

December 22, 2023

Innovation Village Year End Investor Update

As we prepare for the Christmas and New Year holiday we are pleased to provide you with another update regarding our progress at Innovation Village.

Site work and winterization are currently the main priority on-site at Innovation Village while, at the same time, preparations are underway for the Detailed Development Permit applications for the approximately 700,000 square feet of build-out that will take place for Lots A, B, and C. It is expected that Lot A, the 37-storey dedicated rental tower on a 6-storey commercial and medical office podium, will have its Advisory Design Panel review in January and its 1st and 2nd Reading, before council, in February.

Creek work is substantially complete, apart from a final sign-off by the required regulatory authorities, including the Ministry of Environment and the Department of Fisheries and Oceans. Reporting is being prepared for the extension and satisfaction of the Water Sustainability Act Permit by the Environmental Engineer, this ensures that the project is compliant with Provincial, Municipal and related authorities having jurisdiction. Road base preparation and trenching has begun for the roadworks and utility installation will occur in early 2024. Several issues have slowed progress of the completion of the off-site servicing works including:

- Contaminated soils
- Invasive plant species
- City approvals
- Regulatory Extensions
- Tree issues



Figure 1 – Newly planted trees

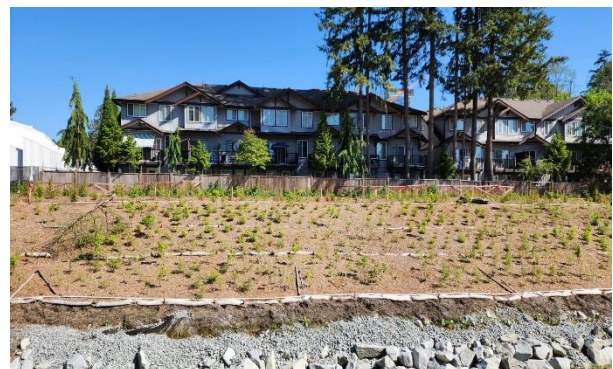


Figure 2 - P-15 Planting Area

Current activities on-site and those which have been undertaken on Lot D (the planting areas and the stream channel), include construction of the new stream channel, native planting, topsoil and mulch installation.

As documented early in 2023, our consultant team estimates that approximately 80% of the riparian area, as defined in the Riparian Restoration Plan, was initially restored with native plants, topsoil and mulch. The restored areas are on the north and south banks of the newly constructed West Quibble Creek channel. The collaboration between WestStone, the project QEP, and the City will be instrumental in achieving the overarching goals of the P-15 Agreement and ensuring the lasting positive impact of this restoration undertaking. The current civil design is shown in Appendix A of this report. Current servicing program actions include the following:

- Activities related to the utility installation include installation of the 95 Avenue stormwater discharge outlet and construction and maintenance of the 95 Avenue temporary bypass;
- Installation of a lock-block wall along the east channel adjacent to the King George Boulevard culvert inlet;
- Construction of the west channel bank with imported fill material and riprap;
- Tree and vegetation removals from the southern channel banks in preparation for future development;
- Initial riparian area restoration along the north and south banks of the west channel including riparian planting, mulch and topsoil installation;
- Installation of erosion and sediment control measures including straw wattles on the planting slopes;
- Removal and off-site disposal of Japanese knotweed and soils (potentially contaminated with plant material) from the abandoned southern channel; and
- Removal of stockpiled material from the site.
- Planted native shrubs appear well-established and healthy in numerous sections of the restoration area along the new Quibble Creek channel. Specific areas have exhibited dense growth, primarily featuring snowberry (*Symphoricarpos albus*) and red-osier dogwood (*Cornus sericea*), with high survival rates noted;
- Visual inspection revealed an absence of discernible erosion or displacement of mulch or topsoil within the planting area; and
- The presence of invasive and non-native plant species was documented throughout the restoration area. Notable instances include a strain of squash proximal to the King George Boulevard culvert inlet and expansive vine coverage spanning at least 30 square meters on the southwest bank, immediately upstream of the culvert. Other identified species include reed canary grass (*Phalaris arundinacea*), Himalayan blackberry (*Rubus armeniacus*), bindweed / morning glory (*Convolvus arvensis*), and tree mallow (*Malva arborea*) within both the planting area and the new channel.

Notable dates for completion are outlined below. These dates are subject to change based on items which are outside of WestStone's control.

Project Servicing and P-15 Schedule

	Item	Status	Estimated Completion
1	General Rezoning Approval	100%	Completed June 2022
2	Short Form Servicing Agreement Completion	100%	Completed May 2022
3	Final Servicing Agreement Approval	100%	Completed July 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%	February 2024
7	Roadworks	20%	June 2024
8	Water Mains and Sanitary	15%	June 2024
9	Hydro/Tel/Utilities and Balance of Servicing	10%	June 2024
10	Retaining Walls and Fencing	25%	June 2024

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



Figure 3 - Condition of the Main Channel facing East



Figure 2 - Water flowing through the New Channel at the Outlet

As mentioned in the previous investor update, WestStone's continued involvement, guidance, and oversight, will be required on the Development and Construction of Lots B and C. As part of our ongoing engagement within the project, WestStone's current developmental scope of work includes:

- Preparation and Submission of the Detailed Development Permit package
- Securing financing as required for the Project
- Preparation and Submission of the Building Permit Packages for Lots B and C (separately)
- Marketing and Sales Brief Preparation
- Presentation Centre Procurement
- Presentation Centre Design and Permitting
- Presentation Centre Construction and Occupancy
- Disclosure Statement, Agent and Marketing Agreements
- Presentation Centre Opening
- Presales Launch

The current submission has been revised from the original General Development Permit to accommodate changing market conditions and construction costs. As part of the new Detailed Development Permit, the following changes have been made:

- 6 Levels of Density from the GDP Approved Design of Lot C has been transferred to the Lot B Tower at no additional cost to the project. This increases the efficiency of the Lot B Tower and lowers the costs of the Lot C project. Lot C can now be built using several methods including wood-frame which is roughly 30% lower in cost compared to cast-in-place concrete.
- The Lot C area will still have enough site area to accommodate a Tower of 20 Storeys or more. This density may be approved in the future based on the designation of a "Transit Orientated Development". In the meantime, we will proceed with the development and construction of Lot B and temporarily hold the approvals currently in place for Lot C as a longer-term measure.
- Parking Levels have decreased from 7 Levels to 5 Levels, and we intend to further reduce parking, wherever possible, based on the new regulatory mandates from the Province.
- Amenity areas have been modified to meet the minimum requirements noted by the City during the General Development Permit process.
- The general design of the Lot B Tower has been revised to be much more economical in terms of construction costs, including concrete formwork contact area and maximizing the saleable area of the units compared to the general building area of the project. This strategy will be applied to Lot C as well.

Appendix B includes the latest Site Plan and Renderings.

Below is a schedule for Development and Building Permit approval based on the current proposal. These dates are subject to change based on items which are outside of WestStone's control.

Project Development Schedule

	Item	Status	Estimated Completion
1	Detailed Development Permit Submission	100%	Completed December 2023
2	Detailed Development Permit Approval	20%	July 2024
3	Building Permit Submission	0%	June 2024
4	Building Permit Approval	0%	January 2025
5	Marketing Brief	30%	January 2024
6	Presentation Centre Procured	30%	February 2024
7	Presentation Centre BP Issued	0%	March 2024
8	Presentation Centre Completion	0%	May 2024
9	Disclosure Statements, Legal Agreements	0%	April 2024
10	Presales Launch	0%	June 2024

Investor Impact Information:

As mentioned in our previous investor update, events occurred with the buyer of Lots B and C that resulted in WestStone having to step up and take control of the project, rather than face potentially complex and time consuming legal issues, which in turn would delay the project and impact investors.

WestStone's action of creating a joint venture with the buyer to move the project forward, also served to protect the Innovation investors. This ensures that the Innovation investor's equity position is in priority to a significant portion of the buyer's equity position.

WestStone's joint venture involvement, holding a 50% interest for both itself and the Innovation investors, ensures that the investors will get their best possible return and further ensures that WestStone retains control of the development process.

The contracts for Lots A, B and C all require that WestStone be responsible for performing, and paying for, all the work needed to complete the off-site servicing works required by the City of Surrey to service all of the Innovation Village 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 of the associated costs.

This constitutes a large financial burden arising from the project itself, a burden that has unfortunately resulted in the delay of interest payments to Innovation investors. Funds have to

remain invested in the project itself, so immediate cashflow from the project will be negatively impacted for a while longer.

WestStone believes that the newly proposed Development Permit package will be significantly more beneficial to the joint venture and to the investors as we move forward with this very substantial project.

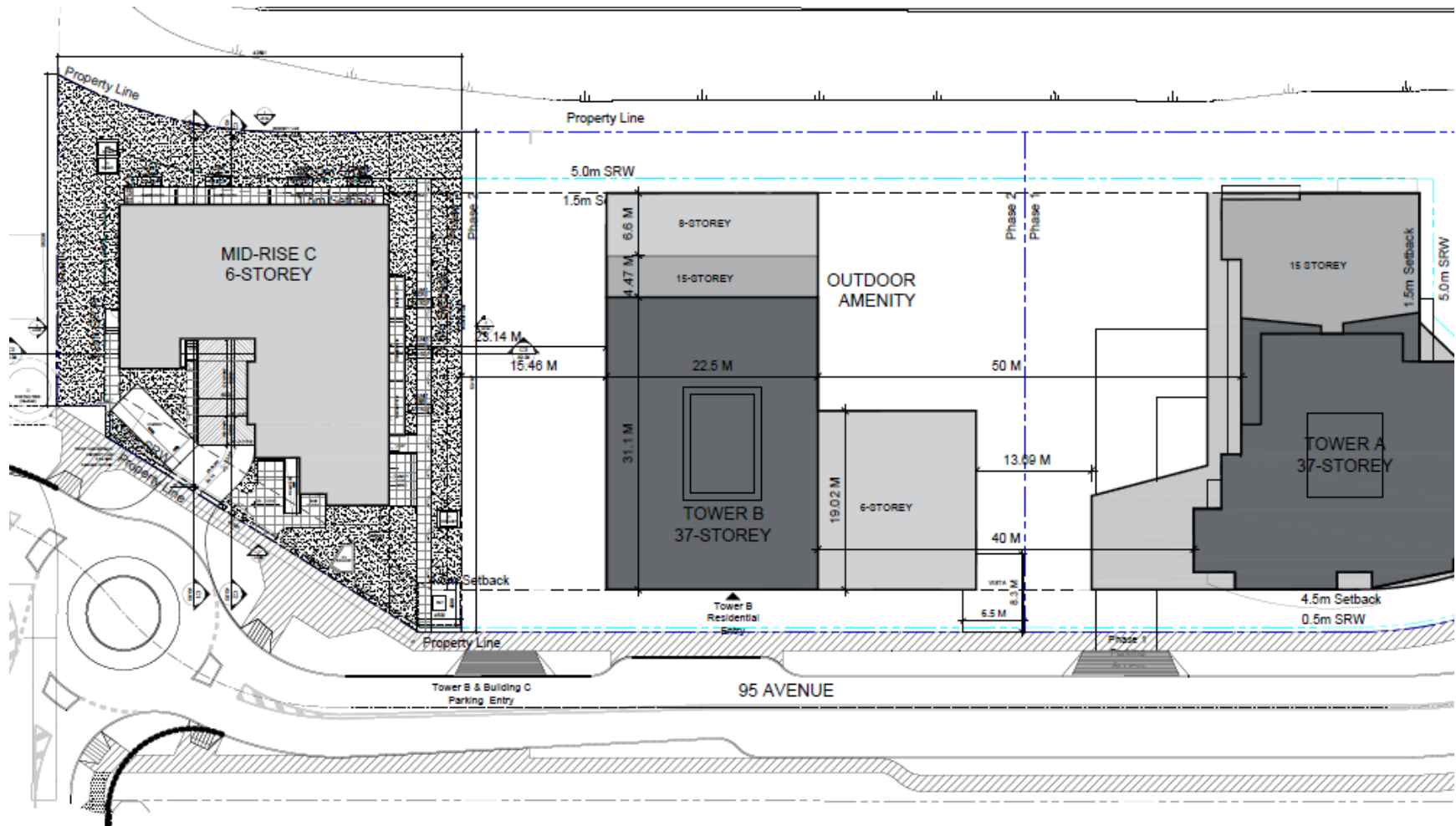
Next Steps:

- *Coordination as required to complete Development Permit Approval.*
- *Coordination as required to complete Building Permit Approval.*
- *Continue working on Marketing Brief and other materials.*
- *Establish lease agreement for a Presentation Centre.*
- *Finalize Building Permit Tenant Improvement Permit for the Presentation Centre.*
- *Develop Disclosure statements, legal agreements, and more as required for presale launch.*
- *Finalize Budget and Schedule for DP and BP issuance on all project items including Lot B, Lot C, and the Presentation Centre.*

End of Innovation Investor Update

Appendix A – Civil Design

Appendix B – Site Plan and Renderings





INNOVATION VILLAGE





INNOVATION VILLAGE

