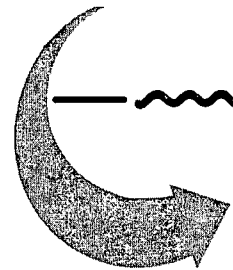


January 6, 2005
File: 2375-03.02



Via email: ryanb@embassydevelopment.com (Original by Mail)

Embassy Development Corporation
204-4430 Halifax Street
Burnaby, BC, V5C 5R4

Attention: Ryan Bosa

Pottinger Gaherty

Environmental Consultants Ltd.
1200-1185 West Georgia Street
Vancouver BC V6E 4E6
Tel 604.682 3707
Fax 604.682 3497

**RE: ENVIRONMENTAL STATUS, RESIDENTIAL LOTS –
208 CUNNINGHAM STREET, 205 AGNES STREET AND
207 AGNES STREET, NEW WESTMINSTER, BC**

Pottinger Gaherty Environmental Consultants Ltd. completed an exterior inspection of three residential lots in New Westminister, BC at 208 Cunningham Street, 205 Agnes Street and 207 Agnes Street. The objective of the inspection was to identify if site conditions indicated a need to conduct a complete phase 1 environmental site investigation for these lots. Phase 1 investigations are comparatively rare for single family residential lots.

Scope

When we visited the site, all of the buildings were still occupied, and so our inspection solely addressed exterior conditions.

Findings

We are aware from other projects in the area that the land use in this area has been only residential. For sites with a solely residential history, the main environmental risks are heating fuel storage and asbestos. We did not identify any conditions at the site that led us to consider risks other than fuel storage and asbestos.

All the buildings are presently supplied with gas, and there was no evidence of above ground or underground heating fuel storage tanks (vent pipes, for example). It is likely that all of the buildings had oil heat at one time, given the age of the buildings and the history of heating fuel types in New Westminister. This does not mean that they necessarily had underground storage tanks, as above ground tanks are more common in New Westminister than in other lower mainland municipalities in our experience.

In the absence of indicators of heating fuel storage tanks, we would not recommend further environmental assessment to assess this risk. If tanks are identified at redevelopment, they can be cost effectively addressed at that time. Costs for addressing tanks if they are present will be minor compared to redevelopment costs, and likely of the same order of magnitude as demolition costs.

None of the buildings had asbestos cement siding visible on the exterior. While we cannot comment based on interior inspection, asbestos has seen limited use in residential applications, except in rare cases of asbestos cement siding, and commonplace use associated with ducts in hot air heating systems. As such, asbestos management, if it is indeed necessary at demolition, is likely to be modest in scale. While it might materially affect demolition costs, it would be insignificant compared to redevelopment costs or land value.

Conclusions

In conclusion, nothing about our findings indicates a technical need for environmental investigation. When the buildings become vacant, they can be inspected for asbestos. If asbestos is found, that can be factored into plans for demolition.

Standard Limitations

PGL prepared this report for Embassy Developments Corporation, their agents and the Royal Bank exclusively. PGL accepts no responsibility for any damages that may be suffered by third parties as a result of decisions or actions based on this report.

The purpose of this report is to provide an assessment of the potential for environmental contamination on the subject property. Our investigation identified reasonably foreseeable risks that can be detected by a single untimed site visit with no sampling or testing. Our conclusions rely on there having been complete and accurate disclosure of conditions by the client and our sources. As with all environmental investigations, potential remains for unknown, unidentified, or unforeseen contamination. Environmental investigations are limited by both practical limitations in scope and inherent limitations in technique.

The findings and conclusions are site-specific and were developed in a manner consistent with that level of care and skill normally exercised by environmental professionals currently practising under similar conditions in the area. Changing assessment techniques, regulations, and site conditions means that environmental investigations and their conclusions can quickly become dated, so this report is for use now. The report should not be used after that without PGL review/approval.

The project has been conducted according to our instructions and work program. Additional conditions, and limitations on our liability are set forth in our Agreement for Consulting Services. This report is neither an endorsement nor a condemnation of the subject property. No warranty, express or implied, is made.

If you have any questions or require clarification, please contact Keith Gagné or Will Gaherty at 604-895-7618 and 604-895-7601, respectively.

POTTINGER GAHERTY ENVIRONMENTAL CONSULTANTS LTD.

Per:



William Gaherty, M.S., P.Eng.
Vice President

WDG/mrc
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