

RICHTER

February 1, 2018

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 September 16, 2016 we had sent you a Reporting Letter with the purpose of providing you with 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**”).

The Trustee’s administration is coming to a conclusion with the eventual possibility of the Trustee paying a nominal dividend/pro rata distribution from the net realization of the Estate to those Unsecured Creditors whose Claims are ultimately accepted by the Trustee (“**Dividend**”).

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, 2017. 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. It is also important to note that the Statement does not include provision for any potential liabilities pending the finalization of the Trustee’s administration. **We therefore caution 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. Some of the remaining administrative matters are described below.

The main difference between current Statement and the Statement amounts previously provided to you is the result of the receipt of funds from the settlement with Coopers & Lybrand resulting from the CCAA Proceedings as well as finalizing GST/QST (value-added taxes) and the payment of various professional fees relating to the Trustee’s dealing with Participating Creditors. You will observe that as at December 31, 2017 there has been a net improvement in the “Funds on Hand” of approximately \$8 million.

T. 514.934.3451
pmanel@richter.ca

Richter Groupe Conseil Inc.
Richter Advisory Group Inc.
1981 McGill College
Montréal QC H3A 0G6
www.richter.ca

Montréal, Toronto





Abridged Summary of Statement of Receipts and Disbursements
for the Period July 9, 1992 to December 31, 2017

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	
• GST/QST Litigation Recovery	\$4,861,325	
• GST/QST Participating Creditors invoice recovery	\$6,001,673	
• GST Refund	\$243,471	
• Tangible Asset Recoveries	<u>\$26,280,504</u>	
Total Receipts		\$262,868,726

Disbursements

• Directed Payment of Participating Creditors' Loans	\$95,000,000	
• Legal Fees	\$71,343,353	
• Trustees Fees	\$27,259,493	
• Accounting Experts and Other Professional Fees	\$14,414,755	
• Reimbursement to Estate Peter Widdrington	\$1,231,518	
• Goods & Services Taxes (GST/QST)	\$14,262,800	
• Investigation, Discovery, Rogatory Commission Costs	\$1,858,549	
• Income Tax	\$1,135,164	
• Estate Administration Costs	\$5,004,886	
• Diverse Other Expenses	\$2,053,269	
• Asset Realization Expenses	<u>\$1,885,579</u>	
Total Disbursements		<u>\$235,449,366</u>

Funds on Hand at December 31, 2017

\$27,419,360



CCAA Proceedings

The following is a brief update on the CCAA proceedings as of December 31, 2017. As previously reported in June 3, 2016, the distribution of contributed funds to the Participating Creditors and to other claimants who filed claims with Coopers and Lybrand Chartered Accountants (“**CLCA**”), was structured generally in 3 tranches. All amounts under the three tranches have now been paid by the CCAA Monitor, including directly to specific creditors under the CCAA as well as to the Castor Estate. **It is important to note that the Castor Estate’s litigation against CLCA was the impetus to arriving at the CCAA settlement solution. This produced, in addition to the \$95 million loan reimbursements to participating creditors, a further \$115 million in tranches 2 & 3 settlement payments to creditors.**

Accordingly, the CCAA has now been concluded.

Remaining Trustee’s Administration

As previously mentioned in our Reporting Letters, there are various matters still to be dealt with by the Trustee prior to distribution of any residual funds in the Estate, including a *pro rata* distribution to the Unsecured Creditors in this bankruptcy (“**Dividend**”). We remind you again that the Trustee only pays a Dividend to the Unsecured Creditors. The Trustee assumes that any “secured” creditors have dealt with their respective security outside of the Bankruptcy and do not have any entitlement to a Dividend, unless such creditor(s) filed an unsecured claim for the shortfall between the amount of its secured advances and the amount it had realized.

Without limitation, the Trustee summarizes some of the more important administrative steps which have been concluded or are yet to be concluded:

- The Estate has concluded a settlement with the Minister of Revenue (“**MRQ**”) concerning value-added taxes (referred to in Canada & Québec as GST/QST) which put an end to significant financial exposure and potential litigation with MRQ which otherwise could have taken years to complete. We are pleased to report that the MRQ agreed with the position of the Trustee.
- The financial year-end of the Castor Estate is March 31st. We have filed the 2017 Corporation tax returns on a basis consistent with the past as recommended by the Trustee’s tax attorneys. As mentioned previously, we hope that there will be no surprise assessments which could otherwise involve liability to the Estate and delays in the closure of the file. It usually takes approximately 6 to 12 months to receive confirmation from the governments with a right to modify their position for four years therefrom. A further tax return will be required to be filed for year-ended March 31, 2018, which hopefully may be our last or penultimate tax return.
- The Trustee continues to review in excess of \$1.3 billion of Proofs of Claim filed by Creditors and to utilize legal counsel where necessary with regard to the acceptance or rejection of Claims. This is an ongoing and relatively arduous obligatory process. The Trustee wishes to point out that pursuant to its review, to date approximately \$560 million of claims have been disallowed, thereby reducing the entitlements to a base of nearing \$700 million of creditors. The review of claims continues and is expected to be complete with the next few months.

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 2% – 3%. We will of course 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, 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

PM/vc