

WESTSEA CONSTRUCTION LTD.

Suite 2108 - 1330 Harwood Street Vancouver BC V6E 1S8
Telephone (604) 681-2727 Facsimile (604) 684-8075

June 7, 2018

All Leaseholders of Orchard House

647 Michigan Street
Victoria, BC
V8V 1S9

Dear Leaseholder(s),

Enclosed is your December 31, 2017 Schedule of Operating Costs for Orchard House.

Deficiency of collections over expenses (\$ 12,901.00)

Represented by:

Normal operating	(\$529,695.00)
Special Assessment - Window remediation project	538,753.00
Special Project - Access system replacement	<u>(21,959.00)</u>
	<u>(\$ 12,901.00)</u>

Amount to be recovered from the leaseholders for 2017 is as follows:

Normal operating	(\$529,695.00)
Special Project - Access system replacement	<u>(\$ 21,959.00)</u>
	<u>(\$551,954.00)</u>

The window remediation project was completed in 2017. The final project costs exceeds the budgeted costs by \$181,089. That amount was collected from leaseholders in early 2018.

Special Assessment - collected in 2016	\$1,850,487.00
Special Assessment - collected in 2017	\$3,700,973.00
Project deficiency - collected in early 2018	\$ 181,089.00
2016 Expenses	(\$2,389,239.00)
2017 Expenses	<u>(\$3,343,310.00)</u>
	<u>\$ 0.00</u>

The net amount owing by the leaseholders for 2017 is \$551,954.

Please find enclosed your portion of the total deficit expense as noted and defined in the Lease.

The individual suite amounts shown are charged to your account. You may verify your share of the deficit by multiplying by your unit entitlement.

Leaseholder's full payment is due on **August 1, 2018**.

2017 window remediation \$551,954 - then legal expenses
\$426,337
(see audit trail)

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Suites ending in	'01	\$2,559.41	Suites - 310, 510, 710, 910
Suite	102	\$2,638.35	1110 & 1410, 1610
Suites ending in	'02 & '03	\$2,509.73	1810, 2010, 2210
Suites ending in	'04 & '09	\$2,509.73	\$3,714.65
Suites ending in	'05	\$3,694.23	Suites - 210, 410, 610, 810
Suites ending in	'06	\$2,464.47	1010, 1210, 1510, 1710, 1910
Suites ending in	'07 & '08	\$1,883.82	2110 & 2310
			\$3,497.73

Please include your File number (8-digits) on your cheques.

Each leaseholder is reminded that applicable prescribed interest charges as your lease will be charged on all overdue balances.

Yours truly,

WESTSEA CONSTRUCTION LTD.

Encl.

Westsea Construction Ltd.
Orchard House
Schedule of Operating Costs

For the year ended December 31	2017	2016
Operating expenses recoverable	\$ 810,399	\$ 806,940
Special assessment (Note 2)	3,882,063	1,850,487
	<u>4,692,462</u>	<u>2,657,427</u>
Expenses		
Accounting and administrative costs	60,000	60,000
Audit	4,231	4,284
Electricity	31,495	30,780
Elevator maintenance	30,721	29,806
Heat	73,119	71,950
Insurance	123,712	84,106
Legal	426,337	6,980
License	1,812	1,791
Operating supplies	1,750	6,495
Pool and sauna	3,737	2,992
Property taxes	187,648	216,356
Repairs and maintenance	206,682	71,372
Salaries and employee benefits	80,522	77,293
Scavenging	30,830	30,606
Telephone and enterphone	4,335	3,719
Water	73,163	76,333
Expenses before extraordinary expenses	<u>1,340,094</u>	<u>774,863</u>
Extraordinary expenses		
Access system replacement	21,959	-
Window remediation - planning & assessments (Note 2)	-	56,468
Window remediation project (Note 2)	3,343,310	2,332,771
Total extraordinary expenses	<u>3,365,269</u>	<u>2,389,239</u>
Total expenses	<u>4,705,363</u>	<u>3,164,102</u>
Deficiency of collections over expenses	\$ (12,901)	\$ (506,675)
Represented by		
Normal operating	\$ (529,695)	\$ 32,077
Special assessment - window remediation project	538,753	(538,752)
Special project - access system replacement	(21,959)	-
	<u>\$ (12,901)</u>	<u>\$ (506,675)</u>

**Westsea Construction Ltd.
Orchard House
Notes to the Schedule of Operating Costs**

December 31, 2017

1. Basis of Presentation

The Schedule of Operating Costs has been prepared based on Article 7 of the lease agreement dated May 1, 1974 between Westsea Construction Ltd. and Capital Construction Supplies Ltd., using recognition and measurement principles of Canadian accounting standards for private enterprises (ASPE), which is one of the financial reporting frameworks in Canadian generally accepted accounting principles.

2. Special Assessment

The window remediation project commenced in July 2016. The total original contract cost of this project is \$5,551,460. The project encountered some cost over-runs and an additional special assessment was issued in 2017 in the amount of \$181,089 to cover those costs. The project was complete in December 2017.

Special Assessment collected September to December 2016	\$ 1,850,487
Special Assessment collected January to August 2017	3,700,973
Special Assessment collected December 2017	<u>181,089</u>
	5,732,549
Expensed in 2016	(2,389,239)
Expensed in 2017	<u>(3,343,310)</u>
Excess of collections over expenses	<u>\$ -</u>