

Appendix B

ASSURANCE AND ADVISORY
BUSINESS SERVICES

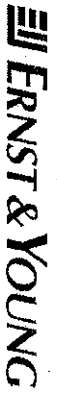
City of Toronto Sinking Funds

Audit Results – Year Ended December 31, 2006

Report to the Members of the Sinking Fund Committee

 **ERNST & YOUNG**

Quality In Everything We Do



June 1, 2007

■ Chartered Accountants
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The Chair and Members of the City of Toronto Sinking Funds Committee

Dear Members of the Sinking Fund Committee:

We are pleased to present the results of our audit of the financial statements of the City of Toronto Sinking Funds (the "Fund" or the "organization").

This report to the Sinking Funds Committee summarizes the terms of our engagement, the issues of audit significance discussed with management, the status of our final procedures, and provides the communications required by our professional standards.

Our audit was designed to express an opinion on the 2006 financial statements of the Fund. In planning the audit we held discussions with management, considered current and emerging business risks, performed an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We received the full support and assistance of the Fund's personnel in conducting our audit.

This report is intended solely for the use of the Sinking Funds Committee, management, and ultimately Council of the City of Toronto, 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. Further, this report is a by-product of our audit of the 2006 financial statements and indicates matters identified during the course of our audit. Our audit did not necessarily identify all matters that may be of interest to the Sinking Funds Committee in fulfilling its responsibilities.

We appreciate this opportunity to present this report and answer any questions you may have about these or any other audit-related matters.

Very truly yours,

Ernst & Young LLP

Chartered Accountants

Licensed Public Accountants

Diana Brouwer/Kathi Lavoie

(416) 943-7177 / (905) 882-3056

Our Engagement

Discussion

Auditor's Responsibilities Under Generally Accepted Auditing Standards

- Management is responsible for the preparation of the financial statements, which includes responsibilities related to internal control, such as designing and maintaining accounting records, selecting and applying accounting policies, safeguarding assets and preventing and detecting fraud and error.
 - The auditor's responsibility is to express an opinion on the financial statements based on an audit thereof.
 - An audit is performed to obtain reasonable but not absolute assurance as to whether the financial statements are free of material misstatement and, owing to the inherent limitations of an audit, there is an unavoidable risk that some misstatements of the financial statements will not be detected (particularly intentional misstatements concealed through collusion) even though the audit is properly planned and performed.
 - The audit includes:
 - obtaining an understanding of the entity and its environment, including internal control, in order to plan the audit and to assess the risk that the financial statements may contain misstatements that, individually or in the aggregate, are material to the financial statements taken as a whole;
 - examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
 - assessing the accounting principles used and their application; and
 - assessing the significant estimates made by management.
 - When the auditor's risk assessment includes an expectation of the operating effectiveness of controls, sufficient appropriate audit evidence will be obtained through tests of controls to support the assessment, but the scope of the auditor's review of internal control will be insufficient to express an opinion as to the effectiveness or efficiency of the entity's controls or to consider whether internal control is adequate for management's purposes.
 - The auditor will express an opinion as to whether the financial statements present fairly in all material respects, in accordance with generally accepted accounting principles, the financial position and results of operations of the entity.
- Detailed Terms of Engagement
- The detailed terms of our engagement are outlined in our engagement letter, a copy of which has been included in this document for your information.

Audit Process

Discussion

Overview

- For purposes of the audit of the financial statements, our audit scope is developed after considering the inherent and control risks and the effectiveness of the organization's internal controls. A variety of factors are considered when establishing the audit scope including size, specific risks, the volumes and types of transactions processed, changes in the business environment, and other factors.
- Our audit procedures are customized based on the organization's significant accounts, disclosures and classes of transactions, as well as our assessment of risk, including the risks of fraud. Given the size of the operations, our procedures are primarily of a substantive nature. In other words, we will not rely on controls except those at the entity level that address significant risks.
- Areas of audit emphasis include:
 - *Completeness of contributions and investment income*
 - *Measurement and completeness of actuarial requirements*
 - *Valuation of investments*

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 your organization 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 the following audit planning decisions:
 - extent of evaluation of internal accounting controls
 - extent and nature of audit evidence (i.e., extent of testing) to be examined
- Our estimation of materiality requires professional judgment and necessarily takes into account qualitative as well as quantitative considerations. Based on the results of the organization, materiality for the audit of the 2006 financial statements was determined to be \$1.6 million (2005 - \$1.7 million), which represents 0.25% of assets. This approach to calculating materiality corresponds with the recommendations in the CICA Handbook guideline which deals with materiality and audit risk.

Use of Specialists

- None

Internal Audit / Auditor General

- None

Reliance on Other Auditors

- None

Audit Team and Fees

Audit Team	Discussion
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- Ernst & Young continues to serve you with a team of professionals who offer both industry experience and a working knowledge of your organization's business. We continue to focus on providing a committed and experienced team to your organization. The table below shows the key team members for the audit.

Engagement Member	Responsibility
Martha Tory	Independent Partner
Diana Brouwer	Executive Director
Kathi Lavioie	Senior Manager

- A summary of our fees is included below for your reference.

Annual audit fees	2006	2005
	\$ 10,000	\$ 10,000

The audit fee is in accordance with the City's request for proposal for audit services and is inclusive of expenses and GST.

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.

Discussion

Financial Instruments

- The AOSB has issued the following new Handbook Sections:
 - Section 3855, *Financial Instruments – Recognition and Measurement*. This section will probably affect all entities to some degree. It prescribes when a financial instrument is to be recognized on the balance sheet and at what amount – sometimes using fair value; other times using cost-based measures. It also specifies how financial instrument gains and losses are to be presented.
 - Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*. These sections replace Section 3861, *Financial Instruments Disclosure and Presentation*. Section 3862 places increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed. Section 3863 carries forward the presentation requirements from Section 3861, unchanged.
 - Section 3865, *Hedges*. Application of this section is optional. It provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces the guidance formerly in Accounting Guideline AOC-13, *Hedging Relationships*, and Section 1650, *Foreign Currency Translation*, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.
 - Section 1530, *Comprehensive Income*, introduces a new requirement to temporarily present certain gains and losses outside net income. This section does not apply to not-for-profit organizations. Section 4400 was amended to provide that these gains and losses are recorded directly in assets.
- Significant changes include the following:
 - Investments and other financial instruments must be recorded on the balance sheet at market.
 - In certain circumstances, gains and losses are recorded in net assets.
 - Derivatives must be recorded on the balance sheet at fair value. Off-balance sheet treatment is no longer allowed.
- Entities are permitted a “fresh start” in applying the new standards for classification of financial assets and liabilities. Any adjustments to carrying amounts are recognized as adjustments to opening net assets.
- The new requirements in Sections 3855, 3865 and 4400 are effective for fiscal years beginning on or after October 1, 2006 for publicly accountable entities. Not-for-profit entities are considered publicly accountable. Early adoption is permitted only if the entity adopts all requirements of CICA 3855, 3865 and 1530 at the same time. The new requirements are effective for non publicly accountable entities for fiscal years beginning on or after October 1, 2007. The new requirements in Sections 3862 and 3863 are effective for fiscal years beginning on or after October 1, 2007.
- These recommendations will be effective for the Fund’s 2007 year-end and will impact the Fund’s accounting for their investments.

New Developments in Accounting or Auditing Standards (continued)

Discussion

Changes in Accounting Policies and Estimates, and Errors

- In July 2006, the AcSB issued new Section, *Changes in Accounting Policies and Estimates and Errors*. The changes to this new section particularly affect when an entity is permitted to change an accounting policy, retroactive application of the change and related disclosures of the change.
- This new section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2007.
- These changes are not expected to have a significant impact on the Fund.

Strategic Planning

- In January 2006, the AcSB approved its new strategic plan, "*Accounting Standards in Canada: Future Directions*," which outlines the broad policy objectives that will guide the AcSB in carrying out its standard-setting mandate from 2006 to 2011.
 - The Strategic Plan provides for the convergence of Canadian GAAP with International Financial Reporting Standards. In summary, the AcSB has adopted the following strategic direction for financial reporting in Canada:
 - For publicly accountable enterprises, the AcSB will converge Canadian GAAP with IFRS over an expected five-year period, after which Canadian GAAP will be replaced by IFRS and cease to exist as a separate, distinct basis of financial reporting for publicly accountable enterprises;
 - For non-publicly accountable enterprises, the AcSB has begun a comprehensive examination of their financial reporting and will determine the most appropriate financial reporting model to meet those needs;
 - For not-for-profit organizations, the AcSB will continue to apply those elements of GAAP for profit-oriented enterprises that are applicable to their circumstances and develop standards that deal with the special circumstances of the not-for-profit sector.
 - These changes are not expected to have a significant impact on the Fund at this time.
- Subsequent Events
- In December 2005, the Assurance and Auditing Standards Board ("AASB") issued amendments to CICA 6550, *Subsequent Events*. The principal change is the revision of CICA 6550.04 to add several matters to the list of procedures normally performed by the auditor when auditing subsequent events. The additions include:
 - Making enquiries to obtain an understanding of the procedures management has established to ensure that subsequent events are identified;
 - Expanding the list of specific matters that might require adjustment to and/or disclosure in the financial statements.
 - The Section's new provisions will be effective for financial statements and financial reports for periods beginning on or after January 1, 2006.
 - This section is not expected to have a significant impact on the organization.
 - Our audit methodology has been revised to deal with this new standard.

New Developments in Accounting or Auditing Standards (continued)

Discussion

Audit Risk	In June 2005, the AASB approved the issuance and amendment of several <i>Handbook</i> sections in connection with its Audit Risk project. The new standards emphasize: <ul style="list-style-type: none">- the need to understand the entity's business;- that risk assessment is an iterative process that continues throughout the audit;- that the auditor plans the nature, timing and extent of planned audit procedures to respond to assessed levels of risk that the financial statements may be materially misstated; and- that, where risk assessments are revised, the auditor makes appropriate revisions to the nature, timing and extent of planned audit procedures.
Terms of Engagement	<ul style="list-style-type: none">• These standards are effective for audits of financial statements for fiscal years beginning on or after January 1, 2006.• Our audit methodology has been revised to deal with this new standard.• In July 2005, the AASB issued the final standard on Terms of the Engagement for audits of financial statements, CICA 5110, and final revisions to CICA 8200, <i>Public Accountant's Review of Financial Statements</i>, to incorporate guidance on agreeing the terms of the engagement relating to the financial statements.• These new standards are effective for periods beginning on or after August 1, 2005.• Our engagement letters have been updated to incorporate these new standards.
Documentation	<ul style="list-style-type: none">• In December 2005, the AASB issued amendments to CICA 5145, <i>Documentation</i>, to establish the basic principles and essential procedures for all audit documentation for an audit of financial statements. The revised section includes requirements that set our minimum documentation requirements and deadlines for completion of the final audit file.• This new section is effective for audits of financial statements for periods beginning on or after November 1, 2006.• Our procedures have been updated to reflect the changes in this section.
Planning	<ul style="list-style-type: none">• In September 2005, the AASB approved the amendments to the current CICA 5150, <i>Planning and Supervision</i>. The revised section incorporates the new engagement risk model and includes requirements for the auditor to plan, perform and document various aspects of the audit strategy.• The new section is effective for audits of financial statements for periods beginning on or after January 1, 2006.• Our procedures have been updated to reflect the changes in this section.
Analysis	<ul style="list-style-type: none">• In August 2005, the AASB approved changes to the new audit risk standards in CICA 5301, <i>Analysis</i>. The principal changes to the section are increased emphasis on the use of analysis and analytical procedures as risk assessment procedures and additional guidance on when analytical procedures are used.• The changes to this section are effective for audits of financial statements for periods beginning on or after January 1, 2006.• Our procedures have been updated to reflect the changes in this section.

New Developments in Accounting or Auditing Standards (continued)

Discussion

- Management Representations
- In July 2005, the AASB issued a final standard on Management Representations, CICA 5370, for audits of financial statements and final revisions to CICA 8200, *Public Accountant's Review of Financial Statements*, to incorporate guidance on management representations relating to the review of financial statements.
 - These new standards are effective for periods beginning on or after August 1, 2005.
 - Our letters of representation have been updated to incorporate these new standards.
- Authority of Assurance Guidance (formerly GAAS hierarchy)
- In August 2005, the AASB issued the new Section CICA 5021, *Authority of Auditing and Assurance Standards and Other Guidance*, to provide guidance on the authority of recommendations, explanatory material, interpretive publications and other auditing and assurance publications to which a practitioner may refer when performing an assurance engagement.
 - The Section includes requirements for the practitioner to:
 - Identify and comply with the recommendations of the CICA Handbook – Assurance;
 - Be aware of and consider interpretive publications;
 - When applying the auditing and assurance guidance included in an “other auditing and assurance publication,” be satisfied that the guidance is both relevant and appropriate.
 - The standards are effective for financial statement and financial reports for periods beginning on or after September 1, 2005.
 - This section is not expected to have a significant impact on the audit of the Fund

Other Required Communications

Generally accepted auditing standards in Canada require the auditor to communicate certain matters to the committee that may assist them in overseeing management's financial reporting and disclosure process. Below we summarize these required communications as they apply to your organization.

Area	Comments
Auditor's Responsibilities Under Generally Accepted Auditing Standards (GAAS)	
As set out in the section on terms of engagement, we designed our audit to express an opinion on your organization's financial statements.	We anticipate issuing an unqualified audit opinion dated April 10, 2007 upon approval of the financial statements by the Sinking Funds Committee and completion of certain outstanding procedures. The following procedures are outstanding:
The financial statements are the responsibility of management. Our audit was designed in accordance with GAAS which provides for reasonable, rather than absolute, assurance that the financial statements are free from material misstatement.	confirmation from the Sinking Funds Committee that there are no areas of concern that have not been addressed in this document, and
As a part of our audit, we obtained a sufficient understanding of the internal control structure to plan our audit and to determine the nature, timing and extent of testing performed.	representation letter from management
Adoption of, or Changes in, an Accounting Principle, Including Material Alternative Accounting Treatments Discussed with Management and Acceptability of a Particular Policy used by Management	None
We determine that the Sinking Funds Committee is informed about the initial selection of, and any changes in, significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.	
In addition, we report to the Sinking Funds Committee all alternative accounting treatments within Canadian generally accepted accounting principles (GAAP) for policies and practices related to material items (including recognition, measurement, presentation and disclosure alternatives) that have been discussed with management during the current audit period including ramifications of the use of such alternative disclosures and treatments and the preferred treatment by us.	
Sensitive Accounting Estimates and Disclosures	
The preparation of financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's current judgments.	The determination of the Funds actuarial requirements are subject to significant judgments and estimates which are required to prepare the financial statements. We have reviewed and concur with the judgments and estimates made by management of the Funds.
We determine that the Sinking Funds Committee is informed about management's process for formulating particularly sensitive accounting estimates and disclosures and about the basis for our conclusions regarding the reasonableness of those estimates.	

Other Required Communications (continued)

Area	Comments
<p>Major Issues Discussed with Management Including Accounting for Significant Unusual Transactions and for Controversial or Emerging Areas</p> <p>We determine that the Sinking Funds Committee is informed about the methods used to account for significant unusual transactions and the effects of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p>	<p>We are not aware of any significant unusual transactions recorded by the Fund or of any significant accounting policies used by the Fund related to controversial or emerging areas for which there is a lack of authoritative guidance.</p>
<p>Significant Audit Adjustments and Unadjusted Differences Considered by Management to be Immaterial</p> <p>We provide the Sinking Funds Committee with information about adjustments arising from the audit (whether recorded or not) that could in our judgment either individually or in the aggregate have a significant effect on the organization's financial statements.</p>	<p>There were no recorded audit adjustments related to the current year.</p>
<p>We inform the Sinking Funds Committee about unrecorded audit differences accumulated by us during the current audit period and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.</p>	<p>There were no unrecorded audit adjustments.</p>
<p>Disagreements with Management</p> <p>None.</p>	<p>None.</p>
<p>Serious Difficulties Encountered in Dealing with Management when Performing the Audit</p> <p>None.</p>	<p>None.</p>
<p>Significant Weaknesses in Internal Controls</p> <p>We communicate all significant weaknesses in internal control over financial reporting that may have been identified during the course of our audit.</p>	<p>No significant weaknesses in internal control were identified.</p>
<p>Fraud and Illegal Acts</p> <p>We report to the Sinking Funds Committee fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement to the financial statements.</p>	<p>We are not aware of any matters that require communication.</p>
<p>We are also required to make inquiries of the Sinking Funds Committee related to fraud, including both (1) their views about the risks of fraud, and (2) their knowledge of any actual or suspected fraud.</p>	<p>We would request that the Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.</p>
<p>Consultation with Other Accountants</p>	<p>None of which we are aware.</p>

Other Required Communications (continued)

Area	Comments
Other Information in Documents Containing Audited Financial Statements	We are not aware of any other documents prepared by the Fund
Our financial statement audit opinion relates only to the financial statements and accompanying notes. However, we also review other information in the annual report, such as management's discussion and analysis, for consistency with the audited financial statements.	
Related Party Transactions	None of which we are aware.
Related party transactions identified by the auditor that are not in the normal course of operations or that involve significant judgments made by management concerning measurement or disclosure must be disclosed to the Sinking Funds Committee.	
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	None
Matters Relating to Component Entities of the Company	None of which we are aware.
When the financial statements of a company (primary entity) include financial information from financial statements of a component entity (a subsidiary, investee (other than a portfolio investment), or joint venture; or an entity whose financial information from financial statements is included with those of the primary entity), the auditor communicates with the Sinking Funds Committee those matters relating to the component entities that in the auditor's judgment are of significance in the context of the primary entity (for example, weaknesses in systems of internal control that have resulted, or could result, in material errors in the primary entity's consolidated financial statements).	
Auditors' Independence	Refer to "Independence Letter" section.
Caratian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between your organization and Ernst & Young that, in our professional judgment, may reasonably be thought to bear on our independence.	
Other Audit and Non-Audit Services Provided to Your Organization	None.

Items of Audit Significance Discussed with Management

During the course of planning and executing our audit, the following items/matters of audit significance were discussed with management:

Item	Description	Audit Results and Comments
Financial Instruments	<ul style="list-style-type: none"> As noted under "New Developments in Accounting or Auditing Standards", there are changes in the accounting for and disclosures related to financial instruments. The new rules are effective for the Fund's fiscal 2007 year and although may be early adopted, we understand that they will be implemented in 2007. The new rules will require consideration of such things as the categorization of investments – categorized as held for trading, available for sale etc. and additional disclosures required by the new standards. Management will need to familiarize themselves with the rules and the impacts on the 2007 financial statements. 	<ul style="list-style-type: none"> We have provided management with a brochure on the new developments for their consideration. The Committee will need to approve the classification of any investments held for their 2007 reporting. We recommend management review any contracts they have that may be impacted by the new rules.

Independence Letter



April 10, 2007

Chartered Accountants
Ernst & Young Tower
P.O. Box 251, 222 Bay St.
Toronto-Dominion Centre
Toronto, Canada M5K 1J7

Phone: (416) 864-1234
Fax: (416) 864-1174

The Chair and Members of the City of Toronto Sinking Funds Committee

Dear Members of the Sinking Fund Committee:

We have been engaged to audit the financial statements of the City of Toronto Sinking Funds (the "Fund") for the year ending December 31, 2006.

Pursuant to Canadian generally accepted auditing standards, we communicate at least annually with you regarding all relationships between Ernst & Young and its related entities and the Fund and its related entities that, in our professional judgment, may reasonably be thought to bear on our independence.

We have prepared the following comments to facilitate our discussion with you regarding independence matters arising since March 3, 2006, the date of our last letter. We are not aware of any relationships between Ernst & Young and the Company that, in our professional judgment, may reasonably be thought to bear on our independence since March 3, 2006, the date of our last communication.

Canadian generally accepted auditing standards require that we confirm our independence to the Sinking Funds Committee in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario. Accordingly, we hereby confirm that we are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of April 10, 2007.

The total fees charged to the Organization for audit services are outlined in the section "Audit Team and Fees".

This report is intended solely for the use of the Sinking Funds Committee, management, and ultimately the City of Toronto, and should not be used for any other purposes.

Yours truly,

Ernst & Young LLP

Chartered Accountants

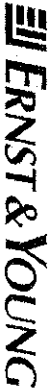
Licensed Public Accountants

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Audit Results – City of Toronto Sinking Funds

Letter of Recommendations



Chartered Accountants
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Toronto, Canada M5K 1J7

Phone: (416) 864-1234
Fax: (416) 864-1174

April 10, 2007

The Chair and Members of the City of Toronto Sinking Funds Committee

Dear Members of the Sinking Funds Committee:

In planning and performing our audit of the financial statements of the City of Toronto Homages Sinking Funds (the "Fund") for the year ended December 31, 2006, we considered its internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. Our consideration of internal control for the limited purpose of determining the nature, timing, and extent of our auditing procedures to express an opinion on the Fund's 2006 financial statements would not necessarily disclose all deficiencies in internal control over financial reporting. However, we noted no matters involving internal control and its operation that we consider to be significant weaknesses.

This report is intended solely for the use of the Sinking Funds Committee, management, and ultimately the City of Toronto, 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 would like to take this time to thank the staff for their assistance and cooperation during the audit.

Very truly yours,

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Diana Brouwer/Kathi Lavoie
(416) 943-7177/905-882-3056

Engagement Letter

August 22, 2006

Mr. Jeffrey Griffiths
Auditor General
City of Toronto
Metro Hall
55 John Street, 9th Floor
Toronto, ON M5V 3C6

Dear Mr. Griffiths:

1. This will confirm our statutory engagement to audit and report on the consolidated financial statements of the City of Toronto (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 Responsibilities and Limitations

2. The objective of our audit is to express an opinion on whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. 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 Audit 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 professional standards 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;

Audit Results – City of Toronto Sinking Funds

Engagement Letter (continued)

- 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.
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. Canadian generally accepted auditing standards define a significant weakness in internal control as one in which, in the auditor's professional judgment, the deficiency is such that a material misstatement is not likely to be prevented or detected in the financial statements being audited.
5. If we determine that there is evidence that misstatements, resulting from error, other than trivial errors, or 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 Auditor General and the Audit 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 consolidated financial statements, we will report this matter directly to the Auditor General and the Audit Committee. We will also determine that the Auditor General and the Audit Committee are adequately informed of misstatements, resulting from error, other than trivial errors and illegal or possibly illegal acts that come to our attention unless they are clearly inconsequential. We will not duplicate any reporting made by the Auditor General in his communications to the Audit Committee and we will work with the Auditor General in our understanding of the risks that may arise as a result of any reportable incidents to his group in the year. In addition, we will inform the Auditor General, the Audit 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 Audit Committee any relationships between Ernst & Young LLP, its partners and professional employees and the City of Toronto (including related entities) that in our professional judgment, may reasonably be thought to bear on our independence. Further, we will confirm our independence with respect to the City of Toronto (including related entities).

Engagement Letter (continued)

Management's Responsibilities and Representations

8. The preparation and fair presentation of the consolidated 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 consolidated 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 Audit 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 (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 Auditor General and the Audit 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 council and committees; 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 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.

Engagement Letter (continued)

12. As required by Canadian professional standards, we will make specific inquiries of management about the representations contained in the consolidated 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 consolidated financial statements or used to support amounts in the consolidated 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;
 - 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 relating to compliance with aspects of contractual agreements that may affect the consolidated 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 consolidated financial statements; matters that are not directly related to items that are material to the consolidated 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 consolidated 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 consolidated financial statements.

Fees and Billings

14. Our fees, which we will bill as work progresses, are based on our original response to your request for proposal, which stated a fee for 2006 of \$757,000 inclusive of expenses and GST. The stated fee also includes the audit of the Toronto Public City Foundation and the Toronto Zoo Foundation which are not listed in paragraph 17 as their terms and conditions are covered in a separate engagement letter.
15. 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.

Engagement Letter (continued)

Other Matters

16. You will provide to us copies of the printer's proofs of your annual report prior to publication for our review. Management of the City bears the primary responsibility to ensure the annual report contains no misrepresentations. 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 Audit Committee as appropriate.

17. In addition to reporting on the consolidated financial statements of the City, we will also audit and report on the undernoted financial statements. The fee for these services is included in the \$757,000 mentioned in part 15 of this letter. Our comments noted above setting out the terms of our engagement as auditors of the City of Toronto also apply to the entities/work listed below.

- Toronto Economic Development Corporation
- Toronto Community Housing Corporation
- Toronto Parking Authority (including Carpark #161)
- Police Museum Reserve Fund
- Police Services Board Special Funds
- Police Services Board Trust Funds
- City of Toronto Sinking Funds
- Investment Policy Compliance
- City of Toronto Trust Funds
- Homes for the Aged Interest Trust Fund
- Toronto Board of Health
- Various Subsidy Claims
- Toronto Public Health
- Preschool Speech and Language Program
- Healthy Babies Healthy Children Program
- AIDS Bureau Program
- Infant Hearing Program
- 10 Homes for the Aged
- Albion Lodge
- Bendale Acres
- Carefree Lodge
- Castleview Wychwood Towers

Engagement Letter (continued)

Cummer Lodge
Fudger House
Kipling Acres
Lakeshore Lodge
Seven Oaks
True Davidson Acres
Community and Neighbourhood Services – “Supportive Housing and Community Support”
Toronto Coach Terminal, Inc.
Toronto Transit Commission
TTC Insurance Company Limited
Metropolitan Toronto Pension Fund
Police Supplemental Pension Benefits Trust Funds
Toronto Fire Department Superannuation and Benefit Fund
Toronto Pension Fund
Toronto Police Benefit Fund
TTC Pension Fund Society
TTC Sick Benefit Association
York Employees Pension and Benefit Fund
Hummingbird Centre
Toronto Zoo
Board of Governors of Exhibition Place
Canadian National Exhibition Association
Canadian National Exhibition Foundation
St. Lawrence Centre for the Arts
North York Performing Arts Centre Corporation
Toronto Public City Board
Toronto Public City Trust Fund
Toronto Track and Field Centre

18. By your signature below, you confirm that the City, through City of Toronto Council, has expressly authorized you to enter into this agreement with us on the City's behalf.

19. 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.

Engagement Letter (continued)

We very much appreciate the opportunity to serve as the City of Toronto's auditors and would be pleased to furnish any additional information you may request concerning our responsibilities and functions.

Yours very truly,



Ernst & Young LLP

Acknowledged and Agreed:

City of Toronto

Acknowledged and agreed by Marilyn M. Toft & Ulli S. Warkiss

Engagement Letter (continued)

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") to the reasonable satisfaction of the client's Auditor General and Deputy City Manager and Chief Financial Officer 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** - EY shall comply with the Privacy, Security and Confidentiality Terms and Conditions attached as Appendix B to the Request for Proposals No. 9155-03-7140, except that, unless specifically requested by client, (i) EY shall not be encrypting e-mail communications which may contain personal information, and (ii) any personal information in EY's possession shall not be segregated from the rest of its audit working papers. EY shall not at any time before, during or after the completion of the engagement divulge any confidential information communicated to or acquired by EY or disclosed by any of the entities being audited in the course of carrying out the engagement, except as required by law. No such information shall be used by EY on any other project without prior written approval of the client. The client shall take all reasonable steps to maintain the confidentiality of any of EY's proprietary or confidential information.
- 4. 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.
- 5. 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, documents and copies of our working papers, and other work-product relating to client's affairs. Client consents to EY providing or producing, as applicable, this information without further reference to, or authority from, client. EY may 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.
- 6. 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.

Engagement Letter (continued)

7. **Right to Terminate Services** - Either party may terminate this Agreement, with or without cause, by providing 30 days written notice to the other party. In the event of EY's failure to comply with the terms of this Agreement, client has the right to terminate this Agreement if the failure has not been rectified 15 days after written notice was provided to EY of the failure. 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.
8. **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.
9. **Expenses** - EY will bill for all reasonable expenses. Expenses such as long-distance telephone and telecommunications charges, photocopying, delivery, postage, clerical assistance and micro-computer technology costs are based on a percentage (included within our fixed fee) of our fees for professional services. Other major direct costs such as travel, meals, accommodation and other significant expenses will be charged as incurred.
10. **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.
11. **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. *[Note that our agreement includes the taxes as noted in the letter - however, for billing purposes the fee will be broken out accordingly.]*
12. **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 atom 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.
13. **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 will have the full right to use these materials for their intended purpose, i.e. audit reports are provided to client in accordance with the provisions of the *Municipal Act, 2001* and in particular with section 295 and 296 thereof and are not prepared for use by third parties, although EY specifically acknowledges and agrees that the audit reports shall be part of the public record which may be inspected by any person. 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. EY does not assume any duties or obligations to third parties who may obtain access to any Reports. Any use which a third party makes of the Reports, or any reliance on or decisions to be made based

Engagement Letter (continued)

on them are the responsibility of such third parties. All working papers and reports will be retained by EY, at its expense, for ten (10) years, unless notified by the Client in writing of the need to extend the retention period.

14. Subject to the limitations contained in section 15 ("*Limitation of Liability*"), EY shall defend, save harmless and indemnify client and its Mayor, Councillors, officers, employees, agents, representatives, successors and assigns against all losses, costs, damages and other liabilities arising from the EY's performance of the Services where caused by or to the extent contributed by the negligent acts or omissions of EY and those for whom it is in law responsible. Subject to the limitations contained in section 15 ("*Limitation of Liability*"), EY shall defend, indemnify and save harmless client, its Mayor, Councillors, officers, employees, agents, representatives, successors and assigns, against all claims, actions, suits and proceedings, including all costs incurred in connection with any patent, copyright, moral right, trademark or industrial design or the use or misuse in connection EY's performance of the Services.

15. **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 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 \$2,000,000. 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 willful 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.

16. EY agrees that it shall, at its own expense during the performance of the Services, cause to be maintained a Comprehensive General Liability policy of insurance containing a \$2,000,000.00 per occurrence and in the aggregate limit of coverage, and a Professional Liability and Errors and Omissions policy of insurance containing a \$5,000,000.00 per occurrence and in the aggregate limit of coverage.

In respect of the **Comprehensive General Liability** coverage, such coverage shall include:

- 1) the client as an additional insured only with respect to liability arising out of the actions of EY;
- 2) a cross liability/severability of interest clause
- 3) personal injury liability;
- 4) broad form contractual liability;
- 5) contingent employer's liability;

Engagement Letter (continued)

- 6) employer's liability; and
- 7) non-owned automobile liability.

In respect of Professional Liability and Errors and Omissions coverage, such coverage shall include coverage of each person made available for the performance of Services by EY. EY agrees that it shall, at its own expense, maintain the levels of coverage described above for Two (2) Years subsequent to the completion or other termination of the Services.

If requested by the client to do so, EY will from time to time provide certificates of insurance to the client evidencing such levels of coverage.

EY acknowledges that its insurance policies are subject to deductible amounts, which deductible amounts shall be borne by EY.

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, whether in contract, tort or otherwise, 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 two sections entitled *Limitation of Liability* and *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.

Engagement Letter (continued)

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 reasonable professional time and expenses, as well as the reasonable fees and expenses of counsel, incurred in responding to such requests provided that such requests do not fall within the scope of this engagement.
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 except as described below, 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*, *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.
25. **Other Relevant Documents** - The terms and conditions contained in the Request for Proposals No. 9155-03-7140 and the Proposal by EY in response to R.F.P. No. 9155-03-7140 are incorporated into and form a part of this agreement. In the event of any inconsistency between the terms of the documents which make up this agreement, the following shall be the order of priority of the documents to the extent of any inconsistency:
 - 1) The Engagement Letter;
 - 2) The Standard Terms and Conditions
 - 3) The Proposal by EY referred to above;
 - 4) Request for Proposals No. 9155-03-7140

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