

In The Matter of The Bankruptcy of Careadon Corp.

IMPORTANT NOTICE OF TRUSTEE'S INTENTION TO ABANDON CERTAIN ASSETS

To all known creditors:

If you are not already aware, please be advised that Ernst & Young Inc. was appointed Trustee in the matter of the bankruptcy of Careadon Corp. ("**Careadon**") under the *Bankruptcy and Insolvency Act* ("**BIA**"), pursuant to a Bankruptcy Order granted on November 16, 2023 (the "**Order**"). Our firm is also acting as the Court-Appointed receiver ("**Receiver**") for Careadon.

Subject to the Court's approval, the Receiver is looking to enter into settlement agreements with the four (4) life lessors (the "**Lessors**") in relation to the building previously owned by Careadon. The terms of the proposed settlement are as follows:

- 1.) 8% of the initial life lease payment Careadon received from each of the Lessors that is currently being held in trust with independent counsel will be forwarded to the Receiver for the benefit of Careadon's creditors, the balance of 92% of such amounts will be returned to the Lessors;
- 2.) All of the interest earned on the total amounts held in trust as noted in 1.) above will be collected by the Receiver for the benefit of Careadon's creditors;

The funds collected by the Receiver as outlined above will be used to cover the costs to complete the administration of the receivership, and any remaining funds (if any) will be paid to the senior secured creditor, UMC Financial Management Inc. ("**UMC**"), who has suffered a significant shortfall in the circumstances. There will be no funds available to unsecured creditors as a result.

Further, throughout the Receivership, the Receiver has been in discussions with Kota Contracting Inc. ("**Kota**"), the general contractor in relation to the building owned by Careadon, in relation to two pieces of litigation in which Kota and Careadon are the plaintiff (Actions 2003 05717 & 30651.043). The Trustee advises the following in relation to these lawsuits:

- 1.) UMC has advised the Receiver that it is not willing to fund any further efforts in relation to these lawsuits, and does not support the Receiver using estate funds (that otherwise form part of its security) to pursue these lawsuits further;
- 2.) the Receiver has received minimal information in relation to these lawsuits;
- 3.) the counsel of record for Careadon and Kota has recently removed themselves from the proceedings going forward;

- 4.) the director of Careadon provided the Receiver a copy of an Assignment of Claims, between Careadon as the assignor, and Kota as the assignee, dated June 21, 2019 assigning Careadon's rights under these lawsuits to Kota.

Given the above factors, the Receiver will not be pursuing any further participation with respect to these lawsuits.

The Trustee believes that the Receiver's settlement of the life leases and abandonment of the litigation as discussed herein is a reasonable course of action and is supportive. In addition, given the quantum of the shortfall suffered by UMC in the circumstances, the Trustee does not see any possible benefit to the unsecured creditors in the bankruptcy to justify incurring costs and expending any further time or effort attempting to realize on these assets. As such, the Trustee will not be pursuing any recovery in relation to these assets any further.

As a creditor, if you disagree with the Trustee's actions outlined herein, you can consider taking up efforts to recover these assets at your own risk and expense, individually or as a group, pursuant to Section 38 of the BIA. If you wish to consider doing so, you should advise the Trustee immediately and seek legal advice.

For your information, the Receiver has scheduled an application before the Court on April 22, 2024 to approve its intentions in relation to the above assets and move forward with finalizing the administration of the receivership. The Trustee will not be opposing the relief sought by the Receiver. Govern yourself accordingly.

Yours truly,



Matt McCulloch
Partner / Principal