

treegroup Investor Newsletter

Issue No.1, October, 2008 - Headwaters Update

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Greetings Investors,

I know that many of you are aware of our diverse portfolio of business interests. Earlier this year, we decided that in order to build a unified company, we needed a unified brand that reflected our unique vision and philosophy. We are excited to announce that on October 31st, 2008, Vermillion Properties Corp. will be officially known as Treegroup Developments Corp.

This is the first of what will now become a regular quarterly newsletter. This newsletter will of course keep you updated on the progress of the Headwaters project, but we will also inform you of future investment opportunities and update you on other interesting happenings in Treegroup.

We hope you appreciate and enjoy this service. Let us know if you have further questions.



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Tree Cutting Permit Issued and Tendering Process Well Underway

On July 14th the city held its fourth reading on the Headwaters project, and following the reading the "Tree Cutting" permit was issued. One week later tree clearing commenced on the site.

By July 25th, the Headwaters building footprint and strata roadway site had been cleared of trees. Construction of the 31st Avenue roadway which accesses the site is underway, and storm and sanitary piping has begun. Waterworks and electrical will soon follow. In the meantime, the tendering process is well underway for all phases of the project, and we are actively analyzing bids right now. Some contracts have already been awarded, with more to follow. We submitted the actual Building Permit application several months ago and should see the permit within the next few weeks. Although it seems a lengthy process, this is the normal protocol for minor changes and administrative details.



Headwaters Marketing to Focus on Pre-Sales

Over the past several months we have been observing the local market closely. With the much publicized mortgage failures in the U.S.A and changes in our local real estate market, we feel it is critical that we analyze all phases of the development process. Other comparable projects in the area are doing very well. High Street, a Grosvenor condominium project within two kilometers of our site, is now 75% pre-sold at prices 8% to 10% above our projected prices. The Headwaters location is much more desirable, and our live-work component puts our project miles ahead of any development in the South Surrey area.

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“A positive
human footprint ...
Our commitment,
our legacy.”

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With the onset of fall and winter weather imminent, we have decided to postpone excavation of the site until Spring 2009. This change of plan will have minimal effect on our timelines as the delays encountered during bad weather in the winter produce similar results as we'll achieve by breaking ground in the Spring. As part of this redirection we will be moving our immediate focus into a full scale marketing campaign to achieve a substantial number of pre-sales prior to Spring 2009. We are in the process of securing retail space in the Smart Centre mall, near Wal-Mart at 24th Avenue and 160th Street, where we will have a professionally staffed sales and marketing center, complete with a fully outfitted display suite. In addition, we have entered into an agreement with a professional marketing firm to lead the team.



Meanwhile, the construction side of the development will continue. Roadwork will be complete by October 31st, and construction contract bids will continue to be evaluated, with contracts issued over the winter months. Final details of design and finishing will also continue.

As we move forward with our sales and marketing campaign we will provide updates in our future newsletters.

Sincerely,

Derek Chichak
President & Chief Operating Officer