



This is the first affidavit
of Cameron Bailey in this case and
was made on 12/Nov/2024

NO. S - 248100
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C 1985, C-36,
AS AMENDED**

BETWEEN:

ROYAL BANK OF CANADA

PETITIONER

AND:

**SPERLING GP LTD.
SPERLING LIMITED PARTNERSHIP
1112849 B.C. LTD.**

RESPONDENTS

AFFIDAVIT

I, **CAMERON BAILEY**, Senior Director, at the Royal Bank of Canada at 335 8th Ave SW, 24th Floor,
Calgary, AB T2P 1C9, SWEAR (~~AFFIRM~~) THAT:

1. I am a Senior Director in Special Loans and Advisory Services with Royal Bank of Canada
("RBC" or the "Bank"), and as such have personal knowledge of the facts and matters
hereinafter deposed to save and except where stated to be based on information and belief
and where so stated, I verily believe the same to be true.

2. I am authorized to make this affidavit on behalf of RBC.
3. I swear this affidavit in support of RBC's petition for an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985. c. C-36, as amended (the "**CCAA**"), in respect of the Respondents (collectively, the "**Debtors**").
4. RBC, by its predecessor by amalgamation, HSBC Bank Canada, is the Debtors' senior secured creditor, together with three (3) additional chartered banks who have formed a lending syndicate with RBC for the purpose of extending credit to the Debtors, as discussed in more detail below.

Background

5. The Debtors are special purpose entities that were formed to acquire, own, and develop a mixed-use development (the "**Project**") at the real property with a civic address of 6800 Lougheed Highway, Burnaby BC V5A 1W2, legally described as: PID #: 007-772-751, Lot 1, Except: Firstly; Part In LMP44883, Secondly; Part In Plan BCP314, Thirdly; Part in Plan BCP1828, Fourthly; Part In Plan BCP22451 District Lot 78 Group 1 New Westminster District Plan 74615 (the "**Real Property**").
6. The Real Property is a 19-acre industrial property located in Burnaby, British Columbia, which was previously occupied by a dairy plant. The Real Property is adjacent to the Sperling-Burnaby Lake Skytrain station.
7. 1112849 B.C. Ltd. (the "**Nominee**") is the legal owner of the Real Property.
8. The Nominee is the bare trustee and nominee for Sperling Limited Partnership ("**Sperling LP**" or the "**Partnership**"), which is the beneficial owner of the Real Property.
9. Sperling GP Ltd. ("**Sperling GP**") is Sperling LP's sole general partner.
10. To the best of my knowledge, the Debtors have no other business activity and their only material asset is the Real Property. Other than some relatively minimal rental income, they do not generate significant cash flow.
11. To the best of my knowledge, Sperling LP has the following two (2) limited partners: Create Burnaby Investment Ltd. ("**Create**") and Peterson Development One GP Inc. ("**Peterson**", and together with Create, the "**Partners**").
12. Peterson manages the day-to-day operations of the Partnership and leads the Project. However, given the current ownership structure and agreements governing the Partnership, there are certain matters that require the consent of both Partners.
13. RBC, among other lenders, agreed to advance certain loan facilities totaling \$210,000,000 (the "**Loan Facilities**") to the Debtors pursuant to an amended and restated credit agreement dated February 14, 2024 among the Nominee, as nominee, Sperling LP by its general partner, Sperling GP, as borrower, Peterson Property Holdings Inc. ("**PPHI**"), Spruceland Mall Limited Partnership ("**SMLP**") Peterson Investment (Spruceland) Ltd.

("PISL", and together with PPHI and SMLP, the "**Guarantors**"), as guarantors, RBC, as administrative agent, syndication agent and lead arranger, and the financial institutions from time to time party thereto as lenders, as lenders (the "**Credit Agreement**").

14. RBC, the Toronto Dominion Bank, Bank of Montreal, and Bank of Nova Scotia (collectively, the "**Lenders**") collectively agreed to form a lending syndicate for the purpose of advancing the Loan Facilities. The respective rights, interests, and obligations of the Lenders under the Credit Agreement and associated security documents are governed by the terms and conditions set out in an amended and restated interlender agreement dated February 14, 2024 among the Lenders, as lenders, and RBC, as agent (the "**Interlender Agreement**").
15. Pursuant to the Interlender Agreement, the Lenders mutually agreed to appoint RBC as administrative and collateral agent to administer the Loan Facilities on behalf of the Lenders as set out therein. In its role as the agent pursuant to the Credit Agreement and the Interlender Agreement, RBC is responsible for, *inter alia*, holding all security created by the Credit Agreement as agent for the Lenders, promptly notifying the Lenders of the occurrence of any events of default by the Debtors, and taking any actions necessary to demand on and enforce the Debtors' obligations under the Credit Agreement, including enforcing or realizing on associated security.

Loan Documents

16. The Lenders initially agreed to advance the Loan Facilities pursuant to a credit agreement dated February 16, 2022, which was amended and restated in its entirety by the Credit Agreement. The Lenders also entered into an interlender agreement dated February 16, 2022 which was amended and restated in its entirety by the Interlender Agreement.
17. The Loan Facilities available to the Debtors pursuant to the Credit Agreement total CAD\$210,000,000 and include a CAD\$160,000,000 land loan for the purpose of discharging existing mortgages on the Real Property and a CAD\$50,000,000 pre-development facility to assist Sperling LP with predevelopment costs in respect of the Real Property.
18. The Credit Agreement also establishes a standalone interest rate swap facility in the notional amount of USD\$2,000,000 to allow for an interest rate swap contract or contracts to assist Sperling LP in hedging against fluctuations in the costs of borrowing (the "**Swap Facility**").
19. To secure the Debtors' obligations under the Credit Agreement, the Debtors provided, *inter alia*, the following security to RBC, as agent on behalf of the Lenders (collectively, the "**Security**"):
 - (a) a mortgage and assignment of rents dated February 24, 2022 (the "**Mortgage**") in the principal amount of CAD\$210,000,000 charging the Real Property granted by the Nominee in favour of RBC and bearing a notation as to registration at the New Westminster Land Title Office ("**LTO**") of CA9744633 and CA9744634 and registered as of February 25, 2022;
 - (b) a project specific general security agreement dated February 24, 2022 granted by the Debtors in favour of RBC (the "**GSA**");

- (c) a beneficial mortgage and authorization dated February 24, 2022 granted by the Debtors in favour of RBC (the "**Beneficial Mortgage**");
 - (d) a mortgage and assignment of rents dated February 24, 2022 (the "**Swap Mortgage**") in the principal amount of USD\$2,000,000 charging the Real Property granted by the Nominee in favour of RBC and bearing a notation as to registration at the LTO of CA9744635 and CA9744636 and registered as of February 25, 2022; and
 - (e) a beneficial mortgage and authorization (swap facility) (the "**Beneficial Swap Mortgage**") dated February 24, 2022 granted by the Debtors in favour of RBC.
20. Pursuant to the terms of the Credit Agreement, the Guarantors also executed the following documents guaranteeing the indebtedness of the Debtors (collectively, the "**Guarantees**"):
- (a) a joint and several guarantee dated February 24, 2022 granted by the Guarantors in favour of RBC, limited to the amount of CAD\$210,000,000 guaranteeing the indebtedness of the Debtors pursuant to the Credit Agreement (the "**Guarantee**");
 - (b) a debt service agreement dated February 24, 2022 granted by the Guarantors in favour of RBC (the "**Debt Service Agreement**"); and
 - (c) a guarantee for the Swap Facility dated February 24, 2022 granted by the Guarantors in favour of RBC, limited to the amount of USD\$2,000,000 (the "**Swap Guarantee**").
21. The Credit Agreement, Interlender Agreement, and all documents comprising the Security and the Guarantees will be included as exhibits to my second affidavit in these proceedings, to be sworn in conjunction with this affidavit.

Defaults and Current Indebtedness

22. Pursuant to the Credit Agreement, the maturity date for the Loan Facilities was September 1, 2024 (the "**Maturity Date**").
23. An event of default occurred pursuant to the Credit Agreement when the Debtors failed to repay the indebtedness owed to the Lenders on or before the Maturity Date (the "**Event of Default**").
24. As of November 21, 2024, the Debtors are indebted to the Lenders in the amount of \$207,601,972.89 pursuant to the Credit Agreement, plus costs and interest accruing thereafter which continue to accrue (together, the "**Indebtedness**").

Disputes among the Partners

25. I have been advised that, over the past 12 months, certain disputes between the Partners have arisen relating to the progression of the Project and management of Sperling LP, resulting in various mediation and arbitration proceedings ("**the Arbitration Proceedings**").

These disputes have resulted in the Project coming to a standstill, and in the interim, Sperling LP is unable to fulfill its obligations to the Lenders.

26. Following the Event of Default and with the consent of the Lenders, RBC issued demand letters dated September 3, 2024, through its legal counsel, Dentons Canada LLP, to the Debtors and the Guarantors demanding immediate repayment of the indebtedness pursuant to the Credit Agreement, Security, and Guarantees in the amount of \$208,346,293.40 (the "**Demand Letters**").
27. Following the issuance of the Demand Letters, I was notified that meetings of the directors and shareholders of Sperling GP had been convened for the purpose of approving an issuance of 208,346,300 additional units of Sperling LP at a unit price of \$1.00 per unit (the "**Equity Raise**"), the proceeds of which would be used to repay the Indebtedness. As a result of the foregoing, the Lenders agreed to reserve their rights under the Credit Agreement, Security, and other documents, pending completion of the Equity Raise.
28. On or about October 18, 2024, Create filed a petition (the "**Create Petition**") in the Supreme Court of British Columbia, Action No. S-267177, seeking an interim injunction enjoining Sperling GP from taking any steps with respect to issuing additional partnership units in the capital of Sperling LP, pending an order from the arbitration tribunal in the Arbitration Proceedings.
29. Now shown to me and attached hereto as **Exhibit "A"** is a true copy of the first affidavit of Lin Licao, omitting exhibits, sworn on October 18, 2024, in support of the Create Petition.
30. In light of the Create Petition, I understand that the Partners are not actively pursuing the Equity Raise, and as a result the only recourse left to the Lenders to recover the Indebtedness is to seek to enforce the Security.

Appropriateness of the CCAA Proceedings

31. RBC believes the Project is likely viable but for the disputes among the Partners.
32. RBC and the other Lenders do not foresee any reasonable prospect of the disputes among the Partners being resolved. In the circumstances, the Lenders are not willing to extend the Maturity Date, and accordingly, the Indebtedness needs to be repaid.
33. The most recent financial statements for Sperling LP which RBC has received are for the fiscal year ended December 31, 2023. A copy of those financial statements, prepared by BDO Canada LLP and dated April 26, 2024, are attached hereto as **Exhibit "B"**.
34. While a sale of the Real Property may ultimately be the best outcome in these circumstances, it is not necessarily the only possible outcome. The proposed proceedings under the CCAA will provide the Lenders with the flexibility to pursue other potential transactions, such as an investment or refinancing, which may better preserve value for stakeholders over an immediate sale.

35. Accordingly, the Lenders are proposing a "dual track" Sales and Investment Solicitation Process (the "**SISP**") to permit the assessment of a variety of bids and potential transactions.

Initial Order

36. The Lenders have met on several occasions prior to bringing this petition and reached a consensus on proceeding by way of creditor-led CCAA proceedings. Accordingly, in its capacity as agent pursuant to the Credit Agreement and Interlender Agreement, RBC brings this application for the Initial Order, which, *Inter alia*, seeks a stay of proceedings, the appointment of a monitor with enhanced powers, the approval of an administration charge in the amount of \$200,000, approval of interim financing from Peterson Investment Group Inc. (the "**Interim Lender**"), and the approval of the SISP as set out therein.

Stay of Proceedings:

37. To the best of my knowledge, the Debtors have no other material creditors, besides the Lenders, all of whom have consented to the commencement of these CCAA proceedings and the stay of proceedings sought in the Initial Order.
38. RBC believes a stay of proceedings is necessary to allow the monitor to run the SISP and develop a restructuring plan.

Appointment of Deloitte as Monitor with Enhance Powers

39. The Initial Order also seeks to appoint Deloitte Restructuring Inc. ("**Deloitte**") as the monitor with enhanced powers pursuant to the CCAA.
40. Due to the on-going disputes among the Partners, RBC believes the Debtors will be unable to restructure on their own. Thus, in order for these CCAA proceedings to operate efficiently, Deloitte must have the enhanced powers as sought in the Initial Order.
41. I understand that Deloitte is a licensed trustee, as defined in the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3 and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA. Deloitte has consented to act as monitor if appointed by this Court, including managing the Debtors' affairs during these proceedings and running the SISP.

Administration Charge

42. Deloitte and Deloitte's counsel, and RBC's counsel are essential to these proceedings. As such, RBC believes the administration charge as sought in the Initial Order is necessary in order to secure payment for such professionals.

SISP

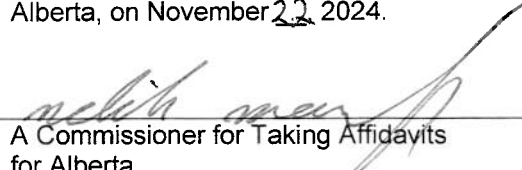
43. The Lenders wish to commence the SISP as soon as possible after receiving the Initial Order. Deloitte will also run the SISP, and will be best positioned to manage this process efficiently, given the ongoing disputes among the Partners.

44. RBC believes the SISP creates a flexible process that will allow Deloitte to pursue various types of transactions with the view of obtaining the best possible recovery for the Lenders.

Urgency

45. The Debtors have failed to meet their obligations to the Lenders, and due to the ongoing disputes among the Partners for which there appears to be no reasonable prospect of resolution, RBC believes there is no reasonable prospect of the Debtors repaying the Indebtedness in the absence of enforcement proceedings.
46. RBC requires the relief sought in the Initial Order on an urgent basis in order to allow the Monitor to commence the SISP. The CCAA will allow the most flexible process for RBC, and the Monitor with its enhanced powers to seek the best recovery of the Indebtedness for the Lenders and to run the SISP efficiently.

SWORN (~~AFFIRMED~~) before me in Calgary,
Alberta, on November 22, 2024.


A Commissioner for Taking Affidavits
for Alberta



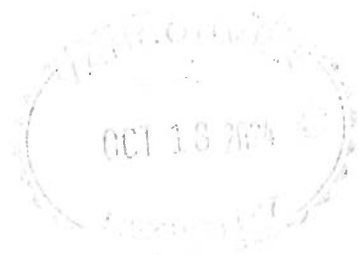
CAMERON BAILEY

MELIKA MOSTOWFI
Barrister and Solicitor

This is **Exhibit "A"** referred to in the affidavit of
Cameron Bailey sworn before me at Calgary, Alberta
this 22 day of November 2024.


A Commissioner for taking Affidavits
For Alberta

MELIKA MOSTOWFI
Barrister and Solicitor



This is the 1st Affidavit of Lin Licao
in this case and was made on October 18, 2024

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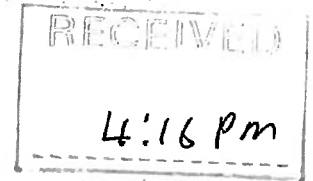
8-247177

VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

CREATE URBAN DEVELOPMENT CORP. and CREATE
BURNABY INVESTMENT LTD.



PETITIONERS

AND:

SPERLING GP LTD.

RESPONDENT

AFFIDAVIT

I, Lin Licao, businessperson, of 1580-505 Burrard Street, in the City of Vancouver, in the Province of British Columbia, SWEAR THAT:

1. I am the director of Create Burnaby Investment Ltd. ("**Create**") (formerly known as Create Sperling GP Ltd.), the director of Create Urban Development Corp. ("**Create GPCo**"), and a director of Sperling GP Ltd. (the "**General Partner**"), and as such have personal knowledge of the facts and matters hereinafter deposed to, save and except where same are stated to be made on information and belief, and where so stated, I verily believe them to be true.
2. I am authorized to make this Affidavit on behalf of the petitioners, in support of their petition for an interim injunction enjoining the General Partner from taking any steps with respect to issuing additional partnership units in the capital of the Sperling Limited

Partnership, pending an order from the arbitral tribunal in the Create Arbitration (as defined below) or until further order of this court.

3. I confirm that Create and Create GPCo undertake to comply with any order that this court or any arbitral tribunal having jurisdiction may make as to damages in the event that the injunction enjoining the General Partner from issuing additional partnership units in the capital of the Sperling Limited Partnership is granted.

Background to Sperling Limited Partnership

4. The purpose of Sperling Limited Partnership (the “**Partnership**”) is to, among other things, develop and construct a mixed-use development (the “**Project**”) at 6800 Lougheed Highway, Burnaby, British Columbia (the “**Property**”), to lease, rent, manage, own and operate the Project for profit and to hold it for appreciation.
5. The Property is an approximately 19-acre industrial property adjacent to Sperling-Burnaby Lake SkyTrain station in Burnaby, British Columbia, which property was previously occupied by a dairy plant. The Partnership acquired the Property on October 17, 2018.
6. As of August 15, 2019, Create, Peterson Investment Holdings Inc. (“**Peterson**”) and their respective affiliates entered into a series of agreements related to the Partnership. Attached hereto and marked as **Exhibits “A”, “B”, “C”, “D”, and “E”** are true copies of the following agreements:

Exhibit

Agreements Related to the Partnership

A

An Amended and Restated Limited Partnership Agreement entered into between Create, Peterson and the General Partner dated August 15, 2019, which agreement amended an original limited partnership agreement dated September 6, 2018 (the “**Partnership Agreement**”).

B

An Amended and Restated Shareholders Agreement pertaining to the shareholdings in the General Partner entered into between Peterson Development One GP Inc. (“**Peterson GPCo**”), Create and the General

Partner dated August 15, 2019 (which agreement amended an original shareholders agreement dated October 5, 2018), as assigned by Create to Create GPCo by an Assignment and Assumption Agreement dated January 24, 2022 (collectively, the “**Shareholders Agreement**”).

C An agreement between the Partnership, Peterson Developments Inc. (an affiliate of Peterson) (the “**Peterson Manager**”) and Create GPCo with respect to the development management of the Project (the “**Development Management Agreement**”).

D An agreement between the Partnership, the Peterson Manager, and Create GPCo with respect to rezoning, development and subdivision for the Project in order to obtain necessary rezoning approval (the “**Rezoning and Subdivision Agreement**”).

E An agreement titled “Sperling Limited Partnership – Ancillary Agreement” which is ancillary to the Partnership Agreement between the Partnership, Peterson and Create to, among other things, seek the maximum density, profits and return on investment for the Partnership (the “**Ancillary Agreement**”).

7. Pursuant to the Partnership Agreement, Create and Peterson are limited partners in the Partnership. Peterson owns 51% of the units in the Partnership. Create owns the remaining 49% of the units in the Partnership. The General Partner is the general partner of the Partnership.
8. The subscription price for units in the Partnership as of August 15, 2019 was \$1.00 (one dollar) per unit. By subscribing to their respective partnership units under the Partnership Agreement, Create’s capital contribution to the Partnership was to be \$33,908,000, and Peterson’s capital contribution to the Partnership was to be \$35,292,000. The current capital contributions are approximately \$31,000,000 contributed by Create and \$32,200,000 contributed by Peterson.

9. Pursuant to the Shareholders Agreement, Peterson GPCo holds 51% of the shares in the General Partner. Create GPCo holds the remaining 49% of the shares in the General Partner.

The General Partner and Peterson's Control of the Partnership

10. As set out in the Partnership Agreement and the other agreements listed above, the parties agreed that Peterson and its affiliates would take the lead in carrying out the Project on behalf of the Partnership on a day-to-day basis. But, as I discuss below, the Parties also agreed to certain protections to allow Create to participate in key decisions affecting the Partnership.
11. Peterson exercises power over the Partnership through its control of the General Partner, as follows:
 - (a) Peterson GPCo has three nominee directors on the board of the General Partner, who are directly or indirectly controlled by Peterson: Benjamin Yeung, Raymond Choy and Paul McIntyre; and
 - (b) Create GPCo has two nominee directors on the board of the General Partner: myself and Bruce Chung Hei Ma.
12. Attached hereto and marked as **Exhibit "F"** is a true copy of a company search for the General Partner, conducted on October 4, 2024.
13. Through the Peterson Manager, Peterson has day-to-day leadership and discretion over development of the Project under the Development Management Agreement and the Rezoning and Subdivision Agreement. Benjamin Yeung is the sole director of the Peterson Manager.
14. Through Benjamin Yeung (director of the General Partner and the Peterson Manager) and Raymond Choy and Paul McIntyre (Peterson GPCo's other two nominee directors on the board of directors of the General Partner), Peterson controls the entities responsible for leading the business of the Partnership and the development of the Project.

Key Protections in the Partnership Agreement

15. Given Peterson's control over the Partnership, it was critical for Create, while they were negotiating the substance of the agreements attached at Exhibits A through E, to ensure that it could participate in important decisions affecting the Project and protect Create's investment in the Partnership.
16. As part of these protections, under Section 7.2 of the Partnership Agreement, the General Partner agreed not to carry out certain matters without it first being approved by a special resolution passed by Create and Peterson. Among other things, these matters include:
 - (a) the consolidation, merger or amalgamation of the Partnership with any other entity;
 - (b) borrowing money or incurring indebtedness;
 - (c) approval of a Detailed Development Plan as it relates to a Development Lot Detailed Rezoning (as defined in the Partnership Agreement);
 - (d) approval of Master Rezoning and Subdivision Plans and Budget (as defined in the Partnership Agreement), development schedules and development lot budgets; and
 - (e) approval of the general contractor, the architect, and the marketing contractor for the Project.
17. For a special resolution to be passed under the Partnership Agreement, there must be a vote resulting in unitholders of more than 75% of the voting units consenting to the resolution (a "**Special Resolution**"). Based on the current unit holdings in the Partnership, this means that Create must vote in favour for a Special Resolution to be passed.
18. Essentially, while Peterson was leading the day-to-day operations of the Project and the Partnership, the parties needed to agree on any significant Project or Partnership decisions as set out in Section 7.2 of the Partnership Agreement.

Key Protections in the Shareholders Agreement

19. It was also important to Create that the Shareholders Agreement governing the General Partner provide protections to ensure Create and later, Create GPCo, was involved in key decisions affecting the Project and the Partnership.
20. Similar to Section 7.2 of the Partnership Agreement, Section 2.4 of the Shareholders Agreement provides that certain matters require the unanimous approval of all shareholders of the General Partner, except to the extent that such matter was previously approved by special resolution of the partners of the Partnership.
21. The matters requiring unanimous approval under Section 2.4 of the Shareholders Agreement include, among other things, the removal of the General Partner as the general partner of the Partnership, the issuance of any new shares in the General Partner, commencing, defending, or settling of any action or proceeding of more than \$200,000 in connection with the General Partner, the Partnership, the Project or the Property, any amendments to the articles of the General Partner or the Shareholders Agreement, and any amendments to the Rezoning and Subdivision Agreement or the Development Management Agreement.

Dispute Resolution Mechanisms under the Partnership Agreement and the Shareholders Agreement

22. Sections 17.1 and 17.2 of the Partnership Agreement and Sections 8.1 and 8.2 of the Shareholders Agreement provide the mechanisms by which disputes are to be resolved between the parties.
23. The dispute resolution processes are similar in both agreements. They require the concerned party to issue a written notice to the party detailing the dispute, and the parties will then meet to attempt to resolve the dispute. If no resolution is reached, the parties will submit the dispute to mediation, and if the parties cannot agree on a mediator within fourteen days or the mediation process is unsuccessful for certain reasons, the dispute is referred to arbitration.

Project Financing and RBC Loan Demand

24. The Partnership has been financed, in part, through the capital contributions by Create and Peterson described above.
25. The Partnership and the General Partner also borrowed funds through HSBC Bank Canada (which has since amalgamated into Royal Bank of Canada) ("**RBC**") in connection with the acquisition of the Property and the development of the Project (the "**Loan**"). Attached hereto and marked as **Exhibits "G" and "H"** are true copies of the credit agreement dated February 16, 2022 (the "**Original Credit Agreement**"), and the amended and restated credit agreement dated February 14, 2024 (the "**Amended Credit Agreement**").
26. On September 3, 2024, counsel for RBC wrote to the General Partner, among others, to advise that the maturity date for the Loan offered under the Amended Credit Agreement had passed. The failure to repay the Loan by the Maturity Date (as defined in the Amended Credit Agreement) amounted to an event of default, and counsel for RBC made demand for payment of the indebtedness in the amount of CAD\$208,346,293.40, plus interest and costs (the "**Loan Demand**"). Attached hereto and marked as **Exhibit "I"** is a true copy of the letter dated September 3, 2024.
27. On September 5, 2024, Create received notice that Peterson and Peterson GPCo, through their control of the General Partner, proposed to carry out a financing to the Partnership through the issuance of up to 208,346,300 Class A units in the Partnership (the "**Proposed Additional Units**") for aggregate gross proceeds up to \$208,346,300, and that the stated purpose of this proposed financing is to repay the Loan.
28. As I mentioned above, the Petitioners seek an injunction in these proceedings to enjoin the General Partner from taking any steps with respect to issuing the Proposed Additional Units, pending an order from the arbitral tribunal in the Create Arbitration or until further order of this court. I discuss the Proposed Additional Units further below.
29. On September 6, 2024, counsel for Spruceland Mall Limited Partnership ("**Spruceland**") and Peterson Property Holdings Inc. (together, the "**Guarantors**") wrote Create's counsel to advise that Spruceland, an affiliate of Peterson, had arranged for payment in the amount

of \$1,470,054.95 to be made to RBC on account of the indebtedness under the Amended Credit Agreement. The letter from counsel for the Guarantors further advised that this payment triggers the provisions of Section 10.6(a) of the Partnership Agreement, obligating the Partnership to indemnify Spruceland for such payment. Attached hereto and marked as **Exhibit "J"** is a true copy of the letter dated September 6, 2024.

30. On October 11, 2024, counsel to RBC wrote to the Guarantors, the Partnership and the General Partner, among others, advising that an event of default has occurred pursuant to the terms of the Amended Credit Agreement and that RBC expressly reserves all of its rights and remedies under the Amended Credit Agreement, including to commence any legal or other action. Attached hereto and marked as **Exhibit "K"** is a true copy of the letter dated October 11, 2024.

Initial Disputes related to the Partnership

31. Prior to the current dispute related to the Proposed Additional Units, several other disputes related to the Partnership arose between the parties.

Peterson Initiates Dispute Resolution Process under the Partnership Agreement

32. On December 29, 2023, Peterson issued a notice of dispute under Section 17.1(a) of the Partnership Agreement (the "**Peterson Notice of Dispute**"). Attached hereto and marked as **Exhibit "L"** is a true copy of the Peterson Notice of Dispute dated December 29, 2023.
33. In the Peterson Notice of Dispute, Peterson expressed its desire to resolve the following disputes:
- (a) Create's refusal to agree on a budget for 6 months commencing March 1, 2024, to correspond with the extension of the Loan from RBC; and
 - (b) Create's refusal to agree to a budget and build-out concept for the moveable sales centre.

34. Mediation with respect to the Peterson Notice of Dispute took place on February 22 and March 1, 2024 with Brian McCauley acting as mediator. The parties were ultimately unsuccessful at mediation.

Create Commences Arbitration under the Partnership Agreement

35. On June 26, 2024, Create delivered a Notice of Arbitration (the “**Create Notice of Arbitration**”), and commenced arbitration under the Partnership Agreement against Peterson and the General Partner (the “**Create Arbitration**”). Attached hereto and marked as **Exhibit “M”** is a true copy of the Create Notice of Arbitration.
36. In the Create Arbitration, Create alleges, among other things, that Peterson has caused the General Partner to breach the General Partner’s duties in relation to the Partnership Agreement, and that the Partnership has suffered loss of profits and additional carrying costs due to the mismanagement of the Project by Peterson and its affiliates.
37. Create also seeks, among other things, a declaration that Peterson owed, and has breached, fiduciary duties and duties of fairness and good faith to Create and the Partnership, a declaration that the General Partner has also breached its duties to Create, and an order that the Partnership be dissolved and a receiver be appointed for the purposes of carrying out the dissolution of the Partnership.
38. Create has been moving forward with the appointment of the three-person tribunal in the Create Arbitration. Create’s initial nominee to act as co-arbitrator has withdrawn. Create is considering other nominees, who are currently confirming their ability to act as arbitrator.
39. There has been delay in constituting the arbitral tribunal, partly as a result of the Loan coming due, numerous meetings with RBC and other related issues throughout the summer of 2024.
40. On October 10, 2024, counsel for Create sent a letter to counsel for Peterson, requesting that Peterson promptly nominate a co-arbitrator in accordance with s. 17.2 of the Partnership Agreement. Attached hereto and marked as **Exhibit “N”** is a true copy of the

letter from Lawson Lundell LLP to Nathanson, Schachter & Thompson LLP dated October 10, 2024.

Peterson Commences a Second Arbitration under the Partnership Agreement

41. On July 3, 2024, Peterson and the General Partner served a separate Notice of Arbitration (the “**Peterson Notice of Arbitration**”), and commenced arbitration under the Partnership Agreement against Create (the “**Peterson Arbitration**”). Attached hereto and marked as **Exhibit “O”** is a true copy of the Peterson Notice of Arbitration.
42. Peterson commenced the Peterson Arbitration on behalf of the General Partner, even though there was no unanimous approval to commence a proceeding under Section 2.4(k) of the Shareholders Agreement.
43. In the Peterson Arbitration, Peterson alleges, among other things, that Create breached its duty to the Partnership and to Peterson to act honestly and to exercise its discretionary powers in good faith in a manner consistent with the Partnership Agreement, including by refusing to approve proposed budgets and the development and construction of a presentation centre.
44. Peterson also states that the parties have acknowledged that they cannot work together on the Project and that the Partnership should be dissolved.
45. Peterson seeks, as relief in the Peterson Arbitration, the following:
 - (a) a declaration that Create has breached its obligations to Peterson and the Partnership under the Partnership Agreement;
 - (b) an award of damages for Peterson’s losses, or in the alternative, for the Partnership’s losses, for breach of the Partnership Agreement; and
 - (c) an order that the limited partners of the Partnership cause the Property and related Project assets to be sold on terms ordered by the arbitrators.
46. Create has nominated Victor Leginsky as arbitrator in the Peterson Arbitration, Peterson has nominated Bill Kaplan. A third arbitrator has not yet been named. Attached hereto and

marked as **Exhibits "P" and "Q"** are true copies of the letters issued by Create and Peterson, respectively, nominating their co-arbitrators.

Continued Breakdown of the Partnership and Proposed Unit Issuance

47. The ongoing disputes between the parties have continued to escalate, and, in my view, the relationship breakdown has now culminated in Peterson taking steps to dilute Create's partnership stake by a proposed issuance of partnership units.

Peterson Proposes Unit Issuance without Notice to Create

48. Without any prior notice to me or Create, on September 5, 2024, counsel to Peterson sent the following to all five directors of the General Partner:
- (a) a notice of meeting of directors, stipulating that a meeting of directors of the General Partner be held at 2:00 p.m. on September 16, 2024 to consider approving calling a special meeting of the shareholders of the General Partner on or about October 7, 2024 to approve a financing to the Partnership through the issuance of the Proposed Additional Units for aggregate gross proceeds up to \$208,346,300; and
 - (b) a notice of meeting of directors, stipulating that a second meeting of directors of the General Partner be held at 3:00 p.m. on September 16, 2024 to consider approving the issuance of the Proposed Additional Units for aggregate gross proceeds up to \$208,346,300

(collectively, the "**Notices of Meeting of Directors**").

49. Attached hereto and marked as **Exhibits "R" and "S"** are true copies of the Notices of Meeting of Directors.
50. Prior to receipt of the Notices of Meeting of Directors, I had no knowledge that the General Partner had been considering additional financing for the Partnership through the issuance of additional units. When I received this notice on September 5, 2024, it became apparent that I had been excluded, as a director of the General Partner, from all prior discussion

regarding the issuance of a very large number of Proposed Additional Units. In my view, this proposal would radically change the Partnership and Create should have been consulted and involved in the initial discussions.

51. I have been informed by Bruce Chung Hei Ma (the other director nominated by Create GPCo to the board of directors of the General Partner), and verily believe, that he had no knowledge of any proposals for additional financing through the issuance of Proposed Additional Units until having received the September 5, 2024 correspondence. Similarly, I am not aware of Create GPCo or Create receiving any notice of the Proposed Additional Units prior to September 5, 2024.
52. The Notices of Meeting of Directors were accompanied by a series of related documents in two zip folders named "Directors Meeting Documents" (the "**Directors' Meeting Documents Folder**") and "Shareholder Meeting Documents" (the "**Shareholder Meeting Documents Folder**"). Attached hereto and marked as **Exhibit "T"** and "**U**" are true copies of the documents contained in the Directors' Meeting Documents Folder and Shareholder Meeting Documents Folder.
53. As set out in the Directors' Meeting Documents Folder and the Shareholder Meeting Document Folder, Mr. Choy proposed a series of meetings of the directors and shareholders of the General Partner, and related approvals and resolutions to effectuate the issuance of the Proposed Additional Units, with a final closing date for the issuance of the Proposed Additional Units on November 13, 2024. That means the Partnership, Peterson, Create and any third parties will have just over two months to, among other things, consider, approve, complete all due diligence and arrange financing for a transaction of over \$200,000,000.
54. The calling of the two meetings of the directors of the General Partner contemplated in the Notices of Meeting of Directors, as well as the special shareholders' meeting contemplated to be called at the first of such directors' meetings, are attempts by Peterson, through its control of the General Partner, to effectuate an issuance of Units (as defined in the Partnership Agreement).

55. Peterson has stated that the goal of the issuance is to repay the Loan, but Create and Create GPCo were not consulted regarding the issuance of the Proposed Additional Units. I am not aware of any efforts made to arrange for additional debt prior to Peterson seeking to issue the Proposed Additional Units. Further, the price at \$1.00 per unit values the Partnership, based on the current total issuance of 69,200,000 units to Create and Peterson, at less than the value of the Loan.

Create issues Notices of Dispute regarding issuance of the Proposed Additional Units

56. On September 13, 2024, Create delivered to Peterson a Notice of Dispute in relation to the Proposed Additional Units pursuant to Section 17.1(a) of the Partnership Agreement (the “**Create LPA Notice of Dispute**”). Attached hereto and marked as **Exhibit “V”** is a true copy of the Create LPA Notice of Dispute.
57. On September 13, 2024, Create GPCo delivered to Peterson GPCo a Notice of Dispute in relation to the Proposed Additional Units, pursuant to Section 8.1(a) of the Shareholders Agreement (the “**Create Initial SHA Notice of Dispute**”). Attached hereto and marked as **Exhibit “W”** is a true copy of the Create Initial SHA Notice of Dispute dated September 13, 2024.
58. On September 16, 2024, Create GPCo delivered to Peterson GPCo a corrected version of the Create Initial SHA Notice of Dispute, which fixed typographical errors (the “**Create SHA Notice of Dispute**”, and collectively with the Create LPA Notice of Dispute, the “**Create Unit Issuance Notices of Dispute**”). Attached hereto and marked as **Exhibit “X”** is a true copy of the Create SHA Notice of Dispute dated September 16, 2024.
59. Create’s concerns with the issuance of the Proposed Additional Units include the significant undervaluation of the Partnership units and the unreasonable timing of the issuance of the Proposed Additional Units. These concerns, as set out in the Create Unit Issuance Notices of Dispute, are expanded upon below.
60. The Create SHA Notice of Dispute raises largely the same issues as the Create LPA Notice of Dispute, but also raises that, in breach of Section 2.13 of the Shareholders Agreement, Peterson GPCo (through its three nominee directors of the General Partner and control of

the General Partner) failed to give reasonable prior written notice of all internal meetings regarding of the issuance the Proposed Additional Units, which is a material decision regarding the Project.

61. The outcomes of these prior internal meetings (of which Create GPCo and its two nominee directors had no notice) are evident to me in the Notices of Meeting of Directors, as well as the documents accompanying the Notices of Meeting of Directors, including, but not limited to, documents outlining a deadline for the partners of the Partnership to exercise their pre-emptive rights under Section 3.7 of the Partnership Agreement and a deadline for the partners to pay for such Units, and setting a subscription price for the Proposed Additional Units.
62. I have also reviewed the minutes of the two meetings of directors of the General Partner which took place on September 23, 2024. The minutes do not record a fulsome discussion between the directors in attendance regarding whether or not to issue the Proposed Additional Units. Attached hereto and marked as **Exhibits "Y-1"** and **"Y-2"** are true copies of the minutes of the meetings of the Directors dated September 23, 2024.
63. Prior to September 5, 2024, Peterson did not once consult with Create regarding the two meetings of the directors of the General Partner contemplated in the Notices of Meeting of Directors or the terms of issuance of the Proposed Additional Units. The timeline which Peterson has attempted to push through the proposed issuance of the Proposed Additional Units is too short for Create to meaningfully act on its contractual rights to subscribe for any additional Units. Create cannot consider whether it wishes to purchase some or all of its *pro rata* portion of the Proposed Additional Units and obtain the requisite financing for its *pro rata* portion (*i.e.* 49%) of more than \$208 million in less than two months.
64. Given the financial harms caused by Peterson to date, Create is not in a financial position to subscribe for additional units. As a director of the General Partner, I am aware that there other potential avenues of finance, including debt financing and sale of the Property, which have not formally been considered by the board of the General Partner.

65. Peterson has proposed an issuance of the Proposed Additional Units by valuing the Proposed Additional Units at \$1.00 per unit, which is significantly less than what I believe to be the fair market value of the Units.
66. Despite requests from Create (discussed further below), Peterson has failed to provide Create any detailed basis for the valuation of the Proposed Additional Units at \$1.00 per Unit.
67. Based on the two most recent appraisals of the Property that I have reviewed (circulated as of May 2023 and January 2024), I have calculated a valuation of approximately of \$3.87 per unit for the current total issuance of 69,200,000 units, given the average of these valuations (\$488,000,000) and estimated liabilities of the Partnership (\$220,000,000). Attached hereto and marked as Exhibits "Z" and "AA" are the appraisals published May 8, 2023 and January 8, 2024.
68. It is Create's view that a fair market valuation of the Proposed Additional Units should reflect the market value of the Property, as set out in recent appraisals.
69. I am not aware of any efforts made by the General Partner to consider potential alternative financing options for the Partnership such as obtaining term sheets or commitment letters from lenders other than RBC to assist the Partnership in paying off the Partnership's indebtedness to RBC under the Amended Credit Agreement. I am also not aware of any efforts the General Partner has taken to arrange additional debt prior to it taking steps to carry out the issuance of the Proposed Additional Units.

Peterson Refuses to Attend Meeting Required under Dispute Resolution Procedure

70. The Create Unit Issuance Notices of Dispute propose Create and Peterson hold a meeting to attempt in good faith to negotiate a resolution of the issues described therein, pursuant to Section 8.1(b) of the Shareholders Agreement and Section 17.1(b) of the Partnership Agreement.
71. As of the date of this Affidavit, Peterson has failed to agree to attend a meeting to attempt to negotiate the resolution of the issues Create and Create GPCo raised in the Create Unit Issuance Notices of Dispute.

72. On October 1, 2024, I, on behalf of Create and Create GPCo, issued letters to Peterson and Peterson GPCo advising that their refusal to address the matters raised in the Create Unit Issuance Notices of Dispute and failure to agree to participate in the proposed meetings is a breach of Peterson and Peterson GPCo's obligations under both the Shareholders Agreement and Partnership Agreement, and makes it impossible for the parties to complete the dispute resolution procedures outlined therein. Attached hereto and marked as **Exhibits "BB"** and **"CC"** are true copies of the October 1, 2024 letters.
73. Accordingly, Create has taken the position that the matters set out in the Create Unit Issuance Notices of Dispute may be immediately referred to arbitration. Create plans to amend the Create Notice of Arbitration in order to address its concerns regarding the Proposed Additional Units in the Create Arbitration.

Create Demands Information and that the Issuance does not Proceed

74. On October 1, 2024, I, on behalf of Create and Create GPCo, issued a letter to Peterson and Peterson GPCo demanding that they do not proceed with the issuance of the Proposed Additional Units. Attached hereto and marked as **Exhibit "DD"** is a true copy of my letter dated October 1, 2024.
75. On October 3, 2024, Create's legal counsel wrote Peterson's counsel to obtain further information regarding the Proposed Additional Units. This letter included, among other things, a demand for information to support the proposed price of \$1.00 per Unit, and information describing the efforts made to arrange additional debt prior to the proposal to issue the Proposed Additional Units. Attached hereto and marked as **Exhibit "EE"** is a true copy of the October 3, 2024 letter.
76. On October 4, 2024, I received a response from Chris Jackson, general counsel to Peterson. Mr. Jackson stated that the Shareholders' Meeting (as defined in paragraph 78) would proceed as scheduled, and that Create can address any issues concerning the subject matter of the proposed resolutions at that time. Attached hereto and marked as **Exhibit "FF"** is a true copy of the October 4, 2024 correspondence and enclosures.

77. As of the date of this affidavit, Peterson has not substantively responded to the letter from Create's legal counsel of October 3, 2024.

General Partner Shareholders Meeting on October 7, 2024

78. On October 7, 2024, Ryan Bates (the director of Finance for Create) and I attended a meeting of the Shareholders of the General Partner (the "**Shareholders' Meeting**") under protest to once again raise the concerns that Create and Create GPCo has with the issuance of the Proposed Additional Units.
79. At the Shareholders' Meeting, questions were asked on behalf of Create GPCo with respect to, among other things, the efforts made by the directors and officers of Peterson GPCo and the General Partner to arrange additional debt prior to the Proposed Additional Units, how the proposed price of \$1.00 was arrived at, whether any potential purchasers have been identified, and whether those potential purchasers are Peterson or Peterson affiliates. Attached hereto and marked as **Exhibit "GG"** is a true copy of a document listing the questions raised at the Shareholders' Meeting.
80. In response to our questions, Peterson GPCo stated, among other things, that they determined \$1.00 to be market value given the current economic environment, without providing further detail or evidence as to how that assessment was reached. Peterson GPCo further refused to confirm or deny whether Peterson GPCo has communicated with potential partners, and refused to confirm how many partnership units Peterson is intending to purchase.
81. At the Shareholders' Meeting, Peterson GPCo stated that discussions with third parties with respect to purchasing the Proposed Additional Units would be premature until Peterson and Create had decided whether or not to subscribe for any of their *pro rata* portions of the Proposed Additional Units. Peterson GPCo further stated that given that the amount of units available to a third party purchaser would be unknown until Create and Peterson have exercised their subscriptions, there can be no offerings and no commitments until those decisions are confirmed.

82. At the Shareholders' Meeting, Peterson GPCo voted in favour of the Proposed Additional Units, and contended that the issuance of the Proposed Additional Units was approved.
83. On October 8, 2024, Raymond Choy, chair of the board of directors of the General Partner, delivered financing documents with respect to the financing of the Partnership, purportedly approved at the Shareholders' Meeting (the "**Financing Materials**"). Attached hereto and marked as **Exhibit "HH"** is a true copy of the email correspondence and enclosures.

Further Concerns regarding Proposed Additional Units

84. On October 9, 2024, I, on behalf of Create and Create GPCo, issued a letter to Peterson, Peterson GPCo and the General Partner responding to the Financing Materials and raising further concerns regarding the issuance of the Proposed Additional Units. In particular, Create and Create GPCo advised Peterson, Peterson GPCo and the General Partner that:
- (a) If the intent of the issuance of the Proposed Additional Units is truly to settle the legal proceedings that RBC can commence against the General Partner and the Partnership without any notice under Loan Demand, pursuant to Section 2.4(k) of the Shareholders Agreement, approval by Create GPCo of the issuance of the Proposed Additional Units is required; and,
 - (b) Even if the issuance of the Proposed Additional Units had been properly approved (which contention Create GPCo rejects), the General Partner and Peterson are obligated under the Partnership Agreement to obtain Create's approval of the subscription by Peterson or its affiliate of any of the Proposed Additional Units pursuant to Section 7.2(i) of the Partnership Agreement.
85. Attached hereto and marked as **Exhibit "II"** is a true copy of the letter dated October 9, 2024.

Create delivers Amended Notice of Arbitration

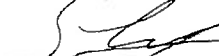
86. On October 18, 2024, Create delivered an Amended Notice of Arbitration in the Create Arbitration, which includes Create's claims against the General Partner and Peterson related to the issuance of the Proposed Additional Units. Attached hereto and marked as

Exhibit “JJ” is a true copy of Create’s Amended Notice of Arbitration dated October 18, 2024.

Consequences of Issuing Proposed Additional Units

87. Currently, 51% of the units in the Partnership are owned by Peterson and the remaining 49% of the units in the Partnership are owned by Create. If Create does not subscribe for any of the Proposed Additional Units, and entities other than Create to subscribe to all of the Proposed Additional Units, Create's stake in the Partnership will be diluted to 12.22%.
88. If the issuance of the Proposed Additional Units proceeds and Create's interest is reduced to less than 25% of the units, Create and Create GPCo will lose the following rights:
- (a) Special Resolutions under Section 7.2 of the Partnership Agreement could be passed without Create's consent, and Create will no longer be able to exercise any of its rights through Special Resolution; and,
 - (b) Create GPCo's rights under Section 2.4 of the Shareholders Agreement to vote on matters requiring unanimous shareholder approval would be rendered meaningless, as shareholder matters do not require unanimous approval if they have been previously approved by Special Resolution under the Partnership Agreement.

SWORN BEFORE ME at the City of
Vancouver, in the Province of British
Columbia, this 18th day of October, 2024.

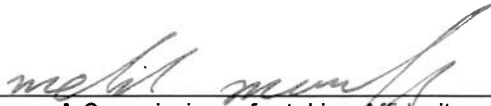

A Commissioner for taking Affidavits within
British Columbia.

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LIN LICAQ

SCOTT LUCYK
Barrister & Solicitor
1600 - 925 WEST GEORGIA S
VANCOUVER, B.C. V6C 3L
(604) 685-3456

This is **Exhibit "B"** referred to in the affidavit of
Cameron Bailey sworn before me at Calgary, Alberta
this 22 day of November 2024.


A Commissioner for taking Affidavits
For Alberta

MELIKA MOSTOWFI
Barrister and Solicitor

**Sperling Limited Partnership
Financial Information
For the Year Ended December 31, 2023**

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 Vancouver, British Columbia
 V6E 3P3

Compilation Engagement Report

To Management of Sperling Limited Partnership,

On the basis of information provided by management, we have compiled the Balance Sheet of Sperling Limited Partnership as at December 31, 2023, the Statements of Operations and Partners' Equity (Deficiency) for the year then ended, and Note 2, which describes the basis of accounting applied in the preparation of the compiled financial information (the "financial information").

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, *Compilation Engagements*, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion, or provide any form of assurance on the financial information.

Readers are cautioned that the financial information may not be appropriate for their purposes.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia

April 26, 2024

Sperling Limited Partnership
Balance Sheet

December 31	2023	2022
Assets		
Revenue producing property (Note 3)	\$ -	\$ 214,906,488
Property under development	250,705,618	16,705,260
Due from general partner	17,782	15,902
Prepaid expenses	50,916	53,367
Accounts receivable	725	840
Cash	2,091,891	2,558,460
	<u>\$ 252,866,932</u>	<u>\$ 234,240,317</u>
Liabilities and Partners' Equity		
Liabilities		
Long-term debt (Note 4)	\$ 195,925,723	\$ 176,620,240
Accounts payable and accrued liabilities	270,655	177,838
Deferred revenue	21,788	1,050
	<u>196,218,166</u>	<u>176,799,128</u>
Partners' Equity		
General Partner	(2,108)	(479)
Limited Partners	56,650,874	57,441,668
	<u>56,648,766</u>	<u>57,441,189</u>
	<u>\$ 252,866,932</u>	<u>\$ 234,240,317</u>

Sperling Limited Partnership
Statement of Partners' Equity

For the year ended December 31

		Sperling GP Ltd.	Peterson Investment Holdings Inc.	Create Burnaby Investment Ltd.	2023	2022
Balance, beginning of year	\$	(479)	\$ 29,295,251	\$ 28,146,417	\$ 57,441,189	\$ 69,432,582
Contributions		-	-	-	-	3,400,000
Distributions		(1,610)	(306,000)	(294,000)	(601,610)	(15,500,000)
Net income (loss) for the year		(19)	(97,305)	(93,489)	(190,813)	108,607
Balance, end of year	\$	(2,108)	\$ 28,891,946	\$ 27,758,928	\$ 56,648,766	\$ 57,441,189

Sperling Limited Partnership
Statement of Operations

For the year ended December 31	2023	2022
Revenue		
Rental income	\$ 124,748	\$ 1,714,232
Interest income	2,658	8,360
	<u>127,406</u>	<u>1,722,592</u>
Recoverable expenses		
Insurance	2,161	9,039
General and administration	2,465	42,605
	<u>4,626</u>	<u>51,644</u>
Income from operations	<u>122,780</u>	<u>1,670,948</u>
Non-recoverable expenses		
Amortization of deferred finance costs	-	62,500
Amortization of revenue producing property	18,243	76,011
Bank charges	110	416
Marketing and promotion	138,225	-
Mortgage interest	-	830,115
Other expenses	157,015	587,288
Professional fees	-	6,011
	<u>313,593</u>	<u>1,562,341</u>
Net income (loss) for the year	<u>\$ (190,813)</u>	<u>\$ 108,607</u>

Sperling Limited Partnership

Notes to Financial Information

December 31, 2023

1. Nature of Business

Sperling Limited Partnership (the "Partnership") was formed on September 6, 2018 pursuant to the laws of British Columbia. The Partnership was created to acquire, operate, and ultimately develop the property located at 6800 Lougheed Highway, Burnaby, British Columbia (the "Project Lands"). Unless dissolved earlier, the Partnership will terminate on December 31, 2098.

2. Basis of Accounting

The basis of accounting applied in the preparation of the financial information is on the historical cost basis, reflecting cash transactions with the addition of:

- revenue producing property recorded at historical cost and amortized on a systematic basis;
- incidental rental income recorded in accordance with the lease terms, net against the property under development;
- accounts payable and accrued liabilities; and
- rental income recorded in accordance with lease terms.

3. Revenue Producing Property

	2023		2022	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ -	\$ -	\$ -	\$ 213,082,221
Building	-	-	-	1,824,267
	\$ -	\$ -	\$ -	\$ 214,906,488

During the year the Partnership began the development of the revenue producing property and transferred the net book value of the land and building to property under development.

Sperling Limited Partnership
Notes to Financial Information

December 31, 2023

4. Long-term Debt

	<u>2023</u>	<u>2022</u>
Pre-development loan	\$ 35,925,723	\$ 16,620,240
Land loan	<u>160,000,000</u>	<u>160,000,000</u>
	<u>\$ 195,925,723</u>	<u>\$ 176,620,240</u>