



Ernst & Young Inc.
Ernst & Young Tower
1000, 440 2nd Avenue SW
Calgary, AB T2P 5E9

Tel: +1 403 290 4100
Fax: +1 403 290 4265
ey.com

District of: Alberta
Division No. 02 - Calgary
Court No. 25-1921428
Estate No. 25-1921428

TRUSTEE'S PRELIMINARY REPORT IN THE MATTER OF THE BANKRUPTCY OF Green Learning Foundation

TRUSTEE: Ernst & Young Inc.

INTRODUCTION

Green Learning Foundation ("GLF") sought protection under the *Bankruptcy and Insolvency Act* (the "BIA") on October 14, 2014 by making an assignment into bankruptcy pursuant to section 49 of the BIA. The assignment was accepted by the Office of the Superintendent of Bankruptcy on October 15, 2014. Ernst & Young Inc. ("EY") was appointed as the trustee in bankruptcy subject to the affirmation or substitution thereof at the First Meeting of Creditors.

BACKGROUND

Green Learning Academy was founded in 2000. The name was changed to GLF on March 11, 2010. GLF is a nonprofit private school and offered education to students from pre-school to grade 9. The Trustee is advised that GLF's philosophy centered around student-directed teaching, making teaching and learning more relevant, productive and meaningful.

Up to 2009, GLF was supported by the founders on an annual basis through loans to the school. The loans were ultimately written off through a donation in August 2010. The Trustee is advised that GLF never had a strong financial foundation and operated on a break even basis from its inception until 2013.

GLF operated out of leased premises. The lease term was to expire in 2013. GLF attempted to find a new location that was better suited to its needs. Although GLF was close to finalizing a lease at a new location, the lease was never signed because City of Calgary zoning issues that could not be addressed before the start of the school year. GLF had few options and accordingly renewed the lease at the old location at a higher cost. GLF advises that many parents whose children attended the school were excited about the potential new location. However, when the new school premises did not materialize, 40% of students did not renew registration for the 2013/2014 school year. The higher rent cost plus the loss of 40% of the student population placed huge financial pressure on GLF. GLF laid off teachers, staff and pay cuts were introduced for the remaining staff.



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GLF also was unable to keep up with its financial reporting obligations. The Board of Directors mandated that management hire outside accountants to bring the books and records up to date. Several accounting firms were engaged, but it wasn't until the summer of 2014 when the records were caught up. The issue with the books and records delayed the receipt of government funding and ultimately resulted in the decision to make an assignment into bankruptcy.

SECURED CREDITORS

Canada Revenue Agency ("CRA") is listed as a secured creditor on the Statement of Affairs in the approximate amount of \$158,500. CRA is owed money for source deductions, for which they will have a "property" claim, ranking ahead of all other claims, secured or unsecured. CRA has not yet filed a proof of claim and may need to perform an audit before the amount owed is finalized.

The Trustee is not aware of any other secured claims

ASSETS

GLF's only asset listed on the Statement of Affairs is cash of approximately \$382,160. The Trustee has contacted the bank and requested that the account be closed and the funds on hand be forwarded to the Trustee. The Trustee has not yet received the funds.

There do not appear to be any other assets subject to a trust or similar claim, and accordingly the Trustee is not aware of any other assets that would not be divisible amongst the creditors.

CONSERVATORY AND PROTECTIVE MEASURES

The Trustee is advised that the landlord locked GLF out of the rental premises and subsequently terminated the lease on July 21, 2014. GLF has advised the Trustee that any items left in the rental premises have no value.

No conservatory and protective measures were necessary to be taken by the Trustee subsequent to the assignment. The Trustee understands that some of GLF's books and records are held by their accountant. The trustee has corresponded with the accountant and requested that GLF's books and records and any computers be provided to the Trustee. The Trustee understands that certain GLF books and records are located at Third Academy which the Trustee will be obtaining.

PROVABLE CLAIMS

The landlord filed a claim with the Trustee in the amount of \$873,786.03, indicating a preferred claim of \$55,356.00 and an unsecured claim of \$818,430.03. As the landlord terminated the lease prior to the date of bankruptcy, it is the Trustee's view that the landlord's claim is limited to approximately \$26,000.

HSBC has filed a preferred claim in the amount of \$37,888.86. The Trustee is of the view that HSBC does not have a preferred claim, and is reviewing same with its legal counsel.



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REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee is unaware of any reviewable transactions or preference payments with respect to this estate.

ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

It is anticipated that the unsecured creditors will have some recovery in this estate. The amount of that recovery will be dependent on the amount of the valid claims received and the professional fees incurred.

Until such time as the Trustee obtains the funds from the bank and has reviewed the claims in respect of their priority and quantum, the Trustee is unable to estimate the percentage recovery unsecured creditors can expect to receive.

Dated at the City of Calgary in the Province of Alberta, this 3rd day of November, 2014.

Ernst & Young Inc. - Trustee

Per:

Robert J. Taylor, FCA, CIRP
1000, 440 2nd Avenue SW
Calgary AB T2P 5E9

Phone: (403) 233-7112 Fax: (403) 206-5075