

RICHTER

March 24, 2021

TO: CREDITORS OF CASTOR HOLDING LTD.

RE: Castor Holdings Ltd.

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 December 3, 2020 we had sent you a Reporting Letter for 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 as well as the steps remaining and timing to finish this file. A copy of this Report also appears on the Trustee’s website (<https://www.richter.ca/insolvencycase/castor-holdings-ltd/>).

We had previously advised you that the Trustee’s administration is coming to a conclusion with the eventual intention of the Trustee paying a nominal distribution to the creditors (“**Dividend**”), if possible. We had also advised you at that time of delays in the finalization of the Trustee’s administration, not attributable to the Trustee, but rather as a result of uncontrollable external reasons. It would appear that subject to there being no further “intervening” events (“**Events**”), the Trustee may now move forward towards the payment of the Dividend.

Delays in Finalization of Trustee’s Administration

A) Review Proofs of Claim

At the time of our previous letter to you, the Trustee had informed you that approximately \$1.3 billion of Proofs of Claim had been reviewed and reduced to approximately \$680 million, thereby doubling the eventual Dividend.

A **list of those accepted Claims** was attached to our prior Report to you. Each creditor had been requested to verify the amount, its name, and its address. We reiterate that the final decision on acceptance of all Proofs of Claim will take place upon the Trustee being in a position to declare the Dividend.

B) Government Tax Audits

Our last Report informed you that the Federal taxation authorities, Canada Revenue Agency (“**CRA**”), had decided to perform a tax audit of Castor’s 2016 and 2017 taxation years. This audit was delayed by CRA, particularly as a result of the “COVID-19” situation and the temporary suspension of work by its employees.

We had also informed you that the CRA audit had been concluded in November 2020 with the CRA proposing a reassessment (“**Proposed Reassessment**”) which would have a significant negative financial impact on the Estate, estimated at between \$1 million-\$2 million for 2016 and 2017.

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The Trustee in consultation with its tax advisors made representations to the CRA with regard to its Proposed Reassessment, contending that the Proposed Reassessment was not well-founded. The CRA on March 12, 2021, concurred with the Trustee's position and has withdrawn its Proposed Reassessment.

This CRA tax matter was the only significant remaining unresolved known issue prior to the Trustee being able to take the further steps to close the Estate file and proceed to the issuance of a Dividend. We refer you to the last section of this Report for an abridged summary of these "Steps and Timetable".

Statement of Receipts and Disbursements ("Statement")

Previously, the Trustee had provided you with a detailed Statement of the funds received and disbursed by the Trustee from July 9, 1992 to November 16, 2020. As of the present date there have not been "material" changes. You shall, however, receive in due course the Trustee's Final Statement of Receipts and Disbursements ("**Final Statement**") together with a Notice of the forthcoming Dividend and date of the Trustee's request for its Discharge from the Court.

Remaining Trustee's Administration

The Trustee, having received confirmation that the CRA Proposed Reassessment has been withdrawn, is now prepared to proceed with the remaining steps which the Trustee is obliged to take in conjunction with the payment of the Dividend. We elaborate below on the Steps and Timetable for their completion:

1. The fiscal year-end of Castor is March 31. In conjunction with the Richter Tax Department, the March 31, 2021 year-end tax returns shall be filed, hopefully by April 15, 2021.
2. A Final Statement shall be prepared with the cut-off date of April 30, 2021, or possibly earlier, and submitted to the Bankruptcy Estate Inspectors for their approval shortly thereafter; approvals expected by May 15, 2021. This Final Statement shall form the basis of the Final Dividend to be paid to creditors.
3. Upon the Trustee receiving the Inspectors' approvals of the Final Statement, on or about May 15, 2021, the Trustee shall send the Final Statement to the Office of the Superintendent of Bankruptcy ("**OSB**") for its comments. The OSB oversees the activities of all trustees and must provide its approval/comments for the Trustee to move forward to the closure of the file. This formality is a requirement under the *Bankruptcy and Insolvency Act of Canada*. Hopefully, the comments of the OSB will be received by May 31, 2021.
4. Immediately upon receipt of the OSB comments (which historically in other files have never been a problem), the Trustee will send the Final Statement to Québec Superior Court for Taxation (court approval) which all being well, will be received by July 31, 2021, prior to the summer recess of the Court.
5. Upon receiving the Court Approval/Taxation, the Trustee shall send out the requisite legal Notice ("**Notice**") to the creditors by August 10, 2021 specifying that sometime after 15 days of the issuance of the Notice, the Trustee intends to pay a Final Dividend to the creditors and to also advise the creditors that in 45 days, the Trustee will apply for its Discharge from the Court ("**Discharge**"). The Discharge judgment signifies the formal closure of the Estate file, except for minor administrative matters which do not affect the creditors nor payment of the Final Dividend ("**Payment**"). The Trustee has the legal requirement to Notify all creditors whose claims have been accepted and to attach to the Notice, a detailed Dividend list of creditors ("**Dividend Sheet**") which denotes each creditor's Final Dividend, all claims being paid, as well as a copy of the Final Statement.

If creditors and supplemental notified parties do not formally object to the Dividend Sheet, the Final Statement, or the Trustee's request for Discharge, then the "Timetable" can continue without disruption. This would mean that the Payment would be issued to creditors on or about October 1, 2021.

We caution you that the above sequential Steps and Timetable, as well as ensuing Payment assume that both the Federal and Provincial taxation authorities, CRA & MRQ, concur with the Trustee's position regarding fiscal year ended March 31, 2021, and that no further tax audits are requested, and of course there being no further unforeseen Events. Should any Step not be completed on time, this would necessarily affect all subsequent Steps.

As you can see, the above is a sequence of procedures and the associated Timetable is quite ambitious. Any interruptions in the sequence will result in a postponement in the issuance of the Final Dividend. The Trustee shall, of course, advise creditors of any substantial delay in this Timetable.

We also remind you that the Castor Bankruptcy has been one of the most unusual in Canada, and therefore until the Trustee declares a Dividend and legal delays have expired with regard to the Trustee's request for Discharge, Events may arise causing further deferments.

Should you have any questions, the undersigned remains available at your convenience.

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