

# *The* PINNACLE

February 21, 2006

Via Certified Mail/First Class Mail/Hand Delivery

Michael De Cotiis, Chairman and CEO  
Pinnacle International  
Suite 300 - 911 Homer Street  
Vancouver, B.C. V6B 2W6

Re: Pinnacle Elevator Issues

Dear Mr. De Cotiis:

In our board package for the February 2006 Board meeting was a copy of a bid from the elevator manufacturer, Thyssen-Dover-Krupp to create a separate operating system for the freight elevator.

Our proposal is to limit all construction people to use of the freight elevator **only** once this system is installed.

We are asking you to fund this solution to what is an on-going elevator problem that will continue to plague us for a long time to come unless remedied.

Specifically, with the penthouse scheduled to take two years to complete (based upon Ms. Lipin's contractor's estimate provided to us) and with less than half of the units moved in, we need to address the problem of elevator delays and elevator damage caused by construction activity. In addition to Ms. Lipin's construction, we can anticipate that many of the sold but unoccupied units will involve future homeowner upgrades/remodels over the next 6-12 months. We also assume heavy use of the elevators during your own punch list operations that are behind schedule and will now take us well into April.

Without a separate dedicated call system for the freight elevator and restricting construction people to that elevator, we can expect lengthy delays for homeowners competing with construction crews on the other three elevators similar to the delays that have been experienced over the last 3-4 months.

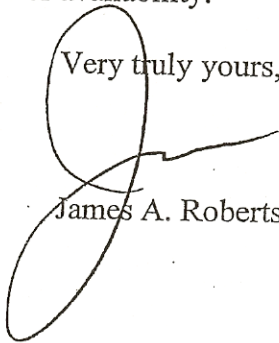
While \$60,000 may seem like an expensive solution, fixing all of the elevators and large amounts of lost homeowner waiting time also has value. We note that as to the penthouse alone, your company received approximately \$7.5 million. Thus, the elevator fix represents .008% of your proceeds from that one sale alone.

As you know from prior comments by the manufacturer (Mr. Harold), it is also detrimental to the equipment to have crews dragging construction debris into these elevators and such activity has already caused numerous mechanical malfunctions and loss of elevator operations. In addition, despite your best efforts to protect the cabs, all of them are now experiencing damage to the cab walls and floors from careless use by construction people.

Four months after escrow closings, it is also detrimental to the use and enjoyment of this high end building to have to continue using plywood decking and moving pads on all of the elevators (which will have to continue for another two years unless you implement the proposal we enclose).

We would appreciate your prompt attention to this proposal so that it can be implemented before your company begins its floor by floor punch list of the individual units, which will put great strain on elevator availability.

Very truly yours,



James A. Roberts

JAR:mw