

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(Toronto Region)**

B E T W E E N:

**HER MAJESTY THE QUEEN**

Respondent

- and -

**THE NATIONAL POST, KENNETH WHYTE  
and  
ANDREW McINTOSH**

Applicants

**CANADIAN BROADCASTING CORPORATION  
and  
BELL GLOBEMEDIA PUBLISHING INC.,  
carrying on business as *THE GLOBE AND MAIL***

Applicant/Interveners

**AFFIDAVIT OF ANDREW McINTOSH**

I, ANDREW McINTOSH, of the City of Ottawa, in the Province of Ontario, MAKE OATH  
AND SAY:

1. I am an investigative political reporter in the National Post Parliamentary Bureau based in Ottawa. I joined the newspaper in August, 1998.
2. For ease of reference, I have organized this affidavit into the following sections:

Personal Background;

Confidential Sources and my Work as an Investigative Journalist;

Confidential Sources and the National Newspaper Awards;

Confidential Sources and the Pulitzer Prize;

National Post and The Controversies in St. Maurice;

Confidential Sources X and Y;

The Grand-Mere Inn Story: The Continuing Investigation;

Confidential Source X and the Leaked Document;

The Political Reforms Triggered by the Story of the Grand-Mere Inn;

The Frailties of the Police Investigation and Alternative Sources of the Information.

### **Personal Background**

3. I am an investigative journalist employed full-time by the National Post. I work out of the Post's Ottawa Bureau. I have been so employed since just before the paper began publication in October 1998.

4. I have been a journalist working for daily newspapers since 1984, including positions at The Gazette in Montreal, The Ottawa Citizen and a prior stint as a parliamentary correspondent for The Globe and Mail. During my career, I have also written for magazines and helped research investigative television reports for shows broadcast on the French-language TVA network and Société Radio Canada.

5. I studied journalism and community and public affairs at Concordia University in Montreal and graduated with a Bachelor of Arts degree.

6. Over the years, investigative stories I have written have won three National Newspaper Awards (NNAs), the highest honour in Canadian daily newspaper journalism. In addition, I shared nominations for two other NNAs. I have also won back to back Story of The Year awards for my investigative journalism from the Canadian Association of Journalists and been nominated for two others. Lastly, I have shared two Prix Judith Jasmin prizes in Quebec, recognizing the best investigative reports broadcast or printed in Quebec media. My investigative reporting has also earned me special recognition from Homemaker's Magazine, which named me among the sixty Canadian men that they admired because of their professional accomplishments in 2002.

7. Since 1990, I have lectured to hundreds of novice and experienced print and broadcast journalists from across Canada on the use of investigative reporting methods and the use of the municipal, provincial and federal access to Information laws. I have taught journalists during seminars at professional development conferences in Quebec and Ontario as well as in Western and Atlantic Canada. I have given workshops at the annual conventions of the Canadian Association of Journalists and the Federation Professionnelle des Journalistes du Quebec.

8. I have also provided private training seminars to journalists at CBC TV and radio in English and French, as well as to the French language TVA network, and weekly newspaper

journalists in Quebec and Atlantic Canada. I was also a sessional lecturer in the graduate journalism program of Carleton University in Ottawa in 2001 and 2002, teaching students a 15 week course on investigative research and reporting methods as part of their requirements to complete a Masters' degree in journalism.

9. Earlier this year, I was invited to give a seminar on investigative methods to police officers and recruits attending the RCMP-affiliated Canadian Police College near Ottawa. I declined the invitation due to my concerns about the appearance of a conflict of interest because I often write about RCMP investigations across Canada and about allegations of wrongdoing by RCMP officers and civilian employees.

10. Attached hereto and marked as Exhibit 1 to this my affidavit is a true copy of my *curriculum vitae*.

11. In discussions with Ken Whyte before I was hired at the National Post, he made it clear that his newspaper was to be a "reporter-driven newspaper" like The Washington Post. That is, the Post was to be a reporters' newspaper where editors see their role as providing the tools and resources that their reporters need to do their jobs in the best way possible, giving support, guidance, and editing whenever needed. I understood that I was being hired because of my track record in pursuing noteworthy and successful investigations that had subsequently triggered national political debate and discussion. I also understood that he trusted my ethics and good judgement.

12. As an investigative reporter, I enjoy more freedom in the newsroom than do regular general assignment reporters, in that I can develop my own story ideas and pursue them, sometimes without prior consultation or at other times after they are reviewed and approved in consultation with editors. This gives me a great deal of autonomy from a journalistic perspective and greater responsibility for the allocation of my time. My situation is typical of that enjoyed by most senior investigative reporters across Canada.

### **Confidential Sources and My Work as an Investigative Journalist**

13. As an investigative reporter, I constantly gather information from all kinds of sources and people, and it is collected under various circumstances and different conditions.

14. My ability to promise confidentiality to some sources is one of the most important tools at my disposal, without which I would be unable to gather the information necessary to do my work as an investigative journalist.

15. Confidential sources have been instrumental in helping me and other investigative journalists in Canada and other democratic countries with a free press to undertake and produce ground-breaking investigative work that exposes immoral and criminal wrongdoing, abuses of power and other misdeeds that powerful people and institutions often would rather keep hidden from the citizenry. Frequently, such stories trigger important reforms that benefit all members of society.

16. In the course of several investigations over the years, I have been provided with information and/or documents by politicians, including Members of Parliament, members of provincial legislative assemblies, and municipal governments. I have also been provided with information and/or documents by police officers, including members of the RCMP and other law enforcement agencies, Crown Attorneys, investigators of several provincial securities commissions, public servants and private business executives. In all of these cases, the information and/or documents were provided on the condition that the identity of the source was to remain confidential and secret. I have kept those promises and people in positions of power across Canada have come to trust and respect my professionalism. As a result, I have been entrusted with increasingly sensitive and confidential information that has helped me to conduct investigations that are both more compelling and of greater public interest.

17. During the seminars I have given over the years, I have emphasized to all reporters and editors that they must clarify with their sources, irrespective of who contacted whom first, what is meant by various kinds of requests that a source may make, including a request by a source to go “off-the record” with the journalist. This way, the journalist and the source will avoid any subsequent misunderstanding about the terms under which information is being provided or shared.

18. When a source asks to go “off-the-record,” I seek further clarification from the source as to what they mean by such a request as I consider this term so vague and imprecise it often gives rise to confusion and misunderstandings because different people accord it a different meaning. I will accept non-contentious information from a source on condition that it

is not for attribution to that source by identifiable name in any story published, as long as we can give readers an idea of the general origins of the information, such as saying the information comes from government or industry sources or from a senior federal official.

19. On rare occasions, I will accept information from a source on condition that it is not for publication unless I can get the information confirmed from documents and/or independent sources developed on my own.

20. Lastly, sometimes a source will share either confidential information and/ or documents with me for use in a story on the explicit condition that under no circumstances is their identity as the source of the information or documents ever to be publicly disclosed to anyone, particularly in the event of a legal proceeding, public hearing or official inquiry of any kind that may result from the publication of the subsequent story (hereinafter described as a promise, agreement or undertaking of confidentiality).

21. This undertaking of confidentiality extends to refusing to provide or to surrender to any authorities or government officials copies of documents the source provides, especially documents that are stamped confidential or which are security classified, because officials may use markings or fingerprints or DNA on such documents to identify the source and the source could subsequently suffer reprisals for their actions.

22. To protect a source from being identified, I will on occasion type the text of a confidential document provided by a source into a computer and store the original document in a

secure place outside of my home and the offices of my employer. I will also re-photocopy a sensitive document and remove any identifying markings such as handwritten notes, fax machine numbers, and distribution lists, and keep a working copy while storing the original outside of my home and office. I have used such methods in several other cases over the past decade. I am aware that some investigative reporters, to protect their sources, do on occasion destroy a leaked document after creating a text version but that is not my practice nor is it one that I would want to see encouraged.

23. I do not make promises of confidentiality lightly and make them only as a last resort. When sources fear for their own physical safety or that of their family, or they fear for their present and/or future employment prospects or economic security, and the information they have in their possession is potentially of great public interest, I will provide the undertaking of confidentiality to the source when I have no other way of getting the information from publicly available sources.

24. Discussing and negotiating a promise of confidentiality with a source is a delicate undertaking. Such an agreement is a binding contract and a matter of professional ethics. Before I agree to promise confidentiality, I will typically attempt to test a source to determine their degree of knowledge and access to the kind of information and or documents I need for my investigation. I will also test the source's truthfulness and reliability. This is done during an

interview by asking open-ended questions to which I already know the answers. I may also ask the source about a memorandum or report, the contents of which may be sensitive, which I have obtained and which I know they are familiar with. I then compare the source's answer with confirmed, authentic information. I also use other strategies to test for truthfulness and reliability.

25. Every agreement of confidentiality I reach with a source includes the stipulation that the source must be providing me with information or documents which they believe to be accurate or genuine. During my discussions with a confidential source, I make sure the source and I both understand that the confidentiality agreement will be null and void should I discover that the source has been deliberately providing false or misleading information or documents. The source is also made to understand that they are jointly responsible for being discrete about their relationship with me, lest they suffer harm after disclosing details of the relationship to a third party who then discloses details of our relationship to their superiors or authorities or other professional acquaintances.

26. Sometimes, I discuss confidentiality undertakings with a supervising editor beforehand. Frequently, though, it is impossible for me to discuss such undertakings with an editor in advance simply because of the complex nature of the information gathering process and the unavailability of editors for immediate and urgent consultations. I have express authority from Ken Whyte, the Editor-in-Chief, and Martin Newland, the Deputy Editor, to make an unconditional promise of confidentiality to a source without the need for their prior approval. My promises bind myself, my editors and my newspaper.

27. Potential sources unknown to me on occasion will reach out and contact me to provide information and documents only on condition their identities remain confidential. On other occasions, I will identify a potential source or sources and make one or more attempts to persuade them to assist me with an investigation. I have never offered any source money or material rewards in return for information or the delivery of documents. The arguments I use to persuade potential sources to help are that, a) the eventual publication of a story on the given subject will be in the public interest and b) their involvement as a source will be kept secret and their identity shielded no matter what might happen.

28. During my 18 year career at daily newspapers in Canada , I have often spoken about the importance of confidential sources to the practice of investigative journalism in this country. For example, in his 1996 book entitled *Profession: reporter* about the journalism profession, Quebec radio reporter Claude Morin quotes me on the importance of protecting confidential sources working with journalists so that these people do not suffer immediate or longer term reprisals or other adverse consequences for exposing wrongdoing or other information whose disclosure was in the public interest. Attached hereto and marked as Exhibit 2 to this my affidavit is a true copy of excerpts from this text.

29. It is generally accepted in the world of investigative journalism that a reporter should not publish a story based on information from confidential sources unless at least two credible, independent sources have corroborated the information in question or an authentic document is available to confirm the source's information.

30. Before I present any story originating from information provided by a single confidential source to my editors for consideration for publication, I must first obtain an authentic document to confirm the information or verify and corroborate that information with at least two other credible sources who hold positions in which they are privy to the information. The latter may also be confidential sources and can provide confirmation only as long as they are truly independent of the first source. On occasion, I have required up to five sources for an especially important and sensitive story involving a public figure before I am comfortable offering a story for publication.

31. My editors may or may not know the identities of my individual sources on any particular story I produce for the Post. In general, they operate on a need-to-know basis for the purposes of exercising editorial control and direction. They may enquire, generally, about how specific information found its way into my hands and may enquire if we have documents to support information to be published. They may also ask general questions about my relationship with a source, how long it has lasted, whether the source or sources have track records with either myself or other reporters at the newspaper, or not. They may also ask what I have done to corroborate, using other independent sources, the information we have received from a confidential source, particularly if that is not readily apparent after reading of a draft of a story. After hearing answers, the editors may then decide to publish the story or they may suggest and recommend other avenues of investigation or other source areas that should be pursued to get additional information for the story prior to making a decision about publication.

32. My ability to protect confidential sources is paramount to my ability to do my job. Given the prevailing standards of ethical journalism, if I ever directly or indirectly compromised the identity of a source to whom I had given a promise of secrecy, I would be shunned by my colleagues at the Post and at other news organizations. I would have great difficulty obtaining employment at another news organization because I would be deemed as untrustworthy by newsroom editors and managers. Moreover, my effectiveness as an investigative reporter would be seriously impaired because key sources would no longer trust me to keep their identities confidential, thereby preventing me from getting the sensitive information I need to do my job and reveal matters of public interest that might otherwise remain unknown to the Canadian public.

33. In terms of protecting confidential sources, I generally subscribe to the principles set out in *Questions d'éthique*, a 1991 book on journalistic ethics published by a group of prominent Quebec journalists under the umbrella of the FPJQ, the Quebec Federation of Professional Journalists. Issues surrounding confidential sources are discussed in Chapter 6 of the book. In particular, the principles espoused there underscore the sanctity of promises of confidentiality and the fundamental importance of upholding them, even if information provided by a source turned out to be erroneous, as long as the source provided it in good faith and believed it to be true. Attached hereto and marked as Exhibit 3 to this my affidavit is a true copy of Chapter 6 of this text.

### **Confidential Sources and the National Newspaper Awards**

34. Throughout my career, I have relied on confidential sources who provided sensitive information covering a wide range of issues affecting the well-being of the Canadian body politic.

35. In 2001, I was awarded a National Newspaper Award in the Spot News Reporting category for an investigative report published in 2000 about membership recruitment irregularities in the Canadian Alliance Party leadership campaign of Ontario political strategist Tom Long. Attached hereto and marked as Exhibit 4 to this my affidavit is a true copy of this story.

36. When news broke from the Canadian Alliance party's Calgary headquarters on June 15, 2000, that the party had signed up a stunning 2,822 new members in the Gaspé riding during the party's leadership race - surpassing even Canadian Alliance hotbeds of support in the West - the figures raised eyebrows across Canada. Gaspé had no local Canadian Alliance organization and no members prior to the leadership race.

37. Because senior party officials with the Canadian Alliance were initially tight-lipped and rejected calls for an audit of the Gaspé memberships, I had no information about who was behind the Gaspé membership drive and how they did it. As for Mr. Long, he flatly denied suggestions his organizers had bought memberships in the region to help boost his chances of

winning the leadership. He also told reporters during a campaign stop in Toronto that he “will never apologize for aggressively recruiting new members.”

38. I traveled to the Gaspé to investigate. I reasoned it was either the most successful party membership drive in modern Canadian political history or the most fraudulent one. Either way, it had the makings of important news. I spoke to many local residents during a two day blitz and developed several confidential sources in the region. With the help provided by the confidential sources, I was able to trace the membership recruitment effort to a small home in the lobster fishing village of St. Francois de Pabos owned by Gilles Daraiche, the local 37-year-old mayor. Inside, I found a sister of Mr. Daraiche. Mrs. Daraiche said she and other organizers from her family were all paid, that thousands of Canadian Alliance memberships were bought by the Long campaign and then offered free to the 2,822 Gaspé residents contacted in a primitive telephone soliciting campaign. She also said she would fill out new membership forms each time she called somebody whether they wanted an Alliance membership or not. She admitted that most Gaspé residents knew nothing of the party, Mr. Long or its leadership race and then asked me: "Do you think we did anything wrong?"

39. The irregularities uncovered by the National Post were revealed on Saturday June 17, 2000, on page one with a companion story inside the newspaper. The stories immediately triggered a national public outcry as well as angry calls from inside and outside the party that Mr. Long withdraw from the race. Mr. Long at first dismissed concerns of his rivals as "sour grapes," saying he was proud of the work his team had done. Two days after the Post story, though, Mr. Long's organizers admitted to finding 600 bogus Gaspé Alliance memberships.

40. Canadian Alliance party officials then revised the number to at least 1,146 and took steps to strike the names from Canadian Alliance lists of members eligible to vote. By Wednesday June 21, six days after the story and amid great public consternation, an embarrassed Mr. Long offered a full, public apology for the recruitment fraud and other irregularities, accepting full responsibility for the scandal. He said:

Let me say that I am embarrassed and angry with the recruitment tactics used by my team in Gaspé. This is my campaign and these things were done on my behalf so I accept full responsibility. With all my heart, I do want to say that I regret what has happened here and it is totally unacceptable to me . . . Obviously something has happened here that I don't agree with. I have come here to acknowledge that this is unacceptable behavior. The last thing I wanted to do is do anything that might harm the party.

41. I could not have written this story and exposed the irregularities without confidential sources. As a result of the assistance these sources provided, the Canadian Alliance, the Official Opposition in Canada's Parliament, and its members had a leadership vote free of voting irregularities involving newly recruited members in Quebec.

42. In 1996, prior to joining the Post, I was awarded a National Newspaper Award in the Business Reporting category following the publication of an investigative story in December 1995 about a farewell party for the outgoing chairman of Hydro-Quebec, the provincially-owned utility.

43. At the time, I was a business and investigative reporter at The Gazette, a daily newspaper in Montreal. This story came about as a result of my dealings with a long-time confidential source who is a leading member of Quebec society.

44. The source told me about the exclusive farewell party for Mr. Richard Drouin held in Montreal on condition that I never reveal their identity, the condition under which our discussions have always been held. The source said the party was so lavish that people were still talking about it, especially because Hydro Quebec's profits were down 72% that year and the government, struggling with lower revenues and higher health care costs, was shutting hospitals and cutting welfare payments. The source, who was invited to the party, refused to attend as a matter of personal integrity because they felt the plans for the soiree were far too extravagant.

45. I called a Hydro-Quebec spokesman to ask about the party and they refused to answer my questions about the event, calling it a private function.

46. I then decided as part of my ongoing investigation to file a request under Quebec's Access to Information legislation seeking documents detailing the menu, the guest list, the entertainment and the total cost of the party. The documents I received revealed that the bill for the party exceeded \$141,000.

47. My story was published in The Gazette on Dec.14, 1995. Other newspapers and broadcast media outlets throughout the province and elsewhere picked up the story. Thousands of Quebec taxpayers were outraged, flooding the utility, talk radio shows and their local members of the National Assembly with complaints.

48. The controversy continued for five days until the utility's chairman, Yvon Martineau, and its chief executive, Benoit Michel, issued a statement publicly apologizing to Quebecers for the extravagant expense. They said that while a farewell party was an acceptable activity, the costs of this event were totally "inadmissible" and that Hydro-Quebec senior executives would personally reimburse \$100,000 of the expense. Attached hereto and marked as Exhibit 5 to this my affidavit is a true copy of this story and Hydro-Quebec's public statement.

49. The Gazette was widely praised in Quebec society for having the courage to investigate and expose the costly event, a move which saw taxpayers reimbursed. As well, further events of this type were prohibited by the utility unless participants paid their way. This story could not have been done without the information provided to me by my confidential source. My relationship with this source is an ongoing one.

50. In Canada, confidential sources have in recent years helped investigative reporters across the country produce some of the most distinguished and outstanding journalism published over the years. Some of those journalists have also been the recipients of National

Newspaper Awards for Enterprise Reporting, which recognizes outstanding examples of investigative journalism in Canada.

51. In 2000, for example, William Marsden, an investigative reporter at The Gazette in Montreal, won an NNA for his landmark 1999 story on how Canada's three main tobacco companies - RJR MacDonald, Imperial Tobacco and Rothman's Benson and Hedges - had from 1988 to 1997 aided and abetted massive illegal smuggling of tobacco products into Canada after government tax increases. Attached hereto and marked as Exhibit 6 to this my affidavit is a true copy of this story.

52. In 1999, Peter Cheney, an investigative reporter for The Toronto Star and later The Globe and Mail, won an NNA after using confidential sources to help research and publish a four-part series which exposed how well-connected insiders in Toronto's taxi industry were getting rich at the expense of the working drivers, the public and the city government. His stories highlighted how a corrupt system impoverished drivers and gave Toronto some of the worst cabs in North America. His stories triggered a massive public outcry that subsequently led to the introduction and passage of substantial reforms. Attached hereto and marked as Exhibit 7 to this my affidavit is a true copy of this story.

53. In 1996, Financial Post reporter Philip Mathias won an NNA for his report which revealed that the Canadian Justice department had asked Switzerland for information to support allegations of "criminal activities" allegedly carried out by former prime minister Brian Mulroney in connection with Air Canada's purchase of Airbus jets. His story was based on

secret government documents provided to him by a confidential source. The story triggered an international political controversy which continues to this day. Mr. Mulroney sued the government for defaming him in the documents and won a major out-of-court settlement. Mr. Mathias was prepared to go to jail if asked to identify his source during those proceedings. Attached hereto and marked as Exhibit 8 to this my affidavit is a true copy of this story.

### **Confidential Sources and the Pulitzer Prize**

54. While in Canada outstanding work in investigative journalism is recognized with National Newspaper Awards, newspapers in the United States honor the best and most distinguished investigative journalism by awarding a Pulitzer Prize for investigative reporting.

55. I have, as a matter of personal and professional interest, read the work of the journalists who were awarded the Pulitzer Prize for Investigative Reporting in 1995, 1996, 2000, 2001 and 2002.

56. In 2002, reporters for The Washington Post exposed in a series of heart-breaking stories how neglect by child welfare authorities in the District of Columbia played a role in the death of 229 children, stories which led to an overhaul of the city's child welfare system. It is noteworthy that the reporters' confidential sources included a number of judges. Attached hereto and marked as Exhibit 9 to this my affidavit is a true copy of this story.

57. In 2001, a reporter at The Los Angeles Times exposed how officials at the U.S. Food and Drug Administration had approved seven unsafe prescription drugs that later became a

public health threat, highlighting the systemic problems at the agency that had made it a less effective drug regulator that had approved drugs which harmed the unwitting public. Attached hereto and marked as Exhibit 10 to this my affidavit is a true copy of this story.

58. In 2000, reporters for The Associated Press revealed the decades old secret of how American soldiers killed hundreds of Korean civilians in a massacre early in the Korean war, basing their work on extensive documentation and information gleaned from dozens of former general infantrymen or “GI’s”. Previously closed investigations into the shooting and bombing of those civilians were re-opened using the new evidence. Attached hereto and marked as Exhibit 11 to this my affidavit is a true copy of this story.

59. In 1998, reporters at The Baltimore Sun published a compelling series of reports on the international ship dismantling or “shipbreaking” industry that revealed the dangers posed to workers and the environment when ageing sea-going ships are discarded by government owners and dismantled and sold for scrap metal by unscrupulous companies which exploit their underpaid and ill-informed employees. Attached hereto and marked as Exhibit 12 to this my affidavit is a true copy of this story.

60. In 1996, reporters at The Orange County Register revealed fraudulent and unethical fertility practices at a leading research university hospital in California, prompting key regulatory reforms for the infertility industry. Attached hereto and marked as Exhibit 13 to this my affidavit is a true copy of this story.

61. In 1995, reporters for Newsday, a newspaper published in Long Island, N.Y. revealed systemic abuse and fraud of disability pensions by area police officers and how government officials were unwilling to tackle the problem. Attached hereto and marked as Exhibit 14 to this my affidavit is a true copy of this story.

62. It is clear from my reading of these articles and reports, recognized as distinguished examples of investigative reporting, that the stories could not have been done in such a professional, conscientious manner and would not have triggered important public reforms without the help of several confidential sources.

#### **The National Post and the Controversies in St. Maurice**

63. Shortly after joining the National Post and prior to the date that the newspaper began publication in October 1998, I produced a series of potential story ideas. These ideas were described briefly to the Ken Whyte, the Editor- in Chief, and discussed at a meeting in the Don Mills newsroom in August, 1998.

64. One of those ideas involved a potential story about the Prime Minister's investment in a Quebec golf course, known as the Grand-Mere Golf Club, located in the Prime Minister's St. Maurice riding approximately half-way between Montreal and Quebec City. In what follows, I describe this investigation and the stories that have been published by the National Post. Based upon the information and documents I have gathered, I verily believe that the stories I have written and that have been published by the Post are accurate and true.

65. The idea for the investigation had come from a 1995 business news brief published in the business section of La Presse, a French language daily newspaper in Montreal, which indicated that the Prime Minister had sold his shares in the club to a newly created Delta Golf division of the Delta Hotel chain. I was curious. Why would a large hotel chain like Delta buy a minority interest in an out-of-the-way Quebec golf club? Attached hereto and marked as Exhibit 15 to this my affidavit is a true copy of the article referred to above.

66. My discussion with Mr. Whyte ended with an agreement that I would research the Prime Minister's golf investments for an initial period of a couple of weeks. After that initial investment of time, we would review information gathered and determine whether there was anything either newsworthy or of public interest that surfaced and merited further scrutiny.

67. I began a series of steps as part of the research and fact-finding process, steps I typically perform as part of all journalistic investigations, to gather as much basic information as I could about the Grand-Mere Golf Club and the Prime Minister's investment in the facility.

68. I first gathered second hand pieces of information about the golf club from publicly-available sources, such as the biography of the Prime Minister called *Chretien: The Will to Win*, by journalist and author Lawrence Martin. He reported that Mr. Chretien and two associates paid \$1.25 million to buy the golf course from Consolidated Bathurst in 1988. At the time, Mr. Chretien was on the board of directors of Consolidated Bathurst. Attached hereto and marked as Exhibit 16 to this my affidavit is a true copy of the title page and page 368 of the Chretien biography.

69. I also traced how the business news item came to appear in La Presse, learning that the information was issued in an August 9, 1995, news release prepared on behalf of the Delta hotel chain by Groupe Everest, a Montreal public relations firm that has recently been implicated in a federal sponsorship scandal in Quebec. The release was issued following the publication that same day of a story in the sports section of Le Journal de Montreal by Quebec golf writer Mario Brisebois. The Journal story had said that the Prime Minister had or was about to sell his shares in the golf club to Delta and that Delta intended to build a new luxury resort on site of the golf course. The story was based on confidential sources. Attached hereto and marked as Exhibit 17 to this my affidavit is a true copy of the news release. Attached hereto and marked as Exhibit 18 to this my affidavit is a true copy of the Le Journal article.

70. The Groupe Everest press release quoted a senior Delta executive as saying that the hotel company had paid "a fair market price" for Mr. Chretien's shares in the golf club before he took office as Prime Minister in November 1993 and that Delta was planning a new golf facility management division. It later turned out that Delta was not the purchaser of the shares, it had not paid for the shares and never had a golf division. The man quoted in the news release told me he knew nothing about the deal but urged me to contact Jonas Prince, the Chief Executive Officer and owner of Delta Hotels in 1993.

71. I also gathered any first-hand information and documents I could about the Prime Minister's investment in the golf course. I learned that the Grand-Mere Golf Club was owned by 161341 Canada Inc. I then did a series of federal government and Quebec government

corporation searches to identify the names of the golf club's shareholders and other details about the business. The Quebec corporate records also provided much information about the initial investments of the Prime Minister and his two original partners, made on July 27, 1988. They had each invested \$203,000 and held each held a 33.3% stake in the company. Later, the documents revealed, their stake was diluted to 25% when a fourth partner injected \$250,000 into the golf club in 1991. Attached hereto and marked as Exhibits 19 and 20 to this my affidavit are, respectively, true copies of the federal and provincial corporation records that I obtained.

72. I then searched Quebec Court records for anything about the golf course I could find. I located a file in Quebec Superior Court in Montreal (File No. 500-05-004324-909) involving a claim by 161341 Canada Inc. against Consolidated Bathurst. Upon reading it, I found out about a fire that had occurred in the men's locker room at the golf club and the subsequent discovery of a raw sewage dumping problem which gave rise to the lawsuit. In the court file, I found copies of the Prime Minister's original offer to purchase the golf club in 1988 and a signed settlement agreement, initialed by Mr. Chretien in 1991. Attached hereto and marked as Exhibit 21 to this my affidavit is a copy of the original offer to purchase the golf course and the settlement as initialed by Mr. Chretien.

73. It was then that I discovered that the golf club purchased by Mr. Chretien and his partners also included the assets, goodwill and ongoing business of the Grand-Mere Inn, located adjacent to the golf club, but not the building in which the inn was housed. I then decided to find out whatever I could about the inn.

74. I did title searches on the inn property. I discovered that in April 1993 Mr. Chretien and his partners had sold the business of the inn to Yvon Duhaime, a Shawinigan businessman, but there were no publicly available records describing the agreement of purchase and sale and any of its terms and conditions. Based on my research and documents I obtained, it appears that the inn business was purchased from the Prime Minister and his partners by Mr. Duhaime through 2972-0901 Quebec Inc., a company incorporated by Mr. Duhaime and two partners on February 11, 1993. (Corporate filings disclose that by June 1993 Mr. Duhaime had become the sole shareholder in the company.) Attached hereto and marked collectively as Exhibit 22 to this my affidavit are true copies of the Certificate of Incorporation of 2972-0901 Quebec Inc., its corporate annual return for 1993, the Notice of Dissolution for 2972-0901 Quebec Inc. dated April 24, 1995, and the deed for the inn building.

75. I also learned that Consolidated Bathurst (which by then had become Stone Consolidated) had sold the inn building on December 1, 1994 to Les Entreprises Yvon Duhaime Inc., a federally incorporated company, for \$225,000. When I searched the Quebec land registry office in Shawinigan, I could not find a copy of the deed of sale between Consolidated Bathurst and Les Entreprises Yvon Duhaime Inc. I could only locate an excerpt of a deed of sale. Although I have had many occasions to conduct similar searches, this was the first time a full deed could not be located and only an extract was available. Attached hereto and marked as Exhibit 23 to this my affidavit is a true copy of the excerpt referred to above.

76. I was able to determine that in June 1995, Mr. Duhaime dissolved 2972-0901 Quebec Inc. and folded the assets, goodwill and business of the inn into Les Entreprises Yvon Duhaime Inc. As a result, Mr. Duhaime now owned both the building and the business of the inn. The Notice of Dissolution is included in Exhibit 22 to this my affidavit.

77. My land registry research revealed a mortgage deed showing that the Grand-Mere Inn (Les Entreprises Yvon Duhaime Inc.) had received a \$615,000 loan from the Business Development Bank of Canada in September 1997 and another \$50,000 from a federal government funded regional economic development group. The Business Development Bank of Canada (hereinafter referred to as the BDC) is a Montreal-based federal Crown corporation involved in financing small- and medium- sized businesses across Canada. Its chief executive officer and board of directors are Order-in-Council appointments approved by the Prime Minister. Attached hereto and marked as Exhibit 23 to this my affidavit is a true copy of mortgage deed referred to above.

78. I also did title searches on the golf course property owned by 161341 Canada Inc. and discovered that from 1988 to 1993 the company had taken out loans from the local Caisse Populaire and that there were a series of large property and chattel mortgages for over \$3 million registered on the property, some of which were guaranteed by golf club assets and equipment. This was a huge amount of debt for a golf club with a modest membership in a small, rural town. Attached hereto and marked as Exhibit 24 to this my affidavit are true copies of the title search documents that I received with respect to property owned by 161341 Canada Inc.

79. The land records also showed that on September 25, 1996, \$525,000 worth of undeveloped golf club lands owned by 161341 Canada Inc. had been sold to a numbered company, 3293475 Canada Inc., whose president was a local businessman named Claude Gauthier. I did not completely understand the reasons for the sale at first. This transaction is described in more detail below. Attached hereto and marked as Exhibit 25 to this my affidavit is a true copy of this deed of sale.

80. I then began a series of research interviews with area residents about the golf club and the inn. Among them was a confidential source (who will be referred to herein as Confidential Source #1) who told me that Mr. Duhaime once owned another hotel in Shawinigan, Hotel des Chutes, and that it had burned down in October 1992 in a fire that had been deliberately set. At the time of the fire, Mr. Duhaime owed a large amount of money for taxes and to suppliers. Confidential Source #1 told me that Mr. Duhaime had a reputation for not paying his suppliers and that there were many lawsuits outstanding to prove this. Confidential Source #1 added that this was fairly well known among local residents and could be verified in court records at the Palais de Justice. Quebec Court and land registry records I subsequently obtained confirmed that Mr. Duhaime had racked up substantial debts prior to the burning down of his prior hotel. The records also showed Mr. Duhaime transferred ownership of his home and cottage to his wife and another relative just before the fire and later took them back after he had received his insurance settlement on the fire. Attached hereto and marked as Exhibit 26 to this my affidavit are true copies of land registry records showing these transfers.

81. My search of the Quebec Court criminal database at the Palais de Justice in Shawinigan I identified several files of interest that showed the Mr. Duhaime had a criminal record for repeat drunk driving, assault and uttering death threats. I also checked civil court cases and found that he had a long list of lawsuits filed against him by suppliers and by federal and provincial tax officials. Attached hereto and marked as Exhibit 27 to this my affidavit, are true copies of criminal records I retrieved from my searches at the Palais de Justice in Shawinigan. Attached hereto and marked as Exhibit 28 to this my affidavit are true copies of the civil court records I located.

82. I then interviewed retired Shawinigan police officer Claude Collins, who had conducted the investigation into the hotel fire. He confirmed that the fire was an arson, that Mr. Duhaime had been the prime suspect, but that no charges had been laid. Still, Mr. Collins said to me: "It's rare to have people saved by fire. Usually, people are saved by firefighters." Mr. Collins confirmed that the hotel was heavily indebted at the time of the fire and that Hydro-Quebec had threatened to cut power for unpaid bills.

83. I verbally relayed my findings to my editors along with my opinion that it was worthwhile to continue the investigation. I was authorized to continue the investigation.

84. I filed an Access to Information request with the BDC in Montreal on November 5, 1998. The goal was to learn what I could about the BDC loan to the Grand-Mere Inn and the circumstances under which it was granted. In particular, I was interested in learning how a federal bank had made such a large loan to a man with a criminal record and a history of failing

to pay his income taxes and failing to meeting his other financial obligations. The BDC rejected the request for documents on November 27, 1998, refusing even to confirm or deny that it made a loan to the Grand-Mere Inn. I appealed the BDC decision with the Office of the Information Commissioner of Canada. Attached hereto and marked as Exhibit 29 to this my affidavit is a true copy of rejection letter dated November 27, 1998, from the BDC. Attached hereto and marked as Exhibit 30 to this my affidavit is a true copy of my letter of appeal to the Office of the Information Commissioner.

85. I later learned from two confidential sources that my access request was handled by Jean Carle. Mr. Carle, who at the time was Vice-President of Public Affairs at the BDC, had been the director of operations for the Prime Minister. I was also informed by my sources that Mr. Carle spent a lot of time alone reviewing the loan file before its contents were sent to the Information Commissioner for review by its investigators. While the loan file is several hundred pages thick, Mr. Carle initially sent only ten pages to Carmen Garrett, the Information Commissioner's investigator, in March 1999. After I informed Ms. Garrett that the file must surely contain more than ten pages (the loan deed alone is ten pages long) the rest of the file was eventually forwarded to her by the BDC.

86. I also called the BDC and asked questions about the steps an applicant must undergo to get a loan. I made inquiries of the BDC about its Tourism Investment Fund and obtained a brochure about the fund. I then spoke with Jacques Lemoine, a vice-president in the BDC credit department, who faxed me at my request a blank loan application form. The form specified that applicants with criminal records had to disclose their convictions and file numbers

in the form as part of the loan approval process. Attached hereto and marked as Exhibit 31 to this my affidavit is a true copy of the above noted brochure. Attached hereto and marked as Exhibit 32 to this my affidavit is a true copy of the BDC loan application form I received.

87. As part of my investigation, I decided to contact Mr. Prince, the real estate financier who had allegedly purchased the Prime Minister's shares in the golf course. I wanted to ask him several questions about why Delta would buy the Prime Minister's minority interest in the golf course. I had a brief telephone interview with Mr. Prince on October 21, 1998. In this interview, he stated categorically that the 1993 deal had never been consummated. After this initial interview, he would only answer questions posed to him in writing. He and I then exchanged correspondence about the subject between November 1998 and January 1999. I sent him six letters; he sent me three replies. Attached hereto and marked as Exhibit 33 to this my affidavit is a true copy of the transcript of my telephone interview with Mr. Prince. Attached hereto and marked collectively as Exhibit 34 to this my affidavit is a true copy of the aforementioned letters.

88. At the invitation of the Prime Minister's Office, I also interviewed Howard Wilson, the Ethics Counsellor, about the Prime Minister's investments. I also interviewed Peter Donolo, then the Prime Minister's Director of Communications, and Debbie Weinstein, an Ottawa lawyer acting as the Prime Minister's trustee and representative in the matter of the golf club shares.

89. My first stories about the Prime Minister's investment in the Grand-Mere Golf Club and the Grand-Mere Inn appeared in the National Post on Saturday January 23, 1999, and Monday January 25, 1999. The first explored the troubled history of the Prime Minister's golf club investment and his aborted share sale from 1993, revealing that almost six years after Mr. Chretien reportedly sold his shares, he had still not been paid for them and who owned them was a subject of an ongoing dispute. None of this had been publicly disclosed by the Prime Minister, even though he had been in power for almost six years and had won two elections. Attached hereto and marked as Exhibit 35 to this my affidavit is a true copy of the story I refer to above.

90. The second story reported how Mr. Duhaime, despite having a criminal record and other troubles with the law, had received \$665,000 in federal loans from the BDC and from Groupe Forces, another federal government funded development agency, after buying the money-losing Grand-Mere Inn from the Prime Minister and his business partners in 1993. The Prime Minister's Office denied any involvement in the awarding of the grants and loans to the inn. (As described below, the Prime Minister later admitted that he had intervened.) Attached hereto and marked as Exhibit 36 to this may affidavit is a true copy of this story.

91. As a result of the publication of these two stories, I was contacted by people who became confidential sources and I received other follow up tips of related information which ultimately furthered the story about the inn and golf club, as well as raised more questions about the awarding of federal government grants, loans and contracts in the Prime Minister's

riding.

92. On January 28, 1999, the Ethics Counsellor, Howard Wilson, said the Prime Minister would have to make public declaration filings about his golf club investment in the interests of transparency when the dispute was settled and a new buyer for the shares was identified. This was never actually done. Attached and marked as Exhibit 37 to this my affidavit is a true copy of my story reporting on this development.

93. On February 1, 1999, I obtained new documents showing that in addition to the \$655,000 in loans awarded by the federal government, the Grand-Mere Inn also secured an additional \$188,799 in job creation grants under five different Human Resources Development Canada grant programs. I published a story on this the next day. Attached hereto and marked as Exhibit 38 to this my affidavit is a copy of this story dated February 2, 1999.

94. On February 2, 1999, I received more information from Confidential Source #1 saying that federal loan money went directly into Mr. Duhaime's bank account, instead of into a trust account of the notary who was supposed to disburse the money to suppliers and builders. Nobody has ever determined what happened to this money and to whom it was paid. This information was confirmed by the notary involved, Jean-Jacques Parenteau, who later told me he had suffered for answering my questions candidly. Attached hereto and marked as Exhibit 39 to this my affidavit, is a true copy of a story published on February 3, 1999.

95. Confidential Source #1 also told me that the Prime Minister had talked and even joked about having to make many phone calls to get Mr. Duhaime his loans and grants at a reception in St. Maurice. I asked the Prime Minister's Office for a tape recording of the remarks Mr. Chretien gave at this event, but officials declined without explanation. I decided not to publish this information about the telephone calls until I could corroborate it using information from other sources.

96. On February 3, 1999, Susan Whelan, the Liberal chairwoman of the Commons Industry Committee, quashed a motion to bring Mr. Wilson before industry committee to discuss his handling of the Prime Minister's golf club share ownership dispute. Attached hereto and marked as Exhibit 40 to this my affidavit is a true copy of a story published on February 4, 1999.

97. On February 10, 1999, I reported that the federal government has spent up to \$10,000 a year on rooms and meals at the Grand-Mere Inn. These expenses were incurred by aides to the Prime Minister who accompanied him on trips to his cottage at Lac des Piles, near Grand-Mere. This information came from a confidential letter to the newspaper. I investigated the allegations and confirmed their accuracy with federal officials prior to publication. Attached hereto and marked as Exhibit 41 to this my affidavit is a true copy of the story published on February 10, 1999.

98. On February 11, 1999, the House of Commons Industry Committee, with the help of a few back bench Liberal Members of Parliament, reversed its earlier decision, and voted to hear testimony from Howard Wilson on the Prime Minister's golf club investments. Attached

hereto marked as Exhibit 42 to this my affidavit is a true copy of a story published on February 12, 1999.

99. After the publication of the first stories, I was contacted by a confidential source in the region who I will refer to as Confidential Source #2. This person gave me information about a second hotel project in the Prime Minister's riding, Auberge des Gouverneurs in Shawinigan. I was told that the hotel had received substantial federal government funding. Confidential Source #2 told me that the owner of this second hotel, Pierre Thibault, had left Belgium after he was caught and admitted defrauding his partners in a medium sized fireplace manufacturing company.

100. I did further real estate searches. I learned that Mr. Thibault's hotel project had received \$1.5 million in federal loans and grants in the Prime Minister's riding. I made calls to confirm this information and later traveled to Brussels and the Belgian countryside to confirm the allegations against Mr. Thibault. I also gathered supporting documents, including a forensic audit of Mr. Thibault's use of the Belgian company's money. Attached hereto and marked collectively as Exhibit 43 to this my affidavit are true copies of the forensic audit and the signed confession by Mr. Thibault.

101. On March 11, 1999, I reported that Yvon Duhaime's father in law secured \$137,000 worth of untendered federal government construction contracts to build roads to Jean Chretien's new family cottage at Lac des Piles in the Town of Grand-Mere. The company in question, Construction R. Cloutier, also donated \$8,500 to the Liberal Party of Canada,

according to records filed with Elections Canada. Attached hereto and marked as Exhibit 44 to this my affidavit is a true copy of this story.

102. On March 12, 1999, Herb Gray, the Deputy Prime Minister, pledged in the House of Commons to table papers which would justify the granting of untendered private road contracts to the father-in-law of the owner of the Grand-Mere Inn. I reported this statement on March 13, 1999. On March 17, 1999, I reported that Public Works officials had confirmed that the costs to build the road to the Chretien's cottage had doubled and, with the cost of a security guard hut for RCMP, the total now exceeded \$200,000. Attached hereto and marked as collectively as Exhibit 45 to this my affidavit are true copies of the news stories referred to above.

103. On March 18, 1999, I reported that Denise Tremblay, a senior aide to the Prime Minister, had attended a key 1997 meeting with Human Resources Development Canada (HRDC) officials at which they reviewed an application by Yvon Duhaime and Les Entreprises Yvon Duhaime for an HRDC Transitional Jobs Fund grant for the Grand-Mere Inn. My report also revealed that the HRDC officials recommended that Mr. Duhaime get a \$161,000 grant two weeks after the meeting, even though a management consultant's report had concluded that the inn was badly managed, had poor accounting systems and had a heavy mortgage debt and \$350,000 in unpaid bills. This news story was based on documents I obtained from access to information requests to the federal and Quebec governments. The documents came from HRDC and from the Ministere de la Solidarite Sociale in Quebec City. The access coordinator for HRDC withheld twice as much information about the inn project than did their provincial

counterpart, indicating to me that there was a high degree of sensitivity among federal officials to scrutiny of the project by a reporter. Attached hereto and marked collectively as Exhibit 46 to this my affidavit are true copies of the above described news story and consultant's report.

104. That same day, opposition Members of Parliament used my news report to criticize the Prime Minister and his government in the House of Commons. They accused the Prime Minister of abusing his power and breaking federal conflict of interest guidelines by giving Mr. Duhaime and the Grand-Mere Inn preferential treatment. They called on the Ethics Counsellor to investigate the matter. ( A follow-up news story documenting these criticisms appeared the next day.) Attached hereto and marked collectively as Exhibit 47 to this my affidavit are true copies of the aforementioned March 19, 1999, news story and an excerpt from the House of Commons Hansard for March 18, 1999.

105. On Saturday March 20, 1999, I reported the results of my investigation into Pierre Thibault and his past activities in Belgium, including that he was facing a criminal investigation and a civil lawsuit there after he admitted to misappropriating close to \$1 million from his former partners in their fireplace manufacturing firm. The story also revealed that, like Mr. Duhaime, Mr. Thibault had not disclosed his troubles with the law in his successful applications for a \$600,000 job creation grant from HRDC and a \$925,000 loan from the BDC. Mr. Thibault himself confirmed this to me. He also confirmed that he had had several private meetings the Prime Minister at which they discussed his project before the grant and the loan were approved. He also stated that he believed that he would not have obtained the funds without Mr. Chretien's assistance. Officials in Mr. Chretien's office initially declined to answer

any questions about his relationship with Mr. Thibault. Attached hereto and marked as Exhibit 48 to this my affidavit is a true copy this news story.

106. On Monday, March 22, 1999, I reported that on Sunday March 21<sup>st</sup>, opposition Members of Parliament had criticized the Prime Minister for helping Mr. Thibault obtain the federal funds. Later on March 22<sup>nd</sup>, officials from the Prime Minister's office told me that the Prime Minister was unaware of Mr. Thibault's troubles in Belgium when he helped him get the federal grant and loan. This story was published on Tuesday March 23, 1999. Attached hereto and marked as Exhibit 49 to this my affidavit are true copies of both the March 22, 1999 and March 23, 1999 news stories.

107. On Tuesday March 23, 1999, the Prime Minister fielded more questions in the House of Commons, defending himself from criticism from opposition Members of Parliament. He said he knew nothing about the 1993 deal under which the golf club in which he held shares sold the business of the Grand-Mere Inn to Yvon Duhaime. He also said he did not know if Mr. Duhaime still owed any money to the golf club company. Attached hereto and marked as Exhibit 50 to this my affidavit is a true copy of my story reporting the Prime Minister's comments published on March 24, 1999.

108. Later, I spoke to Simon Lupien, the Industrial Development Officer for the Town of Grand-Mere at the time and one of the original directors and shareholders in Mr. Duhaime's Quebec numbered company that had purchased the business of the inn from the golf club company (161341 Canada Inc.). Mr. Lupien told me that Mr. Chretien facilitated the sale of the

business in 1993 by helping Mr. Duhaime obtain an option to purchase the inn building from Stone Consolidated. (At this time, Mr. Chretien was leader of the Liberal Party and of the official opposition.) I reported this information in a story published on Saturday June 19, 1999, referred to below as Exhibit 65.

109. Returning to my chronology, on March 24, 1999, the Prime Minister told the House of Commons that Mr. Duhaime paid cash for the inn business when he bought it in 1993. He added that Mr. Duhaime did not owe him or his partners any money at the time the inn received close to \$1 million in federal government grants and loans in 1997. The Prime Minister stated that he received this information came to him from his trustee, Deborah Weinstein, whose job it is to assist the Prime Minister in organizing his personal and financial affairs to ensure that he is in compliance with the prevailing code of conduct for public office holders. (In prior interviews with me in the fall of 1998, Ms. Weinstein had denied knowing anything about the sale of the inn business and had no documents about it because the sale took place long before she began to oversee the affairs of the Prime Minister.) Attached hereto and marked as Exhibit 51 to this my affidavit is a true copy of my story published on March 25, 1999. Attached hereto and marked as Exhibit 52 to this my affidavit is a true copy of an excerpt from the House of Commons Hansard for March 24, 1999.

110. During the spring of 1999, a confidential source who I will refer to as Confidential Source #3 told me that the Prime Minister had made several telephone calls to the heads of the BDC and another lending agency to ensure that Mr. Duhaime secured loans for the refinancing of the Grand-Mere Inn to pay down its accumulated debts and to pay for a proposed

expansion. Confidential Source #3 told me that Mr. Duhaime had bragged that he would get anything he wanted and Mr. Chretien would help him get it, even if he didn't qualify under federal programs.

111. Confidential Source #3 said that the phone calls were made by the Prime Minister on Mr. Duhaime's behalf after he had already been turned down for a loan by the BDC and other lenders. Confidential Source #3 added that France Bergeron and Chantale Parent, who were respectively manager and analyst in the Trois-Rivieres branch of the BDC that had Mr. Duhaime's file, were subjected to huge political pressure to approve a loan, even though the inn did not qualify for one under any of the criteria applied by the bank. I decided that this information warranted further investigation.

112. On April 9, 1999, the Prime Minister wrote a letter to the editor of the National Post to "set the record straight" about an editorial published on March 27, 1999, as well as my series of articles regarding federal assistance to the two hotels in his riding and the untendered contracts awarded to Mr. Duhaime's father-in-law. The newspaper printed the letter in its entirety on April 10, 1999. It is the only letter the Prime Minister has written to any newspaper in Canada since he assumed office in 1993. He said all grants were awarded after "careful review" by federal officials. Attached hereto and marked as Exhibit 53 to this my affidavit is a true copy of the Prime Minister's letter to the National Post.

113. However, documents later released to me under the Access to Information Act did not support the Prime Minister's version of events. On May 15, 1999, I published two more

stories about the government grants and loans awarded to the Auberge des Gouverneurs in Shawinigan. These stories were based on documents I obtained from HRDC. The first story revealed how Mr. Chretien had personally announced the \$600,000 grant for the Auberge des Gouverneurs three weeks before it had completed the requisite business plan and provided it to HRDC officials who were considering the application. The story quoted from documents showing that no review had occurred prior to the Prime Minister's announcement of the grant. The companion story revealed how René Fugere, a lobbyist in the private sector and an unpaid aide to the Prime Minister who represented him at public functions in St. Maurice, had helped secure a \$100,000 grant for the Auberge des Gouverneurs from the HRDC's Transitional Grant Fund Program, even though the program's budget for that year had been exhausted. The story also mentioned that neither Mr. Fugere nor his lobbying company, Quorum Corporation, was registered under the federal government's *Lobbyists Registration Act*. Attached hereto and marked collectively as Exhibit 54 to this my affidavit are true copies of the above mentioned news stories.

114. On May 18, 1999, Howard Wilson, the Ethics Counsellor, after consulting with senior officials in the Department of Justice, asked the RCMP to investigate possible breaches of the *Lobbyists Registration Act* by Mr. Fugere and his company. I reported this information on May 19, 1999. In the same story, I also reported another case of unregistered lobbying by Mr. Fugere on behalf of a boat building company located in Grand-Mere. Attached hereto and marked as Exhibit 55 to this my affidavit is a true copy of my news story of May 19, 1999.

115. On Tuesday, May 25, 1999, at a meeting of the Commons Industry Committee which I attended, the Liberal chairman of the committee quashed attempts by a Conservative MP Jim Jones to question BDC executives about the combined \$1.54 million in loans the bank had made to the Grand-Mere Inn and the Auberge des Gouverneurs. I described the meeting in a story published on May 26, 1999. Attached hereto and marked as Exhibit 56 to this my affidavit is a true copy of the aforementioned news story.

116. On Monday May 31, 1999, opposition Members of Parliament accused the Prime Minister of “sullyng his office” by engaging in vote buying prior to the June 1997 federal election with his efforts to secure loans and grants for the two hotel owners. The Prime Minister defended himself, saying the hotels were great financial successes. (The fortunes of the Auberge des Gouverneurs quickly declined and it went bankrupt in 2001.) I reported these exchanges the next day as well as the result of an in-camera vote at the Commons Public Accounts committee, where a motion by opposition Members of Parliament to have the Auditor General audit the two projects was rejected by six Liberal Members of Parliament. Attached hereto and marked collectively as Exhibit 57 to this my affidavit are true copies of my news story dated April 1, 1999, and an excerpt from the House of Commons Hansard for May 31, 1999.

117. On June 1, 1999, Philip Mathias, also a National Post reporter, and I reported that Claude Gauthier, a local Grand-Mere businessman and millionaire entrepreneur, established a numbered company and purchased a parcel of land from the Grand-Mere Golf Club in 1996 for \$525,000. This purchase occurred eleven days after another of Mr. Gauthier’s companies,

Transec Inc., was notified that it would be awarded a \$6.3 million contract by the Canadian International Development Agency (CIDA) to modernize an electrical distribution system in the Mali capital city of Bamako. The next year, Transec Inc. made a \$10,000 donation to Mr. Chretien's campaign coffers in the riding of St. Maurice. The land sale took place as the Prime Minister was trying to find a new buyer for his shares in the golf course after his earlier 1993 sale collapsed. The three companies hand picked to bid on the contract by the Minister responsible for CIDA were all from the St. Maurice area. Attached hereto and marked collectively as Exhibit 58 to this my affidavit are true copies of the June 1, 1999, news story referred to above and a record of contributions to Mr. Chretien's 1997 election campaign in St. Maurice. (The deed for the purchase of the parcel of land is referred to above as Exhibit 25.)

118. Also on June 1, 1999, opposition Members of Parliament again took the Prime Minister to task in the House of Commons, this time over the land purchase by Mr. Gauthier. The Prime Minister threatened to sue his detractors if they repeated their allegations that he had placed himself in a conflict of interest outside the House of Commons. Reform Members of Parliament did exactly this. I reported these events in a story published on June 2, 1999. Attached hereto and marked as Exhibit 59 to this my affidavit is a true copy of this news story.

119. On June 2, 1999, the Prime Minister withdrew his threat to sue his political detractors, saying instead that he welcomes public debate on the subject. He added that Canadians did not accept the opposition's allegations that he had placed himself in a conflict of interest and dismissed calls that he table all documents about the status of his golf club business

interests. I reported these events in a story published on June 3, 1999. Attached hereto and marked collectively as Exhibit 60 to this my affidavit are true copies of that news story and an excerpt from the House of Commons Hansard for June 2, 1999.

120. The issue was raised again in the House of Commons on Thursday June 3 and Friday June 4, 1999, by opposition Members of Parliament. Seizing on the information I had reported earlier (as described above) that the Prime Minister had still not been paid for his shares six years after their alleged sale, they asked how the Prime Minister could claim that his shares had in fact been sold. I reported on these events in stories published on June 4, 1999, and June 5, 1999. Attached hereto and marked collectively as Exhibit 61 to this my affidavit are true copies of both of the news stories referred to above as well as excerpts from the House of Commons Hansard for June 3, 1999.

121. On Tuesday June 8, 1999, opposition Members of Parliament pressed the Prime Minister to table the agreement of purchase and sale for his shares in the Grand-Mere Golf Club as proof that the shares had actually been sold. They also accused him of trying to evade questions on the issue over the past two weeks. The Prime Minister explained to the House that he had sold the shares before taking office in 1993 and given the "receivable" to his trustee after being sworn in as Prime Minister. I reported these exchanges on June 9, 1999. Attached hereto and marked as Exhibit 62 to this my affidavit is a true copy of this news story.

122. On June 9, 1999, the leader of the Official Opposition, Preston Manning, accused the Prime Minister of being in contempt of Parliament for refusing to answer questions about his

business dealings, including his shares in 161341 Canada Inc. and the awarding of government loans, grants and contracts to companies that did business with the golf club. Mr. Manning and other Reform Members of Parliament left the House of Commons in protest, creating a national controversy. I reported on these events on June 10, 1999. Attached hereto and marked collectively as Exhibit 63 to this my affidavit are true copies of my news story of June 10, 1999 and an excerpt from the unedited House of Commons Hansard "Blues" for June 9, 1999.

123. On June 16, 1999, I published another story describing the results of my investigations into the awarding of contracts and grants in the Prime Minister's riding. This story, based on court documents, revealed that the government gave Placeteco Inc., a near-bankrupt plastics manufacturing company in the Prime Minister's riding, a \$1.19 million grant a month after the company was bought by Claude Gauthier, the same businessman who owns Transelec Inc. and the numbered company that had purchased the parcel of land from the golf course for \$525,000, and while it was in bankruptcy proceedings. The company had \$9 million in debt that it was trying to reorganize under the *CCRA*. The grant was paid out in apparent violation of the criteria for the HRDC Transitional Jobs Fund program, which required that recipients create new and sustainable long-term employment when in fact the company had already sought protection from creditors. On May 7, 1998, the company's creditors had voted to approve a proposal by Placeteco Inc. to settle its debts with a payment totaling \$440,000, which would be shared among the unsecured creditors. Soon after that meeting, Mr. Gauthier bought the company. Then, on June 17, 1998, despite the fact that Placeteco Inc. was still in bankruptcy

proceedings, the company received \$1.19 million in HRDC funds for job creation activities. Instead, these funds were applied in their entirety to reduce a debt owing to the National Bank. At a court hearing on December 10, 1998, in which Placeteco Inc.'s lawyer said that the company could no longer afford to pay its \$440,000 offer of settlement, the company was declared bankrupt. Six days later, Mr. Gauthier, through a new numbered company, purchased Placeteco Inc.'s assets and liabilities from the trustee for \$200,000. One creditor, Dufresne Electrique, later alleged in Quebec court documents that Placeteco Inc. had breached bankruptcy laws by failing to declare that it was about to receive the \$1.19 million grant.

124. After the publication of my story, the Prime Minister defended the awarding of the grant to Placeteco, saying: "Everything is done according to the rules, as usual." This statement was not borne out by the evidence. Attached hereto and marked as Exhibit 64 to this my affidavit are true copies my story published on June 16, 1999, and the Quebec bankruptcy court documents referred to above.

125. On June 19, 1999, the Post published my major feature story exploring how the three businessmen with links to the Prime Minister - Yvon Duhaime, Pierre Thibault and Claude Gauthier - two of whom had received millions of dollars in federal government loans and grants for projects in Mr. Chretien's riding after they did business with the Grand-Mere golf club (161341 Canada Inc.), business which improved the club's finances. The feature summarized the facts of three cases, but revealed new information about the Grand-Mere Inn story. When the Grand-Mere Inn expansion was announced just prior to the 1997 federal election, Mr. Duhaime told reporters that it was being financed by the local Caisse Populaire. In fact, this was not true.

The BDC, the Quebec Federation of Labour's Solidarity Fund, and money from immigrant investor funds was being used. The Caisse Populaire was actually reducing its loan exposure to the inn. Attached hereto and marked as Exhibit 65 to this my affidavit is a true copy of my feature news-story dated June 19, 1999.

126. On June 23, 1999, I reported on the contents of an e-mail dated May 5, 1998, from a federal public servant which stated that officials from the Prime Minister's office had ordered them to do "everything legally possible" to get the \$1.19 million HRDC grant to the near-bankrupt Placeteco Inc. when its purchase by was conditional on the grant still being available. The e-mail and other documents I acquired under the Access to Information Act suggested that the grant was awarded even though Placeteco Inc. did not meet many of the program's requirements. Attached hereto and marked collectively as Exhibit 66 to this my affidavit are true copies of my news story dated June 23, 1999 and the e-mail dated May 5, 1998, referred to above.

127. On June 30, 1999, I reported that an additional \$3 million in federal money had been pumped into three more hotel projects in the Prime Minister's constituency, bringing the total invested by the government in the area's hotel sector to \$6 million. Extensive documentation I obtained under the Access to Information Act from HRDC revealed that one of the grants was paid out after federal officials said there was no more money for projects in the area and a local official wrote that one project couldn't be considered at all because of a lack of funds. Attached hereto and marked as Exhibit 67 to this my affidavit is a true copy of my news story dated June 30, 1999.

128. Also on June 30, 1999, the Prime Minister, speaking to me and other reporters in a scrum, invited Canadians to go and visit his riding to satisfy themselves that the \$6 million was money well spent. He denied suggestions from opposition Members of Parliament that a disproportionate number of grants were being steered to his own riding, saying he's only doing his job as the local Member of Parliament and creating badly needed new jobs. I reported the Prime Minister's comments in a story published on July 1, 1999. Attached hereto and marked as Exhibit 68 to this my affidavit is a true copy of this news story.

129. On August 18, 1999, I wrote a story reporting that, despite all the federal loans and grants it had received, the Grand-Mere Inn had failed to pay its municipal taxes for part of 1998 and all of 1999. The Town of Grand-Mere had filed a mortgage lien against the inn in respect of \$51,128.00 in outstanding taxes. Even though I had confirmed the inn's failure to pay its taxes by consulting municipal tax records, Mr. Duhaime denied to me in an interview that he was in arrears. Documents at the municipal tax office did not support his claim. Attached hereto and marked as Exhibit 69 to this my affidavit is a true copy of my news story dated August 18, 1999.

130. On September 27, 1999, I reported that the Prime Minister had failed to declare to the Ethics Counsellor that Jonas Prince owed him more than \$200,000 for the 1993 purchase of Mr. Chretien's interest in the golf club until after that deal had collapsed in 1996. The aborted sale was made through Mr. Chretien's family holding company, J. & A.C. Consultants Inc. The conflict of interest code requires that Ministers, including the Prime Minister, declare all their

assets, including any receivables, to the federal Ethics Counsellor. In an interview with me, the Ethics Counsellor confirmed that the outstanding receivable was not disclosed for three years. Attached hereto and marked collectively as Exhibit 70 to this my affidavit are true copies of the above mentioned news story and the Conflict of Interest Code for Public Office Holders.

131. On October 5, 1999, I reported that the Ethics Counsellor had asked the RCMP to conduct a second investigation into the unregistered lobbying activities of Rene Fugere. This investigation concerned Mr. Fugere's lobbying on behalf of a boat building company in the Prime Minister's riding that led to receipt of a \$368,000 HRDC grant. The company later went bankrupt. Attached hereto and marked as Exhibit 71 to this my affidavit is a true copy of my news story dated October 5, 1999.

132. On October 14, 1999, I reported that Mr. Gauthier's company Transelec Inc., was performing so poorly after getting its \$6.3 million CIDA contract that both Canadian and Mali government officials felt the contract should be canceled. Mr. Chretien had defended the contract in June 1999 and stated that Canadian taxpayers had got a good deal. However, CIDA documents I obtained through access to information requests disclosed that in May 1999 Transelec Inc. was seriously behind schedule and some of its work was substandard. The story also revealed that neither Mr. Chretien nor CIDA Minister Diane Marleau had disclosed Transelec Inc.'s contract troubles to the Canadian public. Attached hereto and marked as Exhibit 72 to this my affidavit is a true copy of the above noted news story.

133. Also on October 14, 1999, the Prime Minister stood in the House of Commons and in two terse sentence statement announced that he had finally been paid for his golf course shares. Opposition Members of Parliament demanded that he table the papers surrounding the deals. Mr. Chretien refused. I reported on these events in a story published on October 15, 1999. Attached hereto and marked as Exhibit 73 to this my affidavit is a true copy of this news story.

134. On November 3, 1999, following questions about the management of HRDC grants in the Prime Minister's riding, Jane Stewart , the Minister responsible for HRDC, told the House of Commons that the grants "were managed appropriately. They went through an acceptable review process." On November 4, 1999, opposition Members of Parliament again demanded an inquiry into the awarding of HRDC grants in the Prime Minister's riding after a newly released audit showed that the grant money to Placeteco Inc. was placed in a trust fund controlled by a Shawinigan lawyer and friend of Mr. Chretien before it was paid out to Placeteco Inc. This was in direct violation of the federal government's Treasury Board spending rules. The opposition asked the Prime Minister and the HRDC Minister to explain the audit and the discrepancy with their prior statements to the effect that everything had been done according to the rules. The Minister acknowledged that rules had been breached but defended the grant. I reported on these events in two stories published on November 5, 1999.

135. In a companion story also published on November 5, 1999, I reported that the lawyer who set up the trust fund for HRDC , Gilles Champagne, was also one of Mr. Chretien's closest political allies and friends. I also reported that the company had been permitted to keep the job creation grant money, even though it had cut jobs and did not create any as it had

promised to do. Attached hereto and marked collectively as Exhibit 74 to this my affidavit are true copies of these two news stories.

136. On November 6, 1999, Jane Stewart, the Minister responsible for HRDC refused to answer questions in a media scrum at which I was present about how Gilles Champagne, the Shawinigan lawyer with close ties to Mr. Chretien, ended up in charge of the illegal Placeteco trust fund.

137. On November 9, 1999, I reported that Rene Fugere, the lobbyist and unpaid aide to the Prime Minister, was paid \$15,000 in 1998 to lobby federal government officials to give a \$1 million grant to a modal home construction company in the Prime Minister's riding. I reported that the company, Les Maisons Beam, had signed a contract with Mr. Fugere under which he would receive a bonus of 6.5% of the value of the grant (an amount that equaled \$65,000), if the project went ahead. The project did not go ahead because the promoter refused to pay Mr. Fugere more money in exchange for his lobbying efforts. As recorded in a memo from HRDC which I obtained under the Access to Information Act, Mr. Fugere then contacted HRDC and told them to "shelve" the file without the knowledge or consent of the builder. Attached hereto and marked as Exhibit 75 to this my affidavit is a true copy of my November 9, 1999, news story.

138. On December 13, 1999, I reported that Revenue Quebec had taken legal action to collect more than \$100,000 in unpaid taxes from the Grand-Mere Inn. I also reported that, in addition, the inn owed \$150,000 for outstanding construction bills and local property taxes. In

an interview with me, Mr. Duhaime confirmed that times were tough but he denied being in arrears on this taxes, even though the amounts were documented in Quebec Superior and Federal Court of Canada court records. Mr. Duhaime's failure to meet these obligations meant that his company had defaulted on the terms of its agreements with its mortgage lenders, including the BDC. Attached hereto and marked as Exhibit 76 to this my affidavit is a true copy of the above-mentioned news story.

139. On December 14, 1999, I reported that the Grand-Mere Inn had paid \$11,500 to Rene Fugere's lobbying firm, Quorum Corp., ten days after the inn received its first \$100,000 of federal job creation grant money. The grant money was deposited in the inn's account at the Caisse Populaire on February 22, 1998. Ten days later, the inn issued a cheque to Quorum Corp., which cashed the cheque the same day at the Laurentian Bank in Grand-Mere. I had discovered the canceled cheque while reviewing the inn's accounting records with Mr. Duhaime. Unlike other payments made by the inn that I had reviewed, there was no invoice to support this one. Nor was there any indication on the face of the cheque of the reason for the payment. Mr. Duhaime would not let me make a copy of the cheque or his account statements. He appeared very nervous when I started asking about the payment. Mr. Duhaime said: "I can't let you have it. You'll use it to nail Fugere." Mr. Fugere refused to discuss the payment with me. Attached hereto and marked as Exhibit 77 to this my affidavit is a true copy the my news story of  
December 14, 1999.

140. On December 16, 1999, I reported that documents received under an access to information request included an e-mail from Robert Theriault, an aide to the Minister responsible for HRDC, to Renee Martel, a senior official in the Montreal office of HRDC. Earlier, Ms. Martel had sent an e-mail to Mr. Theriault stating that she had received inquiries from HRDC officials in Shawinigan asking why Mr. Theriault had approved a job creation grants for the Grand-Mere Inn and the Auberge des Gouverneurs even though officials had decided earlier that the restaurant and bar jobs involved did not qualify under the program. Mr. Theriault responded that he had “no choice” but to approve the grants. That same day, opposition MPs again took the Prime Minister to task in the Commons these events in his St. Maurice riding, accusing the Prime Minister of turning a blind eye to possible wrongdoing in his riding. They cited the e-mail from Mr. Theriault and the mysterious payment by Mr. Duhaime to Mr. Fugere as evidence of irregularities in how the federal job creation money was awarded to the two inn projects. Attached hereto and marked collectively as Exhibit 78 to this my affidavit are true copies of my news stories dated December 16, 1999, and December 17, 1999.

141. Early in the year 2000, as questions were mounting about the awarding and management of federal job creation grants and contributions to projects in the Prime Minister’s riding, the media and opposition Members of Parliament began to raise larger questions about the overall management of such job grants by HRDC. Jane Stewart, the Minister responsible for HRDC, eventually released a copy of an internal audit from her department on grants and contributions that detailed serious financial mismanagement and bureaucratic incompetence in the managing of the grant programs. My colleague Robert Fife and I reported on these events in

a story published on February 2, 2000. Attached hereto and marked as Exhibit 79 to this my affidavit is a true copy of this news story.

142. On January 24, 2000, Jean Dube, a Progressive Conservative Member of Parliament, obtained a version of the internal audit with a different date on the cover page, indicating that the audit had been completed months earlier than previously disclosed. Under questioning in the House of Commons on January 25, 2000, Ms. Stewart acknowledged that she was briefed about the audit in mid-November but had been told of it as far back as August 1999.

143. On February 8, 2000, Preston Manning, the leader of the Official Opposition, Manning said in the House of Commons that the Prime Minister could not hold his own cabinet ministers to account for overseeing the mismanagement of \$1 billion in job creation grants because millions of dollars of such grants had improperly flowed to companies and the Prime Minister's friends in the Prime Minister's riding. Mr. Manning alleged that the Prime Minister's failure to hold his Ministers accountable was because Mr. Chretien's moral authority had been compromised by his own conduct. I reported on these comments in a story published on February 9, 2000. Attached hereto and marked as Exhibit 80 to this my affidavit is a true copy of this news story.

144. On March 1, 2000, I reported how a Quebec sawmill project that had failed on two occasions to get a federal job grant because the program budget that had been exhausted later secured a \$500,000 grant and a \$1.8 million federal loan. It did so after the company hired Rene Fugere, the lobbyist, to help push its case with HRDC. The story was based on documents

obtained from the HRDC under an access to information request. Attached hereto and marked as Exhibit 81 to this my affidavit is a true copy of my March 1, 2000 news story.

145. On March 3, 2000, the Post published my news feature about Mr. Fugere, revealing that he was known to have been hired by at least five companies for whom he helped secure at least \$1 million in job creation grants in the St. Maurice area, plus more in federal loans. Mr. Fugere, who had worked as an unpaid aide to Mr. Chretien in his riding, was well-known to reporters for his involvement in Mr. Chretien's 1997 election campaign in St. Maurice. After the election, he began charging his clients a \$5,000 a month retainer. He also charged a 5-10% fee if he is successful in getting grants. Attached hereto and marked as Exhibit 82 to this my affidavit is a true copy of this news story.

146. On Thursday March 16 and Friday March 17, 2000, I reported on the results of a computer assisted examination of federal job creation grant spending that had been conducted by the National Post and the government's reaction to the study. The examination found the federal government had spent \$8.5 million in the Prime Minister's relatively small, and thinly populated St. Maurice riding since 1996 on job creation grants, more than it had spent in all of Manitoba, Alberta or Saskatchewan during that same period. The study also showed the spending in the St. Maurice riding was almost four times higher than that in the average Quebec constituency. After the story was published on March 16<sup>th</sup>, Jane Stewart defended the spending in St. Maurice, suggesting the riding deserved more money than western provinces because of the high unemployment rate there. Attached hereto and marked as Exhibit 83 to this my affidavit is a true copy of the March 17, 2000 news story.

147. On Saturday April 15, 2000, I attended the Canadian Association of Journalists annual awards dinner. I received the award for Story of the Year and another award in the open newspaper category for my series of ten stories about the Prime Minister's golf club investments, job creation grants and dealings with the Grand-Mere Inn in his riding.

148. On July 5, 2000, I reported that Rene Fugere had donated \$4,000 to the Liberal Party of Canada in 1999, at the very same time as he was under investigation by the RCMP for illegal lobbying activities. This story was based on documents filed with Elections Canada. Attached hereto and marked as Exhibit 84 to this my affidavit is this news story.

149. In July 2000, the RCMP issued a press release stating that two Shawinigan businessman, Paul Lemire and Mario Pepin, had been charged with theft and fraud for allegedly misusing job creation money given to Groupe Forces and a related business group called the Canadian Centre for Tourism and E-Commerce. (CITEC) As noted above, Groupe Forces, which administered a federal regional development fund, was among the lenders to the Grand-Mere Inn expansion project. The two men who were charged had attended several meetings about the inn's loan application and had approved the loan even though the inn did not qualify for assistance under the program. Attached hereto and marked as Exhibit 85 to this my affidavit is a true copy of the July 25, 2000, RCMP Press Release.

150. On August 25, 2000, I reported that John Manley, the Industry Minister, had asked the Commons Industry Committee to take an in-depth look at the enforcement provisions of the Lobbyists Registration Act after three cases of unregistered lobbying by businessmen with close ties to the Liberal government, including Mr. Fugere, were not prosecuted. Mr. Manley stated in a letter to the committee that “there is room for improvement.” The story reported that the probe of Mr. Fugere was shelved after a Quebec Crown prosecutor gave the RCMP the advice that the lobbying law was so ill-defined that the Crown was unlikely to secure a conviction of Mr. Fugere. The investigation into Mr. Fugere was one of four separate RCMP probes in St. Maurice riding. Attached hereto and marked as Exhibit 86 to this my affidavit is a true copy of the August 25, 2000.

151. On October 17, 2000, I reported that the Auditor General of Canada, Denis Desautels, would be reporting to Parliament his conclusion that Transelec Inc. should never have been awarded the \$6.1 million CIDA contract because it failed to meet the eligibility requirements and its past record on CIDA contracts was abysmal. The Auditor General did not examine whether the land purchased Mr. Gauthier from the Grand-Mere golf club (described above) was a factor in his winning the CIDA contract. Attached hereto and marked as Exhibit 87 to this my affidavit is a true copy of an excerpt from the Auditor General’s report.

152. On November 9, 2000, I reported that government payments to ARC Inc., a business group in the Prime Minister’s riding, were suspended after the two men in charge of the business group, Paul Lemire and Mario Pepin (of Groupe Forces and CITEC) were charged with fraud. This story was based on documents obtained from Industry Canada under an access to

information request. Attached hereto and marked as Exhibit 88 to this my affidavit is a true copy of this news story.

153. On November 15, 2000, I reported, following on an article that had appeared in Le Journal de Montreal, that the former president of the Business Development Bank of Canada, Francois Beaudoin, had filed a lawsuit alleging that he had been forced out of his job at the bank in 1999 after he suggested that legal action be taken against Yvon Duhaime for defaulting on the BDC mortgage loan to the Grand-Mere Inn. Further, Mr. Beaudoin suggested that political interference had prevented him from foreclosing on the inn. The BDC denied the allegations. Attached hereto and marked as Exhibit 89 to this my affidavit is a true of the November 14, 2000, Le Journal news story. Attached hereto and marked collectively as Exhibit 90 to this my affidavit are true copies of two stories published on November 15, 2000.

#### **Confidential Sources X and Y**

154. In 1999, as part of my investigation into the Prime Minister's business interests in Grand-Mere Golf Club and the loan to the Grand-Mere Inn from the BDC, I had contacted a person I will call X, whose identity is known to me. I attempted to obtain information from that person on a confidential basis. I contacted X because I believed that X would have the kind of information I needed to do my research. I expected that X would not assist me unless given an undertaking of confidentiality. X was not willing to provide me with information on any basis.

155. During the fall of 2000, I was contacted by another person who I will call Y who told me that they had a matter of great public importance to discuss with me, but that this

discussion could only take place if I gave an undertaking of confidentiality that he/she would not be identified. I agreed to this undertaking after only Y agreed that should this matter be of great public importance and worthy of being brought into the public domain, Y and I would undertake further negotiations and if it was agreeable to both of us, we would discuss how this information could be brought forward.

156. With this agreement in hand, Y and I began our confidential discussion. Y told me that he/she had contacted me on X's behalf. Y said that X regretted not being able to respond to my attempts in 1999 to obtain information from him/her. Y said that X was still unwilling to talk directly to me at this time, fearing reprisals, but would like to provide me with access to some documents and information that might further my investigation into the Grand-Mere Inn loan. The condition I agreed to in order to gain access to these materials was that I would be that I give a blanket, unconditional promise of confidentiality to protect the identity of both X and Y.

157. At this time, there were five separate RCMP investigations ongoing into the awarding of federal government loans and grants in the St. Maurice riding of the Prime Minister, four regarding allegations of theft and fraud and a fifth involving alleged unlawful lobbying by Rene Fugere. As well, the Grand-Mere Inn had defaulted on its loan repayments to the BDC and there were a growing number of liens for unpaid taxes and other debts registered against the inn building by governments and creditors.

158. Once the offer of unconditional confidentiality had been accepted, Y proposed that a private meeting be held at Y's home at which documents would be disclosed to me for my

inspection. Subsequently, I visited Y's home. Before the meeting began, Y and I reviewed the terms of the confidentiality agreement. I reiterated that I agreed not to disclose the identity of either X or Y. Satisfied that we understood the terms of the agreement, Y then produced to me documents that he/she stated had been provided by X. They consisted of several internal documents from the BDC loan file for the Grand-Mere Inn, including:

A letter from France Bergeron, manager of the BDC branch in Trois-Rivieres, Quebec, to Luc Provencher, senior vice-president of the BDC in Montreal dated July 15, 1997 (attached hereto and marked as Exhibit 91 to this my affidavit);

A letter written by Yvon Duhaime, the owner of the Grand-Mere Inn, to the Prime Minister dated April 21, 1997, in which Mr. Duhaime urged the Prime Minister to intervene to ensure he got the loan he needed so that he could proceed with an expansion of the inn and pay his many unpaid bills (attached hereto and marked as Exhibit 92 to this my affidavit);

An undated BDC document containing "media lines" outlining anticipated questions from reporters about phone calls the Prime Minister had made to ensure the approval of the Grand-Mere Inn loans by the BDC. The document also suggested answers designed to help BDC officials evade the questions about the phone calls while delivering a politically acceptable message. These media lines were drafted by the Prime Minister's Office and sent to Jean Carle, a former aide to the Prime Minister, who was a vice-president at the BDC. The media lines were drafted in the Spring of 1999, just prior to when I began to make inquiries of the Prime Minister's Office about the Prime Minister's telephone calls regarding

the Grand-Mere Inn (attached hereto and marked as Exhibit 93 to this my affidavit).

159. I was given these documents, which I believe to be copies of original documents from the BDC file. I was also shown other documents from which I could only make notes, including documents detailing the dates of phone calls made by the Prime Minister about the BDC loan to the Grand-Mere Inn and documents concerning bounced cheques sent to the BDC by the Grand-Mere Inn. Other instances of alleged involvement by the Prime Minister and other Liberal party officials with the BDC were disclosed in the documents.

160. Prior to having been given access to these documents, I had three separate and independent confidential sources who had provided information that the Prime Minister had called Francois Beaudoin, the President of the BDC. In these calls, the Prime Minister had repeatedly urged Mr. Beaudoin to approve loans to the Grand-Mere Inn even after the inn's two prior applications were rejected because the business did not meet the BDC's eligibility criteria.

161. Acting on the documents and information Y delivered to me on behalf of X, I was able to obtain information from two more sources on the basis of an undertaking of confidentiality. These sources confirmed that the Prime Minister had made the phone calls and gave me other information as to both why the calls were made and the circumstances surrounding them.

162. On Wednesday , November 15, 2000, I completed and submitted a story which was published the next day by the National Post on the front page. It was headlined: “PM Lobbied For Disputed Loan”. The story was the result of twelve months of journalistic investigation. It revealed that the Prime Minister repeatedly called the President of the BDC in 1996 and 1997 and urged him to grant a large mortgage loan to the Grand-Mere Inn. I also reported that that Mr. Chretien’s special representative in his St. Maurice riding, Denise Tremblay, also called the BDC President’s office four times during the same time period. Attached hereto and marked as Exhibit 94 to this my affidavit is a true copy of the November 15, 2000, news story.

163. My published report highlighted the fact that the existence of the telephone calls contradicted prior statements made by the Prime Minister and members of his office that he had never been involved in and did not try to influence the BDC’s decision to grant a loan to the Grand-Mere Inn. His statements were made in the second of the first two stories published about the Grand-Mere Golf Club and Grand-Mere Inn during late January 1999 and were repeated in the letter to the editor which the Prime Minister wrote to the National Post, as described above.

164. The publication of this story occurred in the middle of the 2000 federal election campaign. Its contents were widely reported throughout Canada. The same morning my story was published, reporters traveling with the Prime Minister to a campaign event in St. Maurice asked him to comment. My colleague Robert Fife was with this group of reporters. The Prime Minister immediately confirmed that he made the calls to the President of the BDC, suggesting there was nothing improper about the calls or even anything unusual about them, saying: “You

call who you know . . . It's the normal operation." He added that he placed similar calls all the time. I reported the Prime Minister's comments in a story published on November 17, 2000. While the Prime Minister claimed to make calls like this all the time, I am aware of only one other documented case where this has supposedly happened. Attached hereto and marked as Exhibit 95 to this my affidavit is a true copy of the November 17, 2000 news story. Attached hereto and marked as Exhibit 96 is a true copy of the title page, page 88 and the corresponding footnotes from *Governing from the Centre: A Concentration of Power in Canada Politics* by Donald J. Savoie.

165. Opposition Members of Parliament accused the Prime Minister of abusing his power because the President of the BDC was appointed by the Prime Minister. They called for the Prime Minister's resignation, a probe by the federal Ethics Counsellor and a commission of inquiry. Critics suggested that the Prime Minister had given a man with whom he once did business preferential treatment. They also suggested that the Prime Minister had a potential conflict of interest because at the time he made the calls to the BDC, he was also seeking a new buyer for his shares in the Grand-Mere Golf Club. The golf club was located next door to the inn and the two had close business links.

166. On November 20, 2000, I reported that The Vancouver Sun had called for the Prime Minister's resignation and a police probe. Mr. Chretien dismissed the calls for any new RCMP or ethics probe, saying that the Ethics Counsellor had cleared him in a 1999 probe. The Ethics Counsellor refused to comment on the Prime Minister's statement. I reported that in the spring of 1999 the Ethics Counsellor had dismissed complaints that the federal conflict of

interest code had been breached in connection with the Grand-Mere Inn. His investigation focused only on the actions of Denise Tremblay, the Prime Minister's special representative in the St. Maurice riding. Ms. Tremblay was present at meetings during which Mr. Duhaime discussed his grant application with HRDC officials. The investigation did not consider the Prime Minister's telephone calls to the President of the BDC, which had not been disclosed at that time. Attached hereto and marked as Exhibit 97 to this my affidavit is a true copy this news story.

167. My colleague Robert Fife and I also reported on November 20, 2000, that the Prime Minister had discussed the Grand-Mere Inn matter further the day before, saying again that he had done nothing wrong. The Prime Minister added new details about his conversations with the President of the BDC in 1996 and 1997. He said: "The file was not moving, so I told the president "Could you settle it," because it is my duty as an MP to do that." Attached hereto and marked as Exhibit 98 to this my affidavit is a true copy of this news story.

168. A few days later, the federal Ethics Counsellor issued a ruling stating that the Prime Minister's telephone calls to the President of the BDC during which he pressed the banker to give the mortgage loan to Mr. Duhaime's inn broke no rules because no rules existed to dictate how a Prime Minister should act in his dealings with the head of a Crown corporation. However, Mr. Wilson then suggested that contemporary changes in Canadian political values and public opinion suggested it was clearly time to launch a review of the rules with a view to amending them to provide guidance in the future. Despite Mr. Wilson's ruling, these events

generated great controversy. Attached hereto and marked as Exhibit 99 to this my affidavit is a true copy my news story published on November 22, 2000, reporting this development.

### **The Grand-Mere Inn Story: The Continuing Investigation**

169. On November 24, 2000, I reported that I had interviewed Yvon Duhaime. Contrary to public statements made by the Prime Minister, Mr. Duhaime stated that there was another investor in his Grand-Mere Inn expansion/debt reduction project and that the person was an immigrant. He claimed he did not know the identity of the immigrant investor. (Two days earlier, I had reported that \$1 million had been invested in the inn under a government-approved immigrant investor program.) He would not say who had handled that aspect of the project for him. I also reported that Mr. Duhaime had defaulted on the terms of his BDC loan agreement by missing several mortgage payments in 1999 and 2000. He added in our interview that he had reached an agreement with the federal bank to “cover that”. He declined to describe the details of his agreement with the BDC. Attached hereto and marked collectively as Exhibit 100 to this my affidavit are true copies of the above mentioned news stories.

170. The new Parliament convened on January 31, 2001. During the first Question Period of that Parliament, opposition Members of Parliament returned to the issue of the Prime Minister’s telephone calls to Mr. Beaudoin. Brian Tobin, the new Industry Minister, accused Progressive Conservatives who were posing the questions of engaging in “character assassination.” I reported these events in a story published on February 1, 2001. Attached hereto and marked as Exhibit 101 to this my affidavit is a true copy of this news story.

171. On February 2, 2001, my colleague Robert Fife and I reported that Joe Clark, Leader of the Progressive Conservative Party, had accused Jean Chretien and senior Liberals of threatening reprisals against the Tories for raising questions about the Prime Minister's lobbying of the BDC on behalf of the Grand-Mere Inn. A Senior Liberal cabinet Minister later offered to increase the Conservative's Parliamentary budget if they stopped asking questions about the Grand-Mere Inn affair. Mr. Clark later likened the brief conversation he had with a visibly angry Prime Minister to an unrelated incident in which an angry Mr. Chretien grabbed a protester in Hull, Quebec. Our stories were based in part on information provided by sources within the Progressive Conservative caucus. Attached hereto and marked collectively as Exhibit 102 to this my affidavit are true copies of news stories published on February 2, 2001, and February 3, 2001.

172. On February 8, 2001, I reported that the day before the opposition Canadian Alliance Party had released documents it obtained under the Quebec Access to Information Act showing that, contrary to earlier statements by the Prime Minister, \$2.35 million in immigrant investor funds was supposedly invested in the Grand-Mere Inn expansion project between 1996 and 1998. Canadian Alliance Leader Stockwell Day asked the Prime Minister to explain "the serious contradiction." Mr. Chretien said the investment was managed by the provincial government and states that he was not aware that money was invested in the expansion, though Mr. Duhaime posted signs to this effect at the official ribbon cutting for the inn in 1998 which Mr. Chretien attended. There is no reference to an investment of this size in the BDC loan approval document. Attached hereto and marked as Exhibit 103 to this my affidavit is a true copy of the news story referred to above.

173. On February 9, 2001, I reported that Joe Clark had asked the Prime Minister to establish a judicial inquiry into the web of transactions involving the Grand-Mere Inn and golf club which the Prime Minister once co-owned in his St. Maurice riding. Mr. Clark urged that Retired Justice Ted Hughes be asked to oversee the inquiry. Mr. Clark said that the Prime Minister began to improperly lobby for a loan to the Grand-Mere Inn ninety days after he had informed the Ethics Counsellor in January 1996 that he had not yet been paid for his shares in the adjacent golf club three years after he claimed he had sold them. Attached hereto and marked as collectively as Exhibit 104 to this my affidavit are true copies of the above mentioned news story and of an excerpt from the House of Commons Hansard for February 8, 2001.

174. In a companion story also published on February 9, 2001, I reported that Howard Wilson, the federal Ethics Counsellor, would recommend that the conflict of interest code for public office holders be strengthened to prevent the Prime Minister and members of Cabinet from lobbying heads of Crown corporations on behalf of their constituents. This story was based on information obtained from confidential government sources. Attached hereto and marked as Exhibit 105 to this my affidavit is a true copy of this news story.

175. In a story published on February 15, 2001, I reported that the day before opposition Members of Parliament had renewed their calls for an independent inquiry in Jean Chretien's business dealings in his riding after tabling documents showing that unidentified immigrant investors injected \$9 million into two companies owned by Claude Gauthier, a friend of the Prime Minister whose companies had received the \$6.3 million CIDA contract and the \$1

million HRDC grant after buying the \$525,000 parcel of land from the Grand-Mere Golf Club. The investments in Mr. Gauthier's firms took place after immigration investor broker Gordon Fu met privately with the Prime Minister in 1996. Attached hereto and marked as Exhibit 106 to this my affidavit is a true copy this news story.

176. On February 19, 2001, RCMP headquarters in Ottawa issued a terse statement saying they would not investigate the phone calls the Prime Minister had made to the President of the BDC. The news release did not describe in any detail the nature of the investigation that had been conducted, nor would the RCMP answer any questions about it. I reported these developments in a story published on February 20, 2001. Attached hereto and marked collectively as Exhibit 107 to this my affidavit are true copies of the RCMP Press Release dated February 19, 2001, and of the news story referred to above.

177. In a story published on February 21, 2001, I reported that the day before Joe Clark had accused the Prime Minister of providing answers to Parliament that "do not accord with the facts." The Prime Minister had said on February 7, 2001, that Jean Carle, his former director of operations, was not involved in the Grand-Mere Inn file while he was a vice president at the BDC. Mr. Clark produced a 1999 memo from the BDC indicating that Mr. Carle had helped deliver suggested replies to anticipated media questions about the phone calls made by Mr. Chretien to get the inn its loan. As described above, this memo was one of the documents provided to me by Y on behalf of X pursuant to my undertaking of confidentiality. Attached hereto and marked collectively as Exhibit 108 to this my affidavit are true copies of the news

story referred to above and an excerpt from the House of Commons Hansard for February 20, 2001.

178. On February 23, 2001, I reported that the day before Joe Clark had accused the BDC's Chairman and Board of Directors of stripping their President of his powers in 1999, just weeks after the BDC President allegedly suggested foreclosing on the loan the Grand-Mere Inn. A change to corporate bylaws of a Crown corporation normally requires advance ministerial notification. No members of the government would answer when asked if they were either consulted or had approved of the bylaw change. Attached hereto and marked collectively as Exhibit 109 to this my affidavit are true copies of the news story referred to above and an excerpt from the House of Commons Hansard for February 22, 2001.

179. After the RCMP refused to investigate the BDC loan to the Grand-Mere Inn, a number of reporters, including myself, continued to investigate the Grand-Mere Inn and Golf Club story. Opposition Members of Parliament also continued to ask questions about the shareholders of the Grand-Mere Golf Club and about the club's sale of the Grand-Mere Inn to Mr. Duhaime in 1993.

180. In testimony before the House of Commons Industry Committee in mid-1999, the Ethics Counsellor had told Members of Parliament that the sale of the inn business took place in April 1993. He added, "The vast majority of the monies that have been agreed for the sale of the furniture, equipment and goodwill . . . was paid to the time of closure, so that was in April, and the remaining amount of money, according to Mr. Chretien's lawyer, was paid in the summer of

1993. So that was that.” The Ethics Counsellor said he had not seen the agreements of purchase and sale or proof of payment himself. He told the committee that the Prime Minister had not owned his golf club shares since November 1, 1993. Attached hereto and marked as Exhibit 110 to this my affidavit is a true copy of a transcript of the Ethics Counsellor’s evidence before the committee referred to above.

181. Opposition Members of Parliament had also been trying to determine the identity of the fourth unidentified shareholder in the golf club. On March 21, 2001, Industry Minister Brian Tobin told the House of Commons that the Prime Minister’s name was not on the shareholders’ register after 1993 because he was not a shareholder after then. Attached hereto and marked collectively as Exhibit 111 to this my affidavit are true copies of news stories published between March 15, 2001, and March 21, 2001, and the House of Commons Hansard “Blues” for March 21, 2001.

182. At about the same time as Mr. Tobin was making this statement in the House of Commons, a Montreal woman named Melissa Marcotte contacted the National Post’s headquarters in Toronto. Ms. Marcotte said she was the daughter of the late Jacques Marcotte, one of the original co-owners and founders of 161341 Canada Inc. along with Mr. Chretien. She also stated that she felt that Mr. Chretien was being unfairly tarnished because he had sold his shares in the golf club years ago. She claimed she had the documents to prove it. This information was forwarded to me. I had a series of conversations with Ms. Marcotte where she repeated these statements. I agreed to travel to Montreal to meet her and review the documents she claimed to have.

183. The next morning, I received a telephone call from Ms. Marcotte. She informed me that she wished to cancel the meeting. She informed me that she was doing so at her brother's request because Mr. Chretien's name still appeared on the official share register as a shareholder of 161341 Canada Inc., the company that owns the Grand-Mere Golf Club. Ms. Marcotte said that this information had made her angry because she had been trying to defend Mr. Chretien but it now appeared to her that he had lied to people about his business dealings.

184. This was not the first time I had heard that Mr. Chretien's name continued to appear on the shareholder's register for the Grand-Mere Golf club. Another person, Gilles Corriveau, acting as a publicist for Louis Michaud, another co-owner of the golf club, had told me that Mr. Chretien continued to be a registered shareholder in March of 2000.

185. With two on-the-record, named sources confirming that Mr. Chretien remained a registered shareholder of the golf club, I decided to write a story stating that, in fact, he remained a registered shareholder.

186. This story was published by the National Post on March 23, 2001. It rekindled the Grand-Mere Inn controversy. Staff with the Prime Minister's Office said in an interview with me that Mr. Chretien was not the owner of the shares and that he could not be responsible for bookkeeping errors made by a company with which he was no longer involved. Industry Canada and the Ethics Counsellor's office announced investigations into the matter. Attached

hereto and marked collectively as Exhibit 112 to this my affidavit are true copies of news stories published on March 23, 2001, and March 24, 2001.

187. Industry Canada, following an *in camera* investigation under the Canada Business Corporations Act, later required the Grand-Mere Golf Club to delete the name of the Prime Minister's family holding company, J&AC Consultants Inc. However, the continuing uncertainty about his ownership of the golf club shares forced the Prime Minister and the Ethics Counsellor on March 26, 2001, to table a limited number of documents about the sale of the golf club shares to a company owned by Jonas Prince in 1993 and their re-sale to Louis Michaud in 1999. There was the 1993 handwritten bill of sale and various agreements signed in 1999 to purportedly settle the aborted 1993 deal along with an explanatory letter from the Prime Minister's lawyer and trustee, Debbie Weinstein. There were no financial documents or canceled cheques showing payments that were made for the shares, nor were any documents disclosed as to what happened or what was said or written by Mr. Prince and Mr. Chretien between the initial sale of the Prime Minister's golf club shares in 1993 and the time that deal collapsed in January 1996. When asked why these documents were not disclosed, the Ethics Counsellor stated: "Those documents don't add to the resolution of the issue." Asked why he didn't ask to see any canceled cheques to prove that the transactions really took place, he replied: "There is a limit to what I feel I need to see. It has an element of unreality to it. I don't need that kind of evidence." Attached hereto and marked collectively as Exhibit 113 to this my affidavit are true copies of a news story published on March 28, 2001, the documents released to the public by the Ethics Counsellor and a Press Release issued by Industry Canada on March 27, 2001.

188. As noted above, the documents released to the public indicated that the Prime Minister's shares were sold in 1999 to Louis Michaud, one of the original partners in 161341 Canada Inc. Also disclosed by the Prime Minister was a side agreement he had signed in the Fall of 1999 at the same time as he settled the purported dispute between himself and Jonas Prince over the sale of his golf club shares. Even though Mr. Chretien has asserted that he has not owned the shares since the original sale to Mr. Prince's company in 1993, on September 29, 1999, Mr. Chretien, on behalf of J. & A. C. Consultants Inc., signed an agreement with 161341 Canada Inc. (the company that operates the golf club) and Louis Michaud. The agreement included an indemnification clause at sections 2.2 and 3.6 which stated under "Further Representations:" J. & A.C. hereby represents that the present transaction is not subject to regulatory approval or investigation under federal or provincial law. Should Michaud, the Company, its representatives, directors or shareholders be called upon to testify or participate in proceedings or investigation of any nature whatsoever relating to the shares detention of J. & A. in the company or the shares acquisition on the date hereof from Akimbo, J. & A. hereby confirms that the indemnity under article 2.2 of the present agreement will apply." I draw the court's attention to the phrase "shares detention." Lawyers I have spoken to said they had never before seen a similar clause.

189. Other reporters and I realized that the contents of the documents disclosed in 2001 were at variance with prior statements by the Ethics Counsellor that the Prime Minister had neither made nor lost money on the resale of his golf club shares. In fact, the papers released showed that he had incurred a substantial loss on the dealings of as much as \$45,000 plus six

years interest on the purchase price of \$300,000 that had been agreed to in 1993. The Ethics Counsellor has never explained the discrepancies between his public remarks and what the documents clearly showed as a major loss.

190. The day the private business documents were partially disclosed was a landmark day in Canadian federal politics because a sitting Prime Minister had never before voluntarily disclosed details of his or her private business dealings. Mr. Chretien has repeatedly refused to disclose his own and his family holding company's tax returns for public scrutiny. Between March 28, 2001 and March 30, 2001, I wrote five stories about the public disclosure of these documents. Attached hereto and marked collectively as Exhibit 114 to this my affidavit are true copies of these news stories.

191. On March 26, 2001, the Prime Minister wrote and released a letter to Joe Clark, the Leader of the Progressive Conservative Party, who has been one of his most fierce critics in the Grand-Mere Inn and golf club affair. In his letter, the Prime Minister stated that he had sold his shares in the golf club and that his only interest was "in the debt owed to me from the sale of the shares." He also said there was no financial or legal relationship between the golf course and the neighboring Grand-Mere Inn. Attached hereto and marked as Exhibit 115 to this my affidavit is a true copy of an excerpt from this letter.

192. This statement was inconsistent with information from Mr. Duhaime. He had testified about the business relationship between the club and the inn in some detail before Quebec's liquor licensing board when his inn's license was suspended after local police

authorities caught him selling illegal, untagged beer and spirits. Other comments Mr. Duhaime made about the business relationship between the golf course and the inn were reported in the story that is attached as Exhibit 36 to this my affidavit. In addition, attached hereto and marked as Exhibit 116 to this my affidavit is a true copy of my news story published on March 20, 2001, dealing with the hearing before the liquor licensing board.

193. The political controversy continued. On April 4, 2001, opposition Members of Parliament from the Canadian Alliance played some political mischief on the Liberal government. They took a page from the Liberal Party's Red Book of campaign promises in 1993 pledging to create an independent ethics counsellor who reported to Parliament. The current ethics counsellor reports only to the Prime Minister. Even though the perceived ineffectiveness of the Ethics Counsellor had become a growing problem for the Liberal government and the Prime Minister, Liberal Members of Parliament were forced to vote against one of their very own campaign promises when they defeated the motion.

194. On June 5, 2002, the Post published my special report on the history of the office of the Ethics Counsellor since its creation in June 1994. Attached hereto and marked as Exhibit 117 to this my affidavit is a true copy of this report.

195. New questions continue to emerge. In the House of Commons in June 2002, Joe Clark, the Conservative Party Leader, revealed that the company to which the Prime Minister claims to have sold his shares in the Grand-Mere Golf Club in 1993 did not exist as a legal entity. The company identified as the purchaser in the handwritten bill of sale disclosed in

March 2001 was Akimbo Development Corp. It does not exist in any federal or provincial jurisdiction. Attached hereto and marked as Exhibit 138 to this my affidavit is a true copy of my news story published on June 20, 2002.

196. I have also learned that this was not the first time a buyer was publicly identified for the Prime Minister's shares in the Grand-Mere Golf Club (161341 Canada Inc.) which did not exist as a legal entity. In the 1995 news release issued by Delta Hotels after the story in Le Journal de Montreal which mentioned Mr. Chretien's share sale, the buyer for the Prime Minister's shares was identified as "Delta Golf Services." Checks I performed with Delta and with corporate registries also show that Delta Golf Services does not exist, either. And there is no record in Delta's corporate archives of such a subsidiary ever existing, either.

### **Confidential Source X and the Leaked Document**

197. Throughout the entire period that I conducted my investigation into the Prime Minister's connection to the Grand-Mere Inn loan and other federal grants in his St. Maurice riding, I met with and received editorial advice, direction and support from the Editor-in-Chief of the National Post, Ken Whyte. I also received similar assistance from the Deputy Editor, Martin Newland, and from the Ottawa Bureau Chief, Robert Fife. Mr. Whyte in particular gave considerable time and attention to the development of these stories. He had the ultimate authority to determine when any story I presented would go forward and be published or not. Mr. Whyte also assisted in assessing the reliability of the information I had obtained and whether in any particular case it was sufficient to justify publication or required further confirmation. Generally, Mr. Whyte was aware that I had cultivated a number of important confidential

sources after entering into undertakings of confidentiality in order to further these stories. Certainly, from my very first dealings with Confidential Source Y, Mr. Whyte was aware of and approved the development of my relationship with Y, who was acting on behalf of Confidential Source X. Indeed, as set out below, there were occasions where the story was only pursued further with Mr. Whyte's express authority.

198. On the morning of April 5, 2001, I received in the daily mail delivery at the Ottawa Bureau of the National Post a sealed, plain brown envelope addressed to me. The envelope bore no return address. I opened it and discovered that it was a copy of a document that appeared to be an internal Business Development Bank of Canada loan authorization. It was signed by identifiable officers of the bank. It related to the \$615,000 mortgage loan that the BDC had granted to the Grand-Mere Inn in August, 1997.

199. Upon reading the financial footnotes in the document, I noted that at the time it applied for and received the federal bank loan in 1997, the Grand-Mere Inn showed a debt of \$23,040 owing to a company called "JAC Consultants". The note appeared under a heading describing outstanding debts to suppliers. In addition to the loan, the Grand-Mere Inn had also received grants from HRDC totaling \$189,000. It appeared from the note that this debt would have been in existence at the time these grants were awarded as well.

200. While I was surprised to see this reference in the document, given the other information I had in my possession, it was certainly not implausible that this debt was owing. At the time, I recalled two stories in particular I had written: the first was a report about the unusual movement of loan money directly to Mr. Duhaime's bank account instead of to the notary

disbursing the loan; the second was a report about the payment by Mr. Duhaime of \$11,500 to Quorum Corp, the lobbying company owned by Mr. Chretien's Grand-Mere friend, lobbyist and political supporter, Rene Fugere. As described above, there was no invoice in the Grand-Mere Inn's files to explain the reason for that payment, which came ten days after government money was deposited in Mr. Duhaime's bank account.

201. I also recalled the statements by the Ethics Counsellor that Mr. Duhaime had paid most but not all of the purchase price of the inn business when the deal closed in April 1993. The Ethics Counsellor also stated that Mr. Duhaime had paid the remaining balance owing later in time, but he acknowledged that he had not seen or requested any confirmation that those payments were in fact made. I have not seen any such confirmation, either. I therefore thought about various possible scenarios under which Mr. Duhaime had not paid off the balance of the purchase price to either 161341 Canada Inc. or J&AC Consultants Inc. which could explain a debt that was owing as of August 1997.

202. Given the importance of the matter, I decided to fly to Toronto, where the National Post headquarters and the offices of the newspaper's legal counsel are located. I called Stuart Robertson, legal counsel for the newspaper, Ken Whyte, the Editor-in-Chief, and Martin Newland, the Deputy Editor, and informed them of the contents of the envelope and of my plans to come to Toronto as soon as possible to show them the loan document and discuss its contents. I brought the loan document and the envelope in which it arrived with me to Toronto.

203. It was apparent from the time of our first telephone contact that we all realized that if the document I had received was genuine (which we did not know and certainly did not assume to be the case), it was extremely sensitive and its contents, if proven to be accurate, could have dire political and other consequences for the career of the Prime Minister.

204. I met first with Mr. Robertson. We proceeded to perform a line by line comparison of all the financial information and even compared the signatures on the leaked document with other documents. I established that the signature on the loan authorization document of France Bergeron appeared to be her true signature. I had no other example of a signature for Mr. Provencher and so could not compare it to a signature that I knew to be authentic. We then compared each financial number about the Grand-Mere Inn's business and finances in the leaked loan document with our own data about Mr. Duhaime's inn and its financial health, debts, revenues and expenses and other financial obligations. I had gathered this information from public and private records I had obtained from various sources, including federal and provincial access to information requests, court records and land registry records. I had brought these documents with me to Toronto.

205. The numbers in the leaked version of the BDC document corresponded very closely to our intimate and detailed knowledge of the inn's finances at the time it applied for the loan in 1997, except for two entries mentioned an explanatory note to footnote D to the inn's financial statement as set out in the loan authorization document. There were minor variances in the numbers, but could be readily accounted for by the fact that the documents reflected debt numbers outstanding at different times during the same year, when debts and unpaid bills would

fluctuate to some degree depending on the season. The two numbers we had never seen before involved the purported \$23,040 debt to “JAC Consultants” and another debt of \$46,563 which the inn owed to Mr. Duhaime’s father-in-law, who owns the construction company that had built a banquet hall for the inn in 1996. (As described above, Mr. Duhaime’s father-in-law had received an untendered contract to build a road and an RCMP security hut at the Prime Minister’s cottage.)

206. After completing our research and verifications, I concluded that there was a possibility that I was in possession of an authentic BDC loan authorization document for the Grand-Mere Inn. Mr. Robertson and I then went to the National Post newsroom and met with Ken Whyte and Martin Newland. I showed them my document and the envelope in which it had arrived. At that point, we had no idea who had sent me the document but it was clear that whoever did so wished to remain anonymous. This was not the first time I had received a plain brown envelope with potentially compromising documents.

207. The original loan document as well as the envelope were handled during both my meeting with Mr. Robertson and the meeting at the newsroom. Working copies of the document were made and then returned to me.

208. Those present at the newsroom meeting agreed that we were dealing with a very serious matter. I said that given the sensitive and important nature of the matter, I required their formal authorization and support to continue my investigation into the document and its contents. This approval was granted.

209. As a next step, we decided that I would interview Mr. Duhaime about the footnotes in the leaked documents. I would also write and fax a short letter together with a copy of the leaked loan approval document to the BDC, to the Prime Minister's Office and to David Scott, counsel for the Prime Minister, requesting their comments about the contents of the document. A copy of my letter of April 6, 2001, to the BDC is attached at Tab B to the information to obtain the general warrant and assistance order. Identical letters were sent to the Prime Minister's Office and to David Scott.

210. When I interviewed Mr. Duhaime, he told me that in 1997 he did indeed owe money to his father-in-law stemming from the construction of a new banquet hall for the inn in 1996. When I asked about a \$23,040 debt owing to "JAC Consultants," he replied: "You're fishing." He then said: "You're not going to turn Canada upside down over \$23,040 dollars, are you?" I asked him to repeat his remarks as I wanted to make sure I had fully understood him. He repeated the same remarks a second time. Mr. Duhaime then insisted he had not owed any money to Mr. Chretien or his family holding company. Given Mr. Duhaime's earlier comments to me as well as his track record of lying to me, I did not accept this denial at face value.

211. On April 6, 2001, the BDC sent the Post two different letters. One letter stated that we appeared to be in possession of a forged document because there was no record of the \$23,040 debt owing to "JAC Consultants" in the BDC's own records. The second letter stated that we were in possession of confidential BDC documents the contents of which could not be disclosed and urged us to govern ourselves accordingly. The second letter implied that the loan

document contained real, confidential client information. The BDC indicated in a telephone call to the Post that it took issue with the reference to the debt owing to “JAC Consultants” in the leaked version. Attached at Tab D to the information to obtain the general warrant and assistance order is one of the letters from the BDC to the Post. A true copy of the other letter is attached hereto and marked as Exhibit 118 to this my affidavit.

212. The Prime Minister’s Office also responded quickly to my letter. I was informed over the course of several conversations with my colleagues and verily believe the some of the most senior officials in the PMO, particularly Francoise Ducros, the Communications Director, had called senior management at the Post to discuss the matter and try to persuade the Post not to publish any story about the document.

213. David Scott also called the Post and wrote a letter to the acting publisher, Peter Atkinson. Mr. Scott stated that we were in possession of a forgery and threatened legal action if we published a story about the contents of the leaked document. In his letter, he also said that if we did publish a story based on the leaked document, we would be implicating the Prime Minister not only in a conflict of interest, but in criminal wrongdoing. Attached hereto and marked as Exhibit 119 to this my affidavit is a true copy of Mr. Scott’s letter.

214. I participated in a telephone conference call between Mr. Scott, Mr. Atkinson, Mr. Whyte and Mr. Newland on April 6, 2001. I recorded the call for journalistic purposes. Mr. Scott said the document mailed to me was “an obvious forgery” and that the Prime Minister was never owed any money by the Grand-Mere Inn. He also declared that he had been provided

with a copy of the list of unpaid suppliers of the inn from 1997 and that “JAC Consultants” was not on that list. I asked whether I could obtain a copy of this list as part of my investigation. Mr. Scott agreed to provide a copy of the document to me the next day. After some discussion with me, Mr. Whyte told Mr. Scott that he would not publish a story about the document until we had checked the suppliers’ list.

215. The next day, I called Mr. Scott’s office in Ottawa to make arrangements to get the suppliers’ list. I made several more calls for the same purpose, all of them recorded for journalistic purposes. Mr. Scott refused to provide the list of the inn’s suppliers, saying he did not speak to reporters. Mr. Scott made it clear to me that he would not supply the list at any time. The PMO also refused to disclose the list of unpaid suppliers to me as part of my research. (Shortly thereafter, Mr. Duhaime told me in an interview that he had not authorized anyone to release his accounting records or information about his inn’s unpaid suppliers, particularly to David Scott or the Prime Minister’s Office.)

216. On Saturday April 7, 2001, Quebec bailiffs acting for the BDC searched the Montreal area home, office and cottage of Francois Beaudoin, its former President, pursuant to an order received as part of a civil legal proceeding. The BDC, the defendant in a civil law suit launched by Mr. Beaudoin, alleged that Mr. Beaudoin was the person who had provided the leaked loan authorization document to me. Court records show that bailiffs did not find the loan authorization document at any of the places they searched and seized records from. (See Exhibit 120, referred to below.) The orders authorizing these searches were later quashed by a Quebec Superior Court Justice.

217. On Sunday April 8, 2001, I was contacted by Doug Mitchell, a lawyer representing Mr. Beaudoin, who informed me of the bailiff raids that took place the day before. He also informed me that Mr. Beaudoin was issuing a press release to express his outrage and to call for a public inquiry into the Grand-Mere Inn loan. Attached hereto and marked as Exhibit 120 to this my affidavit is a true copy of the press release sent to me by Mr. Mitchell.

218. When I received the information from Mr. Mitchell about what had happened to Mr. Beaudoin, I was concerned that the BDC might try to obtain an order to search my family home. I am the father of two small children who I felt would be unnecessarily upset by witnessing a search of their home. I did not wish to take any chance that they would be exposed to this trauma. As a result, my spouse and I took our children from Ottawa to a place where they would be safe and where I could continue researching the loan document and preparing a news report on recent events for publication on Monday April 9, 2001. Attached hereto and marked as Exhibit 121 to this my affidavit is a true copy of this news story.

219. In order to do this work, I was still in possession of the loan document and envelope. Well before I was aware of any RCMP interest in the document or the envelope, I secured these items in a place where they would not be lost, altered or destroyed. It is never my practice to store sensitive items at the National Post office in Ottawa because these premises are shared by other media outlets and rented from the government. No one else employed by the Post knows where I have secured the document and the envelope. I am the only person

employed by the Post who can physically obtain the document and the envelope. I have never told Ken Whyte where the document or envelope are.

220. At this time, the Post decided not to publish details of the purported \$23,040 debt referred to in the footnote of the leaked document. We had not confirmed its authenticity and neither David Scott nor the Prime Minister's Office was cooperating with our investigation by giving us a copy of the Grand-Mere Inn's unpaid supplier list from the days before it received the BDC loan. However, other national news organizations published and broadcast details about the leaked BDC document that purported to show that the Grand-Mere Inn had an unpaid \$23,040 debt to "JAC Consultants" in 1997. Their source for this information was the April 6, 2001, letter that General Counsel for the BDC had sent to the National Post indicating that the leaked document appeared to be a forgery. This letter had been filed with the Quebec court as an exhibit by the BDC when it sought and received an order to search Mr. Beaudoin's home and other locations.

221. Some time during the week after I received the brown envelope with the leaked BDC loan approval document inside it, I was contacted by Confidential Source X. Confidential Source X requested a face to face meeting with me so that we could have a private discussion. This was the first direct contact I had had with X. I consulted with legal counsel and my supervising editors. They all agreed that I should attend this meeting.

222. At the private meeting the next day, Confidential Source X requested an undertaking of confidentiality. I agreed to the undertaking, knowing that nothing more would

be said during the meeting unless I provided such an undertaking. In fact, as described above, I had already given such an undertaking to Confidential Source Y, promising much earlier to protect X's identity. Confidential Source X then revealed that he/she was the person who had mailed me the loan authorization document about the Grand-Mere Inn loan.

223. I informed Confidential Source X that I could not simply accept such a statement as a fact. Anyone could have sent it to me, I said. I then took steps to confirm Confidential Source X's claim by asking X how the document had been sent, what size of paper it was printed on, what size and colour of envelope it was mailed in, whether the envelope bore stamps or a postage meter and whether it was addressed by hand or by typed letters. Confidential Source X correctly described all aspects of the envelope and its contents. This satisfied me that it was X who had mailed the document to me.

224. Confidential Source X asked me if I had retained the envelope in which the loan document had been delivered. I said that I had. X asked me to dispose of it. I asked X why this needed to be done. X replied that he/she was afraid that the authorities would use it to try to identify him/her. X expressed concern that the authorities might try to fingerprint the document or the envelope or perform DNA analysis on them. I asked Confidential Source X why this would be a concern. He/she replied that the envelope could link him/her to a document which was now alleged to be a forgery. Confidential Source X expressed concern that he/she and his/her family might suffer if ever identified.

225. I told Confidential Source X I had taken steps to secure the document and the envelope but that I would not dispose of them. I said this would be both improper and highly unethical given the serious allegation that the document had been forged.

226. The request to destroy the envelope did not surprise me. During my career as an investigative journalist, confidential sources who fax or mail documents or other materials to me have often asked or required me to destroy envelopes or fax cover sheets and re-copy documents after removing any identifiable markings or phone numbers on them so they cannot be identified as the source.

227. I stated to Confidential Source X that as long as I believed that he/she had not provided the document to deliberately mislead me, my undertaking of confidentiality would remain binding. I also told Confidential Source X that should irrefutable evidence to the contrary emerge, our agreement of confidentiality would become null and void. X agreed to these terms.

228. As part of my investigation, I tried to trace the origin of the leaked document. On this occasion and on several subsequent ones, I probed X about how he/she had received the document and why he/she had passed it on to me and not to the authorities. X told me that he/she had received the document in the mail anonymously and had passed it on to me, believing that the document was genuine and was one whose contents involved a matter of great public interest. On a prior occasion, X had also provided me with other documents that X had received in this same way and which I subsequently confirmed to be authentic. X has also provided still

other documents which he/she had obtained directly, the contents of which I subsequently confirmed to be true. If were to describe the nature of these documents, it would tend to disclose X's identity.

229. I asked X whether someone from inside the BDC had provided the loan document and to whom I could turn for information that might assist me in authenticating it. X said he/she did not know who had sent him/her the document and that he/she had discarded the envelope in which it arrived. I also pressed X on whether he/she had any involvement in or knowledge about whether the document had been tampered with. I asked X whether he/she would be prepared to swear a confidential affidavit confirming that he/she did not alter or forge the loan authorization document. I used this approach to test X's integrity. As X agreed without hesitation to swear such an affidavit, I did not proceed further with this request.

230. As part of our exchanges, X offered to review the contents of the loan authorization document with me so that I would understand several key pieces of information that it contained. I used this background information, later confirmed by confidential sources, to publish a story based only on information from the loan authorization document that I was satisfied was genuine. This story reported that the BDC had approved the \$615,000 loan to the Grand-Mere Inn fully knowing it had less than 50% of the collateral to cover the loan in the event of a default, a violation of BDC criteria and internal rules. The story told how Mr. Duhaime had received a preferential rate, a payment holiday and had paid none of the usual application fees. From my own research, I was able to establish that similar applicants had paid

higher rates of interest and substantial application fees. That story was published on April 24, 2001. Attached hereto and marked as Exhibit 122 to this my affidavit is a true copy of this story.

231. After these events, I tried to interview Jacques Lemoine, a BDC Vice-President of credit, requesting information from him for which I was also prepared to give a promise of confidentiality if that was his request. I arrived unannounced at his home in Beaconsfield, Quebec. I told Mr. Lemoine that I would like to either interview him on the record or obtain information from him pursuant to a promise of confidentiality so that I could gain a better understanding of the loan authorization document for the Grand-Mere Inn. I also wanted to discuss an allegation I had received of possible file tampering within the BDC. Mr. Lemoine said he would like to grant an interview but BDC policy required him to get advance approval. He also said that he would like to have a media relations officer present with him for any interview. I agreed to these terms. Mr. Lemoine did not subsequently get permission from the BDC to be interviewed by me. I was given no reason why such an interview could not be granted.

232. I have had several more discussions with X over the past year. In addition to the story about the phone calls, X supplied documents and information about a confidential employment contract between Jean Carle, the former director of operations for the Prime Minister, and the BDC. Under it, Mr. Carle, would receive a year's salary in the event of even a voluntary resignation. In interviewing several labour lawyers in the preparation of my story, I was informed and verily believe that this was an unusually lucrative condition that was tantamount to giving Mr. Carle an invitation to leave his job. My stories dealing with this were

published on August 22 and 23, 2001. Attached hereto and marked collectively as Exhibit 123 are true copies of these stories and a true copy of Jean Carle's employment contract with the BDC.

233. The publication of this story on page one of the National Post caused great controversy. It also led to the publication of editorials across Canada which denounced the bank for allowing such agreements involving a Liberal Party political operative. Opposition Members of Parliament also asked questions and criticized the dealings.

234. X has also introduced me to several other persons to whom I have given undertakings of confidentiality in return for information or documents. X introduced me to individuals who have since helped me secure other important BDC documents, who have helped me understand the inner workings of the BDC and its computer and banking systems and the production and distribution of loan authorization documents within the bank. This information has been confirmed with other sources.

235. On the basis of all of my dealings with Confidential Source X, I am satisfied that he/she has proven to be a reliable source of information the disclosure of which has been in the public interest. X provided this information to me on the basis of my express promise of confidentiality and would not have given me this information without it. I have no evidence that Confidential Source X has ever deliberately attempted to mislead me. Based upon the information that is now available to me, I have no reason to doubt X's honesty with me. If the loan document is a forgery, I do not believe that X forwarded it to me knowing that the

information it contained is false. I do not know, based on the information available to me now, whether the Grand-Mere Inn loan authorization document is authentic in its entirety or not. I believe the question of its authenticity is one that warrants continued journalistic investigation. Nothing in the circumstances known to me at this time leads me to conclude that the undertaking of confidentiality that I made to X is not still binding upon me.

### **The Political Reforms Triggered by the Story of the Grand-Mere Inn**

236. The investigations I have carried out so far into the Business Development Bank of Canada loan to the Grand-Mere Inn and into federal grants given to the inn have resulted in important changes to federal government rules. These changes will enhance the accountability of government in its delivery of programs and will increase the community's trust in public office holders.

237. While I had gathered information about the Prime Minister's phone calls to the head of the BDC from three different sources throughout 1999 and 2000, without the assistance and documents provided by Confidential Source X, I could not have reported this story. In my opinion, the public ought to be able to make its own decision about whether the Prime Minister's conduct was acceptable or not. This story engaged the Canadian community in discussion about what rules were necessary to govern the conduct of public office holders in their dealings with government institutions on behalf of their own constituents.

238. Because of my work, together with the pressure brought by opposition Members of Parliament and a change in attitude among Canadian citizens as measured by public opinion

polls, the Prime Minister and the Liberal government have announced a number new initiatives to improve the rules governing the ethics of cabinet ministers and elected public office holders in the federal government.

239. At the Business Development Bank of Canada, the board of directors has responded to the political controversy. It changed internal bank rules to provide that any employee who is contacted by a Member of Parliament, including Cabinet Ministers, about a loan application is then removed from the file so they cannot influence the lending decision. Also, the BDC now requires employees to report such contacts and the BDC executive must report to the board quarterly about the nature and number of such contacts. Attached hereto and marked collectively as Exhibit 125 to this my affidavit is a true of my story published on April 27, 2002, along with an excerpt from a BDC internal circular dated February 9, 2001.

240. On May 23, 2002, upon the recommendation of his Ethics Counsellor, Mr. Chretien promised to introduce a new eight-point ethics plan. "I am humble enough to admit that mistakes have been made and determined enough to correct them," he said in announcing the measures in a special address to Parliament. Attached hereto and marked as Exhibit 126 to this my affidavit is a true copy a story published in the National Post on May 24, 2002, together with a true copy of an excerpt from the House of Commons Hansard for May 23, 2002.

241. The new ethics plan includes rules prohibiting ministers of the Crown, including the Prime Minister himself, from directly calling the heads of federal Crown corporations such as the BDC to lobby for loans, grants or other similar financial benefits for their constituents.

Attached hereto and marked as Exhibit 127 to this my affidavit is a true copy of the Ministry and Crown Corporation Guidelines dated June 2002.

242. The ethics initiative was mentioned again in the Government's speech from the Throne to open the Fall 2002 session of Parliament. The Liberal government also promised new legislation, to be tabled this Fall, to close loopholes and strengthen laws governing the activities and conduct of unregistered lobbyists. Plans to amend the law came about as a result of weaknesses and flaws in the existing law which made it difficult for authorities to prosecute successfully unregistered lobbyists like Rene Fugere, whose activities are described earlier in this affidavit.

243. There have also been growing calls from backbench Liberal Members of Parliament for the Prime Minister to honour his 1993 campaign promise and create a truly independent Ethics Counsellor who reports to Parliament, not to the Prime Minister. As of today's date, officials in PMO have confirmed that such an office will be created, although the details have yet to be announced. Attached hereto and marked as Exhibit 128 to this my affidavit is a true copy of a story published in The Globe and Mail today.

### **The Frailties of the Police Investigation and Alternative Sources of the Information**

244. There are discrepancies, omissions and other problems with quality of the RCMP investigation outlined in the information in support of the general warrant and assistance order.

245. When the RCMP declined to investigate the Prime Minister's telephone calls to the former president of the BDC in February 2001, I am informed by reliable sources within the RCMP to whom I have given a promise of confidentiality and verily believe that the officer assigned to review the complaint interviewed no one other than the complainant, an opposition Member of Parliament, before the RCMP closed the file and decided to conduct no further investigation. The circumstances leading to this complaint to the RCMP are described above.

246. In the Spring of 2001, I spoke several times on the telephone with RCMP Corporal Gallant. In one of these conversations, he told me that he was conducting an open-minded investigation and that as between the two versions of the loan application that were at issue, he said he did not know which was genuine and which (if any) was not.

247. According to a partial transcript of the phone call which I recorded for journalistic purposes, during which I had referred to statements he had made earlier, Corporal Gallant told me: "I have two documents that are different. I did not say yours was false and the bank's was real. I said there were two documents. I said we were going to investigate and that all possibilities were open. I never said yours was a forgery."

248. I first met with Corporal Gallant at the National Post offices in Don Mills in June 2001, in response to his request to discuss the loan document with me. Ken Whyte, Martin Newland and our counsel, Stuart Robertson, also attended the meeting. Corporal Gallant came to the meeting with a prepared set of questions which he asked me. With one exception, I answered

the questions. The interview was brief and lasted less than twenty minutes. A copy the questions posed and their notes of the my answers is attached to the information in support of the general warrant and assistance order as Exhibit E. At no time did Corporal Gallant ask me or anyone else at the meeting the location of either the document or the envelope in which it was delivered. Towards the end of our meeting, Corporal Gallant stated to all of us, in the presence of Staff Sergeant Chantale Fortin that "there are confidential documents circulating and my job is to put a stop to it."

249. From that point on, I worried about the objectivity of the investigator. I understood his remarks to mean that he wanted to identify the source of the document, to stop further leaks and to charge the person who had leaked the document, apart altogether from any question of forgery.

250. In the world of journalism, reporters and editors describe authorities who are called in to investigate the unauthorized dissemination of politically embarrassing information as "plumbers" in that they aim to plug or halt institutional leaks of information the disclosure of which is in the public interest. I wondered whether this was the role Corporal Gallant had assumed.

251. Moreover, after it was alleged by the BDC that someone had leaked an altered and forged document about the Grand-Mere Inn loan, senior newsroom management and I both separately and together, on several occasions, had sought a meeting first with the RCMP and, later, with the Crown attorney and the police so they could explain to us in detail why they

believed that someone had tried to mislead the Post into publishing a false story. We wanted to know specifically how the alleged crime was committed, and what evidence the police investigators had to support their claims.

252. From my perspective, to preserve my independence, such a meeting, if it were to take place, had to be entirely off the record meeting, meaning that nobody attending the meeting could either use or publish anything that was said during the meeting for any newspaper story or legal proceeding. My independence would be compromised if anything I said at the meeting could be used by the police to further their investigation, making me in effect a police source.

253. Though I have had many such meetings with police officers and Crown attorneys over the years, Crown attorney Scott Hutchison said such a meeting was not possible in this case and it had to be "on-the-record" for the purpose of legal proceedings, meaning that anything said during the meeting could later be reported by the police officer and used to obtain a warrant to search for the envelope and loan authorization document in an effort to identify my confidential source. Both my senior editors and I found the terms professionally and personally unacceptable. We therefore refused to participate. Copies of my counsel's correspondence with Crown counsel are included at Tab H(2) of the information in support of the general warrant and assistance order.

254. As the alleged "victim" of an attempted uttering, I wished to see the BDC's version of the document so I could compare it to my own leaked version. The RCMP and the

BDC both repeatedly declined my requests to see the BDC version of the document throughout 2001 and 2002. The RCMP did little to explain to me how somebody had attempted to mislead myself and the National Post into publishing a false story. Seeing the original bank version of the document would have been a first step in ascertaining whether or not someone had tried to mislead or deceive me.

255. I was only able to see and examine a copy of the BDC's version of the document fifteen months after the allegation that my leaked version was a forgery and then only because the BDC version was included as an exhibit to the information sworn in support of the general warrant and assistance order obtained by the RCMP.

256. The general warrant and assistance order were served on the National Post on July 4, 2002. I was on vacation at the time. When I finally saw the complete warrant, which included the BDC version of the document, in late July, 2002, I immediately detected a problem with the signature which appears on page 4 of the BDC's version of the loan document. At paragraph 32 of the information to obtain, Corporal Gallant describes this as the "hand signature" of Yvon Duhaime and points out that it is missing from the National Post version of the document. This is one of a number of differences between the two documents that Corporal Gallant relies on as evidence of the authenticity of the BDC's version. I remembered Mr. Duhaime's signature from other documents I had seen and this did not appear to resemble his signature in any way.

257. I then compared the "Yvon Duhaime" signature on the BDC's version of the loan document with different confirmed specimens of Mr. Duhaime's handwritten signature on genuine federal government documents created in the 1997-98 period. I had previously obtained these documents under the federal and Quebec Access to Information Acts. These were Grand-Mere Inn letters and forms that Mr. Duhaime signed for Human Resources Development Canada grants. The signature of Mr. Duhaime that appeared on the BDC version of the loan document did not look like the examples of Mr. Duhaime's real signature. True copies of these documents are attached hereto and marked as Exhibit 129 to this my affidavit.

258. After reaching this conclusion, I contacted Ken Whyte and Martin Newland to discuss my conclusions. I obtained their approval to retain Dan Purdy, a forensic document examiner and handwriting specialist to examine the "Yvon Duhaime" signatures. Mr. Purdy was a forensic document examiner with the RCMP for thirty years, including ten years as Chief Scientist, Document Services, in the RCMP's forensic laboratory in Ottawa. Attached hereto and marked as Exhibit 130 is a true copy of Mr. Purdy's *curriculum vitae*.

259. Mr. Purdy reported his findings to me on August 2, 2002. I was informed by Mr. Purdy and verily believe that, in his opinion, the signature on the BDC version of the loan document had sixteen differences when compared with the bona fide signature samples of Mr. Duhaime on the known government documents and no similarities at all. He concluded that there was a "strong probability" that the real Yvon Duhaime did not sign the document as stated by RCMP Corporal Gallant at paragraph 32. of his information to obtain the general warrant and assistance order.

260. Attached hereto and marked as Exhibit 131 to this my affidavit is a true copy of an expurgated version of Mr. Purdy's report. The portions of the report that have been removed all relate to information that would tend to identify a confidential source to whom I have given an undertaking of confidentiality. They do not relate in any way to Mr. Purdy's opinion about Mr. Duhaime's signature.

261. I reported the results of my research into the signatures on Tuesday, August 6, 2002. Attached to this my affidavit and marked as Exhibit 132 to this my affidavit are true copies of this story.

262. On August 15, 2002, I contacted Yvon Duhaime. I faxed him a copy of the BDC version of the loan document that the RCMP stated he had signed. Mr. Duhaime confirmed Mr. Purdy's conclusion that it was definitely not his signature on the BDC's version of the document. He told me he had never seen the document before. He said he had been interviewed by two RCMP officers in 2001 but they never showed him either the BDC version or the leaked version of Grand-Mere Inn loan authorization document and they did not ask whether it was his signature on the BDC version.

263. I have obtained from a source to whom I gave an undertaking of confidentiality, an internal BDC loan authorization manual that discusses practices and procedures to be employed by bank officials in the processing and approval of mortgage loan applications. The manual indicates that loan authorization documents are for internal bank use only, meaning that

a client of the BDC would not normally sign the loan authorization document in question here. In addition, information in the manual suggested to me that both versions of the loan authorization document are missing a key part, something the Business Development Bank of Canada calls a credit analysis report. This is a two or three page report described in the manual as the "RAC". It would include an assessment by the BDC loan officer of the client's credit history and an evaluation of the risks that the client might later default on loan payments. The report is prepared on a template that is part of the same software package as the template used for the loan authorization document. Once completed, both are capable of being transferred electronically. A true copy of this manual is attached hereto and marked as Exhibit 124 to this my affidavit.

264. I published the results of my interview with Mr. Duhaime and my research about the loan authorization documents on Saturday August 17, 2002. Attached hereto and marked as Exhibit 133 to this my affidavit is a true copy of this news story.

265. A few days later, I called Mr. Duhaime. He told me and I verily believe that after the August 17<sup>th</sup> story was published, Corporal Gallant had contacted him. Corporal Gallant asked him and the Grand-Mere Inn to surrender a long list of documents and supplier invoices from five years ago, including papers about an \$11,500 payment that had been made to lobbyist and friend of the Prime Minister, Rene Fugere of Quorum Corporation, days after the inn had received federal grant and loan money. He stated: "They asked for all the suppliers! Everything from A-to-Z," He also told me the police investigator's phone call was followed by a formal written request on RCMP stationery for the inn to deliver the papers as soon as possible. Mr.

Duhaime said he understood from the RCMP that they would execute a search warrant to get the papers if he did not comply voluntarily with their request for documents. Mr. Duhaime declined to describe in detail or show me a copy of the list of documents the RCMP were seeking.

266. I have contacted the RCMP and the BDC to ask them how they had established that this was Mr. Duhaime's signature on the BDC version of the loan document. Neither the RCMP nor the BDC have been willing to respond to my inquiries. Attached hereto and marked as Exhibit 134 to this my affidavit is a true copy of my news story published on August 29, 2002.

267. During my ongoing investigation of the leaked version of the document, I have also learned several things which have not been adequately explored by the RCMP or that were omitted from any of the RCMP search warrants filed in connection with this case.

268. In both versions of the BDC loan document, the financial statements and footnotes to them indicate that the Grand-Mere Inn had substantial unpaid supplier bills and other unpaid bills at the time it received its federal mortgage loan of \$615,000 in 1997. Both versions indicate there were \$244,630 in unpaid supplier accounts (the majority of which were outstanding for more than 90 days) and \$113,600 in other unpaid bills at June 30, 1997. Nothing in the information to obtain the general warrant and assistance order indicates that Corporal Gallant or any other RCMP officer ever visited the inn for the purposes of verifying its books and records so they might compile a list of the inn's unsecured creditors in 1997 - it owed at least \$358,230 - in a bid to determine which of them was paid with the proceeds of the federal

loan once it was disbursed. This debt is twenty-seven times greater than the annual of \$13,070 the inn had generated for the year ended January 31, 1997.

269. As well, there are at least three other financial lenders involved in financing the Grand-Mere Inn during this time, among them the Groupe Forces, the Caisse Populaire and the Quebec Federation of Solidarity Fund. Nothing in Corporal Gallant's sworn information suggests that the RCMP took steps to determine if the purported debt to "JAC Consultants" also appeared in their files. Nor does it appear that the RCMP has examined the books of J. & A.C. Consultants Inc. or 161341 Canada Inc. to determine the true state of their affairs in 1997 and check to see if either company was owed money by the Grand-Mere Inn before it received its BDC loan.

270. In the information to obtain, Corporal Gallant referred to a letter from Andrée LeBlanc Daviault, General Counsel and Corporate Secretary to the BDC, that was faxed to Ken Whyte and myself on April 6, 2001. The letter, which is attached as Exhibit D to the information to obtain, gave the newspaper notice not to publish the leaked loan authorization document because the bank considered that the document was a forgery. In fact, the BDC sent the National Post two letters on April 6, 2001. After receiving the letter referred to by Corporal Gallant, we received another letter by fax from Ms. LeBlanc Daviault stating that the loan authorization document is "confidential information which cannot be disclosed and communicated pursuant to Sections 37 and 39 of the Business Development Bank of Canada Act and to the Privacy Act." The BDC took the position with senior management at the Post that, apart from the reference to "JAC Consultants", the other information in the document was in fact confidential client

information. Contrary to the impression left by the information to obtain, the bank did not take the position that the document was a forgery in its entirety. There is no mention of the BDC's second letter in the information to obtain.

271. There are other inadequacies in the RCMP investigation as described in the information to obtain. A confidential source known to me as a former bank employee reviewed the loan authorization document at my request and answered a number of questions that I posed to him/her. Attached hereto and marked as Exhibit 135 to this my affidavit is a true copy of a written reply to inquiries I made of a confidential source formerly employed by the BDC concerning the loan approval process.

272. This source made it clear to me that when the BDC approves a loan which includes money to a client to pay off debts and help strengthen the cash flow of a business, the bank normally requires that a list of all debts and accounts to be paid with the loan money be included in its own branch records so that BDC loan officers know exactly how much is going to be paid, to whom, and for what reason. In paragraph 15 of this information to obtain, Corporal Gallant describes how a BDC representative contacted the accountant of the Grand-Mere Inn and asked me to provide the RCMP with the list of unpaid suppliers that the Inn had provided to the BDC when it applied for its loan in 1997. This information should normally have been in the BDC's own loan file, as it is for many other loans of that size, or in the files of the branch where the loan was granted. Such information should be available from the bank's own files in this case.

273. Further, two other sources to whom I have given undertakings of confidentiality, have provided information relevant to the loan system used by the BDC. In paragraph 22 of the information to obtain, Corporal Gallant states that once e-mail copies of loan authorizations are posted to the BDC computer system at head office, these can be "accessed by all employees at the head office." I have spoken to several current and former employees of the BDC. They told me, and I verily believe, that Corporal Gallant's statement is not accurate. They informed me that not all employees at head office can access the loan system, which is guarded by a system of log-ins and passwords in the same manner as such systems are usually protected at all major banks. Not all employees at the bank's Montreal headquarters have the passwords required to access the system.

274. Nowhere in the sworn information to obtain the general warrant and assistance order does Corporal Gallant state, that as part of his investigation, he verified or tried to verify the original e-mail transmission by Trois-Rivieres branch manager France Bergeron in August 1997 when she submitted the supposedly genuine version of the loan authorization document for consideration by a credit committee of senior executives at the BDC head office in Montreal. The e-mail or any print out of the document made at the time would show exactly what financial statements and footnotes she forwarded to head office for review. He states only that an RCMP computer crime specialist was unable to find a copy similar to the leaked version. At paragraph 24 of the information to obtain, Corporal Gallant states that the specialist, Sgt. Marc Gosselin, searched the BDC computer system in Montreal and Trois-Rivieres "between August and December 2001." He does not describe in any detail exactly what steps the officer took in his search, what specifically he searched or exactly how long he spent on the task.

275. The Grand-Mere Inn loan was considered and approved by an entity called the credit committee of the BDC, which is composed of senior executives. Based on an internal bank memo dated July 15, 1997, of which I have a copy, I understand that the application was referred to this committee because Ms. Bergeron had refused to use her authority as branch manager to approve the loan herself (see Exhibit 91, referred to above and Tab B and C of the information to obtain).

276. The loan was sought under the BDC's Tourism Investment Fund. A BDC brochure about the fund said it was designed for tourism operators with "a proven earnings record, an ability to service the loan and a solid equity base." Tourism operators must also have "a competent, well-rounded and experienced management team," the brochure adds. Ms. Bergeron had concluded that the loan did not meet normal bank policies and criteria and posed an unduly high risk for the bank. I am informed by reliable confidential sources and verily believe that credit committee approval for a loan of under \$1 million is highly unusual as it normally deals in loans involving much greater amounts of money (see Exhibit 31, referred to above).

277. In light of this, I was surprised to see that Ms. Bergeron had allegedly provided a written statement to the RCMP dated June 11, 2001, in which she "confirmed that the loan application by Auberge Grand-Mere had gone through regular authorization procedures," as reported by Corporal Gallant at paragraph 23 of the information to obtain. Contrary to this

statement, the loan application did not go through regular approval procedures at all. Corporal Gallant fails to describe what he means by “regular authorization procedures.”

278. The BDC vice-president of credit, Jacques Lemoine, had also refused to approve the loan himself for the same reasons as Ms. Bergeron, though it was well within their respective financial approval limits as a BDC manager and senior executive. To my knowledge, no RCMP officer has ever interviewed Mr. Lemoine or tried to interview Mr. Lemoine about what he knows about the loan approval documents and the Grand-Mere Inn loan (information to obtain, Tab B and C).

279. Furthermore, at no point does the RCMP investigator state in his information that he performed the following basic investigative act: did he show both the purportedly genuine and the allegedly false document to France Bergeron or Chantal Parent, the two branch employees of the BDC who worked on this loan application, to see if they could recall which version of the document they signed back in 1997. If the RCMP officer did so, what was their answer? It is omitted from the information to obtain produced by Corporal Gallant.

280. At paragraph 29 of the information to obtain, Corporal Gallant observes that the BDC version of the loan document has in the upper right hand corner a stamp which states: “Entered at H.O. 18 Aout 1997 566 Isabelle St-Hilaire”. Nowhere in the information to obtain does Corporal Gallant indicate that he showed the two versions of the loan document to Ms. St-Hilaire. Nor does it indicate that he checked with her to see if she possessed a stamp similar to

that which appeared on the loan document, what the purpose of the stamp is or whether she had indeed stamped the BDC version.

281. During the course of my investigation of the two versions of the loan authorization documents about the Grand-Mere Inn loan, I have also obtained two other copies of internal BDC loan approval documents. Neither copy of the loan authorization document I have obtained has the kind of stamp on it that the bank version of the Grand-Mere Inn document carries, though one document I obtained carries a rectangular stamp indicating it came from BDC Quebec Legal department. The second bears no stamp.

282. It was this difference in stamps that also helped me learn and understand that when BDC loan approval documents are prepared at the branch level, many copies are printed out and distributed throughout the specific branch and also among several BDC departments at its Montreal headquarters, such as legal affairs, audit, loan inspection. This practice is not discussed or revealed by Corporal Gallant in his Information to obtain. On the contrary, he seems to suggest there is only one copy of a BDC loan approval document.

283. On December 1, 2001 I reported that after an eight-month investigation, RCMP detectives had been unable to confirm allegations by the BDC that the leaked loan document was in fact a forgery nor had they confirmed that the document was genuine. This information was reported after I interviewed RCMP Commercial Crime Section spokesman Sylvain L'Heureux who told me and I verily believed that "the investigation is being wrapped up, but a few more things need to be finalized". On December 12, 2001 I reported that the RCMP had executed a

search warrant at the home of former BDC president Francois Beaudoin and seized his laptop computer. When the search warrant was returned and become public in February 2002, I read the information and learned that the RCMP had concluded that the document leaked to the Post was a forgery. I published that information on February 6, 2002. See Exhibit 136 referred to below.

284. During my ongoing investigation of the leaked version of the document, I have also learned several things from various RCMP search warrants and come across several important contradictions that are readily apparent to me from my reading of the warrants.

285. On December 12, 2001, Corporal Gallant swore another information to obtain a search warrant which he then used to search the home of the former BDC president, Francois Beaudoin, at 77 Beverly St. in the Town of Mount Royal district of Montreal, to examine a portable computer that was found at the home. That warrant is filed in Quebec Court file # 500-26--022094-019 at the Palais de Justice in Montreal. Attached hereto and marked as Exhibit 136 to this my affidavit is a true copy of this information to obtain.

286. In his information to obtain for search warrant 500 -26-022094-019, Corporal Gallant notes that on April 9 2001, during a meeting with RCMP officers, Ms. Andee Leblanc Daviault, general counsel of the BDC, confirmed to members of the Royal Canadian Mounted Police, being Inspector Francois Deschenes and the Sergeant Chantale Fortin, that Mr. Beaudoin was in the habit of keeping files of a political nature with him as was the case with the Grand-

Mere Inn file. He said this was confirmed by the notes of Inspector Francois Deschenes dated April 9, 2001 and corroborated by the Sergeant Chantale Fortin.)

287. Corporal Gallant reports in the same information that on October 31, 2001, during a meeting with Andree Leblanc Daviault, she allegedly informed him that she was not certain that Mr. Beaudoin had kept the Grand-Mere Inn loan file in his office.

288. On September 15, 1999, Mr. Beaudoin submitted his resignation as president and chief executive officer of the Business Development Bank of Canada.

289. Corporal Gallant reports in the information to obtain filed in 500-26--022094-019 that Suzanne Tremblay, administrative assistant of Mr. Beaudoin from 1990 to his departure in September, 1999, confirmed to Luc Provencher of the BDC , that Mr. Beaudoin, two weeks before his departure, "still had in his possession documentation about the Grand-Mere Inn loan and that this information was transmitted to the RCMP by Ms. Leblanc Daviault.

290. In the course of my investigations, I also learned that on April 7, 2001, the BDC filed a motion against Mr. Beaudoin in a civil lawsuit filed by the former president of the bank. Paragraph 13 of this motion mentions what follows: "In the weeks preceding the end of Beaudoin's employment at the BDC, the latter had snatched documents, files, notes or other material containing or revealing in whole or in part, information coming from the BDC or relating to the business of the BDC with its clients and more particularly, matters concerning the financing of the Grand-Mere Inn or employees of the BDC." This statement was made in an

affidavit sworn by Andree Leblanc Daviault of the BDC on April 6, 2001, which was filed in Quebec Superior Court in the case file number # 500-05-061128-003) Attached hereto and marked as Exhibit 137 to this my affidavit is a true copy of this affidavit.

291. Paragraph 15 of the affidavit adds the following: "In effect, it appears that Beaudoin admitted during his examination for discovery held on 16 April 2001 that he possessed documents concerning the Grand-Mere Inn financing." (Affidavit of the Business Development Bank of Canada dated April 6, 2001 filed in Quebec Superior Court in the file bearing number # 500-05-061128-003).

292. In para 13 of a related affidavit in the case mentioned above by Leblanc Daviault, she makes remarks similar to those in the RCMP criminal search warrant. She states that in the weeks preceding the end of his employment, Mr. Beaudoin "snatched documents, files, notes or other materials containing or revealing in whole or in part information emanating from the BDC or the affairs of the BDC, to its clients and more particularly, what concerned the financing of the Grand-Mere Inn or employees of the BDC."

293. On the one hand, in the information to obtain a general warrant and assistance order against the National Post and Ken Whyte, Corporal Gallant appears to assert that the BDC has the only true copy of the Grand-Mere Inn loan authorization document and that the version leaked to the National Post therefore cannot be legitimate. On the other hand, he has asserted in another information to obtain a search warrant to search the home of Mr. Beaudoin that the latter had misappropriated files and documents relating to the Grand-Mere Inn mortgage loan and

BDC employees and that he kept these files following his departure from the BDC in September, 1999. I submit that the latter statement is a significant and material omission of fact which gives rise to important questions from a journalistic perspective: How can the BDC assert on the one hand it has the true copy of the loan approval document, when it has accused its former president of stealing the very same files.

294. Lastly, despite the assertion at paragraph 35 of the information to obtain by Corporal Gallant that it would be of “national interest” if the leaked BDC document were true and a \$23,040 debt was owing to the Prime Minister’s family holding company, to the best of my knowledge nobody from the RCMP has ever contacted the Prime Minister or any of his lawyers or trustees to determine the true state of affairs in 1997. They could have done this by checking the financial books and ledgers of the Prime Minister’s family and/or J.& A.C. Consultants Inc., the family holding company, to determine if either was ever owed money by the Grand-Mere Inn before it received its federal loan from the BDC.

295. As I understand the RCMP’s intentions, the loan authorization document and the envelope in which I received it are sought in order to perform forensic examinations including fingerprinting and DNA testing. Nowhere in the information to obtain does Corporal Gallant state that the RCMP have a suspect from whom they have known samples of either fingerprints or DNA profiles and with which any fingerprints or DNA profiles that might be recovered from the leaked document or the envelope could be compared.

296. In paragraphs 48 to 51 of the information to obtain, Corporal Gallant discussed efforts he made to obtain a copy of the allegedly forged loan authorization document that was mailed to the Bloc Quebecois. He discussed how he visited the offices of the Bloc Quebecois research bureau and interviewed Stephane Gobeil. A transcript of the interview is filed as Exhibit "I" of the information to obtain. Mr. Gobeil volunteered to give his copy of the document to the RCMP. He told the RCMP that the original document had been photocopied and during that process the original

had been co-mingled with about ten copies that had been distributed among Bloc staff. As a result, he could not say that the copy he had was the actual document received in the mail. From my reading of the information to obtain and the police report filed as Exhibit "T", the RCMP officer made no attempt whatsoever to determine who held the other copies so that they could be seized and submitted for forensic examination. Furthermore, Corporal Gallant admits in the information to obtain that he did not ask the RCMP forensics laboratory to perform fingerprinting on the document provided by Mr. Gobeil because it had been handled to a number of people and Mr. Gobeil could not confirm that it was the original that had been received by the Bloc Quebecois office.

297. I frequently have occasion to either attend at the House of Commons and watch Question Period or watch the proceedings through a video link in my office. At the same time as the Bloc Quebecois were asking questions in the House of Commons based upon the leaked loan document, members of the Progressive Conservative Party were also asking similar questions. There is nothing in the information to obtain which describes any efforts made by Corporal Gallant to determine whether or not the Progressive Conservative Party also received a copy of the leaked loan document.

298. I make this affidavit in support of an application to quash the general warrant and assistance order and for no improper purpose.

SWORN before me at the City )  
of Toronto in the Province of )  
Ontario, this 21st day of )  
October, 2002. \_\_\_\_\_ )  
ANDREW McINTOSH )  
)  
\_\_\_\_\_ )

A Commissioner, etc.

)