# REPORT OF THE SPECIAL INTEGRITY COMMISSIONER ON ALLEGATIONS OF FINANCIAL IMPROPRIETIES IN THE GTHL

The Honourable David Watt, K.C.



NOTE FROM THE GTHL -Redactions are made to exclude names of, and information identifying, individuals and to exclude extraneous references.

Allegations of improper conduct by others are easy to make, difficult to prove, and, as often as not, almost impossible to refute. This is so because the currency in which their purveyors trade in this form of commerce is often not grounded in reality. Their source, a central bank with untold reserves of gossip, rumours, and innuendo. With branches in every arena where hockey is played. Generalities predominate. Details of who, of what, of how, of when, and of where, particulars capable of verification or refutation by sources of indisputable accuracy, are infrequent. Investigation in this fragile environment contaminated further by uncooperative principals and others with terminal cases of the forgets and chronic failures of memory is, at best, difficult for even the most experienced investigator.

Investigative difficulties created by the origins and nature of many of the allegations, the inability to obtain reliable, detailed and firsthand information from credible sources, dead ends and blind alleys also impede accurate fact finding. All the more so, informed decisions about the authenticity of the myriad allegations of impropriety, made without the traditional tools available to triers of fact in a forensic setting.

# The Specific Allegations

## Introduction

Allegation #1:

the GTHL.

The assignment of the independent investigator included six specific allegations of alleged financial improprieties involving GTHL member clubs. The scope of the investigation also permitted an examination of any additional incidents that the investigator was directed to scrutinize.

Except for one allegation so barren of detail as to render in- person discussion impossible, the investigator interviewed alleged participants to the extent that they cooperated with his requests. In the end, the independent investigator concluded that only one allegation could be substantiated. I agree with his conclusion.

First, an examination of the enumerated allegations. The details provided to the independent investigator. The conclusion I reach about proof of each claim, based exclusively on the report of the independent investigator. Where my conclusion is "unsubstantiated", I mean that the allegation has not been established as likely true on the basis of reliable information from credible sources.

It is alleged that:			
1	sfer of control of the de a significant payment to t	the transferors tha	in 2021, the

In essence, the allegation is that, in 2021, control of the changed. The transferee made a significant payment to the transferor to obtain control. Neither party disclosed the fact, nor the amount of the payment to the GTHL.

No one who participated in the alleged transaction, or who otherwise had firsthand knowledge of it provided any information about it to the independent investigator. Put, differently, neither direct nor circumstantial evidence supported the allegation. Not the *fact* a transfer of control occurred. Not the *parties* involved. Not the "significant payment" made or received.

Restricted to second- hand sources, the independent investigator, assisted by GTHL staff, examined the records on file at the GTHL office for the Club during the relevant time. Although the records display some inconsistencies about the incumbents in various executive positions, they do not provide evidence, much less proof, of an alleged change of control of the Club. It follows from this deficit of credible and reliable information that I cannot and do not find any change of control of the in 2021, much less a change of control involving a "significant payment" by the transferees to the transferor.

The absence of reliable evidence from credible sources to establish the specific allegation about financial improprieties in a transfer of control of the the Club operated free of financial irregularities.

Shortly after a GTHL information release announcing the appointment of a Special Integrity Commissioner for the league, parents of three players on a AAA teams, and the coach of a AAA team relieved of his duties mid-season by a executive, spoke with the independent investigator about organizational conduct contrary to a league rule governing management of team finances.

The information provided by the parents recounted statements made by Club members that they were the "owner" or "part owner" of the Club, contrary to league records; that team budgets were not properly circulated to parents for approval at the outset of the hockey season; that parental approval was not reflected in club records; and that players were required to participate in a hockey development program operated by a close friend of a self- proclaimed "owner" or "part owner" of the Club at significant cost to the parents.

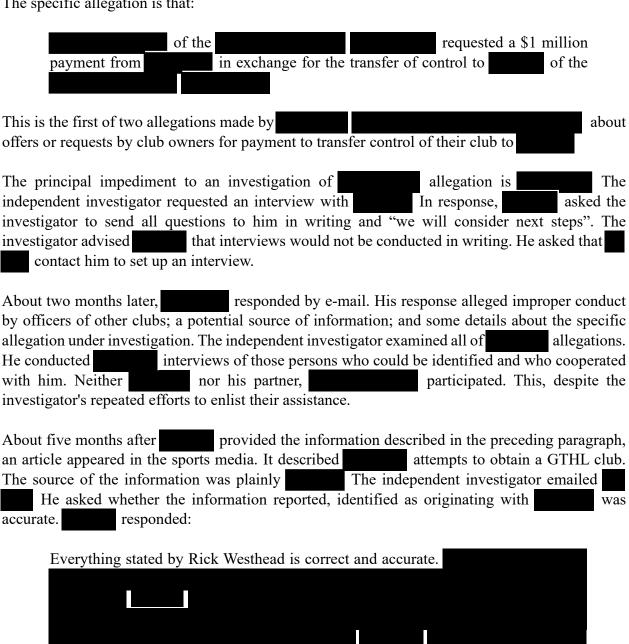
The Chief Operating Officer of the league referred the allegations of one parent to a Special Committee for hearing, this to determine whether the Club, through its executive, had violated any of the league's regulations or policies on financial management.

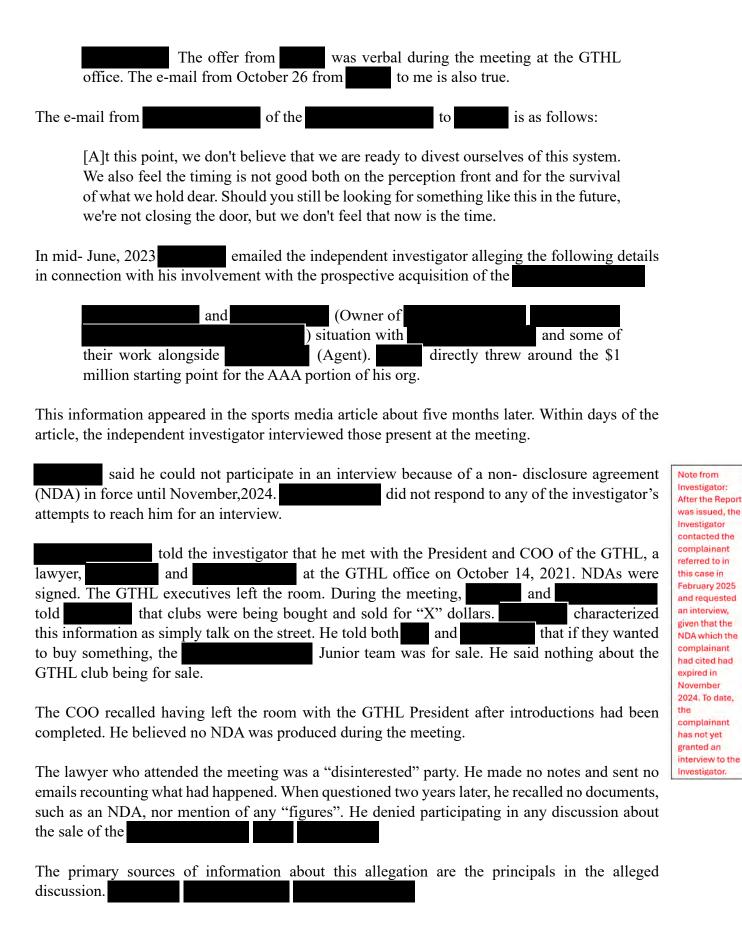
The Special Committee concluded that it had sufficient evidence to direct retain an accounting firm approved by the league in advance to aid the development of a Financial Policies and Procedures protocol compliant with Rule 5.11. The protocol was to be approved by the GTHL and implemented by the Club in perpetuity.

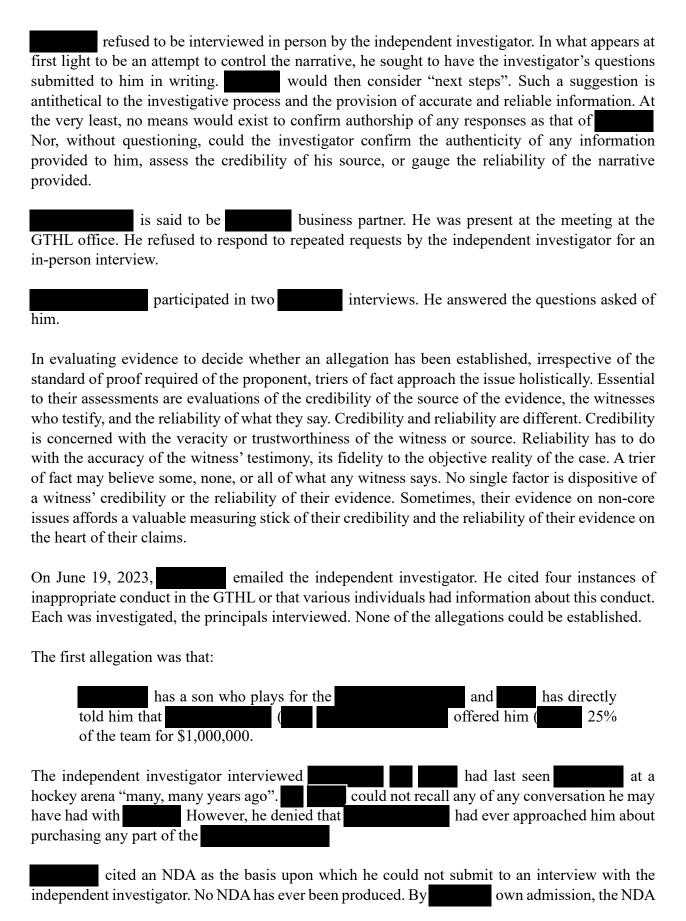
It is a reasonable inference, and one which I draw, that the Special Committee concluded that conducted its financial affairs in a way that fell short of the requirements of Rule 5.11. However, this finding by the Special Committee does *not* constitute evidence, much less proof, of the specific allegation made about a change of control of the Club in 2021 for "a significant payment". That specific allegation remains unproven. Suspicion, even a thousand suspicions do not amount to proof.

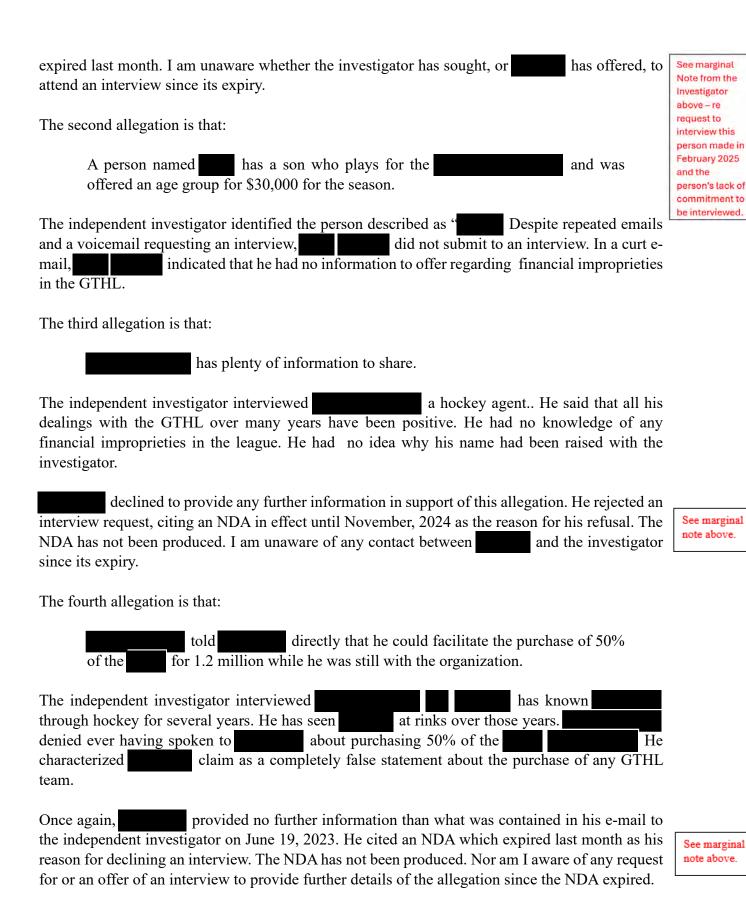
# Allegation #2:

The specific allegation is that:

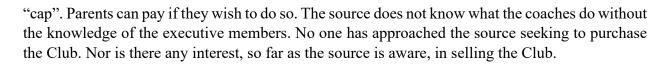








The final allegation of financial impropriety in e-mail to the independent investigator suggested a starting point of on June 19, 2023, involves his claim that \$1,000,000 for purchase of the AAA portion of the I have already examined the available information about this alleged discussion and concluded that it has not been established. Allegation #3: The Unnamed Club for \$ 3, 600,000 This allegation also originates with It is that: An unnamed AAA Club offered to transfer control of the Club to for \$3.6 million. to the investigator on November 18, 2023 offered little An e-mail from illumination: The 3.6 million offer that was made from a current GTHL AAA franchise was made, have been under an NDA for two years after signing the paperwork. So we have just over a year left on it. own admission, the NDA has now expired. No NDA. No signed "paperwork". And no communication. Not from And not from This allegation scarcely rises above the ubiquitous fevered imaginings. Put otherwise, "rink talk" of the denizens of hockey arenas across the country. Long on allegations. Short on detail. And unverifiable. Allegation #4: and their Leases The fourth allegation is: "leases" teams to parents for significant fees. By "leasing", we mean that parents pay the club significant sums of money in exchange for control of the team, including who coaches it, the players who play on it, and their child's ice time. A member of the provided information to the investigator about the allegations. The member did so on an assurance of confidentiality. I will respect the assurance the independent investigator provided this source. The confidential source identified the executive members of the Club. They advised the independent investigator that coaches are paid without a



Once again, neither nor submitted to an interview. They provided no information beyond allegations with respect to

No evidence supports the specific allegation, much less establishes its truth with any degree of certainty. Yet, if true, the absence of a "cap" on the coach's salary, coupled with the opportunity for parents to contribute to that salary, requires action by the league. It is a situation ripe for abuse. In coach and player selection. In ice time and other benefits for players whose parents have the financial resources and contribute to the coach's salary. It creates and perpetuates an uneven playing field. The haves and the have nots. All parents are not similarly situated. And the extent of disclosure made to all parents about the sources and amount of funds is unclear. The next allegation makes it clear that this claim is not a one- off. This practice requires positive action by the league, not indifference. Later, I will explain what I suggest is required.

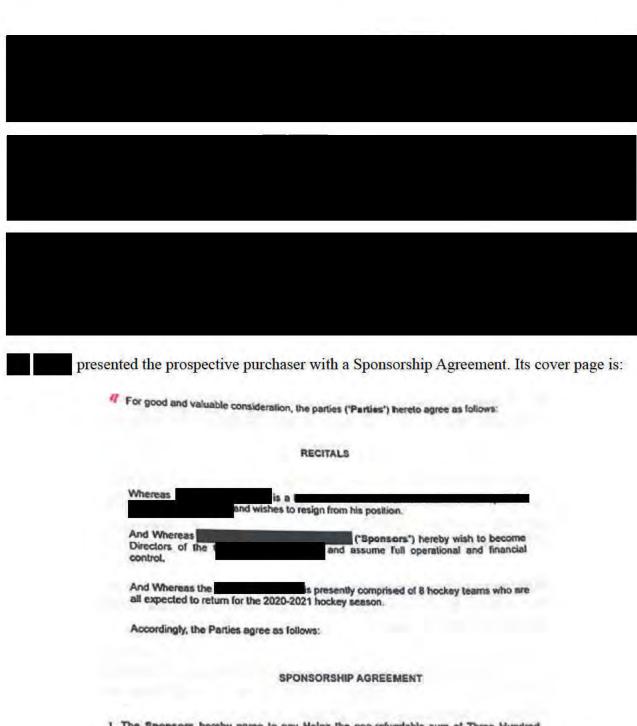
# The fifth allegation focuses on teams of \_\_\_\_\_\_\_ On substantial contributions by the parent of a player to the team's expenses. And on a suggestion that the same parent recruits players from other jurisdictions to join a \_\_\_\_\_\_ team. The specific allegation is: A parent of the 2022- 2023 \_\_\_\_\_\_ AAA team paid the coach \$150,000 to coach the team, paid for players from outside the GTHL's jurisdiction to move to \_\_\_\_\_\_ to play on the team, and paid for their room, board and schooling.

was the coach of the AAA team during the 2022- 23 hockey season and the team the following season. He explained to the investigator that he and his assistant coaches received a "small salary" of \$25,000 to \$30,000. The team budget contained an item of \$50,000 for coaching fees. His hockey earnings do not exceed \$150,000 a year. The balance, he says, comes from private training sessions, video analysis and a hockey school. He has never taken money from a parent to have their child on a team he coaches.

The parent of a player on the team, contributes a substantial amount of money to the team.

explained to the investigator that whose son is on the team, paid directly to the arena facility for ice time. also paid for an out- of- province tournament with his receive extra ice time or preferential treatment despite his father's generosity. Nor does his son receive extra ice time or preferential treatment despite his father's generosity.

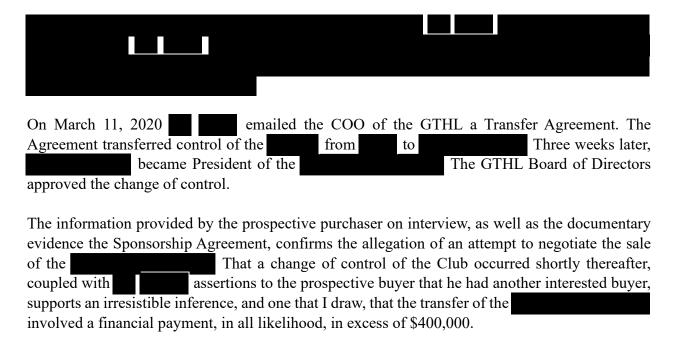
The players' parents receive documents showing the team's operating expenses. Within days, covers any shortfall. "sponsorships" are documented in the team budget and transparent to the parents of all players.
In an interview with the independent investigator, the confirmed that "sponsored" the team with funds for ice time, hockey equipment, and a payment of to the GTHL records establish that, as of March, 2021, was a member, director and officer of
Hearsay, unconfirmed by any credible and reliable independent information, suggests that paid \$150,000 to coach son and for full control of a team.
Repeated attempts by the independent investigator to contact proved unavailing. This included attendance at residence and an attempt to speak with him at number he had provided to the GTHL.
The available information does not establish the specific allegations under investigation. Even if I were to disbelieve parts of the information provided by that disbelief does not constitute evidence of the truth of the allegations. Despite a deficit of credible and reliable information to establish the specific conduct alleged, in combination with the immediately preceding allegation, I am satisfied that the league must take proactive steps to ensure that the conduct alleged is eradicated. If detected, it warrants severe sanctions for all involved.
Allegation # 6:
The final allegation is:
In or about 2019-2020, former President of the and AA Club, was negotiating to transfer control of the Club to a transferee living in Oakville for \$330,000 to \$375,000. The interested transferee was represented by a lawyer with law firm. The transfer to this interested individual never materialized, as eventually advised them that he had changed his mind. A transfer to another group took place later that year.
In late 2019, "rink talk" had it that a GTHL club was for sale: the time GTHL member, was interested in purchasing the Club. So the prospective purchaser contacted the owner of the a potential purchase.
The prospective purchaser, who requested and was granted confidentiality, spoke to the independent investigator. He recounted his discussions with



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2. The Funds shall be made payable to In Trust, to be held in trust in the Intrust account pending satisfaction of the terms and conditions of this Agreement. The address for the lawyer for funds is:

About a month after their initial discussions, emailed the prospective purchaser proposing a change to the deposit arrangements. The deposit was to be paid directly to not to a law firm in trust.



# **Conclusion**

To decide whether any allegation has been established, I have relied upon information collected on interview and from other sources, such as league records, by the independent investigator. I have not conducted any investigation of my own. Nor have I communicated with any league or club executive or other GTHL members. To do so would compromise my independence and blur the essential separation of investigative and adjudicative functions. My role is adjudicative; to consider and evaluate all the information I have received that is relevant to the issues I am charged with deciding.

To reach my conclusions about the allegations of financial impropriety, I have kept in mind several basic principles about decision making.

First, simply because information has been provided and not contradicted does not require its acceptance in whole or in part, much less determine its persuasive force. All information is not created equal.

Second, as in the forensic setting in which witnesses testify under oath or its equivalent, the extent to which information is accepted does not yield a simple "yes" or "no" response. Information may be accepted in whole, in part, or not at all. The reasons for acceptance or rejection vary.

Third, as it is open to the trier of fact in a forensic setting, it is open to an adjudicator to draw reasonable inferences from the information provided. Inferences are deductions of fact that may logically and reasonably be drawn from another fact or group of facts. It is open to triers of fact to

draw inferences. But they must not speculate in reaching conclusions or about the persuasive force of the evidence or information.

In the forensic arena, triers of fact make their findings of fact from evidence received in their presence. To ensure the reliability of the fact-finding process, the law imposes restrictions on what may be received as evidence to ground findings of fact. To be received, each item of evidence must be relevant, material, and comply with the conditions the law imposes for reception of the kind of evidence being offered.

The safeguards imposed in the forensic setting to ensure accurate fact- finding and reliable verdicts are absent here.

The foundation upon which I have made my findings consists of the report of the independent investigator, describing in narrative or point form, what others have told him. The information was not provided in my presence. Nor were the sources tested by the greatest engine ever invented for the ascertainment of truth: cross- examination.

The nature of the information provided in many, if not most instances, was, at best, second hand. Unconfirmed and unconfirmable. Often the product of dubious origins: gossip, rumour, and innuendo. In several instances, those who could have provided firsthand information declined to do so. They cited restrictions on disclosure, yet failed to provide evidence of it or come forward after those restrictions had expired. Others simply ignored the independent investigator's requests.

Together, the nature of the information provided and the limited methods of evaluation available make it difficult to accurately gauge the full extent and true nature of any financial improprieties in the operation of clubs in the league. Likewise, to make recommendations to eliminate or reduce the impact of these improprieties on competitive balance; the cost to participants; the nature and extent of financial disclosure of club operations; and the transfer of control of clubs.

Despite these limitations on the reliability of available information and its relationship to reality, it is my view that the league needs to formulate, implement, and enforce specific protocols, enacted as rules with sanctions for infractions, to curtail financial improprieties in the operation of clubs.

### Recommendations

At first light, it may seem incongruous that I make recommendations to the Board about measures to detect and redress financial improprieties in the operation of Clubs and their teams when I have found only one specific allegation of financial impropriety established. All the more so, when the information provided to the independent investigator, as catalogued in his report and relied upon to make my findings, includes hearsay, often multiple hearsay; statements of belief unsupported by any reliable information from credible sources; and rumours, innuendo and speculation.

Despite the inherent frailties of this information as a means of proof of specific allegations of impropriety, the frequency and similarities in the allegations make it reasonable to believe that rule infractions are not confined to the ice surface. Financial improprieties in the operation of clubs or teams within a club structure may well have an impact on player selection and their level of onice participation; the selection of coaches; the costs to parents of their child's participation; and the not- for- profit status of clubs.

In the end, I consider it appropriate to recommend some steps to amend Article IV of By - Law Number One - Control and Changes of Control- and Rule 5-Governance- to provide more clearly defined boundaries on both subjects and enhanced enforcement and punitive consequences for breaches. How I propose to achieve this is that the Board of Directors constitute a committee, with balanced representation from affected constituencies, both league and club, to review the current provisions and propose amendments to give effect to the purposes I have mentioned.

To illustrate in connection with Control and Changes of Control of a club in Article IV of By-Law Number One, it may be prudent to require that an independent investigation of the proposed transfer take place, as well as a review of the financial aspects of it by an arms-length qualified accounting firm approved in advance by the league with each preparing a report to be reviewed by the Board when considering the application. Further, statutory declarations from the parties explaining the reasons for the transfer and the steps taken to ensure compliance with what is required to ensure the not- for - profit status of the club continues. Those who tell stories in statutory declarations should be advised of the consequences of doing so.

In connection with Rule 5- Governance-, the committee might wish to consider amending the Rule to ensure parents or guardians are provided with the required disclosure in plain language with sufficient time to review it before being asked to agree with it. There should be no surprises. Copies of the relevant acknowledgments should be maintained by the Club with the originals submitted to the league. The definition of "related party" should be reviewed and expanded. Consideration should be given to eliminating parental payments to be used in the compensation of coaches. It is a practice capable of great mischief and unequal treatment of players.

The references in the last two paragraphs are simply illustrative. They do not represent an attempt to be exhaustive of the issues the committee might consider, or to define those issues for them. Nor should the committee limit its endeavours to revisions of what is currently in place. The league itself must be more vigilant in its surveillance of club activities to ensure compliance and sanction breaches. On- ice officials monitor play, detect rule breaches, and determine sanctions. Off- ice officials must do the same. The committee should ensure that this is so.

All of which is respectfully submitted by,

David Watt, K.C.

Daniel welant

December 19, 2024