

June 22, 2023

Dear Innovation Village Investors,

We take great pleasure in being able to provide this update regarding the ongoing development of Innovation Village.

An extensive amount of site work has been required to ready the lands for the approximately 700,000 square feet of build-out that will take place with towers A, B and C (the towers are yet to be named).

Steady progress is being made on the Innovation Village site. The creek work is almost complete and no items have been flagged for further attention. We are anticipating that the finished creek will shortly be inspected and signed off by the environmental engineer, the civil engineer the geotechnical engineer and finally, the Department of Fisheries and Oceans. The new watercourse became operational in January this year and much of the old creek route is now being replaced by the new roadway. The images below are a glimpse of some of the progress that has been made on the old and new creek.



Figure 1 - Staging Area



Figure 2 - View of the Main Channel facing East

Ongoing is the new roadwork for 95A Avenue, the water and sanitary mains, the hydro, telecommunications and utilities servicing and the retaining walls, fencing and landscaping. This work should be completed by the end of summer this year. The table below provides an estimated completion timeline for the indicated tasks.

	<i>Item</i>	<i>Status</i>	<i>Estimated Completion</i>
1	Rezoning Approval	100%	Completed June 2022
2	Short Form Servicing Agreement Completion	100%	Completed May 2022
3	Final Servicing Agreement Approval	90%	Summer 2023
4	Tree Cutting Permit Applications	100%	Completed August 2022
5	Erosion and Sediment Control Measures	100%	Completed September 2022
6	Creek Works (incl. Creek Relocation)	95%	Summer 2023
7	Roadworks	Ongoing	Summer 2023
8	Water Mains and Sanitary	Ongoing	Summer 2023
9	Hydro/Tel/Utilities and Balance of Servicing	Ongoing	Summer 2023
10	Retaining Walls and Fencing	Ongoing	Summer 2023

We will continue to provide project construction updates as and when milestones are achieved.

Regarding the investment portion of the Project, Lot A (the eastern lot closest to King George and Surrey Memorial Hospital) was purchased by Centurion Appelt (9525 King George) Limited Partnership. This will be a 37-storey rental tower that will have a 6-storey commercial podium. The sale of Lot A closed on June 24, 2022.

The profit from the sale was distributed as follows:

1. \$25-million paid to Centurion Mortgage Services to pay down the 1st mortgage.
2. Approximately \$600K to pay expenses including legal and real estate fees.
3. The balance of approximately \$3.8-million was held back to cover site servicing.

It's important to note that following the closing of Lot A WestStone remained responsible for performing and paying for all of the pre-construction site work and the servicing infrastructure related to Lot A as part of the sale agreement.

Lot B (designated as a 30-storey tower in the centre of the development) and Lot C (designated to be a 12-storey tower on the western end of the land) were purchased in a sale that closed on August 24, 2022. This sale included a 70% vendor take back mortgage ("VTB") in the amount of \$29,791,670.30. The VTB was intended and designed to protect and secure payment of the balance of the sale proceeds derived from the sale of Lots B and C.

These sale proceeds included the funds that would become due to Innovation investors upon completion of the Project, as and when defined in the agreements.

Unfortunately, as a result of unforeseen market conditions and delays with approvals, it was becoming apparent that the buyer of Lots B and C (the “B+C Buyer”) might be unwilling to payout the VTB, which would certainly raise complex legal issues that would delay the Project even more. If this occurred, WestStone would be unable to distribute sale proceeds as had been intended and everyone would face an erosion of the projected return. To take a conservative approach, that included the protection of investors, it was determined that a joint venture would be created to move the project forward. This would ensure that the investors’ equity position would be placed in priority to a significant portion of the buyer’s equity position.

With WestStone’s continued involvement, guidance and oversight, the development of Lots B and C, the construction of the planned towers upon them, and the Project itself, would all be completed as quickly and effectively as reasonably possible, thereby ensuring the best possible return for the Innovation investors.

To ensure that the Innovation investors would be protected, the joint venture was created in consultation with expert legal and financial advisors. The joint venture is structured so that WestStone holds a 50% interest in the joint venture on behalf of itself and the Innovation investors, and that WestStone also retains control of the complete development process.

Although the joint venture, including WestStone’s continued involvement in the Project, will both serve to better protect each Innovation investor’s investment, it does mean that immediate cashflow from the Project will be negatively impacted at this time, since funds will necessarily remain invested in the Project.

Finally, another item to note is that the contracts for the sales of Lots A, B and C all require that WestStone remain responsible for performing, and for paying for, all the work needed to complete the off-site servicing works required by the City of Surrey to service all of the lots. This is a large and significant part of the Project and, as a show of pragmatic good faith, WestStone has paid for and continues to pay for all costs associated with carrying, financing, developing, and constructing the overall Project. This constitutes a large financial burden arising from the Project itself, a burden that has resulted in the delay of interest payments to investors.

As WestStone moves the project forward, it will work with its consultants and the City of Surrey to obtain the development permits for Lots B and C. Once the preliminary discussions have taken place, WestStone will have a better understanding of the project timelines and will ensure that these are passed on to the Innovation investors.

Innovation Village is a very substantial development that will form the southern gateway into Surrey city centre. The recent announcement regarding the expansion of Surrey Memorial Hospital, is excellent news for this development. WestStone will be working hard to ensure that the Innovation investors are well protected and will keep them informed of all developments as this project moves forward.