

Appendix S-3



August 21, 2007

Rafiq Dosani
Chartered Accountant
90 Risebrough Avenue
Toronto, Ontario
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Dear Sir:

**Re: The Danforth Business Improvement Area
Management Letter – Audit for the Year Ended December 31, 2006**

This letter is in response to your management letter (the "Management Letter") dated March 30, 2007, with respect to the audit of the financial statements of The Danforth Business Improvement Area (the "Danforth BIA") for the financial year ended December 31, 2006.

In the Management Letter, you indicated that you are of the view that the current arrangement with the Event Coordinator could be interpreted as an employer-employee relationship and are recommending that the Board of the Danforth BIA review its current arrangement with the Event Coordinator.

The Danforth BIA has re-reviewed its current arrangement with the Event Coordinator and is of the view that the arrangement is one of independent contractor and not that of an employer-employee. The Danforth BIA plans to enter into a written agreement with the Event Coordinator in order to, among other things, clarify the nature of the relationship between the Danforth BIA and the Event Coordinator.

For the financial year ended December 31, 2006, the Event Coordinator was retained by the Danforth BIA to assist with the planning and coordination of four events that the Danforth BIA undertook pursuant to its mandates (the "Specified Jobs"). The Event Coordinator was paid \$1,000.00 per event by the Danforth BIA.

There is no specific formula that determines whether a person is an independent contractor or an employee. Canadian courts have consistently held in recent years that no single factor is determinative of this matter and that one must look at the "total relationship" in coming to a determination. The key factors courts consider are as follows:

- Control – what is the nature and degree of control of the organization over the worker and the work being performed.
- Economic Reality – who has the risk of loss and opportunity for gain.
- Integration – how is the business of the worker and the business of the organization integrated and what is the nature of the worker's dependency on the organization.
- Specific result – is the contract for a specified job, task or result or more generally for services over a period of time.

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Control and Economic Reality

The economic reality test adopted by courts in Canada defines four characteristics of an entrepreneur: ownership of tools, absence of control, chance of profit and risk of loss.

The Danforth BIA does not provide the Event Coordinator with any office space, office supplies, computers or telephones in connection with the performance of the Specified Jobs by the Event Coordinator. The Danforth BIA naturally also participates in the planning and coordination of events particularly in respect of the marketing planning of such events. However, the Danforth BIA does not exercise specific control over the Event Coordinator particularly with respect to the coordination aspect of the Specified Jobs.

The concepts of chance of profit and risk of loss do not specifically apply to the Danforth BIA or the Event Coordinator as a result of the nature of the arrangement and the identity of the parties. Specifically, the Danforth BIA undertakes these events in order to promote the Danforth BIA and the businesses within its designated area rather than to make a profit.


Integration and Specific Result

The Canadian courts have stated that the integration test should be applied from the perspective of the individual rather than the organization. Specifically, the test is not how economically dependent the organization is on the individual but rather how economically dependent is the individual on the organization. In addition, one must consider whether the arrangement is for a specified job or more generally for services over a period of time.

In our circumstances, the Danforth BIA is not at all economically dependent on the Event Coordinator. The arrangement between the Danforth BIA and the Event Coordinator is in relation to specified jobs rather than more generally for services over a period of time. The arrangement may be terminated at any time by either party on very short notice. The Danforth BIA has not made a written commitment to the Event Coordinator with respect to future events other than on an event by event basis. From the perspective of the Event Coordinator, the Event Coordinator received \$4,000.00 in fees for the Specified Jobs in the financial year ended December 31, 2006. Although the Danforth BIA does not have specific knowledge of the Event Coordinator's other sources of income, we understand that the Event Coordinator undertakes projects for other organizations including charity organizations for a fee. Therefore, the Event Coordinator does not have an exclusive arrangement with the Danforth BIA.

As a result of these factors, the Danforth BIA has concluded that that nature of the relationship between the Danforth BIA and the Event Coordinator is one of independent contractor and not one of employer-employee. Should you wish to discuss these matters further, please do not hesitate to contact me.

Yours truly,


Glyn Laverick
Chairman

The Danforth Business Improvement Area