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March 11, 2013

Ms. Trinela Cane
 Commissioner of Corporate Services
 City of Markham
 101 Town Centre Boulevard,
 Markham, ON
 L3R 9W3

Re: External Audit Services

I am pleased to submit the following fee quote for a five year extension of the contract for external audit services that KPMG has provided the City of Markham. We believe that we have demonstrated a strong track record during our tenure as auditors of The City of Markham. Markham District Energy and Markham Enterprises Corporation will both be adopting IFRS standards in the current year and during periods of accounting framework changes, continuity in dealing with your professional advisors is critical. KPMG continues to be a market leader within the GTA serving municipalities including not only the City of Markham, but also the City of Vaughan, the Regional Municipality of York, the City of Mississauga and the City of Brampton. The City of Markham is an important client and to demonstrate our commitment to the City, we are prepared to offer the following fee schedule for the period of 2013 through December 2017:.

Entity	2008-2012 fee structure	2013-2015 proposal
The Corporation of the City of Markham (includes Trust Fund)	\$74,467	\$74,467
City of Markham Public Library Board	8,670	8,670
Old Markham Village Business Improvement Area	1,835	1,850
Unionville Business Improvement Area	1,835	1,850
Gas Tax Audit	4,080	4,200
Markham District Energy	12,750	15,500

Markham Enterprises Corporation	19,380	21,263
Varley-McKay Art Foundation of Markham	1,835	1,850
York Regional Innovation Centre (operating as "ventureLab")	3,500	3,500
Museum Foundation	1,835	1,850

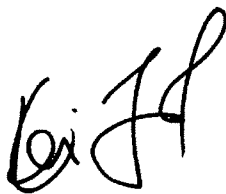
The total fee estimate arrives at a total fee of \$135,000 which would be held flat for the first three years of the renewal period. We would like to include an option for the City to extend the renewal for a period of 2 additional years where the annual increase would be limited to the lesser of 2 percent or the annual increase in the CPI.

MDE and MEC have fee quotes that have increased by percentages greater than the other entities as their financial statements will be presented in accordance with IFRS and as a result their financial statements will have significantly increased disclosures which will require a commensurate increase in audit effort. IFRS requires additional note disclosures on an annual basis that will lead to a significant increase in disclosed items all of which require audit level of assurance.

Our fees are billed as the engagement progresses, starting with the interim work. **Our fees do not include HST, which will be billed separately.** The fees do not include expenses as this is considered to be a local engagement and any out-of-pocket expenses will be absorbed by KPMG. The fees provided above also include all fees associated with the tax compliance (preparation of income tax returns) for Markham District Energy and Markham Energy Corporation – up to and including 2012, these had been billed separately at amounts approximating \$4,000 each.

We sincerely appreciate the opportunity to continue to serve as auditors of the City of Markham and would be pleased to discuss this revised proposal with you further, should you wish.

With regards,



Kevin M. Travers, CA
Engagement Partner
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