

# WESTSEA CONSTRUCTION LTD.

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

August 26, 2026

All Leaseholders of Orchard House

647 Michigan Street  
Victoria, BC  
V8V 1S9

Dear Leaseholder(s),

**Re: Orchard House Schedule of Operating Costs for the year ending December 31, 2025**

Your 2025 Year End Schedule of Operating Costs for Orchard House is enclosed.

The actual operating expenses for the year were less than the estimated expenses. The Schedule of Operating Costs shows there is a surplus of operating expenses in the amount of \$327,663.00.

Amount to be recovered from the leaseholders for 2025 is as follows:

|                                                    |                      |
|----------------------------------------------------|----------------------|
| Normal operating surplus                           | \$327,663.00 (a)     |
| Extraordinary project – boiler replacement phase 1 | \$(1,116,732.00) (b) |
| The net amount owing by leaseholders for 2025 is   | \$(789,069.00)       |

(a) The normal operating surplus will be applied against the extraordinary project deficit.

(b) This is the cost for the boiler replacement work started in 2024, net of the amount recoverable during the year.  
Phase 1 of the boiler project was not completed at year end.

Please find in the table below your proportionate share of the total deficit calculated in accordance with each leaseholder's unit share entitlement described in the Orchard House Lease (the "Lease"). The individual suite amounts shown will be charged to your account in 6 equal installments from November 1, 2026 to April 1, 2027.

For the leaseholder's proportionate share of the deficit, please provide 6 post-dated cheques payable to Westsea Construction Ltd. starting November 1, 2026 in the following amounts each. Please include your File number on your cheques.

|                            |           |                             |           |
|----------------------------|-----------|-----------------------------|-----------|
| Suites ending in '01       | \$ 609.82 | Suites - 310, 510, 710, 910 |           |
| Suite 102                  | \$ 628.62 | 1110 & 1410, 1610           |           |
| Suites ending in '02 & '03 | \$ 597.98 | 1810, 2010, 2210            | \$ 885.07 |
| Suites ending in '04 & '09 | \$ 597.98 |                             |           |
|                            |           |                             |           |
| Suites ending in '05       | \$ 880.21 | Suites - 210, 410, 610, 810 |           |
| Suites ending in '06       | \$ 587.20 | 1010, 1210, 1510,           |           |
| Suites ending in '07 & '08 | \$ 448.85 | 1710. 1910, 2110 & 2310     | \$ 833.39 |

Each leaseholder is reminded that interest will be charged on all overdue operating expenses in accordance with the Lease.

**Westsea Construction Ltd.**  
**Orchard House**  
**Schedule of Operating Costs**

| <b>For the year ended December 31</b>              | <b>2025</b>         | <b>2024</b>         |
|----------------------------------------------------|---------------------|---------------------|
| <b>Operating expenses recoverable</b>              | <b>\$ 2,060,064</b> | <b>\$ 1,746,539</b> |
| <b>Extraordinary expenses recoverable</b>          | <b>528,486</b>      | <b>528,486</b>      |
|                                                    | <b>2,588,550</b>    | <b>2,275,025</b>    |
| <b>Operating expenses</b>                          |                     |                     |
| Accounting and administrative costs                | 72,640              | 72,640              |
| Audit                                              | 6,741               | 6,741               |
| Electricity                                        | 30,605              | 29,527              |
| Elevator maintenance                               | 40,567              | 37,024              |
| Heat                                               | 72,094              | 93,680              |
| Insurance                                          | 417,928             | 547,268             |
| Legal                                              | 207,204             | 250,769             |
| License                                            | 2,477               | 1,923               |
| Operating supplies                                 | 2,226               | 2,449               |
| Pool and sauna                                     | 1,861               | 5,336               |
| Property taxes                                     | 282,454             | 263,512             |
| Repairs and maintenance                            | 237,196             | 273,539             |
| Salaries and employee benefits                     | 131,286             | 125,206             |
| Scavenging                                         | 113,735             | 74,406              |
| Telephone and enterphone                           | 4,880               | 4,555               |
| Water                                              | 108,507             | 106,160             |
| <b>Expenses before extraordinary expenses</b>      | <b>1,732,401</b>    | <b>1,894,735</b>    |
| <b>Extraordinary expenses</b>                      |                     |                     |
| Boiler replacement phase 1 (Note 2)                | 1,645,218           | 825,947             |
| <b>Total expenses</b>                              | <b>3,377,619</b>    | <b>2,720,682</b>    |
| <b>Deficiency of recoveries over expenses</b>      | <b>\$ (789,069)</b> | <b>\$ (445,657)</b> |
| <b>Represented by:</b>                             |                     |                     |
| Normal operating                                   | \$ 327,663          | \$ (148,196)        |
| Extraordinary project - boiler replacement phase 1 | (1,116,732)         | (297,461)           |
|                                                    | <b>\$ (789,069)</b> | <b>\$ (445,657)</b> |

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

**December 31, 2025**

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**1. Basis of Presentation**

The Schedule of Operating Costs (the Schedule) has been prepared by management based on Article 7 of the lease agreement dated May 1, 1974 between Westsea Construction Ltd. and Capital Construction Supplies Ltd. for Orchard House, 647 Michigan Street, Victoria, British Columbia, 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.

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**2. Special Assessments**

**Extraordinary Project - Boiler Replacement - Phase 1 Project**

The extraordinary boiler replacement project work commenced in 2024. The original total contract cost of this work is expected to be \$1,056,971. The project could be subject to increases due to conditions that were unknown at the time the extraordinary expense notice was issued. The work was not finalized as at December 31, 2025.

|                                                                        |                    |
|------------------------------------------------------------------------|--------------------|
| Extraordinary project surplus (deficiency) of recoveries over expenses |                    |
| Collected in 2024                                                      | \$ 528,486         |
| Expensed in 2024                                                       | <u>(825,947)</u>   |
| 2024 deficit                                                           | <u>(297,461)</u>   |
|                                                                        |                    |
| Collected in 2025                                                      | \$ 528,486         |
| Expensed in 2025                                                       | <u>(1,645,218)</u> |
| 2025 deficit                                                           | <u>(1,116,732)</u> |