

1083951 ONTARIO LTD.

141 Lakeshore Road East
Mississauga, Ontario
L5G 1E8

March 20, 2008

**DELIVERED BY PERSONAL DELIVERY
WITHOUT PREJUDICE**

The Regional Municipality of York
17250 Yonge Street
Newmarket, Ontario
L3Y 6Z1

Attention: Regional Clerk

Dear Sir/Madame:

RE: Development Charge Credit Agreement dated September 25, 2006

We refer you to the Development Charge Credit Agreement dated September 25, 2006, entered into amongst The Regional Municipality of York, The Corporation of the Township of King and 1083951 Ontario Ltd. (the "DC Agreement") with respect to the construction and financing of certain Sewer Works (as defined in the DC Agreement) and Road Works (as defined in the DC Agreement).

We confirm that the Sewer Works have been tendered and, upon review and analysis of the tenders by the consultants for the Owner, the Region and the Township, it appears that the lowest tendered bids which were compliant with the tendering process were the tenders submitted by H.I.R.A. Ltd. (with respect to the sewage treatment plant, outfall and pumping station and appurtenances which comprise part of the Sewer Works) (the "H.I.R.A. Tender"), and Con-Drain (1983) Ltd. (with respect to the forcemain sewer and appurtenances which comprise part of the Sewer Works) (the H.I.R.A. Tender and the Con-Drain Tender being hereinafter collectively referred to as the "H.I.R.A. and Con-Drain Tenders"). As such the H.I.R.A. and Con-Drain Tenders will constitute the "selected bid" and the prices therein collectively constitute the "Bid Price" pursuant to the terms of the DC Agreement.

The following is a summary of the "Bid Price" for the Sewer Works as set out in the H.I.R.A. Tender and Con-Drain Tenders:

H.I.R.A. Tender:	\$15,346,000.00
Con-Drain Tender:	\$ 2,466,199.00
TOTAL BID PRICE:	\$17,812,199.00

Therefore, this letter constitutes written confirmation of the Bid Price of the Sewer Works, pursuant to paragraph 9(a) of the DC Agreement.

Please note that all amounts herein are approximate, notwithstanding that the Region, the undersigned and the Township of King have agreed that the H.I.R.A. tender and the Con-Drain tender represent the two lowest compliance tenders, although they have not been awarded as of the date hereof.

Pursuant to the DC Agreement, the "Capital Cost" of the Works includes "the cost of design, engineering, construction and land acquisition required for the Works." Pursuant to Section 6(a) of the DCA, the estimated Capital Cost of the Sewer Works was stated to be \$12,700,000.00.

Based on the H.I.R.A. Tender and Con-Drain Tenders, as well as current estimates of the "soft" costs related to the Sewer Works, the updated Capital Cost of the Sewer Works is as follows:

H.I.R.A. Tender "Bid Price":	\$15,346,000.00
Con-Drain Tender "Bid Price":	\$ 2,466,199.00
"Soft" Costs:	\$ 3,858,000.00
 TOTAL CAPITAL COSTS:	 \$21,670,199.00

As you are aware, paragraph 9(c) of the DC Agreement provides as follows:

"If the Bid Price for the Sewer Works exceeds the estimated Capital Cost by more than fifty percent (50%), the Owner may, within ten (10) Business Days of delivery by it of written confirmation of the Bid Price under Section 9(a) above, deliver to the Region a Notice that the Owner objects to the actual Capital Cost (the "Objection Notice"). If an Objection Notice is not received by the Region within such ten (10) Business Day period, the Owner will be deemed conclusively to have consented to the actual Capital Cost and to proceed with the construction of the Sewer Works in accordance with the terms of this Agreement."

Based on the foregoing, the actual Capital Cost for the Sewer Works (based on the Bid Price and estimated soft costs as aforesaid), exceeds the estimated Capital Cost by more than fifty percent (50%).

Therefore, this letter constitutes a Notice of Objection that the Owner objects to the actual Capital Cost of the Sewer Works, pursuant to paragraph 9(c) of the DC Agreement.

As a result of the foregoing, the Region is required, pursuant to paragraph 9(d) of the DC Agreement, to report this objection to Regional Council.

In the event that within twenty (20) Business Days (the "Contract Negotiation Period") following the date that the Regional staff's report is considered by Regional Council, the Region and the Owner cannot agree in writing upon the acceptance of the actual Capital Cost, or the parties do not enter into a written amendment to the DC Agreement, then the DC Agreement shall be at an end and of no further force or effect and the parties shall have no further liability to one another, except that within fifteen (15) Business Days following the last day of the Contract Negotiation Period the Region shall release and return the Security (as defined in the DC Agreement) previously provided to the Region by the Owner in respect of the construction of the Works in accordance with the DC Agreement.

We confirm that, without altering or limiting the foregoing, we have been in discussions with the Region over the last several weeks in order to reach a co-operative solution which will allow all parties to move forward with the work contemplated in the DC Agreement, and we look forward to continuing with such discussions with a view to reaching an amicable resolution as soon as possible.

We also hereby reserve the right to withdraw this Notice of Objection at any time, and thereupon to proceed with the works in accordance with the terms of the DC Agreement.

We trust the foregoing is sufficient for purposes of the DC Agreement and look forward to hearing from you with respect to the next steps to be taken herein.

Yours very truly,
1083951 ONTARIO LTD.

Per:

cc: The Corporation of the Township of King

DRAFT