

RICHTER

January 31, 2020

TO: CREDITORS OF CASTOR HOLDING LTD.

RE: Castor Holdings Ltd. (“Castor” or “Estate”)

Gentlemen,

We are writing to you in our capacity as trustee (the “**Trustee**”) to the bankruptcy (the “**Estate**”) of Castor Holdings Ltd. (“**Castor** or the “**Bankrupt**”). On February 1, 2018 we had sent you a Reporting Letter with the purpose of providing you with an update and a succinct summary of the status of this file. The following is to provide you with a further update without admission as to the acceptance of the Proof of Claim which you had filed with the Trustee (“**Claim**”) or your status as an ordinary unsecured creditor. The final decision on all Proofs of Claim will take place upon the Trustee being in a position to declare a distribution to the creditors (“**Dividend**”) from the net realization of the Estate to those Unsecured Creditors whose Claims are ultimately accepted by the Trustee. For your information, the Dividend to Unsecured Creditors represents a pro rata distribution from the funds available in the Estate after payment of all expenses and after 100% payment of the claims of Preferred Creditors.

We had previously advised you that the Trustee’s administration is coming to a conclusion with the eventual possibility of the Trustee paying a nominal Dividend. There have been delays in the finalization of the Trustee’s administration, not attributable to the Trustee, but rather as a result of uncontrollable external reasons. We elaborate thereon below.

Delays in Finalization Of Trustee’s Administration

At the time of our previous letter to you, the Trustee had been reviewing approximately \$1.3 billion of Proofs of Claim. This was a cumbersome process and involved, without limitation, the Trustee sending out Notices of Disallowance to reject various claims in whole or in part, and/or settlements of amounts claimed with various creditors. This review process has been concluded with the result that the Unsecured Proofs of Claim have been diminished by approximately one half, or to \$627 million. Preferred Proofs of Claim have been diminished from approximately \$1.5 million to approximately \$500,000.

Another reason for the delay of the Dividend to the Creditors, was the Government of Québec (“**MRQ**”) requesting a tax audit with regard to the past corporation tax paid by the Estate. Although it took an extensive period of time for MRQ to complete its audit, it ultimately concurred with the tax filings of the Trustee.

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Unfortunately, after the MRQ completed its favorable audit, the Federal Taxation Authorities, Canada Revenue Agency (“**CRA**”), decided to perform its own tax audit. This audit is still ongoing with the Trustee fully cooperating with CRA so as to expedite the completion of this matter. The Trustee is unable to speculate when the CRA will complete its work or whether it will concur with the past tax positions of the Trustee. Until the CRA issues its assessment (which we hope will be on a similar basis to that of the MRQ), the Trustee cannot declare a Dividend. This latter matter should be the penultimate administrative matter to conclude the Castor file. It should be noted that even if the CRA concurs with the Trustee’s tax positions, the Estate will be required to file at least one further tax return to the CRA & MRQ, for the year ended March 31, 2020 and await the Government’s confirming assessments.

We caution you, however, that the Castor Case has been one of the most unusual in Canada, and therefore until the Trustee declares a Dividend and its Discharge has been approved by the Court, other intervening events may arise.

The Trustee shall continue to keep the Creditors informed of its progress.

Statement of Receipts and Disbursements (“Statement”)

Below is a summary of the funds received and disbursed by the Trustee from July 9, 1992 to December 31, 2019. It reflects an abridged summary of the tangible assets realized as well as the results of various categories of litigation. It also summarizes various disbursements incurred by the Estate. This Statement has been prepared on a cash basis and does not include accrued liabilities, or any possible additional realization from interest income, the trust funds being invested in the bank. It is also important to note, as stipulated above, that the Statement does not include provision for any potential liabilities pending the finalization of the Trustee’s administration. **We therefore reiterate our caution to the Reader that notwithstanding the reporting of the Trustee having “Funds on Hand”, such funds are not available for immediate distribution and the eventual quantum thereof is unknown, until the Trustee fully completes its administration.** Ongoing costs of administration of the Estate will be charged against the Funds on Hand.

Abridged Summary of Statement of Receipts and Disbursements
for the Period July 9, 1992 to December 31, 2019

Receipts

• Participating Creditors' Loans	\$102,167,622
• Distribution from Monitor in accordance with CCAA Plan	\$95,000,000
• Proceeds from CCAA – dividend	\$10,719,821
• Other Litigation Recoveries	\$17,594,310
• Income tax refund	\$627,331
• GST/QST Litigation Recovery	\$4,861,325
• GST/QST Participating Creditors invoice recovery	\$6,037,439
• GST Refund	\$243,471
• Tangible Asset Recoveries	<u>\$27,206,708</u>

Total Receipts \$264,458,027

Disbursements

• Directed Payment of Participating Creditors' Loans	\$95,000,000
• Legal Fees	\$72,078,255
• Trustees Fees	\$28,229,052
• Accounting Experts and Other Professional Fees	\$14,414,755
• Reimbursement to Estate Peter Widdrington	\$1,231,518
• Goods & Services Taxes (GST/QST)	\$14,563,945
• Investigation, Discovery, Rogatory Commission Costs	\$1,858,549
• Income Tax	\$1,556,188
• Estate Administration Costs	\$5,100,608
• Diverse Other Expenses	\$2,053,269
• Asset Realization Expenses	<u>\$1,885,579</u>

Total Disbursements \$237,971,718

Funds on Hand at December 31, 2019 **\$26,486,309**

Remaining Trustee's Administration

As mentioned above the Trustee's administration is substantially complete.

Upon the conclusion of the above matters or any others which may arise, the Trustee will follow due process and procedure in order to properly close its file with the hope of issuing a Dividend to those Unsecured Creditors whose claims have been accepted. Our best guesstimate remains that the Trustee's closure of the file and final distribution to Creditors, will take a further 7 to 12 months, providing there are no delays caused by legal matters, tax issues, or unexpected problems (collectively "**Problems**").

We reiterate that at this time, it is premature to project with any degree of accuracy the amount of funds which may be ultimately available for Dividend distribution and the percentage on the dollar which each Unsecured Creditor may expect on its Claim. We can only speculate at this time that if there are no future Problems, the Dividend may be in the range of 3% – 4%. We continue to hold regular Meetings with the Estate's Inspectors (appointees of the creditors to work with the Trustee). To date we have had 128 Meetings, primarily by conference call, and numerous other interim communications. We will of course continue to keep the Inspectors of the Estate apprised of all developments and inform the Creditors of delays if the Trustee determines the latter to be relevant.

Prior to any Distribution, all creditors whose claims have been accepted claims, will receive a detailed accounting of the Trustee's Administration and a Dividend Sheet, the latter which will indicate the name and amount payable to each beneficiary unsecured creditor. We respectfully request, that if any creditor has had a change of mail address, or name, it should be provided to the Trustee forthwith. Email updates and relevant contact individuals should also be provided to the Trustee.

We trust that the above concisely summarizes the current status of this bankruptcy Estate.

The Trustee remains available to respond to inquiries.

Respectfully submitted,

RICHTER ADVISORY GROUP INC.,
in its capacity as Trustee to the bankruptcy
of Castor Holdings Ltd.

Per:



Philip Manel, CPA, CA, CIRP, LIT

PM/vc