

October 21, 2005

Members of the Corporate Services and Economic Development Committee  
Corporation of the City of Ottawa

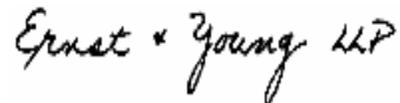
We are pleased to outline for you our audit approach for the Corporation of the City of Ottawa (the “City”). This report outlines the scope of the work, our team and what we see as the key issues affecting the December 31, 2005 audit.

We are in the process of completing the planning phase of our audit of the financial statements of the City for the year ended December 31, 2005. Our upcoming meeting is a forum to validate our understanding of these issues as well as to confirm your expectations.

Our audit process continually enhances our understanding of the City’s business, the risks it faces, and the processes its leadership uses to manage them. Driven by value defined in your terms, our proposed audit approach combines an historical perspective with an increasing focus on the City’s current and emerging business needs. As always, this audit will provide the objectivity and independence that you, management, and the community expect.

Very truly yours,

**Ernst & Young LLP**



André A. Bussière, CA, Partner  
Deanna Monaghan, CA, CPA, Partner

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## Our Engagement

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### Discussion

#### Overview

- We will audit the City's December 31, 2005 financial statements in accordance with Canadian generally accepted auditing standards. The objective of our audit is to obtain reasonable - not absolute - assurance that the financial statements are free from material misstatement. The preparation of the financial statements and the accompanying notes are the responsibility of management. While the primary objective of our audit will be to render an opinion on the fairness of the financial statements as a whole, we consider internal accounting procedures and systems of internal controls to the extent necessary to determine our auditing procedures. Our work does not provide assurance on the internal control structure, nor do our procedures necessarily cover all control systems upon which management may be relying.
- The terms of our engagement are outlined in our draft engagement letter included in this plan. We anticipate issuing the letter in final form shortly after our upcoming meeting.

#### Year-End Report

Generally accepted auditing standards in Canada require the auditor to report the results of our 2005 audit to the Committee at the completion of our audit fieldwork. Our audit results package will address matters of significance to the Committee including the following:

- ✦ Auditors' Responsibilities under Generally Accepted Auditing Standards;
- ✦ Any Initial Selection or Significant Changes in Accounting Policies;
- ✦ Areas where management must make significant judgments or estimates;
- ✦ Auditors' judgment about the quality of accounting principles
- ✦ Methods of accounting for significant unusual transactions and for controversial or emerging areas;
- ✦ Major issues discussed with management;
- ✦ Any serious difficulties encountered in performing the audit;
- ✦ Adjusted and unadjusted errors;
- ✦ Significant disclosures not made;
- ✦ Fraud and Illegal Acts; and
- ✦ Consultation with Other Accountants

## Discussion

- Your Team**
- Ernst & Young continues to serve you with a multi-disciplinary team of professionals who offer both not-for-profit industry expertise and a history of involvement with your organization. Their enthusiasm and commitment ensures responsive, innovative and forward-looking service focused on your business issues.

Engagement Member	Responsibility
Andre Bussiere	Engagement Partner
Deanna Monaghan	Independent Partner
Amanda Tompkins	Manager

- Fees**
- We continue to work with management to provide cost-effective service. The following proposed audit fees reflect our commitment to provide high value and excellent service at reasonable, market-sensitive pricing (no increase from last year).

	<b>2005</b>
City of Ottawa Consolidated Statements	130,000
Ottawa Public Library Board	9,000
Pineview Municipal Golf Course	8,000
Business Improvement Areas (12)	9,000
Ottawa Sinking Fund	10,000
City of Ottawa Superannuation Fund	8,000
<b>Total</b>	<b>174,000</b>

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## Audit Approach

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### Discussion

- Overview**
- Audit risk is influenced by business risk. Our risk-based approach focuses on the drivers of the business, the associated risks and the potential effects on financial statement accounts. It emphasizes the importance of understanding the City's business, including critical business processes. As part of our audit, we gain an understanding of the factors that could affect the City's operations and business risks.
  - Our approach also focuses on the identification and testing of the City's internal controls. Ernst & Young will review and evaluate the overall internal control environment, assess the computer environment and the specific internal controls upon which we place reliance in expressing our opinion on the financial statements. We will report in writing to the Audit Committee any material observations resulting from our audit. Where the audit plan is dependent on an understanding or reliance on internal controls, we will document and test the specific internal control. This approach will result in the most effective external audit, providing you with maximum benefits at a lower cost (both in fees and in financial management support time).
  - Our understanding of the business and controls provides the basis for our audit risk assessments, and the identification of audit procedures responsive to those risk assessments. Our balanced approach is designed to focus comparatively more audit effort on complex, higher-risk areas than on those assessed as lower risk.
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- Materiality**
- Our evaluation of areas of audit significance is made relative to "materiality". An understanding of what is significant or material in relation to the overall results of the City is critical to the performance of an effective and efficient audit. An item is considered material if its impact might reasonably be expected to affect the decisions of a reader of the financial statements.
  - The level at which materiality is set affects audit planning decisions related to the extent of evaluation of internal accounting controls and the extent and nature of audit testing.
  - Materiality for public sector entities is generally measured in terms of a range between 1/2% and 2% of expenditures. This range corresponds with the recommendations in the CICA Handbook guideline which deals with materiality and audit risk.
  - Our experience is that most City audits in North America are based on a materiality in the mid range. As a result, an amount greater than \$25,000,000, which represents approximately 1.2% of the City's F2005 Budgeted Expenditures of \$2.04 billion will be considered material. Of course, the final determination of items to be reported will also be affected by the item's sensitivity and whether the item is of a routine nature. For the purposes of reporting to the Audit Committee, amounts greater than \$750,000 will be addressed.
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## Current Year Developments

Each year in preparing our audit planning, we review significant developments within the City and the external environment in which it operates. This review enables us to better understand the issues, which the City is facing, and to ensure that our audit plan appropriately and effectively addresses all areas of concern. To date, we have noted and discussed with management the following areas of significance:

Issues	Discussion	Preliminary Evaluation
<b>Landfill Closure Liability</b>	<ul style="list-style-type: none"> <li>The provision for landfill closure represents the present value of the expected landfill closure and post closure costs based on management's best estimate of the costs to be incurred to perform the required work to close and maintain closed sites.</li> <li>Actuarial valuation reports were prepared in early 2004. With the City's new plans to extend the use of landfill from its original term ending 2009, management will request for new actuarial valuation.</li> </ul>	<ul style="list-style-type: none"> <li>We will review management's analysis of the liability to ensure it continues to be reasonable.</li> <li>We will review actuarial valuation assumptions to verify that management's estimates of the liability for landfill closure and post-closure are reasonable.</li> </ul>
<b>Litigation</b>	<ul style="list-style-type: none"> <li>The City is involved in legal claims arising in the normal course, some of which may impact the City's finances. The accounting and disclosure of litigation matters must be appropriate and current.</li> <li>In 2004, the legal letter identified several claims, which would more than likely result in a liability of \$4.3 million for the City. Such liabilities should be recorded effective 2005 as per Public Sector Accounting Standards (PSAS) 3300.</li> </ul>	<ul style="list-style-type: none"> <li>We will enquire into the status of cases and obtain representations from the City's legal counsel.</li> <li>We will review management's accrual for the contingent liability which must be recognized as an expense in the financial statements under PSAS 3300.</li> </ul>
<b>Hydro Ottawa</b>	<ul style="list-style-type: none"> <li>The City accounts for its Hydro Ottawa investment on the equity basis in its consolidated financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>We will review Deloitte &amp; Touche's working paper files to evaluate these variances to determine if the treatment of these variances remains appropriate.</li> </ul>
<b>Significant Accounting Estimates – Employee Benefit Costs</b>	<ul style="list-style-type: none"> <li>Employee benefit costs represent a significant unfunded liability for the City. Mercer Human Resource Consulting updates the actuarial liability with respect to employee post employment and retirement benefit obligations.</li> </ul>	<ul style="list-style-type: none"> <li>We will review the significant assumptions used by management to update actuarial calculations and consider the presentation and disclosure of these liabilities in the consolidated financial statements.</li> </ul>

<b>Significant Accounting Estimates – Tax Provisions</b>	<ul style="list-style-type: none"> <li>Valuation of property taxes requires judgment for estimating the impact of appeals on current receivables recorded by the City.</li> </ul>	<ul style="list-style-type: none"> <li>We will audit the work performed by the City staff and consider the reasonableness of the provisions.</li> </ul>
<b>PSAB – New Accounting Rules</b>	<ul style="list-style-type: none"> <li>The Public Sector Accounting Board (“PSAB”) continues to evolve and has several different projects underway. The City needs to keep abreast of the changes and reflect any new pronouncements in the City’s consolidated financial statements.</li> <li>EIC-147, Implementation of Accounting Changes Resulting from the Application of CICA 1100, wherein, if an entity adopts a newly issued accounting standard that is either required to be adopted or may be early adopted in the entity’s fiscal year beginning on or after October 1, 2003 and the entity’s previous accounting policy was not compliant with CICA 1100, the entity should apply the transitional provisions of the newly adopted standard.</li> </ul>	<ul style="list-style-type: none"> <li>We are actively involved with the Public Sector Accounting Board and keep abreast of all new and upcoming changes. We will continue to work with City staff to ensure the PSAB requirements are met.</li> <li>PSAB 3150 requires local government to recognize tangible capital assets in its financial statements at net realizable value.</li> </ul>
<b>Internal Control Recommendations</b>	<ul style="list-style-type: none"> <li>Management letter points noted during the audit will be communicated to management for comments</li> </ul>	<ul style="list-style-type: none"> <li>We will determine whether the City has addressed the internal control matters discussed in our previous recommendations.</li> </ul>
<b>New Public Private Partnerships</b>	<ul style="list-style-type: none"> <li>The City enters into various public/private partnerships agreements.</li> </ul>	<ul style="list-style-type: none"> <li>We will read the agreements and consider the appropriateness of the accounting for these transactions.</li> </ul>

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## Engagement Letter

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**October 21, 2005**

**City of Ottawa**  
110 Laurier Avenue West  
Mail Code 01-78  
Ottawa ON K1P 1J1

**Attention: Mr. Lloyd Russell, City Treasurer**

**Dear Mr. Russell:**

This will confirm our engagement to audit and report on the consolidated financial statements of The City of Ottawa (the “City”) for the year ending December 31, 2005. The objective of our audit is to express an opinion on the fairness, in all material respects, of the presentation of the financial statements in conformity with Canadian generally accepted accounting principles.

Should conditions not now anticipated preclude us from completing our audit and issuing a report as contemplated by the preceding paragraph, we will advise you and the Corporate Services and Economic Development Committee promptly and take such action as we deem appropriate.

### **Audit Responsibilities and Limitations**

We will conduct our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we obtain reasonable, rather than absolute, assurance that the consolidated financial statements are free of material misstatement, whether caused by error or fraud. As the you are aware, there are inherent limitations in the audit process, including, for example, selective testing and the possibility that collusion or forgery may preclude the detection of material error, fraud, and illegal acts. Accordingly, a material misstatement of the financial statements may remain undetected. Also, an audit of the consolidated financial statements is not designed to detect error or fraud that is immaterial to the consolidated financial statements.

As part of our audit, we will consider, solely for the purpose of planning our audit and determining the nature, timing, and extent of our audit procedures, the City’s internal control. This consideration will not be sufficient to enable us to provide assurance on internal control or to identify all reportable conditions.

If we determine that there is evidence that fraud may exist, we will bring this matter to the attention of an appropriate level of management. If we become aware of fraud involving senior management or fraud (whether caused by senior management or other employees) that causes a material misstatement of the consolidated financial statements, we will report this matter directly to the Corporate Services and Economic Development Committee. We will determine that the Corporate Services and Economic Development Committee and appropriate members of management are adequately informed of illegal acts that come to our attention unless they are clearly inconsequential. In addition, we will inform the Corporate Services and Economic Development Committee and appropriate members of management of significant audit adjustments and significant audit adjustments noted during our audit procedures.

We also may communicate other opportunities we observe for economies in or improved controls over the City’s operations. In accordance with standards established by the Canadian Institute of Chartered Accountants,

we will communicate certain matters related to the conduct and results of the audit to the City's Corporate Services and Economic Development Committee. Such matters include, when applicable, disagreements with management, whether or not resolved; difficulties encountered in performing the audit; the auditor's level of responsibility under auditing standards generally accepted in Canada for the financial statements, for internal control, and for other information in documents containing the audited financial statements; unadjusted audit differences that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole; changes in the City's significant accounting policies and methods for accounting for significant unusual transactions or for controversial or emerging areas; our judgments about the quality of the City's accounting principles; our basis for conclusions regarding sensitive accounting estimates; management's consultations, if any, with other accountants; and major issues discussed with management prior to our retention.

We will communicate to the Corporate Services and Economic Development Committee certain independence matters as required by professional standards.

### **Management's Responsibilities and Representations**

The consolidated financial statements are the responsibility of the management of the City, which is also responsible for establishing and maintaining effective internal control, for properly recording transactions in the accounting records, for safeguarding assets, and for the overall fair presentation of the consolidated financial statements. Management of the City also is responsible for identification of, and for the City's compliance with, laws and regulations applicable to its activities.

Management is responsible for adjusting the consolidated financial statements to correct material misstatements and for affirming to us in its representation letter that the effects of any unadjusted audit differences accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

Management is responsible for apprising us of all allegations involving financial improprieties received by management or the Corporate Services and Economic Development Committee (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), and providing us full access to these allegations and any internal investigations of them, on a timely basis. Allegations of financial improprieties include allegations of manipulation of financial results by management or employees, misappropriation of assets by management or employees, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, intentionally misleading the auditors, or other allegations of illegal acts or fraud that could result in a material misstatement of the consolidated financial statements or otherwise affect the financial reporting of the City. If the City limits the information otherwise available to us under this paragraph (based on the City's claims of solicitor/ client privilege, litigation privilege, or otherwise), the City will immediately inform us of the fact that certain information is being withheld from us. Any such withholding of information could be considered a restriction on the scope of our Audit Services and may alter the form of report we may issue on such financial statements; prevent us from consenting to the inclusion of previously issued auditor's reports in future City filings; or otherwise affect our ability to continue as the City's auditors. The City and we will disclose any such withholding of information to the Corporate Services and Economic Development Committee.

As required by professional standards in Canada, we will make specific inquiries of management about the representations contained in the consolidated financial statements and unaudited interim financial information. At the conclusion of the applicable Audit Service, we obtain representation letters from certain members of management about these matters. The responses to those inquiries, the written representations, and the results of our procedures comprise the evidential matter we will rely upon in completing the applicable Audit Service. Management is responsible for providing us with all financial records and related information and making available to us all internal control documentation and records necessary to complete our Audit Services on a timely basis. Management’s failure to do so may cause us to delay our report or modify our procedures.

Management is responsible to advise us of any documents or other information provided during the course of the audit over which it asserts privilege. To the extent that we are so advised, we will refuse access to such documents in connection with a request from a professional, securities or other regulatory or governmental authority as further described in our Standard Terms and Conditions (Item 6).

**Fees and Billings**

We will submit our invoices on a periodic basis and payment of them will be made upon receipt. Our estimated fees and schedule of performance are based upon, among other things, our preliminary review of the City’s records and the representations City personnel have made to us and are dependent upon the City’s personnel providing all documents required as noted in the client assistance package at the date of year end work and providing timely follow up for our questions. Should our assumptions with respect to these matters be incorrect or should the condition of the records, degree of cooperation, or other matters beyond our reasonable control require additional commitments by us beyond those upon which our estimated fees are based, we may adjust our fees and planned completion dates. In addition, fees for any special audit-related projects, such as proposed business combinations or research and/or consultation on special business or financial issues, will be billed separately from the audit fee referred to above and may be the subject of written arrangements supplemental to those in this letter. You have engaged us to perform the audits on the following entities:

City of Ottawa Consolidated Statements	\$130,000
Ottawa Public Library	9,000
Pineview Municipal Golf Course	8,000
Business Improvement Areas (11)	9,000
Ottawa Sinking Fund	10,000
City of Ottawa Superannuation Fund	8,000

You will provide to us copies of the printer’s proofs of your annual report prior to publication for our review. We will review the report for consistency between the annual financial statements and other information contained in the report, and to determine if the financial statements and our report thereon have been accurately reproduced. If we identify any errors or inconsistencies which may impact on the financial statements, we will advise management and the Corporate Services and Economic Development Committee as appropriate.

By your signature below, you confirm that the City has expressly authorized you to enter into this agreement with us on the City’s behalf. The attached standard terms and conditions form an integral part of this agreement. To confirm these arrangements are acceptable, please sign one copy of this letter and return it to us.

We very much appreciate the opportunity to serve as The City of Ottawa's auditors and would be pleased to furnish any additional information you may request concerning our responsibilities and functions. We trust that our association will be a long and mutually beneficial one.

Yours very truly:

*Ernst & Young LLP*

Andre Bussiere /  
Deanna Monaghan  
Enclosures

The services and terms set out above are as agreed.

January 25, 2006

Date



Mr. Lloyd Russell  
Director, Financial Services and City Treasurer

## Terms and Conditions

Except as otherwise specifically provided in the engagement letter or contract into which these terms and conditions are incorporated (collectively the "Agreement"), these terms and conditions shall apply to the engagement carried out by Ernst & Young LLP ("EY").

1. **Timely Performance** - EY will exercise due professional care and competence in the performance of the services provided pursuant to this Agreement (the "Services") and EY will use all reasonable efforts to complete the performance of the Services within any stipulated time-frames. EY shall not be liable for failures or delays in the performance of Services that arise from causes beyond its control, including the untimely performance by client, its representatives, advisors or agents.
2. **Client Responsibilities** - Client will provide to EY in a timely manner complete and accurate information and access to such management personnel, staff, premises, computer systems and applications as are reasonably required by EY to complete the performance of the Services.
3. **Confidentiality** - Both client and EY agree that they will take reasonable steps to maintain the confidentiality of any proprietary or confidential information of the other within their respective organizations.
4. **US Tax Advice** - Notwithstanding any restrictions on disclosure contained in this Agreement, where EY provides any oral or written statement to client as to the potential US federal income tax consequences that may result from a transaction, EY expressly authorizes client (and each employee, representative or other agent of client) to disclose to any and all persons, without limitation of any kind, the US federal income tax treatment of the transaction, any fact that may be relevant to understanding this, and all materials of any kind (including opinions and other tax analyses) provided to client in relation to these. However, because EY's advice is solely for client's benefit and is not to be relied upon by any other persons, as part of any such disclosure made by client, client should inform all such persons that they may not rely upon EY's advice without EY's prior written consent.
5. **Privacy** - Client confirms to EY that it has obtained any consents that may be required under applicable privacy legislation for any collection, use or disclosure of personal information that is necessary in order for EY to provide the Services. EY shall adhere to applicable privacy legislation when dealing with personal information that was obtained from client.
6. **Auditor Oversight** - Client hereby acknowledges that EY may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory or governmental authorities that fulfill similar functions (both in Canada and abroad) to provide them with information and copies of documents in EY's files including EY's working papers, and other work-product relating to client's affairs. Client consents to EY providing or producing, as applicable, these documents and information without further reference to, or authority from, client. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of EY's audit of client, EY will advise client of the request or order.

When a regulatory authority requests access to EY's working papers and other work-product relating to client's affairs, EY will, on a reasonable efforts basis, refuse access to any document over which client has expressly informed EY that client asserts privilege, except where disclosure of documents is required by law or requested by a provincial Institute of Chartered Accountants pursuant to its statutory authority. Client must mark any document over which it asserts privilege as privileged and inform EY of the grounds for client's assertion of privilege (such as whether it claims solicitor-client privilege or litigation privilege).

EY will also be required to provide information relating to the fees that EY collects from client for the provision of audit services, other accounting services and non-audit services.

7. **Internet Communications** - Unless otherwise agreed with client, EY and its agents may correspond by means of the Internet or other electronic media. Because of the inherent risks associated with the electronic transmission of information on the Internet or otherwise, EY cannot guarantee the security and integrity of any electronic communications sent or received in relation to this engagement. While it is EY's policy to check its e-mail correspondence with anti-virus software, EY cannot guarantee that transmissions will be free from infection and accepts no responsibility or liability for any damages as a result of communicating by means of the Internet or other electronic media.
8. **Right to Terminate Services** - Either party may terminate this Agreement, with or without cause, by providing written notice to the other party. In the event of early termination, for whatever reason, client will be invoiced for time and expenses incurred up to the end of the notice period together with reasonable time and expenses incurred to bring the engagement to a close in a prompt and orderly manner. EY shall also have the right, upon 7 days prior notice, to suspend performance of the Services in the event client fails to pay any amount required to be paid under this Agreement.
9. **Fees** - Any fee estimates by EY take into account the agreed-upon level of preparation and assistance from client personnel. EY undertakes to advise client management on a timely basis should this preparation and assistance not be provided or should any other circumstances arise which cause actual time to exceed estimated time.
10. **Expenses** - EY will bill for all reasonable expenses incurred in connection with the performance of the Services. The costs of administrative items such as telephone, research material, facsimile, overnight mail, messenger, administrative support, among others will be billed to client at 11.5% of EY's fees for professional services. Reasonable and customary out-of-pocket expenses for items such as travel, meals, accommodations and other expenses specifically related to this engagement will also be charged.
11. **Billing** - Bills including expenses will be rendered on a regular basis as the assignment progresses. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice.
12. **Taxes** - The fees, expenses and other charges payable pursuant to this Agreement do not include taxes or duties. All applicable taxes or duties, whether presently in force or imposed in the future, shall be assumed and paid by client without deduction from the fees, expenses and charges hereunder.
13. **Governing Law** - This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, without regard to principles of conflicts of law. The parties hereby irrevocably and unconditionally submit and attorn to the exclusive jurisdiction of the courts of the Province of Ontario in connection with any dispute, claim or other matter arising out of or relating to this Agreement or the Services.
14. **Working Papers/Reports** - EY retains all copyright and other intellectual property rights in everything developed by EY either before or during the course of an engagement including working papers, systems, methodologies, software and know-how. EY also retains all copyright and other intellectual property rights in all reports, written advice or other materials (the "Reports") provided by EY to client although client shall have the full right to use the Reports within its own organization. Any Reports are provided to client in confidence solely for the purpose of this engagement and are provided on the condition that client not disclose the Reports or any portion of them to any third party without EY's prior written consent. Client may not rely on any draft Reports. Any audit report is prepared for use by client for the purposes of a statutory audit in accordance with applicable corporations legislation and is not prepared for use by third parties. Any audit procedures were not planned or conducted (i) in contemplation of reliance by particular

third parties (ii) with respect to any specific transaction contemplated by a third party or (iii) with respect to the interests or requirements of particular third parties.

15. **Indemnification** - Client agrees to indemnify and hold EY harmless from and against any and all costs, charges, liabilities, damages, demands, judgments and expenses (including legal fees and disbursements) ("Costs") arising out of or based upon: (i) any intentional misstatement or intentional omission in any material, information or representation supplied or approved by client; or (ii) any civil or administrative claim, proceeding or action of any kind, whether pending or threatened, brought by a third party (including an affiliate of client) and arising out of or relating to this Agreement or the Services. Client shall reimburse EY for the Costs as they are incurred. The indemnities described in this section shall not apply to any Costs resulting from the negligent, wrongful or willful acts or omissions of EY.
16. **Limitation of Liability** - To the fullest extent permitted by law and regardless of whether such liability is based on breach of contract, tort (including negligence), strict liability, failure of essential purpose or otherwise,
- (a) EY's liability shall be several and not joint and several, solidary or *in solidum* and EY shall only be liable for its proportionate share of any total liability based on degree of fault having regard to the contribution to any loss or damage in question of any other persons responsible and/or liable for such loss and damage;
  - (b) in no event shall EY be liable for any consequential, incidental, indirect, punitive or special damages (including loss of profits, data, business or goodwill) in connection with the performance of the Services or otherwise under this Agreement, and even if EY has been advised of the likelihood of such damages; and
  - (c) in any case the total aggregate liability of EY arising out of or relating to this Agreement or the Services shall be limited to the greater of (i) the total fees paid to EY for the Services and (ii) \$1,000,000. This paragraph shall not limit EY's liability for death, personal injury or property damage caused by the negligent acts or omissions of EY and its partners and staff, or for loss or damage caused by their fraud or wilful misconduct.

For the purposes of this section ("*Limitation of Liability*"), the term EY includes EY and any subcontractors and/or agents and their respective partners, directors, officers and employees.

17. **Global Resources** - From time to time EY may use the services of partners or staff from other member firms of Ernst & Young Global Limited ("EYG") or Ernst & Young International, Ltd. ("EYI") to assist it in providing Services. When the services of such partners or staff are used in connection with Services provided pursuant to this Agreement they are deemed to be acting as EY's agents and not the partners, servants or agents of any other person (including any other member of EYG or EYI or EYG or EYI themselves) and EY shall assume liability for their activities as if they were in all respects the partners or staff of EY. Neither EYI nor EYG nor any other member firm of EYG or EYI assumes any responsibility to client in connection with this Agreement. Client agrees that any claim of any kind whatsoever arising out of or in connection with this Agreement shall be brought only against EY and that no claims shall be brought personally against any persons involved in performance of the Services pursuant to this Agreement, whether actual or deemed servants or agents of EY or not. Client agrees not to bring any proceedings of any kind whatsoever arising out of or in connection with this Agreement in any jurisdiction against EYG, EYI or any other member firm of EYG or EYI or any partner or personnel thereof. EYG, EYI, each member firm of EYG and EYI and each partner or employee thereof and each of EY's partners and employees shall have the express benefit of this section and shall have the right to rely on and enforce any of its terms.
18. **No Application** - The preceding three sections (*Indemnification, Limitation of Liability, Global Resources*), or any portion of them, shall have no application to any liability for which exclusion or restriction is prohibited by applicable law or regulation.

19. **Solicitation & Hiring of EY Personnel** - EY's independence could be compromised if client were to hire certain EY personnel. Without the prior written consent of EY, client shall not solicit for employment or for a position on its Board of Directors, nor hire, any current or former partner or professional employee of any of EY, any affiliate thereof or any other EY entity, if such partner or professional employee has been involved in the performance of any audit, review, attest or assurance service for or relating to client at any time since the date of filing of client's most recent financial statements with the relevant securities regulator(s) or stock exchange(s) (or, if client has not previously filed such financial statements, since the beginning of the most recent fiscal year to be covered by client's first such financial statements), or in the 12 months preceding that date.
20. **Severability** - If any of the provisions of these terms and conditions are determined to be invalid, illegal or unenforceable, the remaining provisions shall remain in effect and be binding on the parties to the fullest extent permitted by law.
21. **Proceeds of Crime (Money Laundering) and Terrorist Financing Act** - Pursuant to this Canadian legislation, accountants and certain other professionals are required to report any "suspicious transactions" to FINTRAC, a government agency. Suspicious transactions are transactions which are reasonably suspected to be related to the commission of a money laundering or terrorist financing offence. The Act specifically prohibits EY from informing a client that a suspicious transaction report has been made.
22. **Legal Proceedings** - In the event EY is requested or authorized by client or is required by government regulation, subpoena, or other legal process to produce documents or personnel as witnesses with respect to the engagement for client, and provided that EY is not a party to the legal proceedings, client shall reimburse EY for professional time and expenses, as well as the fees and expenses of counsel, incurred in responding to such requests.
23. **LLP Status** - EY is a registered limited liability partnership ("LLP") continued under the laws of the province of Ontario and is registered as an extra-provincial LLP in Quebec and other Canadian provinces. Generally, a partner of an LLP has a degree of limited liability protection in that he or she is not personally liable for any debts, obligations or liabilities of the LLP that arise from the negligence of another partner or any person under that partner's direct supervision or control. As an LLP, EY is required to maintain certain insurance. EY's insurance exceeds the mandatory professional liability insurance requirements established by the various Institute/Orders of Chartered Accountants across Canada.
24. **Miscellaneous** - EY shall provide all Services as an independent contractor and nothing shall be construed to create a partnership, joint venture or other relationship between EY and client. Neither party shall have the right, power or authority to obligate or bind the other in any manner. This Agreement shall not be modified except by written agreement signed by the parties. This agreement may not be assigned in whole or in part by client without EY's prior written consent, not to be unreasonably withheld. This Agreement constitutes the entire agreement between the parties relating to its subject matter and supersedes all prior representations, negotiations and understandings. Any terms and provisions of this Agreement that by their nature operate beyond the term or expiry of this Agreement shall survive the termination or expiry of this Agreement, including without limitation those provisions headed *Confidentiality*, *Auditor Oversight*, *Indemnification*, *Limitation of Liability*, *Solicitation & Hiring of EY Personnel* and *Legal Proceedings*. The provisions of this Agreement shall operate for the benefit of, and may be enforced by, any subcontractor, agent, partner or employee that is providing any of the Services.