

## Tax Bulletin for Carcetti Capital Corp.

### *Reorganization of Share Capital*

Effective December 30, 2022, Carcetti Capital Corp. (the “Company; formerly Cub Energy Inc.) completed a reorganization of the Company’s share capital to permit the Company to pay a special cash distribution of \$0.03 per share to shareholders of record as at December 23, 2022 (the “**Special Distribution**”).

In connection with the Special Distribution, the Company filed articles of amendment which created a new class of common shares (“**Class B Common Shares**”) and a class of preferred shares (“**Preferred Shares**”) to effect an exchange of the existing Company common shares for new Class B Common Shares and Preferred Shares on the basis of one Class B Common Share and one Preferred Share for every Company common share currently outstanding. Shareholders did not receive share certificates or evidence thereof for the Preferred Shares as such shares were being immediately redeemed, in accordance with a notice from the Company provided by way of a news release dated December 30, 2023 (for greater certainty, the news release dated December 30, 2023 served as notice of the redemption of the Preferred Shares), in exchange for the Special Distribution.

Also on December 30, 2022, the Company completed a name change to “Carcetti Capital Corp.” and a share consolidation on the basis of one (1) new share for every three hundred (300) old shares as part of the Company’s reorganization.

### *Tax Treatment*

The transaction was an exchange of the old shares for Class B Common Shares and new redeemable Preferred Shares. The paid up capital (“PUC”) of the Preferred Shares is equal to the Special Distribution amount, while the balance of the PUC of the old shares is allocated to the Class B Common Shares. The adjusted cost base (“ACB”) of the old shares is allocated between the Class B Common Shares and the Preferred Shares according to their proportionate fair market value. The Company’s opinion is 100% of the fair market value is attributed to the Preferred Shares as the Special Distribution was the only material asset of the Company.

This redemption of the Preferred Share is to be reported on a T5008. The effective date of the Preferred Share redemption was December 30, 2022 and the T5008 should be issued for the calendar year 2022.

### **Information for boxes 19, 20 and 21 on the T5008**

Based on the foregoing, and that the paid-up capital, redemption and fair market value amounts are \$0.03 (pre-stock 300:1 consolidation), boxes 19, 20, and 21 should be filled out as follows:

- Box 19: The **fair market value of the preferred shares** disposed of by each shareholder should be \$0.03 multiplied by the number of preferred shares held by that shareholder. (the number of preferred shares is the same as the original number of common shares held – pre-consolidated)
- Box 20: The **adjusted cost base of the preferred shares** disposed of should be each shareholder's aggregate adjusted cost base in their original common shares.
- Box 21: The **proceeds of disposition** should be \$0.03 multiplied by the number of preferred shares held by that shareholder. (the number of preferred shares is the same as the number of the original common shares held pre-consolidation)