

District of Ontario
Division No.: 09 - Toronto
Estate No. 31-2360759
Court No. 31-2360759

IN THE MATTER OF THE BANKRUPTCY OF
CURRICULUM SERVICES CANADA
/ SERVICES DES PROGRAMMES D'ÉTUDES CANADA
OF THE CITY OF TORONTO,
IN THE PROVINCE OF ONTARIO

Trustee's Preliminary Report to the Creditors

BACKGROUND

1. CURRICULUM SERVICES CANADA / SERVICES DES PROGRAMMES D'ÉTUDES CANADA ("**CSC**") was a federally incorporated not for profit corporation with a mission to serve as a leader in meeting the ever-changing needs of learners through high-quality standards and innovation for learning. CSC provided resources and learning services in Ontario, across Canada and to the international education community.
2. CSC was established in August, 1999 and operated from offices located at 150 John Street, Toronto. CSC had seventeen full time employees and five part-time employees.
3. CSC operated under the trade name "Learnography".

Causes of Insolvency

4. In February and March 2018, following its review of CSC's financials that had fallen short of budget and CSC's revenue projections, CSC's Board of Directors explored a variety of options and scenarios to determine if CSC could continue in operation.
5. The Board of Directors concluded that CSC's operations could not continue and that CSC was no longer able to meet its obligations generally as they fell due. The Board authorized CSC to make an assignment in bankruptcy pursuant to the provisions of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended (the "**BIA**") by March 30, 2018.
6. On March 28, 2018, CSC filed an Assignment in Bankruptcy. On March 29, 2018 the Office of the Superintendent of Bankruptcy issued a Certificate of Appointment in which (i) the date of bankruptcy was set as March 29, 2018, and (ii) RSM Canada Limited ("**RSM**") was appointed as the trustee in bankruptcy of CSC (the "**Trustee**") subject to affirmation at the First Meeting of Creditors.

SECTION A: PRELIMINARY EVALUATION OF ASSETS

7. According to CSC's Statement of Affairs ("**SOA**"), the assets of CSC as at the date of bankruptcy consist of the following:

Cash on hand	\$ 119,444.02
Accounts receivable (at book value)	253,927.88
Computer and media equipment (at cost)	381,726.48
Furniture (at cost)	122,806.80
Funds held by Trustee	75,000.00
Short-term investment	40,099.72
Long and short-term investments	1,435,309.13
Prepaid insurance	<u>16,733.66</u>
Total assets	<u>\$2,445,047.69</u>

a) Cash and short-term and long-term investments

	<i>per SOA</i>	<i>April 4, 2018</i>
Cash on hand	\$ 119,444.02	\$ 239,346.57
Short-term investment	40,099.72	40,159.16
Long and short-term investments	<u>1,435,309.13</u>	<u>1,200,000.00</u>
Total	<u>\$1,594,852.87</u>	<u>\$1,479,505.73</u>

On March 29, 2018, the Trustee wrote to TD Canada Trust ("**TD**") where CSC's bank accounts were held, to notify TD of the bankruptcy, request that TD freeze the CSC accounts and arrange for the transfer of the balance in CSC's accounts to the Trustee.

On April 4, 2018, the Trustee was informed by TD that the total of CSC's accounts and investments was \$1,479,505.73, as set out above. The Trustee understands that two short term investments with a book value of approximately \$200,000 matured on March 21, 2018 and were deposited into CSC's operating account.

CSC has advised that the short term investment of \$40,099.72 is held as security against CSC's VISA account.

As of the date of this report, the other cash and short-term investments have not yet been transferred to the Trustee.

b) Accounts Receivable

According to CSC's Statement of Affairs, CSC's accounts receivable as at the date of bankruptcy consisted of the following:

	Book Value	Collectible
Accounts receivable	\$178,174.65	\$176,456.25
HST receivable	17,254.75	17,254.75
LCS Intercompany loan	5,000.00	0.00
MCN Intercompany loan	53,498.48	0.00
	<u>\$253,927.88</u>	<u>\$193,711.00</u>

To date, \$6,956.25 has been collected by the Trustee. The Trustee will review the status of the accounts receivable with the inspectors to be elected at the First Meeting of Creditors.

The Trustee understands that the final HST return has not been filed by CSC. The Trustee will review the status of that return.

The amount due from Learnography Corporate Services ("**LCS**") is not expected to be collected as a result of the bankruptcy of that entity.

The collectability of the amount due from My Class Needs Foundation / Foundation Pour Ma Classe ("**MCN**") is uncertain. MCN became bankrupt on March 29, 2018. The Trustee is not aware at this time whether any funds will be available for distribution to creditors in the MCN bankruptcy.

c) Computer and Media Equipment

Computer and media equipment (at cost) \$381,726.48

The machinery and equipment is comprised of office equipment such as computers, printers, hard drives and studio equipment. As the electronic media contain data files, there will be a cost to the estate to either scrub the data or destroy the hard drives.

d) Furniture

Furniture (at cost) \$122,806.80

The office furniture includes work stations, desks, tables, chairs, filing cabinets and couches.

The Trustee has received offers to purchase/proposals ("**Offers**") for the liquidation of CSC's computer equipment and furniture. The Trustee will review the Offers with the Inspectors.

e) Other Property

Other property included on the Statement of Affairs consists of the following:

- i. Funds held by Trustee - In addition to the funds held in CSC's accounts at TD, the Trustee is in possession of \$75,000 which was provided to RSM by CSC on March 22, 2018 pending the filing of the assignment in bankruptcy. These funds have been transferred to the estate bank account in respect of CSC;
- ii. The long and short term investments are discussed above; and
- iii. Prepaid Insurance – This represents the unexpired balance of the annual insurance premiums paid on CSC's policies. A portion of this prepaid expense may be refundable upon cancellation of the policies.

The Trustee will discuss these assets further with the Inspectors.

SECTION B: CONSERVATORY AND PROTECTIVE MEASURES

Cash In Bank

8. As set out earlier in this report, the Trustee advised TD to freeze CSC's bank account.

Leased Premises

9. The Trustee has notified the landlord and the property manager of CSC's filing for bankruptcy and its appointment as trustee of the estate. The Trustee arranged for the cancellation of all pass cards granting access to Suite 600, except for four pass cards retained by the Trustee. In addition, the sixth floor was put on restricted access so that only those persons with authorized pass cards could access the sixth floor via elevator.

10. During the period of its occupancy of the leased premises, the Trustee is paying rent on a per diem basis. The Trustee has paid \$16,759.77 on account of occupation rent for the period April 1 to 15, 2018. The Trustee intends to disclaim the lease when the assets have been removed from the leased premises and will seek the approval of the Inspectors to do so.

Mail Redirection

11. The Trustee has arranged for the redirection to the Trustee's office of CSC's mail for a period of one year.

Insurance

12. CSC maintained three separate policies: property and liability insurance, directors and officers insurance, and kidnap and ransom insurance.

13. The Trustee has notified CSC's insurance broker of CSC's bankruptcy and requested that the Trustee be added as either Named Insured or Additional Insured to CSC's liability insurance. The Trustee has also arranged for a separate liability policy pending the response of the insurance company. The property and liability policy will stay in place until the Trustee vacates the premises.

14. The Trustee has cancelled CSC's kidnap and ransom policy, but has not yet cancelled the directors and officers insurance. The Trustee will review the status of the insurance policies with the Inspectors.

Third Party Property

15. The Trustee has contacted third parties who appear to have property on the leased premises and requested that they file a Proof of Claim (Property) in respect of their property:

- i. Ministry of Education – Trillium List book collection
- ii. Business Cloud Inc. – Telephone handsets
- iii. De Lage Landen Financial Services Canada Inc. – Ricoh copier
- iv. RCAP Leasing Inc. – water purification systems

In addition, located at the premises was a TD cheque scanner and Blue-Pencil Inc. The Trustee will review the third party property with the Inspectors.

Books and Records

16. CSC's electronic data and email accounts are maintained on the Cloud via a third party provider, Business Cloud Inc. Upon its appointment, the Trustee contacted Business Cloud Inc. and arranged for the email accounts and access to CSC's files on the Cloud to be suspended.

17. The Trustee has also arranged for the boxing of CSC's paper records which remained in the leased premises.

18. The Trustee will review the disposition of CSC's paper and electronic records with the Inspectors.

SECTION C: LEGAL PROCEEDINGS

19. The Trustee is not involved in any legal proceedings at this time.

SECTION D: PROVABLE CLAIMS

20. The claims filed by creditors as of 9:00 a.m. on April 16, 2018, are as follows:

	Per Statement of Affairs	Filed as of April 16, 2018
Secured	\$764,902.42	\$ -
Preferred	100,558.59	2,000.00
Unsecured	4,739,792.27	628,390.04
<u>Total</u>	<u>\$5,605,253.28</u>	<u>\$630,390.04</u>

21. The Trustee will review the differences between the amounts set out in the Proofs of Claim filed and the amounts included in the SOA.

SECTION E: SECURED CREDITORS

22. One creditor, The Toronto-Dominion Bank ("**TD**"), was identified by a search conducted of the Personal Property Security Act Registration System ("**PPSA**") as having a secured interest against the assets of CSC, pursuant to a general security agreement. In addition, CSC executed an Investment Property Pledge Agreement in respect of its investment account in favour of TD.

23. The Trustee has requested that Pallett Valo LLP ("**Pallett Valo**"), independent counsel retained by the Trustee, provide an opinion on the validity and enforceability of TD's security. In order to provide its opinion, Pallett Valo advised the Trustee that it required certain documentation from TD. The Trustee has requested this information from TD and is awaiting its receipt. The Trustee will review this matter further with the Inspectors.

SECTION F: ANTICIPATED REALIZATIONS AND PROJECTED DISTRIBUTION

24. Based on the proofs of claim filed to date, the information on the SOA, and the pending opinion on the validity and enforceability of TD's security, the Trustee is unable to estimate at this time the amount that may be available for distribution to CSC's creditors. The Trustee will review this matter further with the Inspectors.

SECTION G: TRANSFERS AT UNDERVALUE AND PREFERENCE PAYMENTS

25. The Trustee has conducted a preliminary review of one of CSC's bank statements for the period March 2017 to February 2018. The Trustee will review this matter further with the Inspectors.

SECTION H: OTHER MATTERS

26. The Trustee has no other matters to report.

Dated at Toronto, Ontario, this 16th day of April, 2018.

RSM CANADA LIMITED, in its capacity as Trustee of the Estate of
Curriculum Services Canada / Services Des Programmes D'Études Canada, a bankrupt,
and not in its personal capacity



Per: Daniel Weisz, CPA, CA, CIRP, CFF, LIT
Senior Vice President