

VIA EMAIL : stephen.kingston@mcinnescooper.com

May 20, 2022
1969 Upper Water Street
Suite 1300
McInnes Cooper Tower – Purdy's Wharf
Halifax, NS B3J 2V1

Dear Mr. Kingston:

Re: Terra Firma Development Corporation Ltd. – Division 1 Proposal

This is in response to your correspondence of May 18, 2022.

In your letter you have asked:

1. Did the Inspectors in the TFDC Bankruptcy authorize and approve the filing of the Proposal by the Trustee in bankruptcy?

Answer: Inspectors approved the filing of the Proposal at an Inspector's meeting held on the 28th day of April 2022.

2. What funds are currently held by the Trustee in Bankruptcy as regards TFDC, both on deposit and/or in trust?

Answer: As reported in the Statement of Affairs included with the Proposal materials, current funds held by the Trustee are CAD \$426,506.99.

3. What amounts have been paid by the Trustee in Bankruptcy to date as regards Municipal real property taxes owing against TFDC properties?

Answer: We have sold 5 properties and real property taxes owing on each of those properties has been paid in full. In addition to these sold properties, the trustee has conveyed title to mortgage holders on 4 other properties. The mortgagees paid a transfer fee to the Trustee and this fee was paid into the bankruptcy trust account for the benefit of creditors. It is believed that the grantee in each of these instances has fully paid the outstanding taxes on the transferred properties. Additionally, \$4,149.00 has been paid to the Municipality of East Hants.

4. Does the Trustee in Bankruptcy intend to apply any of the funds which it currently holds as against Municipal property taxes and, if not, why not?

Answer: Not at this time. Many of TFDC's properties are in a negative equity position, meaning if the Trustee were to sell these properties, there would be no

recovery for unsecured creditors as the taxes, valid mortgages and liens exceed the property's value. Therefore, there is no benefit to expend estate funds on hand to pay taxes on these properties. It is the Trustee's view that estate funds can be better put to use by bringing the TFDC properties held within the Hants County Condo Corporations into a marketable position so as to maximize the value of those properties.

5. What is the current total amount of the unpaid fees and expenses of the Trustee in Bankruptcy and those of its legal counsel?

Answer: The Trustee has not taken any fees to date. The accumulated time charges currently amount to \$499,532.56. The Trustee's counsel has not been paid any fees to date. Counsel's outstanding account at this date is approximately \$100,000.

6. Is it correct that the unpaid fees and expenses of the Trustee in Bankruptcy and its legal counsel are subordinate to the claims of secured creditors in the TFDC bankruptcy?

Answer: Yes.

7. Is it correct that, in the event that the Proposal is accepted by creditors in its current form, the likelihood of the Trustee in Bankruptcy and its legal counsel receiving full payment for their fees and charges to date is substantially greater than would be the case under the bankruptcy?

Answer: No. The Proposal is of a liquidation type and allows the Proposal Trustee to continue with the same courses of action as the Trustee in the bankruptcy proceeding, with the added benefit of a Stay of Proceedings against secured creditors while we realize on any properties that are in a positive equity position.

8. How did the Proposal Trustee determine the values ascribed to the security of the various secured creditors, as set out in List "B" as appended to the Proposal?

Answer: The values of properties reported on the Statement of Affairs are either: (a) the Nova Scotia tax assessed value, (b) the value ascribed by a secured creditor in their filed proof of claim, (c) in the case of some properties located in the Springview Heights section of the development, an estimate of market value, based on our recent sales in that area.

9. Has the Proposal Trustee obtained appraisals and/or other professional valuations for the TFDC properties, and will those appraisals and/or valuations be produced in advance of the First Meeting of Creditors?

Answer: The only properties that have been valued are the properties that the Trustee has transferred. This was done to confirm that the value of the property

contemplated to be transferred was less than the valid of proven secured claims against the property, namely the outstanding property taxes, valid mortgages, and builders' liens.

10. Which of the creditors listed in the Appendices to the Proposal does the Proposal Trustee consider to be "related parties" for the purposes of voting at the First Meeting of Creditors?

Answer: TFDC AsiaCorp, as represented by My Premier Trustee, is a wholly owned subsidiary of TFDC.

11. Is it correct that, pursuant to the Proposal as currently drafted, the proposed Proposal term is of indeterminate length?

Answer: As noted above, the Proposal is of a liquidating type and is designed to mimic a Bankruptcy proceeding, with the added benefit of a Stay of Proceedings against secured creditors. Accordingly, once the property vested in the Trustee has been liquidated or otherwise disposed of, and the proceeds distributed to proven creditors, the Proposal will be completed. The Trustee estimates that it will take approximately 1 year to complete the proposal. If the creditors wish to have a "sunset" date on the proposal, an amendment could be proposed to that effect.

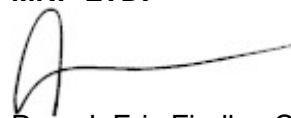
You have asked that we circulate our responses to all creditors in advance of the First Meeting of Creditors. Creditors who have valid email addresses registered with us will receive a copy by email. Additionally, we will post a copy of your letter and our responses to our webpage dedicated to the TFDC bankruptcy

<https://mnpdebt.ca/en/corporate/corporate-engagements/terra-firma-development-corporation-limited>

Please advise us if you have any further questions.

Sincerely,

MNP LTD.



Per: J. Eric Findlay CIRP, LIT, CPA
Senior Vice President