

M.C. (Mark) Stacey
D 604 673 7423
mstacey@singleton.com
Our File: 59666.060

January 16, 2018

Gerald John Rotering
#807 - 647 Michigan Street
Victoria, BC V8V 1S9

Leaseholders of Orchard House

Dear Sirs/Mesdames:

Re: Orchard House Budget

We are solicitors for Westsea Construction Ltd. ("Westsea"). Westsea has recently received a number of inquiries regarding operating expenses at Orchard House. This letter serves as a response to those inquiries.

As preliminary matter, we refer you to the following correspondence:

1. Westsea's letter to all Leaseholders of Orchard House dated October 24, 2017 regarding 2018 Orchard House operating expenses;
2. Westsea's letter to all Leaseholders respecting the Remediation Project at Orchard House dated December 14, 2017;
3. our letter to all Leaseholders at Orchard House dated December 20, 2017 summarizing the status of litigation involving Mr. Hugh Trenchard, a leaseholder at Orchard House, including explanation of Westsea's position regarding the charging of legal expenses to Orchard House leaseholders.

The letter sent in October, 2017 informed leaseholders about the 2018 Operating Budget. The increases in operating expenses are described in that letter.

According to the terms of the Orchard House Lease, Westsea is required to provide the leaseholders with an estimate of operating expenses for the calendar year based on prior-years' experience (paragraph 7.02). The Orchard House Lease does not require Westsea to seek approval from leaseholders in respect to estimating operating expenses relating to any future period.

Pursuant to (paragraph 7.03) of the Lease, Westsea is required to calculate the actual operating expenses incurred for each calendar year and have such calculations be certified by an audit. We understand that the audit of the 2017 operating expenses will be completed sometime in the

spring of this year. The audit will include a breakdown of the various categories of operating expenses certified by the auditor.

In respect to the legal charges that Westsea has incurred, detailed explanations have already been provided about the litigation in 2017 and the litigation which is anticipated in 2018. The legal charges Westsea has incurred in 2017 will be charged as actual operating expenses. You will receive an invoice for the amount that the 2017 actual operating expenses exceeds the estimated amount, once the budget reconciliation and audit have been completed. As required by the Lease, Westsea has estimated 2018 legal charges in accordance with prior-years' experience, and included that estimate in the 2018 budget for operating expenses.

It is Westsea's legal position that Westsea has fully complied with its obligations under the Lease. The legal charges incurred in 2017 and those which will be incurred in 2018 are operating expenses which are chargeable to all Orchard House leaseholders pursuant to paragraph 7.03 of the Lease. As part of the certification process by the auditor we will be preparing a summary of the legal charges relating to the remediation of work done at Orchard House, ongoing leaseholder and/or tenant issues and the litigation initiated by Mr. Hugh Trenchard.

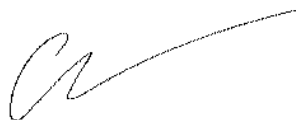
As stated, it is Westsea's position that the operating expenses incurred pursuant to the Lease are due and owing by each leaseholder in accordance with their proportionate share as set out in the Lease. If any leaseholder fails to pay their share of operating expenses, we have been instructed to initiate legal proceedings against any defaulting leaseholder, which may include applying to the Supreme Court of British Columbia for an order terminating the lease of your suite, or in the alternative, a court-ordered sale of your leasehold interest.

This letter is in reply to inquiries about operating expenses at Orchard House. We have been instructed to respond to reasonable inquiries about such issues, but will not respond to the same questions answered in this letter, as two responses have already been provided. Neither our office nor Westsea will reply to correspondence or communications that are insulting, demeaning or inappropriate. Please keep in mind that the legal costs incurred in responding to correspondence from leaseholders are chargeable as operating expenses.

We trust that this letter addresses the recent inquiries about these issues.

Yours truly,

Singleton Reynolds



CSI for: M.C. (Mark) Stacey

MCS/CSI/cb

cc: Client