

Our File: 164815
October 18, 2019

WITHOUT PREJUDICE

HarbourEdge Capital Corporation
c/o Larry Dunn and Alan Riddell
1701 Hollis Street, Suite 800
Halifax, NS
B3J 3M8

To whom it may concern:

RE: Access and Maintenance of the Abbacombec Ocean Village Common Area

We are Counsel for an owner and resident of Abbacombec Ocean Village in Clam Bay, Nova Scotia ("Abbacombec"). We have instructions to keep our client's identity confidential.

Our client has consulted us in relation to an unresolved dispute arising from the lack of reasonable access and state of repair of the common areas of Abbacombec. This letter outlines our client's concerns and demands under the following subheadings:

- (1) The Access of the Common Areas;
- (2) Repair of the Green Building in the Common Areas; and
- (3) Possible Subdivision and Sale of the Common Areas.

1. Reasonable Access Must be Restored

As you are aware, all owners of the lots at Abbacombec entered into a license agreement (the "Agreement") which specifies duties and obligations of the three entities, the "Developer", the "Co-op", and the "Owner". Among the obligations in this agreement are for HarbourEdge Real Estate Administration (the "Developer") and HarbourEdge Investment Corp (the "Co-Op") to maintain the common areas of the Abbacombec Ocean Village in consideration for a monthly levy paid by the owners.

Clause 1 of the Agreement provided that the Developer and Co-Op must maintain the common areas to a reasonable state of repair and maintain reasonable access to the common areas. Each owner has a license to use the common areas for access to the lot and for recreational purposes, such license being revocable upon a breach by an owner.

It has come to our attention that a building in the common area has been used for storage and business purposes by an individual in your community, Ralph Bayers, at the exclusion of all other residents. Schedule A1 of the Agreement describes the common areas so neither the Developer nor the Co-Op can change the designation of a building from common-area to

exclusive use. Under the law, any ambiguity regarding which structures are contemplated as part of the common area will likely be resolved against your favour.

It is our client's position that by permitting this individual to exclusively use this building, the HarbourEdge entities are in direct breach of the Agreement. We concur with our client and it is our opinion that HarbourEdge should take action and return access to the common area structures to all residents immediately. Since this is a "recreational area," all possessions in the building connected to business or personal use of non-owners should be removed.

2. Reasonable State of Repair of all Common Area Structures Must be Restored

As you are further aware, the rear section of the "Rec Centre" also known as the green building in the common area is currently in desperate need of clean up and removal. The roof has blown off and some walls have collapsed. As it stands, this structure is in total disrepair and cannot be safely accessed by any residents. The purpose of the monthly levies on the owners is to provide a fund to HarbourEdge to repair and maintain areas such as that of the green building. It is our understanding that you have failed to comply with this obligation for many years and no portion of the levies have been dedicated to maintaining it. We remind you of your positive obligations under the Agreement to maintain the common area within reasonable state of repair.

It is our opinion that if this matter were litigated, case law supports the proposition that the appropriate remedy for improper maintenance is damages in return of levies. We trust that you wish to avoid such a costly and inefficient result. It is our opinion that HarbourEdge should take action and return the building to a reasonable state of repair, at your cost, however you see fit.

Our client, together with other owners in Abbecombec propose that an acceptable settlement of any of the foregoing issues is for Mr. Ralph Bayers to perform all clean up of the damaged area of the green building in the common area in compensation for the six years of use that he denied the rightful use of the owners of Abbecombec and then vacate the premises. This would constitute restitution for the neglected maintenance by HarbourEdge. In any case, no additional costs should be passed onto the owners for this cleanup.

3. Possible Subdivision and Sale of the Common Areas will be Contested

Lastly, our client has reason to believe that part of the common area may be conveyed to a third party or subdivided. Clause 10-14 of the Agreement explicitly only contemplates conveyance of common elements to the Co-Op for distribution to the owners, and not conveyances or sales to a third party. Any subdivision or sale of the common areas is in violation of the Agreement, and therefore will be opposed.

We trust that our client's position is clear. We look forward to hearing from you.

Yours very truly,

McInnes Cooper

Michael Ng
cc. Aileen Furey