



ASSURANCE AND ADVISORY
BUSINESS SERVICES

(NOVEMBER 21ST, 2006)

 **ERNST & YOUNG**

Quality In Everything We Do

City of Ottawa

2006 Audit Plan

November 21st, 2006

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

We are pleased to meet with you to discuss our audit approach for the City of Ottawa (“the City”). This report outlines the scope of our services, the team of Ernst & Young professionals that will serve you, and what we see as the key considerations affecting the 2006 audit. Our meeting is a forum to validate our understanding of these issues, confirm your current-year expectations, and make certain that our efforts are aligned with your expectations.

We are currently completing the planning phase of our audit of the 2006 financial statements of the City. Our 2006 audit plan has been prepared based on our understanding of the City’s business and industry. It is designed to be responsive to the unique needs of the City, to maximize audit effectiveness, and to deliver the high quality you expect.

Our audit is designed to express an opinion on the 2006 financial statements. We will consider the City’s current and emerging business risks, perform an assessment of risks that could materially affect the financial statements, and align our audit procedures accordingly.

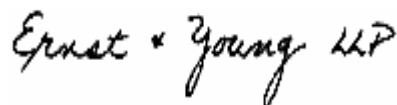
The City and Ernst & Young share a commitment to quality. Our job demands a thorough understanding of the City, its operations, and emerging issues in order to mitigate risk. Our commitment to quality is and will continue to be reflected in every aspect of our work.

This report is intended solely for the information and use of the Members of the Corporate Services and Economic Development Committee and management, and is not intended to be and should not be used by anyone other than these specified parties. We disclaim any responsibility to any third party who may rely on it.

We appreciate this opportunity to meet with you. If you have any questions or comments, please call me at 613 598-4305.

Very truly yours,

Ernst & Young LLP



Deanna Monaghan, FCA, CPA, Partner

Contents

2006 Audit Plan:

| | PAGES |
|--|-------------|
| Overview of Audit Process | 4 |
| Audit Committee Communications..... | 5 |
| Deliverables..... | 5 |
| Audit Scope and Coverage..... | 5 |
| Audit Coverage..... | 5 |
| Fraud Considerations | 7 |
| New Developments in accounting or auditing standards | 8 |
| current year Developments..... | 11 |
| Fee Schedule..... | 12 |
| | |
| APPENDICES | TABS |
| Engagement Letter..... | A |

OVERVIEW OF AUDIT PROCESS

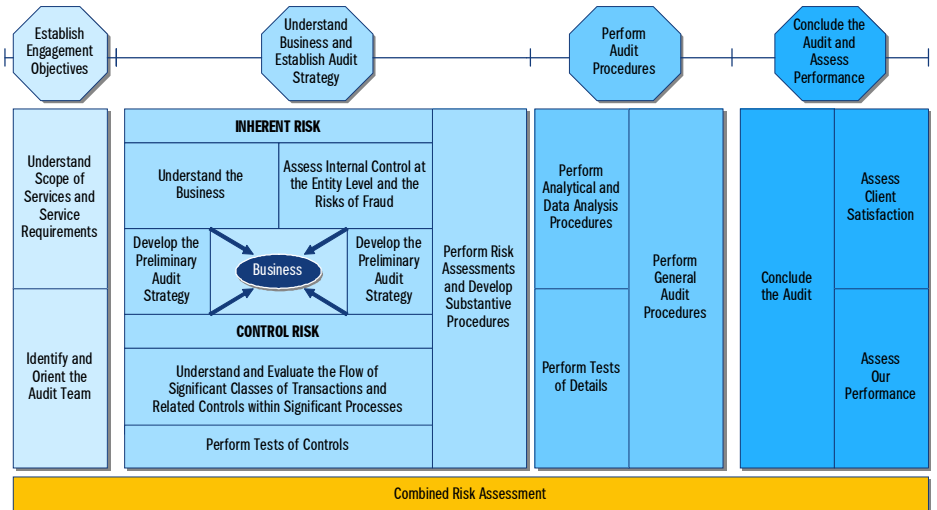
DEVELOP ASSURANCE PLAN

We understand and validate:

- Corporate Services and Economic Development Committee and management expectations regarding communications and service requirements.
- Deliverables and audit scope.

TEAM

We establish an engagement team with the right industry and technical skills to execute the audit and deliver on our commitments to you.



UNDERSTAND THE BUSINESS

Audit risk is influenced by business risk. Our audit begins with understanding current and emerging developments that could affect the City of Ottawa’s business environment and risk. We consider such items as relevant industry, regulatory, and other external factors, the nature and composition of the City, the City’s selection and application of accounting policies, the City’s objectives and strategies, and key performance indicators and other performance areas emphasized by management. We monitor key issues and changes within the City and business environment to continually update the City’s business risk profile. We update our audit strategy to focus on areas that signal vulnerability and risk.

ESTABLISH AUDIT STRATEGY

We establish a portfolio of audit procedures that are customized based on City of Ottawa’s significant accounts, disclosures and classes of transactions, as well as our assessment of risk, including the risk of fraud. Our procedures include tests of controls and tests of details of significant account balances and transactions.

PERFORM AUDIT PROCEDURES AND CONCLUDE

Our primary deliverable is our opinion on the City’s financial statements.

CLIENT SATISFACTION

We monitor our success in meeting the City’s expectations and service requirements through our client satisfaction improvement process, which we refer to as our Assessment of Service Quality.

AUDIT COMMITTEE COMMUNICATIONS

CICA Handbook Section 5751 and other professional standards require the auditor to communicate certain matters to the Audit Committee that may assist the Committee in overseeing management's financial reporting and disclosure process. Presented below is a summary of the deliverables together with applicable topics that we are committed to providing and discussing with you during our 2006 audit year. This communication plan will facilitate open and frequent communications with the Audit Committee throughout the year, while ensuring that we meet our professional and regulatory requirements.

DELIVERABLES

We have designed our audit to:

- Express an opinion on the financial statements of the City.
- Issue a management letter that provides our recommendations regarding internal controls and opportunities for improvement, based on observations made during the course of our audit.

AUDIT SCOPE AND COVERAGE

For purposes of our audit of the financial statements, our audit scope is developed after considering inherent and control risks and the effectiveness of the City's internal controls. A variety of factors are considered when establishing individual audit scopes for the City including size, specific risks, the volume and types of transactions processed, changes in the business environment, internal audit activity, corporate monitoring controls in place, and other factors. We also consider the overall degree of commonality in processes at the City's locations and the degree of centralization of operations.

AUDIT COVERAGE

Our audit plan includes the following coverage percentages for consolidated assets, revenues and income, which are calculated using prior-year-end information. The actual coverage results will be communicated to the Corporate Services and Economic Development Committee at the end of our audit.

MATERIALITY

At the conclusion of the audit, we formulate our opinion on the financial statements of the City as to their fair presentation in all material respects in accordance with Canadian generally accepted accounting principles.

Our estimation of planning materiality requires professional judgment and necessarily takes into account qualitative as well as quantitative considerations. Materiality for public sector entities is generally measured in terms of a range

between 1/2% and 2% of revenues/expenditures. This range corresponds with the recommendations in the CICA Handbook guideline which deals with materiality and audit risk.

PRELIMINARY ASSESSMENT OF INTERNAL CONTROL

Our approach 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).

FRAUD CONSIDERATIONS

We are responsible for planning and performing the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or by fraud. Our audit procedures will consider the requirements of CICA Handbook Section 5135, *The Auditor's Responsibility to Consider Fraud* (CICA 5135). CICA 5135 was issued to heighten the awareness of auditors to the potential for fraud when planning and executing audits, and it emphasizes the need for professional skepticism during the audit. We approach all audits with an understanding that fraud could occur in any company at any time, and could be perpetrated by anyone.

The following provides a summary of the principal procedures under CICA 5135 we plan to perform during the audit.

- Hold an engagement team discussion among the audit team members, which includes all significant locations, to share thoughts and ideas about how and where they believe the client's financial statements might be susceptible to material misstatement due to fraud
- Gather information needed to identify the risks of material misstatement due to fraud, by performing the following:
 - Inquiring of management and others within the organization about the risks of fraud. Inquiries should be made of management, the audit committee, internal audit, and other operational and financial personnel within the organization, focusing on such areas as the individual's knowledge of fraud and understanding about specific risks of fraud in the organization. Further, inquiries should be made regarding the oversight activities of the audit committee regarding management's assessment of the risks of fraud, whether programs and controls have been established at the organization to mitigate the risk of fraud, how multiple locations within an organization are monitored for fraud, and how management communicates to employees its views on business practices and ethical behavior;
 - Considering unusual or unexpected relationships that have been identified in performing analytical procedures in planning the audit;
 - Considering whether fraud risk factors exist; and
 - Considering other information gathered throughout the audit.
- Using the information gathered, identify and assess specific risks of fraud and develop specific audit procedures to address the identified risks of fraud
- Perform mandatory procedures, regardless of specifically identified risks of fraud, to address the risk of management override of controls, including:
 - Examining journal entries and other adjustments for evidence of possible material misstatement due to fraud;
 - Reviewing accounting estimates for biases that could result in material misstatement due to fraud, including a retrospective review of significant prior year estimates; and
 - Evaluating the business rationale of significant unusual transactions

NEW DEVELOPMENTS IN ACCOUNTING OR AUDITING STANDARDS

Each year, we review changes in professional standards, legislation and stakeholder requirements that may have an impact on our audit, including the presentation or disclosure of items in the financial statements, our audit scope, and matters requiring communication. The listing below is an update on current developments which may have an impact on the City:

Generally Accepted Accounting Principles

- The Public Sector Accounting Board issued a new Handbook Section PS 1150, Generally Accepted Accounting Principles (“GAAP”) in February 2005 in order to define GAAP for the public sector and to provide supportive guidance.
- Public sector reporting entities are to apply every primary source of GAAP. The primary sources of GAAP, in descending order of authority, are:
 - CICA Public Sector Accounting (“PSA”) Handbook Sections PS 1200-3800;
 - Public Sector Guidelines; and
 - Appendices and illustrative material of those pronouncements described.
- In the absence of a primary source of GAAP, or if additional guidance is needed to apply a primary source to specific circumstances, public sector reporting entities must exercise professional judgment and adopt accounting policies and disclosures that are consistent with:
 - the primary sources of GAAP; and
 - the application of Section PS 1700, Objectives of Financial Statements — Local Governments.
- A public sector reporting entity required to prepare financial statements in accordance with regulatory, legislative or contractual requirements can describe the basis of accounting as in accordance with GAAP only when those requirements are within the range of acceptable choices allowed by the proposed Section.

This section is effective for fiscal years beginning on or after April 1, 2005 (i.e. fiscal 2006).

We do not anticipate a significant impact to the City as a result of these new pronouncements.

Government Reporting Entity

- The PSAB Handbook Section on the Government Reporting Entity has been revised to define the government reporting entity as those organizations that are controlled by the government. This section of the PSAB Handbook requires that governments consolidate all organizations that comprise the government reporting entity (based on the definitions of control within the handbook section), except for government business enterprises. Transitional provisions allow for entities not previously included in the government to be brought in under the modified equity method of accounting until April 1, 2008.

This section is effective for years beginning on or after April 1, 2005 (i.e. fiscal 2006).

We do not anticipate this to be a significant area to the City. In previous years, City management has done a thorough review of all its entities and we reviewed that within our audit plan. No changes from previous reporting were noted.

Measurement Uncertainty

- In February 2005, PSAB issued Section PS2130, Measurement Uncertainty. During the development of the new Sections Liabilities, Contingent Liabilities and Contractual Obligations, it became apparent that a Section on measurement uncertainty was needed. Accordingly, this Section provides guidance for the disclosure of measurement uncertainty for items recognized and disclosed in public sector financial statements.

This Section is effective for years beginning on or after April 1, 2005 (i.e. fiscal 2006).

We do not anticipate this to be a significant change to the current reporting for the City as the City already discloses measurement uncertainty within its notes to the financial statements.

Segment Disclosures

- In January 2006, PSAB approved this new Handbook Section that prescribes disclosures for government summary financial statements. The project has been undertaken because concerns have been raised about the level of aggregation of government summary financial statements.
- The objective of requiring disclosures on governmental segments is to help users of financial statements better understand the different types of activities that government engage in.
- The guidance in this Section is intended to start with the summary financial statements and separate out key financial information into segments in order to provide relevant information for accountability and decision-making purposes, while ensuring that the information is consistent with the summary statements.

This Section is effective for years beginning on or after April 1, 2007 (i.e. fiscal 2008)

Tangible Capital Assets

- In September 2006, PSAB approved final Section PS 3150, Tangible Capital Assets as it relates to local governments.
- This section establishes standards on how to account for and report tangible capital assets in government financial statements.
- Tangible capital assets represent a significant investment for local governments. Financial information about the stock and use of those assets is now required to be provided in the financial statements of local governments.

This Section is effective for years beginning on or after January 1, 2009

Our understanding is that the City of Ottawa has commenced steps towards complying with this standard.

Financial Instruments

- A Task Force comprising representatives from senior governments and academia is developing a statement of principles. The Task Force is also considering the guidance for governments in accounting for the results of government business enterprises reporting other comprehensive income (OCI).
- Presently, guidance in the PSA Handbook in respect of accounting for derivative financial instruments is limited to their application in hedging foreign currency items. Derivative financial instruments are increasingly being used by governments to manage other financial exposures such as interest rate exposures. Given the complexity of many financial instrument derivative contracts, a primary objective of the project will be to craft standards that will make reporting by governments on the use of financial instrument derivatives as transparent and understandable as possible.

A final PSA Handbook Section is not expected to be approved until March 2008.

CURRENT YEAR DEVELOPMENTS

| Accounting & Auditing Developments | Comments |
|---|--|
| <p>HYDRO OTTAWA The City holds a Hydro Ottawa investment on its consolidated financial statements.</p> | <ul style="list-style-type: none"> We will review Deloitte & Touche's working paper files for reliance on their work in accordance with Canadian Generally Accepted Auditing Standards. |
| <p>LEGAL CLAIMS 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.</p> | <ul style="list-style-type: none"> We will enquire into the status of legal cases and obtain representations from the City of Ottawa's legal counsel and any external legal firm utilized. |
| <p>SIGNIFICANT ACCOUNTING ESTIMATES – EMPLOYEE BENEFIT COSTS 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.</p> | <ul style="list-style-type: none"> 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. |
| <p>SIGNIFICANT ACCOUNTING ESTIMATES – TAX APPEAL PROCESS Valuation of property taxes requires judgment for estimating the impact of appeals on current receivables recorded by the City.</p> | <ul style="list-style-type: none"> We will audit the work performed by the City staff and consider the reasonableness of the tax appeal provisions. |
| <p>NEW PUBLIC PRIVATE PARTNERSHIPS The City enters into various public/private partnerships agreements.</p> | <ul style="list-style-type: none"> We will read the agreements and consider the appropriateness of the accounting for these transactions. |
| <p>VACATION AND LEAVE ACCRUALS The City's vacation and leave is significant. Balances within must properly reflect the liability.</p> | <ul style="list-style-type: none"> We will conduct substantive testing on vacation and leave accruals on a sample basis. We will assess the accuracy of the balances. |

FEE SCHEDULE

Our fees for the City's required services are as follows:

| | 2006 |
|---|------------------|
| City of Ottawa Consolidated Financial Statements | \$150,000 |
| Pineview Golf Course | \$9,500 |
| 12 Business Improvement Area (BIA)/Mall Authority | \$12,500 |
| City of Ottawa Sinking Fund | \$10,500 |
| City of Ottawa Endowment Fund | \$5,000 |
| City of Ottawa Superannuation Fund | \$10,500 |
| OC Transpo Pension Fund | \$9,000 |
| OC Transpo Benefit Trust Fund | \$9,500 |
| Federal Gas Tax Audit | \$9,500 |
| G.S.T. (6%) | \$13,560 |
| Firm Total Cost Per Year | \$239,560 |

APPENDIX A – ENGAGEMENT LETTER

November 21st, 2006

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

Attention: Ms. Simulik, City Treasurer

Dear Ms. Simulik,

1. This will confirm our engagement to audit and report on the financial statements of the City of Ottawa (the “City”) for the year ending December 31, 2006. The services described in this paragraph may hereafter be referred to as either “Audit Service” or “Audit Services.”

Audit Responsibility and Limitations

2. The objective of our audit is to express an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the City in conformity with Canadian generally accepted accounting principles.
3. We will conduct our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable rather than absolute assurance that the financial statements taken as a whole are free of material misstatement whether caused by error, fraud or illegal acts whose consequences have a material effect on the financial statements. As you are aware, there are inherent limitations in the audit process, including the use of judgment and selective testing of the data underlying the financial statements, the inherent limitations of internal controls, and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature. Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud. Further, while effective internal control reduces the likelihood that misstatements will occur and remain undetected, it does not eliminate the possibility. For these reasons, we cannot guarantee that fraud, error and illegal acts, if present, will be detected when conducting an audit in accordance with Canadian generally accepted auditing standards. Also, an audit is not designed to detect error or fraud that is immaterial to the financial statements.
4. 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 controls to prevent and detect potential misstatements. This consideration will not be sufficient to enable us to provide assurance on the effectiveness of internal controls over financial reporting or to identify all significant weaknesses.

5. If we determine that there is evidence that fraud or illegal or possibly illegal acts may exist or have occurred (other than illegal acts that are considered inconsequential), we will bring such matters to the attention of an appropriate level of management. The type and significance of the matter to be communicated will determine the level of management to which the communication is directed and whether the communication is also made to the Corporate Services and Economic Development Committee. 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 financial statements, we will report this matter directly to the Corporate Services and Economic Development Committee. We will also determine that the Corporate Services and Economic Development Committee is adequately informed of illegal or possibly 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 weaknesses in the design or implementation of internal controls to prevent or detect fraud or error noted during our audit procedures, as well as related party transactions identified by us that are not in the normal course of operations and that involve significant judgments made by management concerning measurement and disclosure.
6. We also may communicate to the appropriate levels of management other opportunities we observe for economies in or improved controls over the City's operations. The matters communicated will be those that we identify during the course of our audit. Audits do not usually identify all matters that may be of interest to management in discharging its responsibilities.
7. In accordance with CICA Handbook Section 5751, *Communications with Those Having Oversight of the Financial Reporting Process*, we will communicate in writing to the Corporate Services and Economic Development Committee any relationships between Ernst & Young LLP, its partners and professional employees and the City of Ottawa (including related entities) that, in our professional judgement, may reasonably be thought to bear on our independence. Further, we will confirm our independence with respect to the City of Ottawa.

Management's Responsibilities and Representations

8. The preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles are the responsibility of the management of the City. Management also is responsible for establishing and maintaining effective internal controls, for properly recording transactions in the accounting records, for safeguarding assets, and for identifying and ensuring that the City complies with the laws and regulations applicable to its activities.
9. The design and implementation of internal controls to prevent and detect fraud and error are the responsibility of the City's management, as is an assessment of the risk that the financial statements may be materially misstated as a result of fraud. Management is responsible for apprising us of all known instances of fraud, suspected fraud, illegal or possibly illegal acts and 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," employees, former employees, analysts, regulators or others), and providing us full access to information and facts relating to these instances and 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 have a non-trivial effect on the financial statements or otherwise affect the financial reporting of the City. If the City limits the information otherwise available to us under this paragraph, 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.

10. Management of the City is responsible for providing us with and making available complete financial records and related data and copies of all minutes of meetings of shareholders, directors and committees of directors; information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements; information relating to any illegal or possibly illegal acts, and all facts related thereto; and information regarding all related parties and related party transactions. Failure to provide this information on a timely basis may cause us to delay our report, modify our procedures or even terminate the engagement.
11. Management is responsible for adjusting the 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 financial statements taken as a whole.
12. As required by Canadian professional standards, we will make specific inquiries of management about the representations contained in the financial statements. Management is responsible for providing us with information regarding the recognition, measurement and disclosure of specific items, including but not limited to the following:
 - its assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the financial statements or used to support amounts in the financial statements;
 - any plans or intentions that may affect the carrying value or classification of assets and liabilities;
 - information relating to the measurement and disclosure of transactions with related parties;
 - an assessment of all areas of measurement uncertainty known to management that are required to be disclosed in accordance with CICA Handbook Section 1508, *Measurement Uncertainty*;
 - information relating to claims and possible claims, whether or not they have been discussed with the City's legal counsel;
 - information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which the City is contingently liable;
 - information on whether the City has satisfactory title to assets, whether liens or encumbrances on assets exist, or whether assets are pledged as collateral;
 - information relating to compliance with aspects of contractual agreements that may affect the financial statements; and
 - information concerning subsequent events.

13. At the conclusion of the audit, we obtain representation letters from certain members of management to confirm significant representations on matters that are directly related to items that are material, either individually or in the aggregate, to the financial statements; matters that are not directly related to items that are material to the financial statements but are significant, either individually or in the aggregate to the engagement; and those that are relevant to your judgments or estimates that are material, either individually or in the aggregate, to the financial statements. The responses to the inquiries of management, the written representations from management and the results of our audit tests comprise the evidential matter we will rely upon in forming an opinion on the financial statements.
14. Management is responsible for advising us of any documents or other information provided during the course of the audit over which it intends to assert a claim of privilege and should mark any such documentation accordingly, as further described in our Section 6 of the attached Terms and Conditions.

Fees and Billings

15. We estimate that our fee for our 2006 audit services will be approximately.

| | |
|---|-----------|
| City of Ottawa Consolidated Financial Statements | \$150,000 |
| Pineview Golf Course | \$9,500 |
| 12 Business Improvement Area (BIA)/Mall Authority | \$12,500 |
| City of Ottawa Sinking Fund | \$10,500 |
| City of Ottawa Endowment Fund | \$5,000 |
| City of Ottawa Superannuation Fund | \$10,500 |
| OC Transpo Pension Fund | \$9,000 |
| OC Transpo Benefit Trust Fund | \$9,500 |
| Federal Gas Tax Audit | \$9,500 |

16. 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 a reasonable level of assistance. 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.

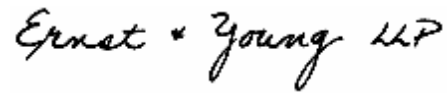
Other Matters

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 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.

Yours very truly,

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Deanna Monaghan
Enclosures

Acknowledged and Agreed:
City of Ottawa

By: _____

Ms. Marian Simulik

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 shall 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/Order 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** - Subject to any applicable professional standards and legislation, 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. **EY Reports** - EY retains all copyright and other intellectual property rights in everything developed, designed or created by EY either before or during the course of an engagement including systems, methodologies, software, know-how and working papers. EY also retains all copyright and other intellectual property rights in all reports, advice or other communications of any kind provided to client in any form (written or otherwise) during the course of an engagement ("Reports"), although client shall have the full right to use any Reports within its own organization. Any Reports are provided solely for the purpose of this engagement. Subject to "*US Tax Advice*"

above, no Report (and no portion, summary or abstract thereof) may be disclosed to any third party without EY's prior written consent. Without limitation, except as otherwise specifically agreed in the engagement letter into which these terms and conditions are incorporated client agrees that it will not, and will not permit others to, refer to EY or reproduce, quote or refer to any Report (or any portion, summary or abstract thereof) in any document filed or distributed in connection with (i) a purchase or sale of securities or (ii) continuous disclosure obligations under applicable securities laws. EY does not assume any duties or obligations to third parties who may obtain access to any Reports. Any services or procedures performed by EY for client 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. Client may not rely on any draft Report.

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 or its partners, employees or agents.
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, 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, bodily injury or physical damage to tangible property caused by the negligent acts or omissions of EY, and shall not limit EY's liability for loss or damage caused by the fraud or wilful misconduct of EY.

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

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 any provincial Institute/Order of Chartered Accountants.
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.

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