiary value.

FIT confirmed the Directors of Orngeco and Ornge at that time were:

• Orngeco: MAZZA, BELTZNER, COLLE, CRAWFORD, LESTER, LOWE and PICKFORD.
• Ornge: MAZZA, BELTZNER, COLLE, CRAWFORD, LESTER, LOWE and PICKFORD.

Fasken Martineau LLP issued a memorandum dated August 5, 2010 to the Ornge Board of Directors regarding their analysis of the legal structure required for the new business ventures by Ornge. Those new business ventures were planned to provide a more stable source of additional revenue required to close the current service gap.

This proposed new legal structure would facilitate the development of those business ventures and achieve the following objectives:

1. Financeability – new capital would come from 3rd party investors.
2. Risk management – the new structure and existing structure should be separate and insulated from one another.
3. Interest alignment and tax efficiency – Ornge’s share of the new revenue should be protected by the structure and distributed back on a tax efficient basis.
4. Accounting simplicity – the new revenue would come from sources outside Ontario and would therefore not be part of the consolidated statements currently being reported to the ministry.
In an email exchange beginning March 22, 2011 MAZZA discussed with potential investors the intention of the Ornge Global initiatives. The investors had questions and concerns regarding these initiatives.

MAZZA addressed the potential investors’ queries, explaining that what was being offered to investors was “a share of a global licence of the Ornge IP and access to Ornge personnel and infrastructure to build a global business in the context of a business plan that focuses on a huge emerging market opportunity.”

MAZZA clarified the relationship between Ornge and Ornge Global by using the term “Structure.” MAZZA stated that the “Structure” could be clarified further by using portions of various presentations to provide context to this relationship. He further added, “In any event the structure is complex (by necessity) and bears explaining in detail.”

In response to questions related to start up costs for investors, MAZZA explains that “the relationship with Ornge (i.e. access to IP, experienced personnel and physical assets/infrastructure) substantially reduces the start up costs that would otherwise be required for the Issuer.”

In response to questions regarding financing the Global initiatives, MAZZA explained that, “Presently Ornge Air and the Ornge Corporate Services organization charge Ornge for their services on a cost recovery basis. However Ornge finances the infrastructure required to provide those services. Although there is no profit per se, should there be any available surpluses in Ornge through efficiencies – those may be used to invest in the infrastructure required for Air and Corporate Services.” MAZZA communicated that although the Global operations could leverage the infrastructure of the Ontario operations, the financing sought from the investors would be used to solely finance the Global operations.

In the request to the investors MAZZA explains that “Presently this aircraft is being provided to Ornge via Ornge Air.” Further he states “that the aircraft that we have purchased does have the available capacity and as such we can leverage this capacity at favourable terms for use on our Global initiatives.”

In summary, the corporate structure analysis showed:

- The organization chart provided to the investigation team did not disclose several key issues including: the existence of two entities and the questionable ownership link between Ornge and Orngeco which is the link to the Conglomerate for-profit entities.
- All of the existing corporate minutes books were incomplete and six minute books for Conglomerate entities had never been prepared. Several board minutes and resolutions within the existing minute books appeared to be drafts or duplicates. Some of those drafts/duplicates contained differing and/or conflicting details.
- Some of the Conglomerate entities did not have any employees and many of the Board Directors were also officers and employees of The Conglomerate.
Documents provided to FIT showed the ownership of Ornge changed from Ornge which was governed by MAZZA, BELTZNER, COLLE, CRAWFORD, LESTER, LOWE and PICKFORD to the new owners MAZZA, BELTZNER, COLLE, CRAWFORD, LESTER, LOWE and PICKFORD.

OGRE (originally owned by OGMI, the entity controlled by MAZZA) was transferred to Ornge when the VP of Finance identified a potential capital gain from the sale of The Conglomerate head office building.

Within The Conglomerate’s entities, several related party transactions were noted. This appears to have created an opportunity for excess operating costs to be charged to the MOHLTC.
**ISSUE 02: Cash Flow Overview and SAP System**

To conduct the investigation, the cash flow team was tasked with identifying the sources and uses of all funds.

**CONCLUSION**

FIT found that the accounting system had weaknesses and inconsistencies. As such, it could not be relied upon without conducting additional verification procedures on key financial data.

The cash flow team identified the external recipient of all disbursements. However, it was not possible to identify the purpose of those disbursements or to trace a specific receipt through to an external recipient due to the transfers of funds to other entities within the Conglomerate.

Ornge has received $839,164,837.19 in funding from MOHLTC representing 93.47% of the total source of funds. A further 4.06% was received by way of GST/HST rebates and the final 2.47% of receipts was from other sources.

For the period April 1, 2011 to December 31, 2011, 72% of Ornge disbursements were paid to other entities within The Conglomerate.

In addition, on June 11, 2009, Ornge Issuer Trust issued a $275,000,000.00 debenture (received $273,625,000.00) and on January 31, 2011, Ornge Global Real Estate issued a $23,876,707.00 private placement mortgage bond (received $23,583,983.16). The Conglomerate also made investments and obtained financing.

Since January 1, 2006 until December 31, 2011, excluding the debenture and the mortgage bond, MOHLTC has consistently remained the single greatest funding source for The Conglomerate.

**ANALYSIS**

The investigation team designed cash flow analysis procedures to address the fundamental question, where did the Ministry funding go? The investigation incurred scope limitations due to the volume of data and the inability of The Conglomerate’s personnel to consistently access and provide complete and accurate data on a timely basis. The cash flow team, based on their knowledge and experience, modified procedures to minimize the impact of these scope limitations and produce a report of value within a reasonable timeframe.

It was not possible to trace every transaction to source documentation. If the accounting system had been set up and used to account separately for each entity then it should have been possible to identify how specific funding was spent, however, this was not the case. Further, the complexity of the movement of money
did not allow for individual dollars to be traced from receipt to ultimate disbursement. Many of the source documents were found to be incomplete and difficult to locate, particularly for periods prior to fiscal 2011. The report will show how much money was received by The Conglomerate, the inter-entity transfers between each entity and the external payees of the monies.

The general ledger (GL) for The Conglomerate is maintained on a system known as Systems Applications and Products (SAP). SAP accounting software is generally used to maintain, update and store financial and material management records.

At the commencement of the engagement, FIT requested access to The Conglomerate’s GL three times in order to complete necessary engagement planning procedures. FIT was denied such access on the grounds that SAP does not have a reporting interface and the engagement team would be unable to read the data. Ornge management offered to prepare excel spreadsheets in response to FIT queries. Consistent with basic investigation principles, FIT was not prepared to accept a GL produced by the client on an excel spreadsheet.

FIT investigators requested multiple meetings with Ornge staff working with SAP, in order to have a transfer of knowledge with regards to the system. Arrangements were made to have all enquiries for information or records flow through specific Ornge accounting staff, namely Cathy SOTTO for financial matters and Olusola OBIYOMI for SAP matters. FIT was advised by Bruce TAVENDER, Vice-President, Finance, both staff members were to assist the investigative staff with all queries. FIT was informed that all Ornge employees involved with the implementation of the SAP system were no longer at Ornge.

Several of the bank accounts were opened and operating prior to the implementation of the system and were not properly captured by SAP, entries were not complete, spelling of names/companies was inconsistent, The Conglomerate’s staff was unable to access the system to the extent necessary to satisfy investigative requirements and data could not be accurately compared between the bank statement and the SAP system. The system was useful as a secondary source of information or to provide backup detail to other documentation. Where no other information was available, the SAP system was accepted to provide minimal evidence of source of movement of funds. Julia RAUDANSKIS, Director Finance and Corporate Controller, advised FIT that Ornge did not purchase the consolidation module and SAP does not have a reader interface, so the previous external auditors had relied on excel spreadsheets prepared by Ornge staff for purposes of preparing the annual audited financial statements.

Records of electronic transfers were kept in the SAP system. As several transfers included multiple beneficiaries, each electronic transfer had to be located in the system and converted to be incorporated in the Excel spreadsheets.
As a result of the issues summarized above, FIT believed there were inconsistencies with the SAP system. As this was an investigation, FIT felt that it was prudent not to rely entirely on the Ornge SAP system but rather use the information in SAP to supplement an analysis that was performed with bank statements and other related documentation. This process added to the complexity and timing of the investigation.

Available deposit books were found to be very limited compared to the volume of deposits identified. The entries in the deposit books were poorly prepared, often only identifying the first name of the payor or the financial institution from which it was issued. This necessitated the time consuming and difficult task of tracking the deposit in the back-up records, where available, or making queries to the assigned Conglomerate staff.

The volume of wire transfers was significant and efforts were made by The Conglomerate to keep the confirmations in fiscal binders. As confirmations were kept chronologically rather than by entity, reconciliation was very time consuming. These wire transfer confirmation binders were also found to be incomplete, necessitating queries to The Conglomerate’s staff for details. Moreover, as The Conglomerate did not keep paper records of the source of wire transfers received, a query for details was required.

The Conglomerate utilizes a Cheque Fraud Prevention system, whereby cheques must first clear through a designated account before being issued. Most often, multiple cheques would clear together creating a “CFP List Total” entry on the bank statement requiring this list to be analyzed. This involved reviewing cheque image CDs compiled and provided on a monthly basis by TD Bank. These CDs were found to be incomplete. FIT asked The Conglomerate’s staff to request from TD Bank all missing cheque image CDs. This request took four weeks to be fulfilled.

The cash flow team summarized banking transactions from all available financial records for each of The Conglomerate’s entities per fiscal year for the period January 1, 2006 to December 31, 2011 to determine the flow of funds into and out of The Conglomerate. The analysis consisted of a high level cash flow review tracking the input and output of monies received by The Conglomerate.

**Records**

The following original records were provided to the cash flow team or other members of the forensic investigation team for forensic accounting analysis:

**Electronic records:**
- Bank generated CDs of monthly bank statements.
- The Conglomerate generated CDs with PDFs of deposit books and some backup records.
- The Conglomerate generated spreadsheets.
Where no original records were readily available, the SAP system was utilized.

Physical records:
- The team was provided with, and relied upon, approximately 15 boxes of banking records (originals or copies), including bank statements, cancelled cheques, deposit books, original back up details to deposits or payments and team generated spreadsheets filled in by The Conglomerate’s staff.
- Supporting records such as wire transfer confirmations, electronic fund transfer records, accounts receivable and accounts payable records.

Assumptions
Reasonable efforts were made to allocate each entity or person sending money to or receiving money from The Conglomerate by identifying and classifying the “type” of entity or source. The cash flow team relied on available supporting records, the internet, common consideration (for example Bell Canada would be “Communications”), or queries through staff assigned by The Conglomerate. For example, if a company/person sending or receiving money is determined to be a consulting company, then the entry was allocated as “Consulting”. Where an investigation could not reasonably make a determination, the transaction was allocated as “Other”.

Voids, reversed cheques, errors, adjustments, exchange conversions, refunds, repayments and other like items have been categorized as best as possible and included in “other” or “error” categories.

Once corrections were made in the database, the cash flow team did not go back to amend source spreadsheets due to time constraints.

Receipts
All of The Conglomerate’s bank statement transactions were separated into three sections – receipts, transfers and disbursements. Most receipts into the bank accounts included multiple cheques. Utilizing bank deposit books, accounts receivable records, responses from The Conglomerate and SAP, the cash flow team was able to analyze virtually all of the receipts into all The Conglomerate’s bank accounts for the period under investigation.

All receipts were grouped together and placed in major categories for reporting purposes.
- Other grants and funding, other government receipts, Agusta receipts and other receipts which may contain donations that, due to inadequate detail provided by The Conglomerate, could not be identified as such.
- Unconfirmed items were placed in an “other” category.
- Bank Error/Adj/Fee includes reversed cheques, deposits in error, and returns. Refunds and Repayment receipts include overpayments and refund of
• Source of funds in US Dollars was limited and generally related to a few specific transactional events. The US Dollar analysis captures the majority of the receipts from Agusta and Pilatus Business Airways Ltd. (Pilatus).
• Source of funds from bonds, investments, financing and currency hedge were segregated from the Canadian and US dollar receipts and reported separately.

Once all bank accounts were reviewed and analyzed, they were compiled into a global database. From this database, the cash flow team provided responses to queries from the FIT team to provide or confirm the bank statement data associated with their particular area of investigation.

The numbers were compiled directly from the bank records of The Conglomerate’s 20 entities and are the best evidence of the actual movement of monies.

**Source of Funds for the Conglomerate**
The cash flow team did not identify any material recurring source of funds for any entity in The Conglomerate aside from Ministry funding and GST/HST rebates.

---

**Source of Funds of The Conglomerate**
January 1, 2006 to December 31, 2011

![Bar chart showing source of funds for The Conglomerate from January 1, 2006 to December 31, 2011.](chart.png)
Note: The above chart does not include any ventures solicited in order to raise capital, such as the Debenture in Fiscal Year 2010 ($273,675,000) or the Mortgage Bond in Fiscal Year 2011 ($23,583,983.16).

Transfers

Transfers were identified directly through the bank account statements or wire transfer documents received directly from The Conglomerate's staff.

The cash flow team took the approach that transfers between entities were not considered receipts or disbursements; instead, they reflect the changing business of The Conglomerate throughout the period under investigation.

- April 1, 2006 to March 31, 2007, 14% of Ornge disbursements were paid to other entities within The Conglomerate.
- April 1, 2007 to March 31, 2008, 16% of Ornge disbursements were paid to other entities within The Conglomerate.
- April 1, 2008 to March 31, 2009, 45% of Ornge disbursements were paid to other entities within The Conglomerate.
April 1, 2009 to March 31, 2010, 66% of Ornge disbursements were paid to other entities within The Conglomerate.

April 1, 2010 to March 31, 2011, 72% of Ornge disbursements were paid to other entities within The Conglomerate.

April 1, 2011 to December 31, 2011, 72% of Ornge disbursements were paid to other entities within The Conglomerate.

Fiscal 2006 (3 months) and Fiscal 2007
During this 15 month period, the organizational structure was simple, consisting of one single entity Ornge and two bank accounts, Ornge Operating and Ornge Payroll. See the two charts on pages 34 and 35 which represent the funding that transferred between accounts. Note that in 2007, cash transferred from the Payroll Account to the Operating Account.

Fiscal 2008
During this period, three new entities were created, namely, J Smarts, Ornge Foundation and Ornge Peel Ltd. Minimal funds went to J Smarts and Ornge Foundation in 2008. See the chart on page 34 which represents the funds transferred to the new entities from Ornge.

An additional five bank accounts with cash flow were identified, namely, Ornge CRS (cheque clearing account), Ornge Foundation, Ornge Foundation USD, J Smarts, and Ornge Peel Ltd. Funds predominately flowed from Ornge Operating to all other accounts, with the exception of Ornge Payroll. See the chart on page 35 which represents the funds transferred between these bank accounts.

Fiscal 2009
By the end of Fiscal 2009 there were three additional new entities, namely, Ornge Air, Ornge Issuer Trust and Orngeco. Dollar values transferred from Ornge to other entities increased, with amounts ranging from thousands to millions of dollars. This was the first year that identified direct payments between these other entities. See the chart on page 34 which represents the funds transferred between the entities.

An additional nine bank accounts with cash flow were identified, namely, Ornge Operating USD, Ornge Peel CRS (cheque clearing account), Orngeco, Orngeco USD, Ornge Air Operating, Ornge Air Payroll, J Smarts CRS (cheque clearing account), Ornge Issuer Trust and Ornge Issuer Trust USD. See the chart on page 35 which represents the funds transferred between the different bank accounts.

Fiscal 2010
The volume of transfers between entities remained relatively unchanged from 2009 with significant increases in overall dollar value. See the chart on page 34 which represents the funds transferred between the entities.
There were an additional four bank accounts that had cash flow, namely, Ornge Peel USD, Ornge Foundation Payroll, Ornge Air Operating USD and Ornge Issuer Trust CRS (cheque clearing account). The pattern of transfers between accounts appears to be more complex in Fiscal 2010 as it is the quantity of transfers that increases rather than the value of the transactions themselves. See the chart on page 35 which represents the funds transferred between the different bank accounts.

Note: transfers between Ornge Issuer Trust and Ornge Issuer Trust USD appear to attract a higher exchange rate than those between other accounts. While the Canadian dollar was above par as compared to the US dollar during this time period, transfers between these two accounts appear to be at an exchange rate of 1.15 (CAD to US). See the chart below which represents the funds transferred between the different bank accounts.

Fiscal 2011
By the end of Fiscal 2011 there were six new entities involved in the cash flow, namely, Ornge Peel, Ornge Global GP, 2268034 Ontario Inc. (also known as Solutions), Ornge Global Holding LP, Ornge Global Real Estate and Ornge Real Estate. Transfers between entities, especially from Ornge Peel and Ornge Peel NOC, increased during this period, but Ornge was still the major source of the movement of funds. See the chart on page 34 which represents the funds transferred between the entities.

An additional nine bank accounts had transfers in Fiscal 2011, Ornge Peel, Ornge Peel USD, Ornge Global GP, Ornge Global Real Estate, 2268034 Ontario Inc., 2268034 Ontario Inc. USD, Ornge Global Holding LP, Ornge Real Estate and Bike Raffle. See the chart on page 35 which represents the funds transferred between the different bank accounts.

Fiscal 2012 (9 months)
By December 2011 there were two new entities that received funds, namely, Ornge US Inc. and Ornge Global Management. There were no transfers in the Orngeco account during this period. Ornge remained the centre of the transfers between not-for-profit entities and Ornge Peel Ltd. became the central entity for transfers between the not-for-profit and the for-profit companies. See the chart on page 34 which represents the funds transferred between the entities.

An additional four bank accounts had transfers in the nine months investigated for Fiscal 2012: Ornge Global Holding LP USD, Ornge US Inc., Ornge US Inc. USD and Ornge Global Management. See the chart on page 35 which represents the funds transferred between the different bank accounts.
I2 Analyst's Notebook Charts Representing Transfers Continued
It was noted in Fiscal 2012, that identical amounts would be transferred on the same day multiple times between various accounts. The reason for these multiple transfers was not investigated.

**Use of Funds - Cash Disbursements**

The volume of transactions and time constraints did not allow for a full and complete analysis of 'cash out' from the numerous bank accounts of The Conglomerate. However, every transaction was confirmed against the bank accounts to ensure completeness.

Efforts were made to identify the recipient of cash disbursed from a bank account. All disbursements were sorted by beneficiary and totaled. However, disbursements could not be definitively traced back to the original source of funds. A materiality cutoff of $100K for Canadian dollar payees was established. For the purpose of this report, all cash disbursements to anyone receiving less than $100K (CDN) were included in the "All Others" category, representing 2% of the total cash disbursements. For US dollar cash disbursements, no cutoff was required.

See the following charts for amounts disbursed.
NOTE: In 09/10, Fasken Martineau LLP held over $18M in trust for The Conglomerate.
Use of Funds by Conglomerate Entity
January 1, 2006 to December 31, 2011
Canadian Dollars

Use of Funds per Conglomerate Entity
April 1, 2007 to December 31, 2011
US Dollars
Investments and Financing
The investment analysis has been completed to the extent feasible given the records and individuals available for interview.

BMO Nesbitt Burns Brokerage Account
Ornge invested a total of $41.201M with BMO Nesbitt Burns. They received a total of $42.141M from BMO Nesbitt Burns, which is $939,945 more than they invested. There remains a balance of $935,609, meaning they have earned a total of $1,875,554 in interest.

- March 14, 2006 - Initial investment of $5M
- Fiscal 2007 - Additional investments totalling $16.5M and withdrawals of $5.045M
- Fiscal 2008 - Additional investments totalling $19.7M and withdrawals of $8.089M
- Fiscal 2009 - Withdrawals of $16.571M
- Fiscal 2010 - Withdrawals of $2.5M
- Fiscal 2011 - Withdrawals of $5.8M
- Fiscal 2012 (first 9 months) - Withdrawals of $4.136M
- Remaining balance invested at December 31, 2011 is $935,609
- Calculated effective annual rate of return 2.7712% over period

Toronto Dominion Money Market Deposit
OIT invested a total of $32.999M (drawn down to $17.99M) with Toronto Dominion. Total interest received was $63,314.

- September 4, 2009 - Investment of $32.999M
- October 14, 2010 - Withdrawn
- October 14, 2010 - Investment of $17.990M
- November 10, 2010 - Withdrawn
- Calculated effective annual rate of return 0.1700% over period

Toronto Dominion Term Deposit
OIT invested a total of $14.2M USD with Toronto Dominion, in two (2) segments. Total interest received was $4,157 USD.

- December 29, 2009 - Investment of $9.5M
- April 30, 2010 - Investment of $4.7M
- August 31, 2010 - $4.7M Withdrawn
- September 29, 2010 - $9.5M Withdrawn
- Calculated effective annual rate of return 0.0478% over period.

Toronto Dominion Term Deposit
Ornge Foundation invested $60,850 with Toronto Dominion. Total interest received was $46.

- June 22, 2010 - Investment of $60,850
- November 22, 2010 - Withdrawn
• Calculated effective annual rate of return 0.1799% over period

**Toronto Dominion Term Deposit**

Ornge invested $271,689 with Toronto Dominion. Total interest received was $1,385.
- February 28, 2011 - Investment of $271,689
- At December 31, 2011 - Term Deposit remains invested
- Calculated effective annual rate of return 0.6795% over period

**Investment Interest Received - January 1, 2006 to December 31, 2011:**

<table>
<thead>
<tr>
<th>Currency</th>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAD</td>
<td>BMO Nesbitt Burns</td>
<td>$939,945.00</td>
</tr>
<tr>
<td></td>
<td>Toronto Dominion</td>
<td>63,314.00</td>
</tr>
<tr>
<td></td>
<td>Toronto Dominion</td>
<td>46.00</td>
</tr>
<tr>
<td></td>
<td>Toronto Dominion</td>
<td>1,385.00</td>
</tr>
<tr>
<td>USD</td>
<td>Toronto Dominion</td>
<td>$4,157.00</td>
</tr>
<tr>
<td></td>
<td>Toronto Dominion</td>
<td>1,004,690.00</td>
</tr>
</tbody>
</table>

The cash flow team summarized credit facilities as follows:

**Toronto Dominion**

OIT borrowed a total of $64.98M from Toronto Dominion and paid a total of $329,679 in interest on this loan from the procedures of the debenture issue.
- March 2009 - Advances of $50.581M
- April 2009 - Further advances of $9.079M
- May 2009 - Further advance of $4.789M
- June 2009 - Further advances of $0.200M
- June 12, 2009 - Repaid in full from proceeds of debenture issue
- Calculated effective annual rate of interest 2.5128% over period

**Toronto Dominion**

OIT borrowed a total of $9.34M from Toronto Dominion and paid a total of $39,126 in interest on this loan.
- May 2011 - Advance of $2.55M
- June 2011 - Further advance of $2.3M
- November 2011 - Further advance of $4.5M
- As of December 31, 2011 - Remaining balance outstanding was $9.340M
- Calculated effective annual rate of interest 1.2988% over period

**Financing Interest Paid - January 1, 2006 to December 31, 2011**

<table>
<thead>
<tr>
<th>Currency</th>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAD</td>
<td>Toronto Dominion Banker's Acceptance</td>
<td>Ornge Issuer Trust</td>
</tr>
<tr>
<td></td>
<td>Toronto Dominion Banker's Acceptance</td>
<td>Ornge Issuer Trust</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$368,805.00</td>
</tr>
</tbody>
</table>
In summary:
From January 1, 2006 to December 31, 2011 The Conglomerate earned $1,004,690.00 CAD and $4,157.00 USD in interest on investments.

From January 1, 2006 to December 31, 2011 The Conglomerate incurred interest costs of $368,805.00.
ISSUE 03: Sale and Leaseback of Building

It was alleged that the sale-and-leaseback (leaseback) of the head office building located at 5310 Explorer Drive, Mississauga, Ontario created an inflated cost structure through a series of related party transactions for the financial benefit of non-Performance Agreement related business.

CONCLUSION

The economic substance of the transaction can be summarized as follows:

- The building was initially purchased by a company with Ornge as the beneficial interest holder for $15.2 million.
- The building was sold in a related party transaction to OGRE. Ornge now makes lease payments to a related company for a building in which Ornge had previously been the beneficiary.
- The related company, OGRE, used the present value of the lease to support a $23 million mortgage bond. The excess of funds ($8.36 million) was used as working capital for an entity indirectly controlled by MAZZA.

The efficiencies/cost saving reported to the Ministry, pertaining to the lease of 5310 Explorer Drive, was overstated and based on erroneous and misleading information.

ANALYSIS

Prior to occupying the current head office building, 5310 Explorer Drive in February 2010, Ornge’s head office was located in leased premises located at 10 Carlson Court, Suite 110 and 20 Carlson Court, Suites 105 and 400.

At the time of the purchase of 5310 Explorer Drive (physical occupancy occurred approximately 6 months later) Ornge was paying approximately $82,500 monthly plus HST, or $990,000 annually. An approximate amount is stated as annual adjustments took place based on adjustments to utilities and property taxes.

Subsequent to the transition to 5310 Explorer Drive and the sub-lease arrangement in effect as of February, 2011 (outlined below), Ornge was making lease payments in the amount of $1,458,480 per annum, payable in monthly instalments of $121,540 per month plus HST.

The current offices of The Conglomerate located at 5310 Explorer Drive were sold to 4495128 Canada Inc. on July 13, 2009, pursuant to an Agreement of Purchase and Sale for the stated purchase price of $15,625,000 including chattels.

4495128 Canada Inc. held legal title to the property while “beneficial interest” was held by OIT. In turn, Ornge is a beneficiary of all assets held by OIT.
The term "beneficial interest" is used to describe the type of “ownership” where a person or entity has a beneficial interest in a property rather than have legal title to the property.

The total purchase price of $15,625,000, including administration/legal fees and property tax/utility adjustments was paid from the proceeds of a $275 million debenture.

Title to 5310 Explorer Drive remained registered to 4495128 Canada Inc. until January 28, 2011 when the registered title was transferred to OGRE (the sole share in OGRE, at that time, was legally owned by OGMI, but held in trust via a Declaration of Trust, dated December 16, 2010, for Ornge, the beneficial interest holder). FIT confirmed the property title transfer to the records of the Municipal Property Assessment Corporation.

Per the Agreement of Purchase and Sale between 4495128 Canada Inc. and OGRE dated January 31, 2011, the sale price for the property and chattels was $15,225,860 financed via a short-term vendor take-back mortgage by OIT.

The transaction may be simplified as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 13/09</td>
<td>5310 Explorer Drive sold to 4495128 Canada Inc</td>
</tr>
<tr>
<td></td>
<td>- Ornge is beneficial interest holder – occupant of building</td>
</tr>
<tr>
<td></td>
<td>- paid for with proceeds of $275 million Debenture</td>
</tr>
<tr>
<td>Jan 28/11</td>
<td>5310 Explorer Drive sold to OGRE</td>
</tr>
<tr>
<td></td>
<td>- Ornge continues to occupy building, now as a tenant</td>
</tr>
<tr>
<td></td>
<td>(see below re: Head Lease and Sublease)</td>
</tr>
<tr>
<td></td>
<td>- proceeds of sale essentially reimburse the funds used from the $275 million Debenture</td>
</tr>
</tbody>
</table>

Additionally, on January 31, 2011, a Head Lease and Sublease arrangement were established as follows:

**Head Lease**
OGRE leased the building to Ornge Real Estate Inc. (ORE) for 25 years (Head Lease) and Ornge guaranteed the Head Lease.

- The Head Lease was at a rental rate of $20 per square foot with agreed increases every five years.
- Rent began at $3,995.84 + HST for the day January 31, 2011.
- Rent for February 1, 2011 to January 31, 2016 of $1,458,480 per annum, payable in monthly instalments of $121,540 per month plus HST. First instalment started on February 1, 2011.
Sublease
Ornge Real Estate Inc., in turn, sub-leased the building to Ornge.

- Terms of Head Lease are binding on Sub-landlord and Sub-tenant.
- Thus Ornge was making payments to Ornge Real Estate Inc.
- Rent for February 1, 2011 to January 31, 2016 of $1,458,480 per annum, payable in monthly instalments of $121,540 per month plus HST. First instalment started on February 1, 2011.

Ornge, as the ultimate payor of the lease, retained the business valuation arm of PriceWaterhouseCoopers to provide an opinion as to whether the proposed rental rate relating to the proposed credit lease financing transaction ($20 per sq. ft) fell within a reasonable rate range of prevailing market rates. The comment letter issued by PriceWaterhouseCoopers on January 14, 2011 concluded "the proposed rental rates relating to the transaction falls within a reasonable range of prevailing market rates".

Note: prior to issuance of the report of the Auditor General of Ontario (AG), the AG retained a consultant to produce an independent analysis. The AG noted, in their Special Report, the proposed rent was in fact above the prevailing market rates at the time.

It is beyond the scope and expertise of FIT to address the valuations as provided by consultants with expertise in business / asset valuations.

Mortgage Bond Proceeds
OGRE, on January 31, 2011, issued a private placement mortgage bond to The Canada Life Company in the amount of $23,876,707, based on economic value, including future lease potential of the property, created by this sale lease back transaction. Monthly payments commenced February 28, 2011 in the amount of $116,827/month (equal to the present value of the 25 year lease).

The mortgage bond was issued on the strength of Ornge’s AA- rating from Standard & Poors Ratings Services (S&P).

The disbursement of the proceeds of the mortgage bond went to pay out the short term vendor take-back mortgage of $15,225,860, administration fees and the balance, approximately $8,359,000, was paid to OGRE.

The following detail regarding the disbursements is located in the document binder assembled by Fasken Martineau DuMoulin LLP (Fasken) entitled Ornge Global Real Estate – Issue of $23,876,707 First Mortgage Bonds at tabs 23, 24 and 25 (see the excerpts below):
Tab 23 of Fasken Legal binder

- Per January 31, 2011 Statement of Advance, Payments to be distributed:
  - McCarthy Tetrault LLP .............................................. 91,530
  - Fees to TD Securities Inc ........................................ 200,000
  - Ornge Issuer Trust with respect to Vendor take-back mortgage ...... 15,225,860
  - Net Advance to Ornge Global Real Estate ................................ 8,359,317
  $ 23,876,707

Tab 24 and 25 of Fasken Legal binder

- Bond proceeds wired January 31, 2011 from TD Securities Inc. and originally deposited as follows:
  - Ornge Issuer Trust (acct # 5362028) ...................................... 15,225,860.00
  - Ornge Global Real Estate (acct #5401333) .......................... 8,358,126.16
  - McCarthy Tetrault LLP
    - solicitors for Canada Life Company (acct # 0749457) ...... 91,530.00

FIT reviewed the flow of funds through OGRE subsequent to the receipt of the $8.36 Million proceeds of the mortgage bond. Through a review of OGRE’s bank accounts and confirmation to inter-company bank transfers, the use of the proceeds of the mortgage bond is detailed below:

Proceeds deposited to OGRE from mortgage bond ....................... $8.36 Million

Additional revenues in calendar 2011:
- Lease Payments from Ornge Real Estate (ORE)
  (flow through from Ornge via sub lease) .......................... $1.51 Million

Major Disbursements in calendar 2011:
- Net Advances to Ornge Global Holdings LP @ December 31, 2011 ...... $4.76 Million
- Principal / Interest repayments on mortgage bond ...................... $1.28 Million
- Legal fees (Fasken) ........................................................... $0.50 Million
- Administrative fees (to BNY) .................................................. $0.19 Million
- Smaller disbursements ....................................................... $0.015 Million
- OGRE bank balance at December 31, 2011 ............................... $3.125 Million

OGRE’s source of revenue, aside from the mortgage bond proceeds, was derived primarily from the lease income, the headlease, for 5310 Explorer Drive. A secondary source of income was from the interest income as calculated on the inter-company loan to Ornge Global Holdings LP.

OGRE subsequently created a Credit Facility for Ornge Global Holdings LP, thereby allowing OGRE to lend Ornge Global Holdings LP up to the $8.36 million in ‘excess’ proceeds received by OGRE from the mortgage bond.

During the period from January 31, 2011 to December 31, 2011 amounts were paid by OGRE to Ornge Global Holdings LP and periodically repaid. The net balance of
amounts borrowed by Ornge Global Holdings LP, at December 31, 2011, was approximately $4.76 million.

A Resolution from the Ornge Board of Directors authorized OGRE, to issue a “demand interim loan advance” for working capital purposes, of up to $8 million at an interest rate of 5.598% per annum to Ornge Global Holdings LP, a for-profit entity ultimately controlled by MAZZA. FIT confirmed that Ornge Global Holdings LP had made calculations to assess interest owing on the outstanding amounts owed to OGRE at the rate as stipulated in the credit facility document (5.598%).

Documentation pertinent to the Credit Facility is summarized as follows:

- **March 9, 2011**: Direction from Ornge to OGRE, to issue a ‘demand interim loan advance’ for working capital purposes, of up to $8 million at an interest rate of 5.598% per annum to Ornge Global Holdings LP.
  
  OGRE was directed to use the ‘excess proceeds’ received in trust for the benefit of Ornge pursuant to the financing of the real property beneficially owned by Ornge, known municipally as 5310 Explorer Drive, Mississauga (i.e. the proceeds of the mortgage bond).

- **March 11, 2011**: Per Ornge Global Holdings LP – Bridge Facility Term Sheet, OGRE established a demand revolving credit facility in favour of Ornge Global Holdings LP, in an aggregate amount of up to $8,359,317 (amount per Tab 23 of the Fasken legal binder – see above).

- **November 29, 2011**: Per an AMENDED AND RESTATED – Bridge Facility Term Sheet, OGRE (sole share held by OGMI in trust for Ornge) provided Ornge Global Holdings LP a credit facility of up to $8.7 million. Per the terms of this document the full amount of the credit facility of $8.7 million would automatically be convertible, to Class A voting preferred limited partnership units upon the successful issuance of the ’Qualified Financing’ if, at the completion of the Qualified Financing the full indebtedness under the Facility had not been repaid.
  
  The credit facility document was signed by RENZELLA as Secretary for OGRE and MAZZA as President and CEO for Ornge Global Holdings LP.

**Leaseback**

In a letter prepared by Ornge for the MOHLTC, dated January 19, 2011, entitled Stakeholder Briefing – Ornge and Ornge Global Holdings LP, general statements were made with regard to the 2009 property acquisition and the effects of the subsequent leaseback arrangement. The Conglomerate’s representatives stated the following:

2 A private placement whereby at least $5 million was to be raised by the borrower by way of issuance of Class A Preferred Units, or other units, to investors that are not currently unit holders of the borrower.
• The acquisition of the property for $15,225,860 was arranged via the 2009 debenture, not through funds provided by government.

• Because the property was vacant, capitalization rates were high and rent rates lower at the time of purchase, there had been a gain in the value of the property.

• The long term lease arrangement (established in the first 5 year term at the rate of $20/sq ft, for approximately 73,000 sq ft = $1,460,000 per year) is an asset against which financing was obtained (i.e. the mortgage bond).

• That although Ornge will face incremental annual costs of $1,460,000 (see above paragraph) these costs are more than offset by:
  o Interest savings
  o Contributions to overhead including occupancy costs and salary reimbursements from Ornge Global Holdings LP or its affiliates - conservatively projected at almost $3,200,000 annually in aggregate.

FIT noted that the purported cost savings referred to in the latter paragraph, above, are not related to the occupancy costs of the building.

FIT asked Ornge for documentation supporting the projected cost savings to be achieved through the lease arrangement. The document provided to FIT however, was a schedule highlighting efficiencies related to launching Ornge Global in the upcoming fiscal year (Fiscal 2012). The schedule is identified as an estimate of the amount Ornge Global will be contributing to Ornge for occupying space in the building. The estimated contributions were:

i) Interest savings on short term financing $335,000

ii) Ornge / Ornge Peel salaries to be charged back to Ornge Global $2,456,000
   Portion of Corporate building rent used by Ornge Global $171,000
   Portion of building utilities and prop taxes $153,000
   $3,115,000

Item (ii) of the schedule, purported to support ‘cost savings’ to Ornge, provides projected expense allocations between entities pertaining to a shared use of assets (personnel and facilities). It has nothing to do with the actual lease arrangement in itself.

The statement made in the January 19th, 2011 letter to senior government officials referencing “contributions to overhead including occupancy costs and salary reimbursements” is, at best, misleading.

The reference to interest savings, item (i), also appears to be misleading, as ultimately, the source of funds used to repay the Mortgage Bond may be traced back to the lease payments made by Ornge. Effectively, Ornge funding is the source of the interest payments.
FIT queried Bruce TAVENDER in regard to the schedule and specifically about the rationale between the salary allocations and the purported cost saving. TAVENDER admitted to FIT that the salary allocation schedules, which he had prepared for internal use, had nothing to do with any cost savings and that the numbers as presented had nothing to do with contributions to overhead.

FIT was also able to obtain a memorandum prepared by Ornge’s outside legal counsel, Alfred APPS, dated January 12, 2011. The memorandum is addressed to the Board of Directors of Ornge and cc’d to Cynthia HEINZ (Ornge’s in-house legal counsel), RENZELLA, and TAVENDER and is in regard to Sale/Leaseback and Mortgage Financing of Head Office Property.

The first paragraph of the above-noted memorandum states that it is:
“in anticipation of required Board approval. As you know, the main rationale for this transaction is to realize a gain on the value of the real estate and thereby reduce the amount of the private placement reliance on third party equity financing serves to lower the overall funding cost of Ornge Global. This strategy of reducing reliance on third party equity financing serves to lower the overall funding cost of Ornge Global.”

The document also references the same ‘cost-savings’ to Ornge as noted in the letter to the MOHLTC, dated January 19, 2011.

In order to conclude on the cost impacts of the purchase of 5310 Explorer Drive, FIT reviewed the terms of the occupancy of premises located at 10 Carlson Court, prior and subsequent to, the transition to the current location.

Building Occupancy

Prior to occupying 5310 Explorer Drive in February 2010, Ornge’s head office was located in the leased premises located at 10 Carlson Court, Suite 110 and 20 Carlson Court, Suites 105 and 400:

- **10 Carlson Court (Suite 110) Expiry of lease October 31, 2012**
  
  - Between February 2010 and the commencement of Aecon’s sublease in December 2011 Ornge continued to make lease payments for this location which they no longer occupied.
  - Aecon subleased suite 110 commencing December 1, 2011.
  - First (December 2011) and last month (October 2012) was secured and held by broker DTZ Barnicke. A cheque was delivered to Ornge once the sublease was fully executed. This cheque was issued by DTZ Barnicke in the amount of $16,602.86. The cheque was for 2 months rent: $28,017.33 less $11,414.47 commission and HST.
  - Arrangements were made with Aecon to pay Ornge directly for the remaining months, January 2012 to September 2012. Aecon paid four (4) months (January to April) in one (1) payment at the beginning of the sublease.
20 Carlson Court (Suites 105 & 400) Expiry of lease June 30, 2010

- Ornge terminated its lease at this location in February 2010 incurring a surrender penalty of $50,000 plus tax.
- A new tenant (Aecon) executed their own lease with the Landlord soon after Ornge terminated their lease.

All the transactions related to the Carlson Court building leases were correctly recorded in Ornge Financial Statements.

5310 Explorer Drive Facilities Sharing Agreement

A draft Facilities Sharing Agreement (draft date October 27, 2011; effective date April 1, 2011) describes a facilities sharing arrangement between Ornge and a number of “Users” including the for-profit entities.

If implemented, this agreement would have provided for the use of space and equipment at 5310 Explorer Drive by Users. An allocation based on square footage occupied would result in Users paying a Facilities Sharing Fee, including both operating and capital costs. In the meantime, however, it was confirmed with Ornge accounting staff that a cost charge-back process based on the square footage occupied was in place. Commencing in 2011, Ornge charged a monthly “management fee” to Ornge Global which included an allocation of head office facility costs.

Summary

As a result of this entire transaction, the not-for-profit side of The Conglomerate provided a Credit Facility to Ornge Global Holdings LP for $8.7 million, an amount roughly equivalent to the excess proceeds of the mortgage bond.

$5.6 million of the credit facility, payable to OGRE, was outstanding at the time Ornge Global Holdings LP was placed into receivership.

Note that the draft internal Ornge financial statements for the fiscal year ended March 31, 2012, currently subject to external audit procedures, shows this line of credit as a bad debt due to the bankruptcy.

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3 The sole share in OGRE was transferred from OGMI to Ornge, as the legal owner, on January 9, 2012. Per a Declaration of Trust, found in the ‘Fasken’ legal binder pertaining to the Mortgage Bond, the sole share had previously been legally held by OGMI as a bare trustee, in trust for Ornge, the beneficiary of the share.
ISSUE 04: $275 Million Debenture

Two specific issues were identified with regard to the $275 Million Debenture issued on June 11, 2009:

i) Were the proceeds of the $275 Million Debenture Issue applied to the uses as stated in the Offering Memorandum? and,

ii) Was MOHLTC funding applied to the interest payments on this debenture?

CONCLUSION

The assets identified in the Offering Memorandum were purchased with the proceeds of the debenture.

Following the flow through of funds from Ornge to Ornge Air to OIT, it can be stated that the ultimate source of the principal and interest payments on the debenture were and will continue to be:

- Funding provided by the Ontario government and/or
- The proceeds of the debenture itself.

The arrangements entered into by Ornge, regarding the debenture issuance, appear to have been put in place with a view towards allowing Ornge the financial flexibility to consider purchasing assets as opposed to being continuously tied to lease and performance agreements.

The transaction had the effect of insulating, as much as is possible, the aircraft from the claims of other creditors of, or claimants against, Ornge. It was also through this structure that Ornge was able to leverage a favourable credit rating which, in turn, reduced the cost of financing.

It is the use to which the assets, acquired with the debenture proceeds (fixed wing, rotor wing, hangars, etc.), are applied that determines whether the application of MOHLTC funding to cover the debenture principal and interest payments are appropriate. If the assets have been, and continue to be, used for purposes pertaining to Ornge’s responsibilities under the Performance Agreement, it would appear that the application of MOHLTC funding to meet the debenture payment obligations is appropriate. The caveat, however, is that the benefits of this arrangement become clouded when monies and assets (or use of the assets) flow through to usages in non-government, for-profit business ventures.

Background

On June 11, 2009, Ornge completed a private placement offering of $275 million Series A 5.727% debentures due June 11, 2034 issued by a special purpose entity known as OIT. The Debenture placement was made through a syndicate of agents,
which was led by TD Securities Inc. and included National Bank Financial Inc. and Scotia Capital Inc.

Under the terms of the Offering Memorandum (OM), dated June 8, 2009, payments under the debenture are made semi-annually. For the first three (3) years, the first six (6) payments (on June 11 and December 11 of each year) consisted of interest only, in the amount of $7,874,625 per payment. Commencing December 11, 2012 until the maturity date, OIT is to make payments of both interest and principal, in the amount of $11,071,331.55.

The OM states, under “Use of Proceeds” that the Issuer, OIT, intends to use the proceeds from this Offering to repay in full, the amounts outstanding under the Credit Agreement which, at the time of the bond issuance was OIT’s only indebtedness, and to fund the activities described in the Aircraft Procurement Project which include the acquisition of:
- the Legacy Rotary Wing Aircraft;
- the New Rotary Wing Aircraft;
- the New Fixed-Wing Aircraft;
  (The aircraft would be leased or licensed by the Issuer to Ornge Air, a wholly-owned subsidiary of Ornge)
- the Hangars and Crew House;
- other related infrastructure; and
- for general corporate purposes.

The aforementioned Credit Agreement was an agreement between Ornge, various financial institutions and the Toronto Dominion Bank, as agent for the transaction, to ensure that all outstanding indebtedness and obligations would be paid out immediately upon receipt of the proceeds of the debenture issuance. As of June 12, 2009 this amount, along with accrued interest, was stated to be $64,979,507. FIT has confirmed that it was necessary for Ornge to obtain financing in order to meet initial obligations relating to the purchase of helicopters and fixed wing aircraft.

The investors in this offering consisted of institutions and investment funds as follows:

**Purchasers (in order of amount) are:**

<table>
<thead>
<tr>
<th>Purchaser</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiero YMG Capital Management</td>
<td>$62,000,000</td>
</tr>
<tr>
<td>Great West Life</td>
<td>$40,000,000</td>
</tr>
<tr>
<td>Canso Investment Counsel Ltd</td>
<td>$40,000,000</td>
</tr>
<tr>
<td>Greystone Capital Management Inc.</td>
<td>$30,000,000</td>
</tr>
<tr>
<td>Ontario Municipal Employees</td>
<td></td>
</tr>
<tr>
<td>Retirement System - OMERS</td>
<td>$30,000,000</td>
</tr>
<tr>
<td>AIG Global Investors (Canada)</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>State Street Global Advisors</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>MFC Global Investment Management</td>
<td>$13,000,000</td>
</tr>
<tr>
<td>TD Asset Management</td>
<td>$11,000,000</td>
</tr>
<tr>
<td>Economical Mutual Assurance Company</td>
<td>$8,000,000</td>
</tr>
</tbody>
</table>
A legal opinion was provided to the MOHLTC by the Crown Law Office-Civil (CLOC), in March 2010, in regard to “Aircraft Procurement Project” (APP) and the corresponding financing arrangement, specifically the issuance of the $275 million debenture. Subsequent to the review of the available documentation the Ministry was advised that the financial arrangement did not breach Ornge’s Performance Agreement with the MOHLTC and with no other debt at the time of the review (the balance owing on the $64 million credit facility was paid out upon receipt of the funds from this debenture issue) Ornge was well positioned given that the assets were unencumbered by the transaction.

The above-noted CLOC legal opinion notes:

- “The APP has concentrated the vital air ambulance assets in one corporate entity, which is insulated from claims that may exist against Ornge as the operator of the air ambulance service. As a result, securing control over the assets should be simplified somewhat in the event of a Catastrophic Failure, in comparison to what would be required if these assets were held by Ornge itself.”
- “The financial arrangements entered into by Ornge do not prevent it from performing its obligations under the Performance Agreement. On the contrary, the arrangements seem to have been put into place with a view towards permitting Ornge to perform its operational responsibilities in a proper manner.”

In the same opinion it was noted that the financial arrangements entered into by Ornge seem to have been put in place with a view towards enabling Ornge to consider options such as the acquisition of assets, thereby allowing Ornge to meet their operational objectives as efficiently as possible. The transaction had the effect of insulating, as much as is possible, the Aircraft from the claims of other creditors of, or claimants against Ornge. It was also through this structure that Ornge was able to leverage a favourable credit rating which, in turn, reduced the cost of financing.

**ANALYSIS**

**Issue (i)**

The schedule below was produced by Ornge in response to a February 25, 2012 media report regarding the disbursal of the proceeds of the $275 million debenture. The media report alleged that $25 million of the proceeds were unable to be traced. The investigation determined that this allegation was not founded in fact.

<table>
<thead>
<tr>
<th>Company</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIBC Global Asset Management Inc.</td>
<td>$2,325,000</td>
</tr>
<tr>
<td>Public Sector Pension Investment Board</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Blackrock Institutional (Canada) Ltd.</td>
<td>$1,675,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$275,000,000</strong></td>
</tr>
</tbody>
</table>
FIT determined that while the schedule is essentially accurate from an accounting perspective, it included capitalized debenture interest as part of the asset cost rather than breaking the interest out as a separate expenditure. The schedule was produced primarily to address underlying concerns that the debenture was not supported by the asset acquisitions.

Produced by Ornge in response to the Toronto Star story on February 25, 2012:

<table>
<thead>
<tr>
<th>All amounts in millions</th>
<th>YTD Dec. 31, 2011 spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pilatus fixed wing aircraft, medical interiors, communication equipment and spare engine</td>
<td>$ 55.7</td>
</tr>
<tr>
<td>Rotor wing AgustaWestland aircraft, medical interiors, communications equipment and tooling</td>
<td>$175.4</td>
</tr>
<tr>
<td>Rotor wing Sikorsky aircraft and equipment and real estate assets purchased from CHL</td>
<td>$ 30.0</td>
</tr>
<tr>
<td>Hamilton, Oshawa, Thunder Bay hangars with modifications and leasehold improvements</td>
<td>$ 6.9</td>
</tr>
<tr>
<td>Professional fees related to various transactions</td>
<td>$ 3.1</td>
</tr>
<tr>
<td>Other</td>
<td>$ 1.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$272.1</strong></td>
</tr>
</tbody>
</table>

The figures noted above include capitalized bond interest allocated to the aircraft purchases, in the amount of:
- Pilatus Fixed Wing aircraft .......................................................... $ 3,028,979
- Agusta Westland aircraft ............................................................ $16,025,530

FIT has examined the OIT bank account transactions and Ornge Fixed Asset schedules and performed an analysis of major OIT asset purchases. Per this review FIT has determined that the following disbursements were made by OIT:

- Purchase of AW139 Helicopters/ Aerolite interiors ......................... $ 160,201,254
- Purchase of Pilatus Aircraft / V Kelnar ........................................ $ 51,898,104
- Pilatus Spare Engine .................................................................. $ 1,052,407
- Debenture Interest Payments ...................................................... $ 39,373,125
- Purchase from CHL – Helicopters.............................................. $ 26,901,878
  - Real Estate .............................................................................. $ 3,097,000
- Acquisitions of Oshawa, Thunder Bay, Hamilton ........................... $ 6,935,696
- Professional fees related to various transactions ......................... $ 3,105,803
  **$ 292,565,267**

Of the above amounts the following has been allocated to training (training credits):

- Training of flight / maintenance crews: AW139 Helicopters ............ $ 8,437,975
- Training of flight / maintenance crews: Pilatus Aircraft .................. $ 292,297
  **$ 8,730,272**
Issue (ii)
The review of OIT bank accounts, for the period from March 2009 when the OIT bank accounts were opened, to December 31, 2011, established that the primary sources of funding for OIT consisted of:

- the proceeds of the $275 million debenture (less expenses related to the issuance)
- approximately $30.5 million from Ornge Air, and
- approximately $0.66 million in interest income.

These amounts were estimates as final year-end accounting allocations and adjusting entries had not been performed at the time of this review.

Ultimately, OIT sources of funding consisted of the proceeds of the debenture itself or amounts received from Ornge Air as lease payments or inter-company transactions. A small amount, approximately $22,600, was received in December 2010 from Skylink Express for hangar rental. It is understood that Ornge Air received a significant majority of its revenue via lease agreements with Ornge. Ornge in turn, is funded through a Performance Agreement with the MOHLTC.
ISSUE 05: Agusta Helicopter Purchase, Marketing Services Agreements, and Donations

It was alleged that Ornge colluded with Agusta Aerospace Corporation (Agusta), the American branch of AgustaWestland, to overpay for the purchase of helicopters, with the excess used as a kickback to Ornge through marketing agreements and donations. The money received from the (i) marketing agreements and (ii) donations was to provide Ornge with a source of non-Ministry operating funds.

CONCLUSION

There is indirect evidence supporting the allegation that Ornge overpaid Agusta for the purchase of helicopters, in the amount of $6.7 million USD. FIT did not, however, find direct evidence substantiating this allegation.

(i) The concerns raised, allege that the overpayment for the helicopters was returned to Ornge, from Agusta via marketing agreements and donations. FIT did confirm that Agusta retained two of the Ornge entities to provide two marketing services agreements totalling $6.7 million USD as follows:

- Ornge Peel Limited (Aug 2010) - a Marketing Services Agreement for $4.7 million USD
- Ornge Global Solutions Inc. (Aug 2011) - a Joint Global Marketing Agreement for $2 million USD. (Note that no payments were ever received in regard to this agreement)

While the value of the deliverables for these agreements is of substantial concern and there is indirect evidence to support the allegation, FIT did not find direct evidence to substantiate the allegation.

(ii) FIT did not find evidence to support the allegation that the receipt of donations in the amount of approximately $2.9 million USD from Agusta resulted in an increase to the cost of the helicopters. There is, however, evidence that the original schedule for instalment payments to Agusta were accelerated in order to secure the donations. While the total payments remain unchanged, the accelerated payments required that Ornge apply the funds received from the debenture issuance at earlier dates than were originally planned, thereby resulting in a loss of interest revenue (proceeds drawn from interest bearing facility).

ANALYSIS

Note: References to the $275 million debenture are in $CDN

Transactions pertaining to the purchase of the aircraft, marketing Service Agreements and donations are in $US
Agusta Aerospace Helicopter Purchase

Ornge, pursuant to an open procurement process, entered into an Aircraft Purchase Agreement (Agreement) with Agusta Aerospace Corporation on March 27, 2008 for the purchase of ten (10) model AW139 helicopters. The stated cost for each helicopter was $12,135,700 US.

The Agreement included an option for Ornge to purchase an additional two (2) helicopters at the same price, as long as the option was exercised on or before September 30, 2008. On July 15, 2008 Ornge exercised their option per the Agreement to purchase the two (2) additional helicopters.

FIT, in an interview with Rick POTTER, Chief Operating Officer of Ornge Air, asked about the decision to exercise the option to purchase the additional 2 helicopters. POTTER advised that, based on the performance specs submitted, Ornge actually only needed 8 aircraft, however, MAZZA made the decision to go with 12 because at that time Ornge had 12 S76 (Sikorsky) helicopters and MAZZA wanted to replace 12 for 12 as he did not want to be accused of reducing service. POTTER stated that, on his advice it was decided instead to purchase 10 helicopters with the option to purchase 2 more. Additionally POTTER stated that, at his suggestion, it was decided not to configure the option helicopters with medical interiors, thereby allowing for operational flexibility, while giving Ornge the option to sell them if they were not required. POTTER added that this was all done keeping in mind that the length of time between the decision to purchase a helicopter and actually completing one can take as long as 2 years.

The helicopters were purchased using the proceeds of a $275 million CDN debenture issued on June 11, 2009 by Ornge Issuer Trust (OIT). Ornge is the sole beneficiary of OIT.

There were four amendments to the original Agreement:

 Amendment #1, dated October 30, 2008, provided a revised payment / delivery schedule to incorporate the addition of the two (2) option helicopters.

 Amendment #2, dated April 28, 2010, further delayed the delivery schedule and stated that penalties will be applied due to the delayed delivery of the first five helicopters. The penalties amounted to $107,600 US per helicopter based on the agreed rate of $1,200 per day of delay. Additionally, item #4 of this amendment added that, “The Seller shall ensure that the “Increased Gross Take-Off Weight 6,800 kg” Type Certificate from Transport Canada and all other Transport Canada certifications are obtained by the Seller.”

 Amendment #3, dated May 5, 2010, included a number of equipment additions and deletions (deletion of life rafts, addition of landing lights, and alteration to communication systems) for all 12 helicopters. This amendment also incorporated the addition of a Maximum Take-Off Weight (MTOW) 6800 kg upgrade for helicopters #1 to #10.
FIT was advised by two witnesses that it was the cost of the MTOW 6800 kg upgrade that is at the root of the kickback allegation. Their statements were that there should have been no charge for the certification at 6800 kg, yet the value ultimately agreed to was $665,000 US for each of 10 helicopters (the additional 2 helicopters did not require the upgrade certification) resulting in a total overpayment to Agusta of $6,650,000 US.

A schedule provided to FIT which reconciles with the total cost adjustments per the amendment, shows the total of $6,650,000 US, for the weight increase, being added to the overall cost of the helicopter purchase agreement. The net adjustment to the contract price, resulting from this amendment and Amendment #4 (see below) is determined to be $5,000,301 US, pursuant to additional equipment being added and deleted from the contract and the application of credits originally to be applied to spare parts.

Amendment #4, dated May 7, 2010, changed the “ice protection system” to apply to helicopters #1 to # 10 only, thereby deleting this system from helicopters #11 and #12. Additional items added included changes to the cabin arrangement and passenger seating. The net result of the adjustments was a $1,254,489 US credit to the original price as per the Agreement.

The overall change to the price of the helicopters as a result of the amendments was as follows:

1) original price of 12 x $12,135,700 .................................................. $145,628,400
2) cost of Amendment 1 .................................................................................... nil
3) cost of Amendment 2 ..................................................................................... nil
4) Net Amount for Optional Equipment, Spare Parts and Other Changes as per Amendment 3 ........................................... $ 6,284,790
5) Total Due as Per Amendment 4 ................................................................. credit ($ 1,254,489)

$150,658,701

Breakdown per helicopter:

# 1 – #10 @ $12,629,735 ........................................................... $ 126,297,350
#11 and #12 @ $11,042,132 ......................................................... $ 22,084,264
Spare parts (prepaid credit) ......................................................... $ 2,277,087

$150,658,701
Marketing Agreements / Donations

Marketing Services Agreement (MSA)

On August 3, 2010 a Marketing Services Agreement (MSA) was executed between Ornge Peel Ltd⁴ and Agusta Aerospace Corporation – AgustaWestland (Service Receiver) for marketing services totalling $4.7 million US.

The stated intention of the MSA was to take advantage of the alliance between the two parties to develop a product portfolio which was anticipated to provide new market opportunities for the Service Receiver in transport medicine. Additionally, the Service Provider would attempt to assist Agusta in identifying and penetrating these medical transport markets either unilaterally or together with Ornge Peel Limited.

The MSA was broken down into 3 deliverables for a total cost to Agusta of $4,772,550 US to be paid out in increments subject to the commencement and completion dates of each phase.

The MSA was subsequently assigned to Ornge Global Solutions Inc. (for-profit company) from Ornge Peel Limited pursuant to an Assignment and Novation Agreement dated January 1, 2011.

Joint Global Marketing Agreement

No payments were received in regard to this second marketing agreement.

On August 30, 2011 a second agreement, referred to as the Joint Global Marketing Agreement, valued at $2 million US, was executed between Ornge Global Solutions Inc. and Agusta. Ornge Global Solutions Inc. is 100% owned by Ornge Global Holdings LP, both of which are for-profit entities. Ornge Global Holdings LP is 99.99% owned by Ornge Global Management Inc. which is controlled by MAZZA.

FIT was provided with a copy of the Joint Global Marketing Agreement. The documents received sign-off from MAZZA, President of Ornge Global Solutions Inc., on October 6, 2011 and by Bruno SPAGNOLINI, as CEO of AgustaWestland on October, 19, 2011.

Ornge Global Solutions issued one invoice, dated December 6, 2011 to AgustaWestland in regard to the “First of the quarterly instalments, Report 1, on the series of deliverables under the Joint Global Marketing Agreement with AgustaWestland”. The invoice, in the amount of $250,000 US was not paid.

The stated intention of this agreement was to expand on the MSA by creating a dedicated sales and marketing team from both companies, made up of a minimum of two people from each company. The objective was to “increase net sales by both companies by providing ongoing opportunities to strategize, co-ordinate and leverage off of each other’s sales and marketing efforts”.

⁴ Ornge Peel Ltd’s name officially changed to Ornge Global Corporate Services Inc, Jan 24, 2012
The $2 million US to be paid to Ornge Global Solutions Inc. was, in part, to be allocated to the administration and other expense incurred by Ornge Global Solutions Inc. in the course of providing the deliverables. Additionally, (per paragraph 2.2 of Schedule A) a commitment was made by Ornge Global Solutions Inc. to provide Agusta with “a new AW139 fully outfitted for EMS to be used in the selling process with potential clients. The aircraft will be available at all times for sales and marketing purposes unless required for Ornge Global operation (emergency calls).”

The Joint Global Marketing Agreement also gave Ornge Global Solutions Inc. a 3.5% commission fee on the successful sale of aircraft resulting from Ornge Global Solution Inc.‘s portion of the joint deliverables. In turn, Ornge Global Solutions Inc. would pay Agusta a 3.5% commission on the sale of Global memberships.

Donations

As evidenced by correspondence obtained by FIT, a donation from Agusta, in the amount of $2.9 million US was negotiated between MAZZA, on behalf of Ornge Foundation, and Giuseppe ORSI, the Chief Executive Officer of Agusta.

The $2.9 million was specifically tied to the value of the helicopter contract with Agusta being 2% of the contract value of $145 million US, and as evidenced in a letter from Ornge, signed by MAZZA and dated June 12, 2009.

On June 23, 2009, a letter from Ornge to ORSI at Agusta, thanked Agusta for the generous commitment of $2.9 million US to Ornge Foundation to provide improved patient care and facilitate the education and training of transport medicine professionals. The letter stated that the monies were to be allocated as follows:

1. Build a groundswell of support ............................................................ $500,000
   ($350,000 directly to Orange County Choppers and $150,000 to Ornge to cover costs)
2. Academy of Transport Medicine ....................................................... $1,000,000
3. Aboriginal Scholarship ................................................................. $500,000
4. Leadership Academy ................................................................. $400,000
5. J Smarts ....................................................................................... $500,000

DETAILED FINDINGS

Re: Amendments to Helicopter Purchase / Marketing agreements

Allegations were brought forward that Ornge, and MAZZA in particular, had negotiated a $6.7 million US kickback from Agusta in return for overpaying on optional equipment for helicopter purchase.

Specifically, it was alleged that MAZZA had agreed to overpay Agusta $665,000 US each for upgrading 10 helicopters to a Maximum Take-Off Weight (MTOW) to 6800 kg (from a standard of 6400 kg) for an additional cost to Ornge of $6.65 million US.
It was stated that the actual cost for the weight upgrade, could be accomplished at little or no cost, and at most, should have resulted in a nominal charge to Ornge.

It was further alleged that the agreed to overpayment, would flow back to Ornge and Ornge Foundation via payments from Agusta for questionable Joint Marketing Agreements between Ornge and Agusta, and for donations to the Ornge Foundation.

In attempting to establish the validity of the allegations, FIT interviewed two witnesses with knowledge specific to the requirements and the price negotiations pertaining to Ornge’s purchase of the AW139 helicopters. The two individuals were Tom ROTHFELS, former Chief Operating Officer of Ornge International / Ornge Air and Rick POTTER, Chief Operating Officer of Ornge Air at the time of the FIT interview.

Both witnesses, who were also involved in the procurement process which ultimately lead to the selection of Agusta, were critical of the agreement by Ornge, and specifically of MAZZA, in agreeing to the additional payment related to the weight upgrade for the helicopters. Additionally, both witnesses, interviewed separately and as far as FIT is aware, without knowledge of the other being interviewed, agreed that:

- The aircraft specifications were designed with the MTOW of 6800 kg included; it was not an addition to the specifications as per the Aircraft Purchase Agreement.
- The actual cost of the weight upgrade is minimal or nothing as it required no physical changes to the helicopters.
- Although neither had direct evidence, their feelings were that the costing of the Marketing Agreements was directly tied to the approval of the upgrade weight specifications.

POTTER, in the interview with FIT, provided additional specifics pertaining to the negotiation of the weight upgrade. He stated that he had verified his understanding that the upgrade to an MTOW of 6800kg should not result in an additional charge to Ornge by consulting with an associate in the industry who had recently acquired AW 139’s from Agusta with the same weight requirement. Amongst those he had talked to was a Mr. WINKLER (POTTER couldn’t remember the first name) the head of the GE Corporate Fleet. WINKLER had confirmed with POTTER that GE had received the 6800 gross weight at no extra cost.

The following is a synopsis of the FIT interview with POTTER specifically related to this matter. POTTER stated the following:

- “In the fall of 2009, around October, our calculations with regard to Agusta showed that they owed us approximately $2 million in interest and penalties and other stuff.”
- “We told them that we wanted a second landing light and some other stuff.”
“Then I received a call from Lou BARTOLOTTA, the Executive VP of Sales”

“Lou stated ‘you want the 6800 kg gross weight. Well that’s an option. It cost $680,000 (per helicopter),’” to which POTTER responded,

“Absolutely not, that is not an option. Number one, we wanted it from the start. Number two, every one of your performance things has been based on 6800 kg, so unless they were fraudulent in that, they were already included.”

BARTOLOTTA’s response was “What is it worth to you?”

POTTER advised that, subsequent to the above noted exchange, he flew down to Philadelphia, around November 2009, for a face-to-face meeting to discuss these issues. While there, POTTER advised that he met with Sarah MUMFORD, Assistant at Agusta, Rob EMERSON, Project Manager at Agusta, and Lou BARTOLOTTA. The weight upgrade was one of a number of things on the agenda at the time (including a quote for $79,000 to increase the wattage on light bulbs).

POTTER stated that during the course of this meeting, in a one-on-one negotiation with BARTOLOTTA (after the others had been excused) POTTER managed to negotiate a $10 million reduction in the quoted amount for the upgrades and options, which included the cost of the upgrade to the MTOW of 6800 kg.

POTTER told FIT that, on the way home from the negotiation; he emailed MAZZA regarding the results of the negotiation and received little response. He followed this up with an email to the effect of “not even an ‘atta boy”, to which MAZZA responded with an “atta boy”. POTTER went on to state that about a week or two later, MAZZA approached him and said “you know Rick, there really is a value to that increase in gross weight”. POTTER said that he responded by telling MAZZA that it was a scam, in response to which MAZZA stated that he thought it was worth paying more for the helicopters and that there would be a donation back, or some flow of money back, through Agusta to Ornge via marketing. POTTER stated that he told MAZZA that the results of his negotiations were already reported back to the negotiating committee and had been confirmed.

POTTER added that about a week or so following the conversation with MAZZA, he had a follow up conversation with BARTOLOTTA and asked what was going on. POTTER stated that BARTOLOTTA simply told him not to worry; they do this all the time. It was at that point that POTTER stated that he “washed his hands of the whole thing.”

In an effort to determine the veracity of the statements made by POTTER, who would have had first hand knowledge of the negotiations pertaining to the weight upgrade, FIT examined emails and documents extracted from the Ornge computer server and provided by IT Forensics (ITF). FIT was able to find the following documents which appear to corroborate POTTER’s account of the events leading up to the negotiation.
December 2, 2009 – email from POTTER to MAZZA

Chris, I need to go to PHL (FIT believes this to be Philadelphia International Airport) for a day, need some direct face time with Lou to iron out some ongoing issues (cost of options, increased gross weight, delivery schedule) …this would be the most expedient resolve. Appreciate your support. Thanks

December 7, 2009 – a series of emails between POTTER and MAZZA with the subject AAW Briefing states:

POTTER - Met with AAW on Friday regarding options and costing of options. Reached a “tentative” agreement (wont believe till I have it in writing). Long story short they wanted approximately 14million more from us (based on total fleet purchased) for options. We had about 2M to offer. In exchange for amending the delivery schedule to the one proposed to you we get all of the options at no additional. Contract will be amended. I have some concerns with Aerolite/SEI that I would like to discuss

MAZZA – OK

POTTER – AAW Briefing That's it ...I come out 10M ahead and not even an atta boy!!!!!!!

MAZZA – Sorry. It said you wanted to talk. So I was saying ok to that and figured I’d congratulate you then But Attaboy!

December 8, 2009 – a letter from Sarah MUMFORD, refers to the meeting held on December 4, 2009 and refers to the agreed to amounts for the various options and alterations as discussed.

In referencing item #4 – Maximum Gross Weight Increase (6.8 MGTOW) the document states that the cost of installing the upgrade was not yet decided upon, however, Agusta confirmed that the 6.8 MGTOW will be installed in each aircraft.

January 22, 2010 – emails from Maria RENZELLA to POTTER indicating that there will be a cost associated to the weight upgrade

RENZELLA - Do we have anything from agusta on the. list price of the upgrade. I can't remember if I asked already. All I know is that the material you sent me provides back up only for the other options.

POTTER - You did, nothing in writing....they told me 685K and I think 660K to Bruce?

In the interview with FIT, Tom ROTHFELS stated that, although he did not have firsthand knowledge, he believed that Agusta would not sign the Marketing Service Agreement until Ornge signed the Amendment which included the (his estimate) $600,000 extra per aircraft. ROTHFELS suggested that there may have been some back-dating involved in the dating of the Amendment or Marketing Agreement.

ROTHFELS’ allegation appears to be supported by the following documentation:

- A September 10, 2010 email provided to FIT by Bruce TAVENDER from Agusta’s legal council and is addressed to Maria RENZELLA, Bruce TAVENDER, and Cynthia HEINZ of Ornge along with Sarah MUMFORD and Louis BARTOLOTTA of Agusta. The subject line reads RE: ACC Signature for Marketing Services Agreement. The content of the email advised that a signature page for the marketing agreement was attached. The email also stated “Thanks to you and the rest of the Ornge team for your assistance in bringing this document and Amendments 3 and 4 to conclusion today.”
FIT also uncovered evidence of back-dated documents in the review of the documents and correspondence found in RENZELLA’s office, as noted below.

In a folder entitled AGUSTA AMENDMENT #3, FIT observed that draft versions of Amendment #3 to the Purchase Agreement continued to be revised until, at least August 10, 2010. However the executed copy of Amendment #3 is dated May 5, 2010, thereby indicating that the amendment had, in fact been back-dated. Spreadsheets included in this folder provide a breakdown of the costs of each of the additions and credits referenced in the Amendment (there is no breakdown of costs in the Amendment itself) and supports the costing of the weight upgrade as being agreed to at $685,000 US per helicopter (x 10).

Note that the date of the Marketing Services Agreement is August 3, 2010. This appears to add credibility to ROTHFELS’ suggestion that the Amendments were backdated, perhaps for the purpose of countering any suggestion that the MSA was negotiated in tandem with the result of the add-ons to the cost of the helicopters.

**Marketing Agreements**

At the crux of the allegation is the suggestion that the Marketing Service Agreements were developed solely for the purpose of attempting to provide substance to an arranged kickback of approximately $6.7 million US, that being an overpayment on the helicopter contract (specifically related to the MTOW upgrade to 6800kg).

Some verification of the allegation may be contained in the following email string extracted from the Ornge computer server by ITF. Note that the email refers to a $5 million expenditure and appears to be arriving at a solution to justify the expenditure.

| From: Maria Renzella |
| To: Bartolotta Louis |
| Sent: Monday, March 08, 2010 5:52 PM |
| Subject: Ornge Agusta |
| Lou I have attached a draft document outlining the plans for the $5M expenditure. Please do not distribute yet – I wanted your input before I finalize this document to ensure this accommodates your requirements. Please let me know. Many thanks Maria |

| From: Bartolotta Louis <Louis.Bartolotta@agustawestland.com> |
| To: Maria Renzella |
| Cc: Hall Thomas <Thomas.Hall@agustawestland.com> |
| Sent: Tue Mar 09 18:59:34 2010 |
| Subject: RE: Ornge Agusta |
| M; I’m stuck between thinking more is needed and an inability to define what that means. IF we are talking about getting an approval for this, and IF we agree on an amount, I think more a specific case needs to be made. I’ve copied Tom, so he can weigh in. It’s important we share what we think is doable before moving forward and finding out no matter what we thought, it’s DOA. Let’s understand this may take more time than expected. We’ll try to talk to you tomorrow. |

[Page 63 of 106]
I appreciate the feedback. I was also trying to determine how much more detail was required.

The attachment to the above-noted emails, dated March 8 and 9, 2010, is below:

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**Agusta – Ornge Joint Marketing Alliance - DRAFT FOR DISCUSSION ONLY**

As a leader and innovator in transport medicine, Ornge integrates advanced and critical patient care with air and land transport solutions to deliver a world-class service offering in the Province of Ontario, Canada. Ornge has a unique leverage over its competition in the processes and intellectual property it employs in integrating an end to end transport practice, resulting in more immediate critical care for patients who live outside urban centres. Ornge has a significant opportunity to extend its business around the globe and, in so doing, leverage the “best in class” products and services of Agusta Aerospace Corporation (AAC).

Ornge’s planned deployment of the Agusta AW139, equipped with Ornge-designed interiors, has opened the door to solution sales into new geographies and industries. Ornge is looking to expand its business to exploit these new opportunities and has a marketing plan to create significant success over the next five years. The plan includes a stepped approach from initial consulting engagements up to full deployment of transport medicine solutions worldwide similar to the one it delivers in Ontario.

The inclusion of Agusta in these plans necessitates a commitment to Article 14 of the Aircraft Purchase Agreement between Agusta Aerospace Corporation and Ornge of March 27, 2008. Ornge’s marketing plan requires; significant market research, promotion and channel development to compete and win business around the world. Included in the plan are;

- Research to further refine a channel and sales plan, dividing opportunities between sales to Governments and to business consortia
- Trade show participation to demonstrate the product-differentiated Agusta/Ornge helicopter solution
- An Ornge/Agusta Transport Medicine testimonial in printed materials as well as special sales calls and conferences
- Leverage of medical transport research to benefit channel and sales development
- Inclusion of Agusta profiles in Ornge training and simulation courses worldwide
- The creation of marketing collateral as a necessary step for Ornge to promote the winning strengths of Agusta
Joint sales planning and sales calls to exploit opportunities in Ornge-targeted regions (including; Central and South America, Central and South Asia)

Ornge expects to share progress reports with Agusta on a regular basis allowing the two organizations to further define and align marketing programs and plans. Ornge looks forward to advance the marketing partnership of the two companies as it succeeds in its next phase of business growth.

As stated at the beginning of this analysis there were two marketing agreements between Ornge and AgustaWestland as follows:

1. **Marketing Services Agreement** - Date: August 3, 2010 (full amount of $4,772,500 US received)
2. **Joint Global Marketing Agreement** - Date: August 30, 2011 ($0 received, contract amount = $2,000,000 US)

The details of the Agreement documents are summarized below:

**Marketing Services Agreement** - FIT was provided with copies of the three marketing service reports corresponding to the three phases of the agreement making up the deliverables as outlined in the agreement. FIT, as investigators, will not opine on the value of the deliverables although the valuation of the product at $4.7 million US is of substantial concern.

Ornge Peel Ltd. (name officially changed to Ornge Global Corporate Services Inc. on January 24, 2012) has received the full payment ($4,772,460.50 US) for this marketing agreement. The payments for phase 2 and 3 were received before services delivered (i.e., earlier than stipulated in the contract.)

Phase 3 was paid before "services were delivered, as discussed in an email dated July 20, 2011 from Carrie Anne BRUNET to Maria RENZELLA, Bruce TAVENDER, Luis NAVAS (with cc’s to Shabbir KAPASI, Julia RAUDANSKIS, Inna KRAVITZ, Kelly LONG).

**Parties:** Ornge Peel Ltd (Service Provider) – “provides medical transport management and consulting services and is expanding its Product portfolio to the international market.”

Agusta Aerospace Corporation (AAC) (Service Receiver) – “manufacturer and seller of rotary wing aircraft.”

**Purpose:** The Service Provider wishes to provide to the Service Receiver and the Service Receiver wishes to obtain from the Service Provider, sales and marketing services to assist the Services Receiver in identifying and penetrating these medical transport markets on its own product or together with the Service Provider and its Managed Services product (the “Ornge-AgustaWestland Solution”. )
Work Product: “includes reports, strategy documents, service assessments, plans, programs and prospects.”

Payments:
1. $960,928.00 US (received September 14, 2010 per bank statement)
   No invoice issued as this payment was due on execution of agreement
   Bank Statement – Ornge Peel USD September 1-30, 2010
   Note: ($960,937.50 = 75% of $1,281,250 due on execution of agreement)

2. $320,302.50 US (received February 1, 2011 per bank statement)
   Phase 1 Invoice # 90006355 dated January 11, 2011
   Bank Statement – Ornge Peel USD February 01-28, 2011
   Note: $1,281,250 - 960,937.50 = $320,302.50 due on the completion of Phase 1.

3. $435,302.50 US (received March 2, 2011 per bank statement)
   Phase 2 Invoice # 90006612 (total invoice amount was $1,741,250)
   Bank Statement – Ornge Peel USD March 01-31, 2011
   Note: $435,302.50 = 25% x $1,741,250.00 due on the first day of Phase 2.

4. $3,055,927.50 US (July 21, 2011) Wire # 110719S4718500
   Made up of:
   $1,305,937.50 = 75% x $1,741,250 remaining due following the completion of Phase 2
   $ 437,500.00 (25% of $1,750,000 on start of Phase 3)
   $1,312,500.00 (75% of $1,750,000 on completion of Phase 3)
   No invoice. Phase 3 was paid before “services were delivered”

Joint Global Marketing Agreement
This agreement never came to fruition nor were the payments ever received by Ornge.

Parties: Ornge Global Solutions Inc. (Ornge Global) and AgustaWestland (Agusta)

Scope - It is a progression of the first marketing agreement. Global coverage – no exclusions. Duration 10 years.

Objective of Agreement: Creation of a dedicated sales and marketing team from both companies, made up of a minimum of two people from each company to increase net sales for both organizations by providing ongoing opportunities for Agusta and Ornge Global Solutions Inc. to strategize, coordinate and leverage off of each other’s sales and marketing efforts.
Consideration
The fee shall be paid in equal quarterly instalments. Payments must be made 30 days after due date. The first quarterly instalment was due on or before December 30, 2011. This section also stipulated the terms of payment in the circumstance of an early termination of the agreement.

Deliverables: Are divided into three main categories:
1. **Joint (Ornge Global & Agusta)** – weekly conversations and quarterly face-to-face meeting; quarterly progress report that will include
   a. sales & marketing of the Ornge Products; and
   b. sales & marketing of the Agusta aircraft; finding potential customers and leading them to the appropriate party.

2. **Ornge Global** – agrees to provide Agusta with a number of deliverables including:
   a. “A new AW139 fully outfitted for EMS to be used in the selling process with potential clients. The aircraft will be available at all times for sales and marketing purposes, unless required for Ornge Global operation (emergency calls). Ornge Global will make its best efforts to have an aircraft available as soon as possible to perform the required task.
   b. Training of Agusta marketing and sales staff on Ornge Global Products.
   c. Introduction of Agusta to global financing by Export Canada Development which is funded by the Canadian Government.

3. **Agusta** - agrees to provide Ornge Global with the following deliverables:
   a. Agusta will provide a “favourable terms” framework agreement regarding aircraft and delivery, timing, parts, servicing, and finance (including provisions dealing Agusta/Ornge Global surplus capacity and regional or global pooling of rotary assets to create flexibility for Ornge Global), in conjunction with further discussions about integrating AW609 as a key component of Ornge Global’s strategy and possible order with conditional dates.

**Agusta Donations to Ornge Foundation**
As stated at the beginning of this analysis, the donation from Agusta was specifically tied to the amount of the contract to purchase helicopters. This arrangement is well documented in correspondence between the two entities.

An item of note, however, is a June 30, 2009 email exchange between Ornge and Agusta with an attached draft letter. The draft letter refers to the improvement to the progress payments for the 12 helicopters and states: “In view of your willingness to accelerate these payments, AgustaWestland is pleased to provide $2.9 million to be utilized by the Ornge Foundation for uses indicated in your previous letter for the support of education and training in the field of Transport Medicine.”
In a separate letter from Ornge (signed by MAZZA) to Guiseppe ORSI of Agusta, dated June 24, 2009, MAZZA commits to an accelerated payment schedule in regards to the purchase of the 12 helicopters. The revised payment schedule effectively doubled the 12 month pre-delivery payments (from $1.4 million US to 2.4 million US) for each of the 12 helicopters. The first 4 helicopters had already received pre-delivery payments and this adjustment would be caught up on the second, six month pre-delivery payment.

While the total payments remain unchanged, this accelerated payment schedule did require that Ornge apply the funds received from the debenture issuance at earlier dates than were originally planned, thereby resulting in a loss of interest revenue (proceeds drawn from interest bearing facility).

Actual payments to the various charities and entities differ from the allocations as originally presented to Agusta. In a letter dated September 9, 2010, MAZZA updates Agusta on the various applications of their first instalment of $966,000 US in donation contributions.

- Ornge held a “Wheels Up” event in the past year, consisting of educational displays, entertainment, as well live and silent auction attended by approximately 150 people on a rainy afternoon on Saturday, July 25th at The Rosseau in Minett, Ontario. The theme for the event was ‘Resiliency’, recognizing individuals who have met and overcome great challenges in their lives. Speaking about their own life struggles and how they overcame them were Brian Stemmle, former Olympic athlete, and Gillian Danby, wife of the late Ken Danby. They both spoke about how the service that Ornge provides made a difference in their lives. Funds raised at these events were aimed at purchasing high-priority medical equipment to outfit Ornge vehicles, including obstetric/vascular dopplers, intravenous fluid warmers, a portable suction machine and a temporary pacemaker.
- J Smarts has helped over 5000 young people to make wiser choices through its cornerstone Circle Check process and is moving and growing at a pace that will soon position it as a leader in risk prevention for active youth. Through strategic alliances with Michael Powers/St. Joseph’s (MPSJ) Secondary School, Muskoka Woods, and CJ Skateboard Park, J Smarts is both delivering programming and developing it in active, athletic environments.
- The generous support of AgustaWestland has now created a $250,000 Transport Medicine Scholarship for Aboriginal Students at Confederation College in Thunder Bay. To address the growing demand for transport medicine services in the north, and skilled aboriginal employees to deliver them, this scholarship will create opportunities to educate and enrich the lives of aboriginal students who might otherwise have not had access to post-secondary transport medicine programs. As a result, transport medicine in the north will grow to be more representative of the persons whose roots lie deep in these communities, increasing the effectiveness and sustainability of transport medicine in the north overall.
- To increase the visibility of the Ornge brand both at home and abroad, the Ornge Foundation partnered with custom motorcycle builder Orange County Choppers, supported by AgustaWestland, to produce customized motorcycles with a uniquely Ornge theme. Their shared name, commitment to excellence and dedication to freedom forged this partnership between Orange County Choppers and the Ornge Foundation.
A summary of the total funding application is provided below

**Total = $2,898,637 US**

<table>
<thead>
<tr>
<th>Funds used for:</th>
<th>Amount</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orange County Chopper (OCC) project</td>
<td>$387,741</td>
<td></td>
</tr>
<tr>
<td>Aboriginal Scholarship Endowment</td>
<td>$236,794</td>
<td>$236,794 - October 05/09</td>
</tr>
<tr>
<td>JSmarts</td>
<td>$725,783</td>
<td>$216,657 – October 05/09</td>
</tr>
<tr>
<td></td>
<td></td>
<td>509,126 – December 14/10</td>
</tr>
<tr>
<td>Foundation</td>
<td>$402,055</td>
<td>$112,259 – January 18/10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>144,898 – December 14/10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>144,899 – December 19/11</td>
</tr>
<tr>
<td>Unallocated</td>
<td>$1,146,264</td>
<td>$13,206 – October 05/09</td>
</tr>
<tr>
<td></td>
<td></td>
<td>311,966 - December 14/10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>821,092 – December 19/11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,898,637 US</strong></td>
<td></td>
</tr>
</tbody>
</table>
ISSUE 06: Sikorsky Helicopter Purchase

It was alleged that excessive Ministry funds were spent to purchase used helicopters on an interim basis while the Agusta transaction was being executed.

CONCLUSION

There was no evidence of wrong-doing identified in this purchase.

ANALYSIS

Eleven Sikorsky S76 helicopters were purchased by Ornge Issuer Trust (OIT) on March 31, 2009 from Canadian Helicopters Ltd. (CHL) The intention was to use this equipment on a short term basis until the Agusta AW139 helicopters were available for service. Despite delivery and utilization of the Agusta helicopters, some of the Sikorsky helicopters continue to be in use and all 11 remain listed as corporate assets of OIT. OIT leased the Sikorsky helicopters to Ornge Air who then sub-leased them back to CHL to operate.

The total purchase price of $31,345,150 on March 31, 2009 included $28,248,150 for the helicopters as well as $3,097,000 for the purchase of Hangars and Crew Houses in Ottawa, Moosonee, Kenora and London.

The Operating and Lease Agreements between Ornge Air and CHL terminated on March 31, 2012 with the operation of the helicopters returning to Ornge Air.

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5 Ornge Issuer Trust purchased the helicopters, hangars and crew houses through a trustee, BNY Trust Company of Canada.
ISSUE 07: Pilatus Fixed Wing Purchase

It was alleged by an informant that a kickback transaction was associated with the purchase of ten (10) Pilatus PC-12/47E fixed wing aircraft and the overpayment was indirectly returned to Ornge.

CONCLUSION

There was no evidence to indicate that the purchase price of the Pilatus aircraft was inflated. There was no evidence to indicate that the donation by Pilatus was an indirect return of money provided by Ornge Issuer Trust (OIT) for the purchase.

However, FIT found evidence suggesting that the timing of the donation and the final payments to Pilatus are inconsistent with the Ornge’s policy established for soliciting gifts from vendors.

ANALYSIS

OIT purchased 10 Pilatus PC-12/47E fixed wing aircraft from Pilatus Business Aircraft Ltd. (Pilatus) on June 30, 2008.

The investigation found that six (6) aircraft were initially purchased, and an option to purchase four (4) more was exercised. Total payment in the amount of $42,607,366.20 was made by OIT through a series of 15 payments between July 16, 2008 and December 15, 2010. The initial source of funds for the first seven (7) payments was a line of credit which was repaid by the $275 Million debenture. The remaining payments were also paid from the debenture. The payment details are summarized in the table below.

<table>
<thead>
<tr>
<th>DATE</th>
<th>TRANSACTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-Jul-08</td>
<td>1\textsuperscript{st} deposit</td>
<td>$500,000.00</td>
</tr>
<tr>
<td>01-Oct-08</td>
<td>2\textsuperscript{nd} deposit</td>
<td>$500,000.00</td>
</tr>
<tr>
<td>15-Jan-09</td>
<td>Progress payment 90 days prior to delivery for 1\textsuperscript{st} 4 planes</td>
<td>$400,000.00</td>
</tr>
<tr>
<td>03-Mar-09</td>
<td>Final payment</td>
<td>$3,917,092.00</td>
</tr>
<tr>
<td>18-Mar-09</td>
<td>Final payment</td>
<td>$3,917,092.00</td>
</tr>
<tr>
<td>03-Apr-09</td>
<td>Final payment</td>
<td>$3,917,092.00</td>
</tr>
<tr>
<td>08-May-09</td>
<td>Final payment</td>
<td>$3,917,092.00</td>
</tr>
<tr>
<td>29-Jun-09</td>
<td>90 day progress pymt</td>
<td>$100,000.00</td>
</tr>
<tr>
<td>30-Jul-09</td>
<td>90 day progress pymt</td>
<td>$100,000.00</td>
</tr>
<tr>
<td>15-Sep-09</td>
<td>Final payment</td>
<td>$3,917,092.00</td>
</tr>
<tr>
<td>23-Sep-09</td>
<td>Final payment</td>
<td>$3,917,092.00</td>
</tr>
<tr>
<td>15-Sep-10</td>
<td>90 day progress pymt for last 4 planes</td>
<td>$400,000.00</td>
</tr>
<tr>
<td>02-Nov-10</td>
<td>Final payment</td>
<td>$4,276,203.55</td>
</tr>
<tr>
<td>15-Nov-10</td>
<td>Final payment</td>
<td>$4,276,203.55</td>
</tr>
<tr>
<td>15-Dec-10</td>
<td>Final payment</td>
<td>$8,552,407.10</td>
</tr>
</tbody>
</table>
Pilatus subsequently made a donation to the Ornge Foundation. In an October 4, 2010 email from RENZELLA to MAZZA, the two discussed the treatment of the donation from Pilatus.

From: Maria Renzella  
To: Chris Mazza  
Sent: Mon Oct 04 14:32:26 2010  
Subject: Pilatus donation

Just confirming –at one point you wanted the amount to come in from Pilatus as a donation and another time you wanted it to come in through peel as revenue. At the Ornge foundation finance committee you had said you expected the donation coming through. For it to come through Peel as a revenue amount –we need to present a proposal to Pilatus that indicates they are buying something of which they will get some value and we of course need to pull together a legal document. My recommendation is given the amount we continue the path as a donation. It will further help the Foundation in support of their present operating expenditures and bolster their top line. If you concur –I can work with Valerie to write a letter to Pilatus and move it forward.

Maria Renzella

In November 2010 a letter was sent from Ornge Foundation to Pilatus confirming that Pilatus had agreed to make a donation to Ornge Foundation. Ornge Foundation calculated the donation to be based on 2% of the net sales figure for a total of $343,171 USD. The letter also indicated that Ornge Foundation intended on using the donation for the Academy of Transport Medicine to support their simulation program. The funds would be used to buy equipment for training simulations such as birthing mannequins for paramedic training in delivering babies.

Email searches regarding Pilatus donations confirmed the above plans as well as the breakdown of how the funds would be used:

- 2% of sales of the current year (the last 4 planes) which totalled $17,158,564USD, 2% of that = $343,171USD  
- $343,171USD = $347,563.59CDN  
- 15% Administration Fee for Ornge Foundation operating costs taken off the top ($52,134.54CDN)  
- The remaining $295,429.05CDN was earmarked for the simulation program.

One of the spreadsheets found in the above noted email search indicated that there were possibly two (2) amendments made to the purchase agreement. One dated May 2009 and the other date is not noted. The legitimacy of these alleged amendments could not be confirmed as they were never located by FIT.

FIT also noted that in the Ornge Foundation Board of Directors minutes from the meeting on March 31, 2011 the board discusses the donation from Pilatus and the intention to use it to establish the “Pilatus Simulation Fund”. In these same meeting minutes, the Board also discusses the process for soliciting major gifts from
vendors. In the discussion it is mentioned that at the Board meeting on December 9, 2010 a memo was requested regarding this process. Part of this process indicates that the Foundation would not seek a donation from any Ornge supplier while there is an RFP either pending or in progress.

FIT notes that this original discussion (December 9, 2010) regarding the solicitation of major gifts, occurred six (6) days prior to the final payment to Pilatus.

Also of note is that the donation from Pilatus occurred the day after this discussion (December 10, 2010) and five days prior to the final payment (December 15, 2010).
ISSUE 08: Cost of Air Ambulance Service

It was alleged by an informant that Ornge had inflated profits by charging excessive transfer prices within The Conglomerate for internal air ambulance services and entered into standing agreements with independent carriers that placed them at an economic disadvantage.

CONCLUSION
The investigation did not find conclusive evidence that Ornge placed independent carriers at an economic disadvantage.

However, FIT noted inappropriate reporting to the Ministry where, at the direction of previous Ornge management, patient transport numbers were intentionally overstated.

ANALYSIS
The core operation for Ornge is the provision of air ambulance services. These services are provided through a combination of Ornge fleet and utilization of standing agreements with carriers not owned by Ornge.

The Ministry funds Ornge air operations based on reported overall flight statistics and operating costs, not on a fee per flight basis. Overall costs are calculated by Ornge as the summation cost per flight charged by standing agreement carriers and internal costs for the Ornge fleet.

FIT reviewed internal correspondence that alleged that MAZZA had ordered use of a patient count methodology related to flight legs, not individuals actually transported. The result was an overstatement of patient transport data.

In the internal example used if patient A was transported from X to Z, with a stop at Y to pick up patient B, the trip was reported to the Ministry inaccurately as the transport of 3 patients (A 2 legs + B 1 leg), by Ornge calculations. This inappropriate methodology represented an overstatement of 9,100 patients (9.9%) over a 5 year period. The documentation indicates Ornge has adopted an appropriate patient count methodology for fiscal 2012.

INTERNAL COSTS
The majority of Ornge fleet costs involve related party transactions and transfer pricing, so the investigation team considered the overall reasonability of the information presented to the Ministry. The costing results provided to FIT are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Primary Care Patient</th>
<th>Advanced Care Patient</th>
<th>Critical Care Patient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rotor Wing Sikorsky</td>
<td>$2,943</td>
<td>$2,958</td>
<td>$2,972</td>
</tr>
<tr>
<td>Rotor Wing Agusta</td>
<td>$3,559</td>
<td>$3,575</td>
<td>$3,588</td>
</tr>
<tr>
<td>Fixed Wing Standing Agreement</td>
<td>$1,617</td>
<td>$2,574</td>
<td>N/A</td>
</tr>
<tr>
<td>Fixed Wing Ornge</td>
<td>$1,056</td>
<td>$1,072</td>
<td>$1,085</td>
</tr>
</tbody>
</table>
Not all costs were included in the above rates for billing purposes. The following categories of costs were included:

- Hourly cost for standing agreement carriers (Fixed Wing)
- Fuel
- Carrier and flight related costs
- Travel
- Aircraft maintenance
- Depreciation
- Labour – pilots and medics

These costs are recorded in various entities and cost centres and are the basis for billing rates based on 2012 budgeted amounts, rather than actual amounts. Standard fuel burn rates per aircraft were used.

**Billing**

The majority of Ornge’s flights are not billed to patients or other external parties because the costs are covered by funding provided through the Performance Agreement. However, there are some flights that are billed by Ornge, consisting of three main categories:

- Uninsured patients in Ontario;
- Out of province/out of country patients;
- WSIB patients. (Per Loren FERGUSON, Senior Financial Analyst, employers may be billed for initial transport in a WSIB incident)

According to FERGUSON, Ornge no longer bills uninsured patients with an Ontario address, because past experience showed recovery to be very poor for this category of billings. Ornge only billed uninsured patients with an Ontario address for about a year, ending around the end of fiscal 2011.

When reporting to the Ministry, Ornge is to disclose the amount of additional revenue they receive. Julia RAUDANSKIS, provided a consolidation worksheet (from Q4 2011) that is used to produce the reporting package to the MOHLTC. The worksheet lists the following types of revenue for March 2011:

- Ontario Ministry of Health and Long-Term Care
  - Transport medicine program
  - Specifically funded programs
- Other recoveries (billings for uninsured services, WSIB)
- Tuition income
- Interest income
- Lease income
- Inter-company income (which is eliminated on consolidation)
Cost Assessment

In interviewing individuals in various roles in Operations and Finance, Steve FARQUHAR, Vice President of Operations, was the only person who could provide FIT with a general estimate of cost per hour for operating aircraft which was stated to be $1,800 - $2,400/hr for rotor wings.

FIT notes the costs calculated and charged by the financial department for billing purposes are higher than what flight operations staff had expected. FIT could not make a direct comparison between the billing rates and the flight costs as recorded in the financial statements for a number of reasons:

- **Use of various corporations and cost centres**
  
  Not all costs to operate Ornge aircraft are recorded in Ornge Air. Fuel costs are paid by Ornge, and flight-related expenses are paid by either Ornge, or Ornge Air, depending on which company receives the bill.

- **Use of budgeted amounts for costing exercise**
  
  For the costing exercise, 2012 budgeted amounts were used. In many cases, the 2012 budgeted amounts are not comparable to the 2011 actual amounts because of the use of both the Sikorsky and Agusta rotor wings. For example, the Sikorsky rotor wings were still being heavily used in 2011, but the 2012 budget reflects 65% of rotor wing hours being flown by the Agusta aircraft.

- **Exclusion of certain costs in costing exercise**
  
  As described above, certain costs are excluded from the costing exercise. The costing exercise was meant to capture incremental costs for an additional hour of flying time, rather than being a full costing exercise taking into account fixed costs and overhead.

**STANDING AGREEMENTS**

Ornge holds standing agreements with air carriers for the purposes of carrying out their business activities. Formally, these are agreements under which a vendor allows a buyer to purchase a service at a predetermined price for a certain period. These agreements are formalized through a Request for Proposal (RFP) process.

A review of RFP# 000117 has confirmed that it is a standing agreement for Fixed Wing Charter Air Ambulance Services. The contract involved eight (8) vendors; the term is for three (3) years, effective January 3, 2009; the total contract committed guaranteed three-year value is $24.9 million dollars; and the total term of the standing agreement is $50.7 million dollars. As part of this RFP, Ornge expected each of the carriers to perform Primary Care Air Ambulance Services. In addition, two (2) of these eight carriers were also equipped to deliver Advanced Care Air Ambulance Services. Organ flights comprise the third and final category of services provided by the carriers.
FIT confirmed with Ornge that a carrier must hold a standing agreement with Ornge to be considered as a supplier of air ambulance services. However, it was also confirmed by Ornge that for purposes of organ transfers, Ornge has set up a separate email, organtransfer@ornge.ca for ad hoc RFP’s.

Ornge provided the supporting documentation for fourteen (14) agreements; for the agreements in existence at the time of the request. FIT found information in a set of 2007-2008 financial statements identifying twenty-two (22) carriers. Another request was made to Ornge to provide a complete list of every air carrier that provided air ambulance services for the period covering January 1, 2006 to January 1, 2012 inclusive. As a result of this second request, Ornge provided a list of twenty-four (24) carriers.

Through FIT’s own analyses and searches, more than forty (40) carriers were identified for the given period. In addition, Ornge’s financial documents identified another eight (8) charters. To confirm the existence of these additional carriers, FIT verified that each of the identified carriers were set up in the SAP system as vendors; thus enhancing the credibility of the information. Corporation searches were completed to further validate the existence of these companies. FIT has learned that these additional carriers have been used by Ornge for purposes of organ transfers when regular carriers and Ornge aircraft were not available.

FIT confirmed that all of the standing carriers are able to provide Primary Care flights. Only two (2) of the standing carriers can provide Advanced Care flights and only Ornge is able to provide Primary, Advanced and Critical Care flights.

The level of care on the flight dictates the cost of the flying hours. However, if a standing carrier is providing a leg of Advanced Care, by virtue of the Performance Agreement the leg before the patient requiring Advanced Care is picked up and the leg after the patient requiring Advanced Care is dropped off, are also calculated at the Advanced Care Price.

Through extensive analyses, FIT was able to complete a summary of the amounts of money Ornge paid to the seven (7) main standing carriers for the entire scope period. These amounts clearly show a trend of earning less money as Ornge started using their own carriers for more flights, as highlighted below:

<table>
<thead>
<tr>
<th></th>
<th>Air Bravo</th>
<th>Thunder Airlines</th>
<th>Skycare</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 months of 2006</td>
<td>187,107.04</td>
<td>515,723.79</td>
<td>0</td>
</tr>
<tr>
<td>2007</td>
<td>10,321,055.91</td>
<td>6,740,183.97</td>
<td>543,178.40</td>
</tr>
<tr>
<td>2008</td>
<td>10,040,009.18</td>
<td>3,541,316.07</td>
<td>1,726,123.34</td>
</tr>
<tr>
<td>2009</td>
<td>12,164,767.78</td>
<td>4,078,320.46</td>
<td>2,181,494.00</td>
</tr>
<tr>
<td>2010</td>
<td>13,314,548.66</td>
<td>3,269,061.09</td>
<td>3,277,541.59</td>
</tr>
<tr>
<td>2011</td>
<td>9,359,665.13</td>
<td>3,527,092.99</td>
<td>2,803,238.02</td>
</tr>
<tr>
<td>9 months of 2009</td>
<td>5,457,082.58</td>
<td>3,256,263.99</td>
<td>1,976,138.37</td>
</tr>
<tr>
<td>Total</td>
<td>$ 60,844,236.28</td>
<td>$24,927,962.36</td>
<td>$12,507,713.72</td>
</tr>
</tbody>
</table>
Four (4) of the above noted carriers have guaranteed hours with Ornge. Based on these hours Air Bravo has 3,600 flying hours, Thunder Airlines has 3,000 flying hours, Northern Air Solutions has 1,200 hours and Wabusk has 600 flying hours. Therefore, Ornge would have to pay for these minimum hour quotas for each of these carriers, even if they are not utilized.

The prior management team of Ornge issued a moratorium regarding Advanced Care flights. Ornge carriers would be utilized instead of carriers with standing agreements. This decision was made to control the costs paid to the carriers with standing agreements. The consequence was that it has actually caused increased costs and increased usage of Ornge carriers. As a result, only two (2) of the standing carriers currently provide Advanced Care flights.
**ISSUE 09: Proposed Hamilton Air Base**

It was alleged that Ornge has been leasing an air base in Hamilton since December 2010 and as of the date of this report, is not ready for use. It was further alleged that an Ornge Executive responsible for executing the agreement was in a conflict of interest.

**CONCLUSION**

FIT has determined that significant payments have been made for the Hamilton lease in advance of the site being ready for occupancy. An Ornge Executive with an apparent conflict of interest related to this transaction appeared to have declared the conflict and removed herself from any negotiations.

**ANALYSIS**

FIT reviewed documents prepared by Ornge that identified the need for a Greater Toronto Area (GTA) Superbase. Superbase is a term used by Ornge that refers to a regional operations centre. The only other Superbase operated by Ornge is located in Thunder Bay to serve North and Northwest Ontario. One reviewed document entitled ‘GTA Airport Suitability Evaluations-Potential Superbase Locations’ ranked four (4) airports in the GTA. These airports included Barrie Lake Simcoe Regional Airport, Hamilton International Airport, Oshawa Municipal Airport and Kitchener Waterloo International Airport and indicated that based on their consideration criteria Hamilton International Airport ranked the highest.

Another business case document called ‘Description of GTA Super Base Concept’ was found that described the Superbase concept as having all of their air operations combined at one base with the addition of a Critical Care Land Transfer (CCLT) ambulance onsite to be used as appropriate to complete their transfers. There would be a separate base of operations for CCLT in Markham which would not be consolidated into the GTA Superbase. The rationale for the need for a Superbase was also based on the fact that not only was there a minimum of two (2) crewed helicopters on a 24/7 schedule but also multiple fixed wing aircraft as well as organ jet missions at each of the airports in the region each day that could be consolidated in one location. This document also stated that future operations would include “jet aircraft performing international repatriation operations.” This Description document further indicated that consideration was given to Toronto Pearson, Toronto Downsview, Toronto Buttonville, Oshawa, Hamilton, Waterloo and Lake Simcoe/Barrie.

Ornge currently has a GTA operating base at the Toronto City Centre Airport on the Toronto Island using a hangar owned by Ontario Realty Corporation (ORC) [Now Infrastructure Ontario (IO)]. The arrangement is identified in the Performance Agreement between MOHLTC and Ornge. However, FIT was advised there is no specific lease between ORC or IO and Ornge for the use of this Hangar.
An Amended Performance Agreement dated March 19, 2012 between MOHLTC and Ornge stated that Ornge may occupy the Toronto City Centre Airport Hangar for the purposes of providing Air Ambulance and Related Services and that the Ministry shall be responsible for all costs and expenses necessary for the operation of the Hangar. No reference is made in the Amended Agreement to any notice period that Ornge would have to provide to the Ministry if Ornge wishes to vacate the premises. Furthermore, Article 44.1 of the Amended Agreement states that it constitutes the entire agreement and supersedes all prior oral or written representations and agreements.

In a letter dated September 2, 2009 from Chris MAZZA to Dennis BROWN, Acting Senior Manager, Operations and Quality Management, Emergency Health Services Branch, MOHLTC, MAZZA indicated that Ornge had advised ORC several months earlier of its intention to vacate the Toronto City Centre Airport Hangar. Also mentioned was a discussion that took place on August 28, 2009 where Ornge indicated that their plan to relocate was a result of an inability to move patients and staff off the Island between 12:00am and 6:00am which limits the ability to provide aero-medical services and poses potential risk to staff that may fall ill during those hours. Ornge also indicated that they should not be held responsible for the amount that was deducted from their grant funding for the rent of the Toronto Island Hangar and that they should be compensated for this amount once they vacated the property. In other communications Ornge had with ORC (email from August 17, 2009), Ornge suggested that ORC sell the Island hanger but the Province decided to retain the asset and its long term land lease valued at approximately $1.5M.

These issues appear to be the business rationale for moving to a new Superbase with Hamilton being the chosen site.

Ornge then prepared a Business Case for Lease/Purchase of Cargojet Hangar at the Hamilton International Airport which identified 3 options:

1) Design & build a green field hangar - $9.4M + $0.7M finishing and branding (NPV = $5.95M)
2) Lease/purchase Cargojet Hangar - $4.5M + $1.0M addition + $1.6M finishing and branding (NPV = $4.49M)
3) Purchase Westjet Hangar - $6.2M + $1.6M finishing and branding (NPV = $5.16M)

Ornge chose Option 2 with the following rationale, “The chosen hangar facility was selected by circumstance through negotiations for backup to the Westjet Hangar. The Cargojet Hangar was not for sale but became redundant to Cargojet’s operations through a sale of a small aircraft division during our negotiations. Other than this facility there is no other suitable facility existing and available at Hamilton.” Terms of the contract are summarized below:
Parties: Ornge Issuer Trust & Cargojet Airways Ltd
Term: November 1, 2010 to October 31, 2015
   a) rent is $54,500 per month escalating at 1.5% per annum
   b) purchase option at the end of 5 yrs $2.3M
   c) Hangar – 25,500 sq ft
      Shops and offices – 4,980 sq ft
      Shared apron – 50,000 sq ft
   d) 10,000 sq ft office space to be built
The lease transaction was to be funded by OIT using Debenture proceeds.

The Cargojet Hangar is owned by the Hamilton International Airport and leased by Cargojet, therefore when entering into this agreement with Ornge a Sub Sub Lease Agreement was made between all three parties. This agreement dated October 14, 2010 was between Hamilton International Airport, Cargojet and 4495128 Ontario Inc (Bare Trust) and contained the following terms relative to the land itself:

Consent to Sub Sub Lease between Hamilton International Airport, Cargojet and 4495128 Ontario Inc (Bare Trust) – October 14, 2010

- Cargojet Sub leases to 4495128 Ontario Inc. the following:
  o 25,550 sq ft airport hangar
  o 4,980 sq ft office and storage space
  o Side yard and parking
  o Parts of the apron
  o Right to construct and additional 10,000sq ft office space in the parking area
- The term of the sub sub-lease is five years commencing December 1, 2010 until November 30, 2015.

Further a Sublease dated October 14, 2010 between Cargojet Airways Ltd and 4495128 Ontario Inc (Bare Trust) was established to define the terms regarding the rent and other items specific to the building. Highlights of the terms are as follows:

Sublease between Cargojet Airways Ltd and 4495128 Ontario Inc (Bare Trust) – October 14, 2010
The minimum sub-rent for the Hangar during the Sublease Term shall be the following (the “Minimum Sub-Rent”):
Year 1 (December 1, 2010 – November 30, 2011) – $654,000 per annum being $54,500 per month;
Year 2 (December 1, 2011 – November 30, 2012) – $663,810 per annum being $55,318 per month;
Year 3 (December 1, 2012 – November 30, 2013) – $673,767 per annum being $56,147 per month;
Year 4 (December 1, 2013 – November 30, 2014) – $683,874 per annum being $56,989 per month;
Year 5 (December 1, 2014 – November 30, 2015) – $694,132 per annum being $57,844 per month
• No increase in sub-rent due to the Expansion
• Additional rent to be paid for the following:
  o 100% of Ornge’s Proportionate Land Area Share of the Land Rent attributable to the Hangar; and
  o 50% of the Land Rent attributable to the Shared Use Apron, Shared Taxiway and Driveway
  o Ornge’s proportionate share of the Property Taxes
  o 50% of all costs, charges, expenses and outlays of any kind to operate, maintain, repair, replace and insure the Shared Apron, Shared Taxiway and Driveway

• Cargojet shall own the Expansion to the extent that it shall be considered an improvement as defined in the Head Sublease, unless 4495128 Ontario Inc. decides to exercise the Option to purchase the Hangar

• The option to Purchase the Hangar from Cargojet includes the right, title and interest in the Hangar, including the Expansion at the predetermined purchase price of $3,800,000 with a closing date set for August, 2012. Or, option to purchase the hangar after January 1, 2015 until October 1, 2015 for $2,300,000.

FIT was advised that a Conflict of Interest Declaration (COI) had been made by Maria RENZELLA as her husband is the Chief Financial Officer (CFO) of Cargojet. When trying to obtain a copy of the COI declaration, FIT was advised that a formal Conflict of Interest Form was never signed by RENZELLA and that she had only declared her conflict verbally. Email searches of those involved in the lease agreement with Cargojet did not produce any written conflict of interest forms however did confirm that RENZELLA verbally declared her conflict. Emails also indicated that she would stay out of the deal. Further email searches of those involved in the deal appeared to confirm that negotiations were conducted by John MACKENZIE, COO Ornge International and Rick POTTER, COO Ornge Air and were overseen by Chris MAZZA, CEO Ornge Global GP as well as financial oversight by Tom LEPINE, COO Ornge Global GP. On some emails RENZELLA was copied however nothing was found to indicate that she acted or commented on any of these emails.

Emails sent to the attention of RENZELLA for Invoices from Fasken Martineau DuMoulin LLP for legal fees as a result of reviewing the Cargojet contracts, as well as Requisition forms found on the Ornge database indicating that RENZELLA was an authorized signatory for payments made to Cargojet, were found by FIT during the email searches. RENZELLA was an Officer on the Board of Directors as the Executive Vice President of Ornge. The Board of Directors gave the approval to proceed with the lease with Cargojet. However according to the minutes from the meeting on September 29, 2010, where the lease was approved, RENZELLA was not present and does not appear to have participated in the vote.
Payments made for Hamilton Hangar

To Cargojet

Payments to Cargojet for the lease of the hangar began December 1, 2010 and are still being made. Below is a table indicating how much has been paid to Cargojet between December 1, 2010 and December 31, 2011.

<table>
<thead>
<tr>
<th>Lease</th>
<th>Land/Rent</th>
<th>Maintenance</th>
<th>Tax/Utilities</th>
<th>Total payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>862,190.00</td>
<td>49,720.00</td>
<td>847.50</td>
<td>134,018.00</td>
<td>1,046,775.50</td>
</tr>
</tbody>
</table>

Payments have also been made to Chamberlain Architect Services Limited for the construction of the addition as follows:

To Chamberlain Architect Services Limited
- Total of contract - $193,125.00
- Mar 2011 to Feb 2012 - $122,634.37
- Still owed (to fulfill contract) - $70,490.63
- Total invoiced & paid (including HST) - $138,576.85

FIT investigators found a spreadsheet regarding the Hamilton Project Status on the Ornge database dated January 31, 2012 that indicated that the target date for occupancy of the Hamilton Hangar was originally April 2012 however due to indications proposed by the contractor it was moved to May 2012.

Site Visit
FIT performed a site visit of the hangar, leased by Ornge from Cargojet, on March 21, 2012. On the main road at the entrance to the driveway leading to the hangar, FIT observed a seemingly unprofessional and temporary sign. When FIT arrived at the Ornge and Cargojet hangars it was also observed that Cargojet branding was still on the hangar building that Ornge is leasing. The sign at the main road was the only indication that Ornge has a hangar at the Hamilton Airport.

Construction was ongoing and FIT was advised by a Cargojet employee that no one from Ornge was onsite. As such, a tour of the facility did not occur.
ISSUE 10: Critical Care Land Ambulance Program

It was alleged that unspent Ministry funding for the land ambulance program was improperly reallocated to other Ornge operations through inter-entity charges as well as improper accounts payable coding. As per the funding agreement, any unused funds were to be repaid annually to the Ministry.

CONCLUSION

FIT found evidence to support the allegation that at the direction of Maria RENZELLA, the Chief Operating Officer of Ornge at the time, inappropriate charges were applied to the land ambulance program.

ANALYSIS

Since 2006 Ornge has received funding from MOHLTC for the provision of Critical Care Land Ambulance Services. The funding includes a flow-through payment specified for the Toronto Emergency Medical Services Critical Care Transport Unit (CCTU). Ornge uses its land ambulances for inter-facility transport of patients in circumstances where the Ornge transport-medicine physician has determined it is safe to do so. Under the terms of the funding agreement, the Ministry has the power to recover land ambulance funding that Ornge does not use. Funding for the program can be summarized by year as follows:

CCLA Contributions and Expenditures Per Ornge Financials

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Contributions (from MOHLTC)</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/2007</td>
<td>9,051,619</td>
<td>568,353</td>
</tr>
<tr>
<td>2007/2008</td>
<td>13,155,495</td>
<td>3,389,271</td>
</tr>
<tr>
<td>2008/2009</td>
<td>16,155,495</td>
<td>21,450,056</td>
</tr>
<tr>
<td>2009/2010</td>
<td>13,193,208</td>
<td>18,233,000</td>
</tr>
<tr>
<td>2010/2011</td>
<td>13,646,159</td>
<td>13,647,000</td>
</tr>
<tr>
<td>2011/2012</td>
<td>13,801,105</td>
<td>13,801,105</td>
</tr>
</tbody>
</table>

Because of a slow start-up in implementing the program by 2008/09, the first full fiscal year that Ornge provided land ambulance services, Ornge had in excess of $14 million in deferred revenue available for CCLA operations. The Ministry approved Ornge’s request to keep $5 million of this surplus for its air operations. In addition, $3 million was returned to the Ministry, with the remaining amount of the surplus reported by Ornge as having been used in CCLA operations in 2008/09.

Starting in 2008/09 Ornge included an allocation in the CCLA funding for what they term “back-office” expenses. This allocation results from the process employed by Ornge to charge back the other Conglomerate entities for administrative expenses, such as accounting, human resources and payroll. Also included is executive compensation and bonuses.
To assess the applicability of costs charged by Ornge to the CCLA program, FIT identified two specific areas of interest:

- Corporate allocation, that is the process Ornge uses to reallocate back-office expenses to its various programs (Corporate Allocation section below); and,
- Certain large expenses identified during our review of the CCLA expenditure statements which appear to be inconsistent with the requirements of the land ambulance program (Expense Analysis section below).

Corporate Allocation

Ornge provided an excel spreadsheet to FIT that detailed the breakdown of the CCLA Corporate Allocation amounts for all years the program has been operational.

FIT’s analysis of the spreadsheet data found that, while the stated basis of the corporate allocation against CCLA funding was to be a percentage of FTE’s (CCLA/Ornge), the actual breakdown was designed to absorb the total allocation. In questioning this information, Ornge finance staff confirmed in an interview (May 3, 2012) that the corporate allocation against the CCLA funding is designed to ensure that the total amount of CCLA funding for each year is spent. FIT has obtained a copy of an email instruction issued by RENZELLA to Ornge finance staff on this matter which appears to confirm that Ornge management were intentionally diverting expenses to ensure that CCLA funding was spent rather than being returned to MOHLTC.

During the investigation, MOHLTC informed FIT that in December 2011 Ornge submitted a forecast which identified a surplus of $1.25 million in CCLA and asking whether it was possible to transfer this surplus to its Air Ambulance Program. In January 2012, the Ministry responded that the terms of the Performance Agreement must be strictly adhered to. Specifically, expenditures must meet Performance Agreement eligibility criteria and unspent CCLA funds would have to be recovered by the Ministry. In response to this Ornge re-submitted their CCLA forecast which showed balanced spending and no surplus.

Questioning of Ornge staff by FIT revealed that in 2011 Ornge experimented with various cost allocation models in an attempt to increase the accuracy of the charge back of “corporate” expenses against CCLA funding. One such model resulted in the appearance of the under spent scenario described above that was presented to MOHLTC in December 2011.
Ornge staff further stated that it was impossible to know the true amount of corporate level costs associated with the CCLA program, thus the need for the development of various cost allocation models.

FIT notes that the corporate allocation includes a charge back from Ornge Peel and Ornge Global GP for executive salaries and bonuses as well as an amount identified as Contract Salary – Stipend $279,576 paid in 2011, which was confirmed to be a payment to MAZZA as a medical director with Ornge and paid in addition to other amounts in connection with his role as CEO. This amount is included in the totals paid to MAZZA as detailed in ISSUE 11: Payroll and Other Remuneration in the Detailed Findings.

Expense Analysis
A high level analysis of CCLA expense statements revealed that in 2008/09 Ornge charged $1,714,366 against Uniform Expenses.

Included in this total were invoices relating to three (3) Purchase Order’s as follows:
- PO3569 $519,000 Interactive Safety Products
  - 200 Flight Helmets
- PO3565 $254,378 Unisync Group
  - 250 Jackets, 205 Parkas, 300 Rain Jackets
- PO3572 $386,954 Unisync Group
  - 832 Nomex Flight Suit Shirts and Pants, 1,452 Tac Pants, 1,854 Golf Shirts, 1,558 Turtlenecks, 2,564 T shirts, 300 Vests, 205 Snow Pants

In addition to this, the search of Tom LEPINE’s office resulted in the finding of a document entitled Critical Care Land Transport Project Status Report dated June 2008. There was a project budget statement attached which shows that the budget for uniforms was $202,000.

Since the CCLA program has approximately 33 paramedics, it can be concluded that a significant portion of these purchases detailed above were for employees of the Air Ambulance Program.
ISSUE 11: Payroll and Other Remuneration

It was alleged that Ornge and The Conglomerate executives received extremely high benefits and bonuses. It was also alleged that some employees of Ornge received remuneration exceeding $100,000 yet their remuneration was not disclosed pursuant to the requirements of The Public Sector Salary Disclosure Act (PSSDA).

CONCLUSION

FIT found evidence that executives of Ornge and The Conglomerate received bonuses and benefits totalling $9,303,376.85 equal to 34% of the total remuneration paid to executives. It is a value judgment to determine whether the salary and benefits were excessive.

FIT found evidence to support the allegation that remuneration exceeding $100,000 was paid to three executives of Ornge, which was not disclosed and thereby failed to comply with the requirements of the PSSDA.

FIT further found evidence suggesting that remuneration was paid to some of The Conglomerate employees when:

- No services appear to have been performed or
- The services were performed but had no relation to the delivery of emergency transportation services in Ontario.

ANALYSIS

A review of the books and records of The Conglomerate for the years 2007 through 2011 included general journals, bank accounts, payroll records, annual T4s, contracts and invoices.

This review revealed that payments were made to ninety-one (91) executives comprised of Chief Executives (CEO, COO, and CAO), Vice Presidents, Directors, Senior Managers and members of the Boards of Directors.

The executives’ remuneration grew approximately 300% from 2007 to 2011 as noted below.

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5,248,239.61</td>
<td>$7,851,631.97</td>
<td>$10,060,341.62</td>
<td>$13,972,316.17</td>
<td>$15,651,880.88</td>
</tr>
<tr>
<td>%</td>
<td>10%</td>
<td>15%</td>
<td>19%</td>
<td>26%</td>
<td>30%</td>
</tr>
</tbody>
</table>
The total executive remuneration from 2007 to 2011 was made up as follows:

<table>
<thead>
<tr>
<th></th>
<th>SALARY</th>
<th>BONUS</th>
<th>FEES</th>
<th>LOANS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>$28,050,499.03</td>
<td>$9,303,376.85</td>
<td>$14,140,540.31</td>
<td>$1,290,000.00</td>
<td>$52,784,416.19</td>
</tr>
<tr>
<td>Percentage</td>
<td>53%</td>
<td>18%</td>
<td>27%</td>
<td>2%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Fees are comprised of Board Member payments, medical stipends and payments to executive management consultants.
The total monies received by MAZZA for the period from 2007 to 2011 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>SALARY</th>
<th>BONUS</th>
<th>FEES</th>
<th>LOANS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>541,640.95</td>
<td>1,050,620.51</td>
<td>279,583.26</td>
<td>700,000.00</td>
<td>2,571,844.72</td>
</tr>
<tr>
<td>2010</td>
<td>614,720.14</td>
<td>525,590.98</td>
<td>311,389.50</td>
<td>500,000.00</td>
<td>1,951,700.62</td>
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<tr>
<td>2009</td>
<td>419,212.93</td>
<td>485,378.73</td>
<td>308,737.66</td>
<td></td>
<td>1,213,329.32</td>
</tr>
<tr>
<td>2008</td>
<td>368,557.78</td>
<td>275,206.83</td>
<td>310,040.05</td>
<td></td>
<td>953,804.66</td>
</tr>
<tr>
<td>2007</td>
<td>358,924.90</td>
<td>245,695.54</td>
<td>319,208.06</td>
<td></td>
<td>923,953.50</td>
</tr>
<tr>
<td></td>
<td>$2,303,056.70</td>
<td>$2,582,492.59</td>
<td>$1,529,083.53</td>
<td>$1,200,000.00</td>
<td>$7,614,632.82</td>
</tr>
</tbody>
</table>

30% 34% 20% 16% 100%

Board of Directors were paid amounts totalling $1,977,401 as noted in the following charts below.
<table>
<thead>
<tr>
<th>Board Members</th>
<th>Global GP</th>
<th>Ornge</th>
<th>Peel</th>
<th>Orngeco</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rainer Beltzner</td>
<td>144,600.00</td>
<td>13,642.00</td>
<td>74,515.00</td>
<td>0.00</td>
<td>232,757.00</td>
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<tr>
<td>Bethann Colle</td>
<td>0.00</td>
<td>86.00</td>
<td>21,187.00</td>
<td>0.00</td>
<td>21,273.00</td>
</tr>
<tr>
<td>Lorne Crawford</td>
<td>0.00</td>
<td>7,651.00</td>
<td>24,860.00</td>
<td>0.00</td>
<td>32,511.00</td>
</tr>
<tr>
<td>Aristides Kaplanis</td>
<td>66,600.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>66,600.00</td>
</tr>
<tr>
<td>Dr. Robert Lester</td>
<td>0.00</td>
<td>240.00</td>
<td>0.00</td>
<td>21,187.00</td>
<td>21,427.00</td>
</tr>
<tr>
<td>Donald Lowe</td>
<td>49,600.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>49,600.00</td>
</tr>
<tr>
<td>Kelly Mitchell</td>
<td>27,313.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>27,313.00</td>
</tr>
<tr>
<td>Barry Pickford</td>
<td>46,330.00</td>
<td>8,670.00</td>
<td>38,268.00</td>
<td>0.00</td>
<td>94,268.00</td>
</tr>
<tr>
<td>John Scott</td>
<td>32,750.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>32,750.00</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>367,193.00</td>
<td>30,289.00</td>
<td>159,830.00</td>
<td>21,187.00</td>
<td>578,499.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Board Members</th>
<th>Global GP</th>
<th>Ornge</th>
<th>Peel</th>
<th>Orngeco</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rainer Beltzner</td>
<td>0.00</td>
<td>8,542.00</td>
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| **TOTAL** | 367,193.00 | 181,292.00 | 1,206,916.00 | 222,000.00 | 1,977,401.00 |
A review of the job descriptions and contracts also revealed that several of these executives performed services that appeared to have little to do with the delivery of medical transportation services in Ontario.

As noted in Ornge’s 2008-2009 annual report, which states:

- An important part of Ornge's growth strategy is creating new initiatives that will in turn create new revenue streams. One of these is offering the organization’s world-calibre expertise in transport medicine to other jurisdictions and organizations.

The 2011 performance targets for MAZZA showed that 35% (*see bullets 5 and 6 below) of his $1,871,844 remuneration ($655,145) related to other projects not related to the delivery of Performance Agreement services in Ontario as follows (target totals 100%):

- Ensure transition of Rotor Fleet [15%]
- Ensure delivery of Ontario Rotor service delivery model [15%]
- Ensure transition of fixed wing program [5%]
- Demonstrate generation of revenue & improvement of service delivery [15%]
- Search of equity investor in Ornge worldwide [25%]*
- Superbase strategy implementation [10%]*
- Execution of the Foundation Strategy [5%]
- Develop and enhance relationship development [2%]
- Leadership Skills [4%]
- Develop and maintain a strong team dynamic in the VP group [2%]
- Develop and maintain effective education and relationship with BOD [2%]

The 2009 and 2010 performance reviews include similar duties for projects not related to the delivery of Performance Agreement services in Ontario:

- 2010 Develop Ornge International business plan [15%]
  Strategy of Ornge family of companies [5%]
  Superbase strategy implementation [10%]
  35% of $1,451,700 remuneration = $435,510
- 2009 Five year business plan for Ornge International [10%]
  Develop external relationships for Ornge International [8%]
  18% of $1,213,329 remuneration = $218,400

The Master Management Agreement between Ornge and OGGP dated June 1, 2011 contains a Current Annual Action Plan in Schedule B. That plan contains the performance targets for the 2010/11 fiscal year that are nearly identical to the 2011 annual performance targets for MAZZA. The Action Plan omits the following targets and adjusts the percentages of the remaining targets:

- Demonstrate generation of revenue & improvement of service delivery
- Search of equity investor in Ornge worldwide
For the period from 2007 to 2011, the total remuneration for MAZZA including loans was $7,614,632.82. In September 2010, MAZZA corresponded directly with Brad KELLY, an executive compensation consultant, copied Luis NAVAS on the email, and advised what he would like his own salary to be. Brad KELLY replied, “this is not a problem”.

In an internal report dated August 3, 2010, it was noted that Kelly LONG and Luis NAVAS had their time during 2010 apportioned to projects outside of Ontario. Those projects included:

- Kelly LONG (Manitoba [25%], Hong Kong [25%], Kazakhstan [50%])
- Luis NAVAS (Miami [75%], Quebec [25%])

The following executives were enrolled in university degree programs that were fully paid by The Conglomerate. While still getting their full salary, time off for study and classes were granted for the following executives:

- Maria RENZELLA – Executive MBA (20% during 2008 and 2009)
- Patricia DIBONA – BA (Full time during 2009, 2010, 2011)
- Kelly LONG – Executive MBA (Full time during 2009, 2010, 2011)

Paul CARTER (VP Marketing) has been involved in a lawsuit with Ornge for unlawful dismissal. He was recruited by Ornge in 2010. He was assigned to Ornge Global GP allegedly without his knowledge or consent. CARTER objected to the assignment. He was terminated reportedly due to performance issues.

Information discovered from job descriptions, annual performance reviews and HR files of the following executives indicate little involvement in the delivery of medical transportation services in Ontario:

<table>
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<tr>
<th>Name / Title</th>
<th>Remuneration</th>
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<tr>
<td>Tom ROTHFELS, COO Ornge International</td>
<td>(2007 – 2011) $1,362,284.03</td>
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<td>John MACKENZIE, COO Ornge International</td>
<td>(2007 – 2011) $1,256,676.63</td>
</tr>
<tr>
<td>Philip GILES, VP Product Development</td>
<td>(2007 – 2011) $737,360.15</td>
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<tr>
<td>Kelly LONG, Associate VP Marketing</td>
<td>(2007 – 2011) $395,939.82</td>
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<tr>
<td>Brittany DECKER, JSmarts Director</td>
<td>(2007 – 2011) $347,643.41</td>
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<td>(2007 – 2011) $400,283.76</td>
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<td>Maria RENZELLA</td>
<td>(20% of 2008/2009) $130,352.55</td>
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<tr>
<td>Patricia DIBONA</td>
<td>(Aug2009 - 2011) $176,992.99</td>
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<td>Dr Christopher MAZZA... ($655,145 [2011]+ 435,510 [2010] + 218,400 [2009])</td>
<td>$1,309,055.00</td>
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<tr>
<td>Paul CARTER, VP Marketing</td>
<td>(2010 – 2011) $136,200.23</td>
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<td>Greg MIZIOLEK, VP Sales</td>
<td>(2010 – 2011) $66,131.66</td>
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<td>Modya SILVER, VP Marketing</td>
<td>(2010 – 2011) $147,129.22</td>
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<tr>
<td>John SIMMONS, VP Marketing</td>
<td>(2011) $145,961.24</td>
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</table>
• Julius UECKERMANN, VP Marketing ....................................... (2011) ... $226,762.60
• Michael SHERMAN, Director Corp Development .......... (2010 – 2011) ... $306,313.63
• Luis NAVAS, COO Ornge Global ..................................... (2010) ... $831,536.99
TOTAL ................................................................................... $8,665,757.86

This amounts to 16% of the total remuneration paid to The Conglomerate executives during the period 2007 through 2011.

In Ornge’s 2008 Public Sector Salary Disclosure, some executive management salaries in excess of $100,000 (that had been previously reported in 2006 and 2007) were not provided.

The PSSDA applies only to Ornge, the entity that directly receives government funding. PSSDA does not apply to the rest of The Conglomerate; therefore the salaries of individuals employed by those affiliated entities are not subject to the public disclosure requirements.

Various executive managers are paid through several of the twenty (20) Ornge affiliated companies and billed back to Ornge through management agreements. These management fees are also not subject to the requirements of the PSSDA.

During the year 2011, the remuneration for 135 employees was disclosed by virtue of the PSSDA amounting to $16,438,371.35. Fifty (50) further Executives not reported for the PSSDA were paid through The Conglomerate totalling $11,802,561.95.

The following executives received their remuneration from Ornge, but were not reported for the PSSDA:
  • Stephen CROWN, Manager North Operations .................. $117,115.28
  • Paul RICHARD, Manager North Operations ................. $100,132.06
  • Gordon GLIBBERY, Manager South Operations ............ $101,772.80

Ornge indirectly paid MAZZA $1,529,077.59 in medical stipends during the period 2007 through 2011. These stipends were paid to Dr. MAZZA Professional Medical Corporation by virtue of a contract and were therefore included on his annual T4.

Dr. MAZZA Professional Medical Corporation was paid $25,416.00 every month from January 2006 through December 2011.

The only client of Dr. MAZZA Professional Medical Corporation was Ornge. For payroll and salary determinations, this may be deemed to be a Personal Services corporation which invalidates the corporate structure for the purposes of the Health Service Tax source deductions.

These stipends may also be deemed to be salary as opposed to contract payments. This would mean the Province of Ontario did not receive Employer Health Tax source deductions that would normally be remitted if it was paid through payroll.
Furthermore, this remuneration of at least $300,000 would have exceeded the threshold for PSSDA salary disclosure.

The minutes to the June 16, 2011 Board Operations meeting stated that MAZZA resigned as the Medical Director, however full payment for his medical stipends continued to be paid to him.

Further correspondence from BELTZNER stated that:
- The annual renewal of the Medical services agreement for MAZZA appears to have been done without any review or approval;
- It further appears that medical stipend payments were made to his company without any supporting invoices or support for the work contemplated under the agreement;
- MAZZA attempted in 2011 to reframe, redraft, and renew the agreement to some ex-officio role in order to continue to receive these payments;
- Dr. Thomas E. Stewart (STEWART) also received medical stipend payments wherein no supporting invoices or support for his work appeared to exist.

MAZZA’s stipend payments were terminated by BELTZNER in December 2011. Due to these questionable payments, medical stipends were also reviewed for thirteen (13) other doctors in the Conglomerate. Documentation such as signed annual contracts, annual performance reviews, patch sheets, clinical mentor shift totals, field evaluations, training courses and an annual activity reports were reviewed. This documentation was found for all of these doctors, but MAZZA and STEWART.

Ornge indirectly paid STEWART $6,250.00 per month in medical stipends during the period 2007 through 2011. These stipends were paid to Dr Thomas E Stewart Medicine Professional Corporation by virtue of a contract and were therefore not included on a T4 to him. That contract contained an automatic renewal clause to be supported by regular activity schedules. This renewal clause was not found in any of the other doctor's contracts.

Email correspondence was discovered indicating that:
- STEWART performed some service to the Conglomerate in 2007 and 2008.
- No annual contract had been signed for the period 2009 to 2011.
- No transport medical services had been provided for the period 2009 to 2011.
- No budget had been allocated for this expense for the period 2009 to 2011.
- $218,750.00 in stipends was paid for the period 2009 to 2011.

This email correspondence included Rainer Beltzner, Dr Bruce Sawadsky, Dr Joanne Oake-Vecchiato, Tom Lepine, and Julia Raudanskis and Bruce Tavendar.

MAZZA issued an email to Tom Lepine on December 1, 2009 in response to a question as to why Dr Stewart should continue to be paid. The email from MAZZA stated solely "Keep him. Politically Advantageous."

STEWART's resignation was formally received in writing by Tom Lepine on January 16, 2012.
**ISSUE 12: Potential Conflicts of Interest and Other Expenses**

It was alleged that certain other cash disbursements paid through MOHLTC funding were inappropriate with respect to the terms of the Performance Agreement.

During the course of investigating this issue, FIT also found other issues, such as potential conflict of interest, that may be in contravention with The Conglomerate’s policies and/or by-laws. Findings of this nature are included in this section.

**CONCLUSION**

A number of expenditures appeared inconsistent with the requirements of the Performance Agreement.

Additionally, there appeared to be instances of potential conflict of interest, lack of independence, lack of clear and transparent procurement and recruitment practices that, in some cases, were in contravention with The Conglomerate’s own policies and/or by-laws.

**ANALYSIS**

**Expenses**

The Performance Agreement states that the purpose of government funding is for Ornge to provide “Communication Services, Base Hospital Services, Air Ambulance Services, Helipad Maintenance Services, Organ Recovery Services, PTAC Services and other Aeromedical Services and such other services as may be agreed to in writing by the parties from time to time.” FIT was unable to locate written approval from the Ministry approving the following expenses that appear to be inconsistent with the Performance Agreement.

(a) Personal Loans

Between July 2010 and July 2011, Chris MAZZA received $1,200,000 in personal loans. All three loans were approved by Ranier BELTZNER.

1. **July 2010 - $500,000.** FIT could not find any documented evidence to substantiate that the board approved the loan by majority vote as required by Corporate By-Law. There were no minutes or resolutions in the corporate minute books regarding this loan.

   The loan agreements (documents) were signed by BELZNER and Maria RENZELLA per the Ornge Global Corporate Services Inc. (Ornge Peel) board resolutions, by-laws and signing authority matrix. The loan was not disclosed in the Consolidated Financial Statements. The funds in the Ornge Global Corporate Services Inc. bank account at the time of the loan payment to MAZZA were from a transfer from Ornge.
The terms of the Loan Agreement was interest-only payments (1%) with principal balance due in five (5) years and option to extend for another five (5) years. It appears that MAZZA stopped making the interest payments in 2012. FIT could not find any evidence of payments towards the principal.

2. **March 2011 - $250,000.** FIT could not find any documented evidence to substantiate that the Ornge Global Holdings GP board formally approved the loan by majority vote as required by Corporate By-Law.

The purpose of this loan was an advance on a bonus that in fact never materialized. There was no documented loan agreement on file for repayment of the loan. The Conglomerate accrued interest at 1% in SAP; however, FIT did not find any evidence of any payments made, posted or deposited.

FIT also noted several inconsistencies in the Ornge Global GP corporate minute books that questioned the veracity of the approvals related to this loan. Specifically:

1. The March 1, 2011 minutes **unanimously** approving the loan were: (a) documented as “DRAFT”, (b) unsigned, and (c) not added to the minute books until February 8, 2012.

2. A March 3, 2011 email chain between Lynne TAYLOR, Corporate Secretary, Maria RENZELLA, Cynthia HEINZ and Rainier BELTZNER stated that the board **had not** approved the resolutions and discussed approval requirements for disbursement of funds. Ranier BELTZNER authorized the payment without majority board approval, stating that formal approval would be approved at the next meeting.

3. On March 28, 2011 Maria RENZELLA sent an email to Lynne TAYLOR and Jean HULL, HR Executive Secretary, advising that Ranier BELTZNER had approved the loan (as an advance against a special bonus) and requested them to prepare the appropriate paperwork for Ranier BELZNER’s signature. FIT could not find evidence of any such documentation, only an unsigned memo dated March 1, 2011 from Maria RENZELLA stating that the board approved the loan and it would be approved at the next board meeting.

4. The next documented meeting was on June 14, 2011. The minutes were: (a) documented as “DRAFT”, and (b) unsigned. They did not mention the minutes of the March 1, 2011 meeting. Minutes from January 27, 2011 and March 4, 2011 were documented as having been “verified” by the board; however, no minutes from a March 4, 2011 meeting could be located and the March 1, 2011 minutes remained in draft and unsigned format.
3. **July 2011 - $450,000.** FIT could not find any documented evidence to substantiate that the Ornge Global Holdings GP board formally approved the loan by majority vote as required by Corporate By-Law.

This loan was documented along with the $250,000 loan as listed in the section above. As observed in that section, FIT noted several inconsistencies in the Ornge Global GP corporate minute books that questioned the veracity of the approvals related to this loan. Specifically:

1. The March 1, 2011 minutes *unanimously* approving the loan were: (a) documented as “DRAFT”, (b) unsigned, and (c) not added to the minute books until February 8, 2012.

2. The next documented meeting was on June 14, 2011. The minutes were: (a) documented as “DRAFT”, and (b) unsigned. They did not mention the minutes of the March 1, 2011 meeting. Minutes from January 27, 2011 and March 4, 2011 were documented as having been “verified” by the board; however, no minutes from a March 4, 2011 meeting could be located and the March 1, 2011 minutes remained in draft and unsigned format.

3. There was an undated resolution “out for signature” on July 27, 2011 that was never signed – authorizing Ornge Global GP Inc. to enter into, execute and deliver the Loan Agreement, a Securities Pledge Agreement (Ornge Global Management Inc. shares) and Assignment of Life Insurance.

There were also some inconsistencies with the loan documents themselves:

1. The Assignment of Life Insurance as collateral for the loan was dated July 15, 2011; however it was not approved by Sun Life Assurance Company of Canada until December 20, 2011.

2. The funds were deposited into Chris MAZZA’s bank account on July 29, 2011.

3. The loan agreement signed by Ranier BELTZNER and Aris KAPLANIS on behalf of Ornge Global GP was not dated; however, the Promissory Note attached to the agreement was dated August 1, 2011.

The terms of the Loan Agreement was interest-only payments (1%) due quarterly, with principal balance due in 5 years with option to extend for another 5 years. It appears that Chris MAZZA stopped making the interest payments in 2012. FIT could not find any evidence of payments towards the principal.

Cynthia HEINZ received a $90,000 personal loan on October 25, 2011. The loan was approved by MAZZA and Rhoda BEECHER. The first scheduled principal and interest payment, due December 24, 2011 per the Promissory Note, was received on time.
(b) Related Party Loans

During the course of the investigation, it came to FIT’s attention that there were some inter-entity loans and credit facilities between Ornge and The Conglomerate.

Ornge provided a start-up loan of up to $350,000 to J Smarts, secured by $68,000 in assets that previously belonged to Ornge.

- The loan was extended in June 2007. In February 2007, Faskens advised Ornge in another instance of a proposed start-up loan that it would be desirable to obtain government approval for such a loan. The loan documentation on file did not include government approval.

- The loan was provided by way of periodic cash transfers and operating expenses paid by Ornge (similar to a line of credit).

- J Smarts did not use the entire $350,000 available to them. The cash transfers and expenses totalled $244,065.

- The loan was repaid with interest by March 2011.

Ornge leveraged its reputation with TD Bank and the pending Agusta Marketing Agreement to obtain an unsecured line of credit up to $750,000 to cover for-profit entity expenses.

- An initial Promissory Note of $500,000 between TD Bank and Ornge Peel was dated November 18, 2010. Another Promissory Note extending the credit to $750,000 was dated January 17, 2011. Both notes were signed by MAZZA and RENZELLA.

- FIT was advised that there was a dedicated bank account established for the specific purpose of drawing against the line of credit and making repayments. It was observed, however, that the account was not dedicated to the line of credit and repayments. Rather, it comprised various transfers and transactions to and from the various companies of The Conglomerate.

- The final and largest repayment (approximately $592,720) appeared to have come from the proceeds of the sale and leaseback and not the Agusta Marketing Agreement.
  - March 9, 2011 - $592,720 was transferred from Ornge Global Real Estate to Ornge Global Holdings LP and then to Ornge Peel.
  - March 9, 2011 – Ornge Global Holdings LP entered an $8 million credit facility from Ornge Global Real Estate (see Sale and Leaseback).
  - March 9, 2011 – The overdraft on this bank account was cleared and there were no further transactions.
Ornge developed an Agreement to offer various credit facilities to Ornge Peel for amounts up to $950,000.

- The Master Agreement was executed by MAZZA for both parties.
- FIT found that only one agreement in the amount of $550,000 was executed on July 5, 2010. FIT could not find evidence of lump-sum funds in this amount flowing between Ornge and Ornge Peel on or around this date. The volume of inter-company transfers and the line-of-credit style financing made it difficult to ascertain if there was a loan and repayments. Bruce TAVENDER advised that he thought this line of credit with Ornge was abandoned in favour of the line of credit with TD Bank (as noted above) in November 2010.

Note: The above-noted loan and credit facility agreements were ones that were observed during the course of the investigation and may not be encompassing of all loans and credit facilities between the various entities of the Conglomerate. Inter-entity transfers were multitude (See Cash Flow Overview) whether or not there were formally documented loan and/or credit facility agreements.

(c) Legal Fees

Of the legal fees FIT could identify, The Conglomerate paid over $12 million to various law firms between 2006 and 2011. Approximately 80% of legal fees ($9.8 million) were paid to one firm (Fasken Martineau LLP) and about 53% of all fees ($6.5 million) were paid from Ornge bank accounts.

<table>
<thead>
<tr>
<th>Legal Fees by Fiscal Year (in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 0.073</td>
</tr>
</tbody>
</table>

*January 1-March 31, 2006
** March 1-December 31, 2011

The billing descriptions indicate that some expenses appeared to be for issues not related to the provision of Ontario ambulance service. Due to the complex accounting structure and generic nature of professional services billings, FIT did not have access to sufficient information to calculate the total amount of legal fees that could be questioned.

(d) Expense Reports

FIT conducted a review of available expense reports and corporate credit cards of Chris MAZZA and Maria RENZELLA. During the course of other investigative procedures, FIT also observed various expense reports and payments to some of
The Conglomerate’s executives, employees and contractors including Kelly LONG, Luis NAVAS, Tom ROTHFELS, Paul CARTER, and John MACKENZIE⁶.

FIT did not observe any indicators of false or fraudulent claims or claims for personal use. Specifically, in the case of MAZZA, FIT observed repayment of personal expenses paid on corporate credit cards by way of personal cheque or reduction of medical stipends owning.

FIT observed that MAZZA and other Conglomerate executives, contractors and employees incurred expenses related to travel and activities outside of Ontario operations. These included:

- Travel overseas: Cuba, Brazil, France, Italy, Germany, Columbia, Middle East
- Travel to USA: Ft. Lauderdale, Miami, Nashville, Cleveland, New York, Portland, Philadelphia, Alabama

For activities such as:
- new business development
- meetings with potential investors in Ornge’s non-Ontario operations
- meetings with US airlines and air carriers (potential acquisition and/or investment)

Additionally, FIT observed other potentially extraneous expenses for:
- brand launching
- hosting potential investors or delegates for non-Ontario operations
- moving expenses related to relocating a Conglomerate executive to Florida to pursue international operations (approximately $25,000)
- preparing and delivering presentations related to marketing services outside of Ontario’s emergency air and land ambulance program.

(e) Executive Compensation Consultants

Between January 1, 2006 and December 31, 2011, The Conglomerate paid $1,233,050 for executive compensation consulting. The individuals and organizations paid to conduct these services provided advice to The Conglomerate regarding executive compensation, bonuses and incentives (See Issue 11, Payroll and Remuneration, for details regarding funds paid to executives for salary, bonuses and incentives.)

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⁶ FIT also observed that Contract for Services Agreements for NAVAS, ROTHFELS, CARTER and MACKENZIE included specific deliverables related to non-Ornge activities, including development of international and for-profit ventures even when the Contracts for Services were with Ornge. Also see ISSUE 11: Payroll and Remuneration for a list of employees whose employment contracts and scorecards indicate they were performing duties outside of Ontario’s emergency air and land ambulance program.
In addition to the funds paid for these services, the circumstances surrounding the consultants appear to be fraught with potential conflicts of interest and lack of independence.

- All companies and individuals paid for executive compensation consulting services were linked to Luis NAVAS.
  - 2006-2007 Strategic HR Partners (work performed by NAVAS).
  - 2008-2009 NAVAS paid directly.
  - 2010 – Global Governance Advisors. (A corporate search revealed the company’s director listed as Mary NAVAS at the same home address of NAVAS and the company’s website listed NAVAS as Vice-Chair).
  - 2010-2011 – Cliste (Brad KELLY, president of Cliste is an associate of NAVAS and also a director at Global Governance Advisors)\(^{7}\).
- NAVAS was chair of The Conglomerate’s Executive Compensation Committee while performing the work as consultant.
- The sole sourcing of NAVAS in 2008 for “confidentiality” purposes did not include evidence that his rates were below market as required for sole sourcing of board members for services.

\[\text{Note: The February 1, 2008 memo from Ranier BELTZNER authorizing the sole-sourcing of NAVAS for executive compensation consulting also documented The Conglomerate’s plans for future revenue-generating activities. This memo also states that the board agreed with the Executive Compensation Committee’s recommendation to develop the Long-term Incentive Plan for the CEO and conduct a review of senior management compensation. NAVAS was chair of the Executive Compensation Committee and the amount paid directly to NAVAS after the sole-sourcing arrangement was over $400,000 more than the previous period.}\]

- In July 2009, MAZZA appeared to have initiated a meeting between Brad KELLY, president of Cliste and BELTZNER.
- In March 2010, Cliste was selected as the successful bidder in an RFP process to hire a new executive compensation consultant.
  - Cliste was given an opportunity to submit clarification to their proposal.
  - The weighted evaluation scoring mechanism was changed during the evaluation process. As a result, Cliste’s pre-price evaluation moved them closer to first place.
  - Cliste was selected as the successful proponent after finishing 2\(^{nd}\) in the overall scoring with a price 200% higher than the 1\(^{st}\) place firm.
  - Cliste did not fully complete the Conflict of Interest Declaration form in the RFP package.

\(^{7}\) Several of the staff listed by Cliste on invoices or proposals were also employees of Global Governance Advisors.
In April 2010, NAVAS stepped down from his roles on The Conglomerate’s boards and became a consultant to The Conglomerate and then a full-time contractor in a senior management position.

In August and September 2010, NAVAS approved $17,000 in Global Governance Advisor invoices.

In September 2010, MAZZA corresponded directly with KELLY, copied NAVAS on the email, and advised what he would like his own salary to be. Brad KELLY replied, “this is not a problem”.

In March 2011, MAZZA advised KELLY that NAVAS will oversee the work of Cliste on behalf of The Conglomerate.

In 2011, KELLY also used a Global Governance Advisors email address while conducting business on behalf of Cliste.

(f) Tuition

Between January 2006 and December 2011, The Conglomerate paid $804,710 for academic studies for some of its employees, primarily in the form of Executive MBAs.

<table>
<thead>
<tr>
<th>Organization</th>
<th>Ornge</th>
<th>Ornge Peel</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>York University / Schulich</td>
<td>141,092.30</td>
<td>268.54</td>
<td>$141,360.84</td>
</tr>
<tr>
<td>Richard Ivey School of Business</td>
<td>455,260.00</td>
<td>150,000.00</td>
<td>$605,260.00</td>
</tr>
<tr>
<td>Queen’s University / School of Business</td>
<td>28,089.68</td>
<td></td>
<td>$28,089.68</td>
</tr>
<tr>
<td>Sunnybrook Hospital</td>
<td>30,000.00</td>
<td></td>
<td>$30,000.00</td>
</tr>
<tr>
<td></td>
<td>$654,441.98</td>
<td>$150,268.54</td>
<td>$804,710.52</td>
</tr>
</tbody>
</table>

The Conglomerate has a Leadership Development Tuition Assistance Program for the academic endeavours of its employees. See Issue 11, Payroll and Remuneration, for a listing of executives who have received the benefit of education assistance.

In addition to these costs, Ornge reimbursed Sunnybrook Hospital for the loan they extended to MAZZA for his Executive MBA at Richard Ivey School of Business. Ornge discharged this loan to MAZZA.

In July 2009, Patricia DIBONA, HR Specialist, was granted a 3-year paid leave of absence to attend York University full-time to attain a Bachelor of Arts degree and a promise of full employment. To date, Ornge had paid approximately $18,000 in education costs as well as benefits and an annual salary of approximately $70,000.

FIT also observed that one employee, Ingrid DEVRIES, Director of Education, received her Masters in Education at Queen’s University and left Ornge within five years of completing her education. There was no attempt by Ornge to recover any of her education costs, per the Leadership Development Tuition Assistance Program Agreement that states:
“If the employee ceases to provide service to the organization within a period of up to five years after the completion of their approved studies… the employee understands that all or some of the financial assistance that has been provided … will have to be repaid to Ornge”.

The Tuition Assistance Program Agreement goes on to define “termination of the employment relationship” as:

“…a termination for cause by the employer or a resignation, quit or abandonment of employment by the employee.”

(g) Public Relations and Media

Of the public relations (PR), communications and media expenditures that FIT could identify, The Conglomerate paid $1,372,762 to various companies between 2006 and 2011. Approximately 85% of these expenditures were paid from Ornge bank accounts.

<table>
<thead>
<tr>
<th>Firm</th>
<th>Amount</th>
<th>Type of Firm/Services Provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>Astral Media Radio</td>
<td>13,387.50</td>
<td>Radio/media advertisements</td>
</tr>
<tr>
<td>Blue Moon Production</td>
<td>55,772.90</td>
<td>Video production (Ornge)</td>
</tr>
<tr>
<td>Goldfarb Strategic Marketing</td>
<td>36,160.00</td>
<td>Branding / strategic Marketing</td>
</tr>
<tr>
<td>Hill &amp; Knowlton</td>
<td>128,721.15</td>
<td>Communications, public relations</td>
</tr>
<tr>
<td>Ipsos Reid</td>
<td>122,597.50</td>
<td>Online survey, market research</td>
</tr>
<tr>
<td>Key West Video</td>
<td>60,845.43</td>
<td>Video Production</td>
</tr>
<tr>
<td>Method Branding</td>
<td>75,684.61</td>
<td>Brand development</td>
</tr>
<tr>
<td>MMPR Public Relations /</td>
<td>475,779.42</td>
<td>Communications consulting</td>
</tr>
<tr>
<td>Matteson McCrae Public Relations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pathway Group</td>
<td>346,408.13</td>
<td>Government and public relations</td>
</tr>
<tr>
<td>Pattison Outdoor Advertising</td>
<td>6,215.00</td>
<td>Outdoor advertising</td>
</tr>
<tr>
<td>Sutherland &amp; Associates</td>
<td>28,142.01</td>
<td>Government and public relations</td>
</tr>
<tr>
<td>The Canadian Press</td>
<td>8,633.95</td>
<td>Press releases, press monitoring</td>
</tr>
<tr>
<td>The Toronto Star</td>
<td>301.51</td>
<td>Newspaper</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,358,649.11</strong></td>
<td></td>
</tr>
</tbody>
</table>

From review of the invoices, purchase orders and/or data available in the SAP system, it was not clear how all of the fees paid to PR, communications and media firms (e.g. promotional videos, radio advertising) were applicable to the operation of Ontario’s emergency air and land ambulances. Other expenditures, such as development of business plans and brand architecture for Ornge Peel, Ornge International and Ornge Foundation, could be more clearly linked to operations outside of Ontario’s emergency air and land ambulance services.
Two firms (MMPR Public Relations, Hill & Knowlton), paid approximately $605,000 by The Conglomerate, appear to have been hired and, in one case, paid a retainer, to be available 24/7 for crisis communications, among other deliverables.

Another two firms who specialize in government and public relations (Sutherland & Associates, Pathway Group) were paid approximately $375,000. Their invoices lacked sufficient detail to provide further assessment.

In addition to costs paid to external firms, by 2011 The Conglomerate’s own corporate communications department comprised 13 staff, headed by Jennifer TRACEY, Associate VP Corporate Communications.

(h) Financial Advisory Firm


The purpose of these services was to provide Ornge with an assessment of options and provide recommendations with respect to financing objectives. Also, to provide ongoing advice and support of recommendations previously provided with a focus on special purpose vehicle leasing options, offering memorandum and credit rating.

(i) Donation to the Ornge Foundation
The investigation notes an $8.4 million donation was made by Ornge to Ornge Foundation in 2008. The donation was for a specific purpose, the acquisition of equipment.

An Equipment Lease Agreement was signed in 2008 between Ornge and Ornge Foundation then an amended Agreement was signed in 2011.

A cursory review of the two agreements shows the amended sections to include:
- Section 2.3 (No Liens and Encumbrances), removed in amended 2011 document;
- Section 2.4 (Preferred, Non-Exclusive Use) was replaced in amended 2011 version with section 2.3 (Sublicense) – allowing Ornge to sublicense to other parties and they, in turn, may sublicense;
- Section 6.2 of the amended agreement (Termination) was added, stating when a party to the agreement is in default;
- Section 6.3 of the amended agreement (Mutual Rights of Termination on Default) was added.

Consistent with applicable accounting rules for this type of transaction, the transfer was recorded as a deferred revenue item on the balance sheet. The amount would only be recognized as revenue when the funds were spent.
However, despite the transaction being technically correct, it appears inconsistent with the principle of the delivery of air ambulance services on a cost effective basis. The deferred revenue from this Ornge donation remaining in 2011 was noted to be $3.4 million on the audited financial statements.

(j) Donation to Confederation College

In May 2010, the Ornge Foundation disbursed $250,000 to Ornge (Ornge Foundation board resolution 05-2010-05-20).

At the same time, Ornge donated a $250,000 Deed of Gift to Confederation College in Thunder Bay called “The Ornge-AgustaWestland Endowment Fund for Aboriginal Leaders” (Ornge board resolution 02-2010-05-20).

Potential Conflicts of Interest

Hiring of Hallie MCCLELLAND

Rhoda BEECHER’s daughter, Hallie MCCLELLAND, was hired as the London Base Operations Manager amidst unusual circumstances.

- July 20, 2010 – MCCLELLAND emailed MAZZA and advised him that she is applying for the job.
- August 20, 2010 – MAZZA appeared to have contacted Sandra BURNSIDE, Director of Operations, and requested that MCCLELLAND have an interview.
- In an unsigned and undated note attached to another “highly recommended” candidate’s interview schedule, it is noted that this candidate should not be called back per “RB/BH” (Rhoda BEECHER / Bryan HUGHES).
- October 26, 2010 – MCCLELLAND emailed MAZZA and asked for a second chance at the position, after she turned it down; stating that she believed it was because of MAZZA that she got the interview in the first place. MAZZA advised his secretary that MCCLELLAND could come see him.
- November 6, 2010 – MCCLELLAND signed the job offer letter and Conflict of Interest (COI) declaration; however, she did not check either box indicating whether she did or did not have an actual or perceived conflict of interest.

Note: FIT observed that MCCLELLAND’s experience for this position was significantly different than the other prime candidates in that she did not have the education and experience in paramedics, or nursing, or operations management. MCCLELLAND’s background was in fundraising and gift planning.

- September 4, 2011 – MCCLELLAND was promoted to Director of Ornge Foundation, the sole candidate on an internal competition, earning $35,000 more per year than her previous position and she became eligible for performance bonuses.
Hiring of Carrie Ann BRUNET

Carrie Ann BRUNET is the daughter of Ranier BELTZNER. BRUNET appears to have been hired without competition and upon personal recommendation as daughter of BELTZNER (according to Jean HULL, HR Executive Assistant).

BRUNET’s personnel file indicates that she was promoted twice and seconded once - without competition - since the start of her employment at Ornge in July 2008. Her salary increased almost $25,000 and she became eligible for performance bonuses.

Hiring of Kathy SMITH

In July 2009, MAZZA appears to have influenced the outcome of an Ornge job competition in Ottawa.

- July 27, 2009 – MAZZA received an email from an associate, George SMITHERMAN, who wanted to put in a “good word” for candidate Kathy SMITH. MAZZA replied that his good word was “golden” and would advise human resources.

- July 27, 2009 – Rhoda BEECHER emailed Bryan HUGHES and advised him that MAZZA contacted her with a recommendation from SMITHERMAN regarding candidate SMITH.

- July 28, 2009 – BEECHER emailed MAZZA to advise that the panel interview went well and that he could tell SMITHERMAN that they would be making an employment offer to SMITH later that day.