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File No. 04-46320

July 9, 2015

VIA EMAIL

City of Nanaimo
455 Wallace Street
Nanaimo, BC V9R 5J6

Attention: Ian Howat

Dear Sirs/Mesdames:

Re: SSS Manhao International Tourism Group (Canada) Co. Ltd. (the “Company”)

We have made our client aware of your proposal (the “Proposal”) arising from the Special Open Council Meeting on June 22, 2015 as follows:

1. you have agreed to extend the Option to Purchase the property located at 100 Gordon Street back from the Company by a six month period;
2. in consideration for the extension, the Company is to:
 - (a) make a \$100,000.00 commitment towards the improvements to Piper Park; and
 - (b) relinquish the Right of First Negotiation for the Vancouver Island Convention Centre.

Our client convened a special meeting to consider the Proposal and the Company has determined that the terms of the Proposal are not acceptable.

Notwithstanding the support that the Company has received from the City of Nanaimo staff, the Mayor, some members of the City Council and the local business community, the Company does not believe that the project has the support of the majority of the City Council. This was evident at the City Council meeting which took place on June 15, 2015. Accordingly, the Company has determined that viability of the hotel development is at risk, and the Company cannot therefore accept the terms of the Proposal.



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We look forward to confirmation from the City Council that it has exercised the Option to Purchase and thereafter receipt of related transfer documents to complete the repurchase of the property for the Company's execution.

Yours truly,

KAHN ZACK EHRlich LITHWICK LLP

Perry S. Ehrlich
PERRY S. EHRlich
PSE/tsc

cc Client