

District of Saskatchewan
Division No. 02
Court No.
Estate No. 23-2937625

**IN THE MATTER OF THE BANKRUPTCY OF
MCKAY CAREER TRAINING INC.**

TRUSTEE'S PRELIMINARY REPORT

MNP Ltd.
Licensed Insolvency Trustee

BACKGROUND AND APPOINTMENT:

1. McKay operated a vocational school out of leased premises located at 133 - 3rd Avenue North, Saskatoon, Saskatchewan. McKay offered various diploma programs in justice and security services, massage therapy, medical administrative assistant, medical office assistant, and mental health and addictions.
2. Prior to the assignment into bankruptcy, the owners indicated that they attempted to sell McKay. Despite several expressions of interest, a sale did not materialize.
3. As of April 27, 2023, 39 students were enrolled in McKay programs.
4. McKay Career Training Inc. ("McKay") filed a voluntary assignment into bankruptcy on April 27, 2023, and MNP Ltd. was appointed Trustee (the "Trustee").

SECTION A

Machinery, Equipment, Inventory, Office Equipment, etc.:

5. McKay owns various pieces of office equipment, furnishings, computer equipment, white boards and printers with an estimated value of \$50,000.00, as outlined on the Statement of Affairs prepared by a representative of McKay.

Building and Real Estate:

6. McKay leases the premises located at 133 - 3rd Avenue North from Egger Holdings Ltd. The property is managed by Landover Management (the "Leased Premises").
7. The Trustee has not occupied the Leased Premises. The Trustee has had ongoing communication with Landover Management with respect to access to the Leased Premises for the purposes of facilitating the return of personal belongings to employees and students, the return of third party assets, and removing the books and records.

Books and Records

8. The physical books and records remain at the Leased Premises. The Trustee has taken possession of the electronic books and records relevant to the bankrupt estate.
9. The director and shareholders of McKay have informed the Trustee that they wish to take possession of the books and records at the Leased Premises.

10. Representatives from the Ministry of Advanced Education (the "Ministry") attended at the Leased Premises on April 27, 2023 and removed student records. The Ministry subsequently advised the Trustee that it has removed all relevant student records.
11. The Trustee received notification from Today's Technology Management Group that it will be terminating all Microsoft Office Licensing which involves destruction of any emails and services associated with McKay, that all Virtual Machines have been powered off and will be destroyed, and all forms of backups will be destroyed by June 7, 2023 for failure of payment. This may include corporation documents, education material, accounting information.

Other Assets:

12. In accordance with the books and records of McKay, a balance of approximately \$31,715.00 in accounts receivables ("AR") was outstanding as at the date of bankruptcy. The Trustee continues to review these invoiced amounts to determine the likelihood of collection.
13. The Trustee contacted CIBC to restrict the bank account to deposit only. The Trustee has sent several follow-up emails to CIBC requesting a recent bank statement and bank balance and is awaiting a response.

Third Party Assets:

14. SCTA Northern Education Fund has filed a property claim with respect to an electrocardiograph that is stored at McKay and used for training purposes. The Trustee will be releasing this asset to SCTA.
15. Gordon McKay has filed a property claim with respect to 50 HP Pavilion desktop computers located on the Leased Premises. The Trustee will be releasing these assets to Mr. McKay.

SECTION B

Conservatory and Protective Measures

16. The Trustee had employees turn in keys to the Leased Premises on April 27, 2023. The Trustee subsequently met with a representative of Landover Management. As the Trustee is not occupying the Leased Premises, locks to the Leased Premises were not changed.

Insurance

17. The Trustee has confirmed the existing insurance policy remains in place however, the policy is up for renewal. The Trustee has requested cancellation of the business insurance and is awaiting a quote from the provider in relation to insuring the assets.

SECTION C

Legal Proceedings or Opinions Sought:

18. The Trustee does not anticipate the requirement for any legal proceedings or legal opinions at this time.

SECTION D

Secured Creditors:

19. The Trustee is in the process of administering WEPPA. As at the date of this report, claims received pursuant to s. 81.3(1) of the *Bankruptcy and Insolvency Act* total \$21,688.01. The Trustee anticipates secured claims for unpaid wages pursuant to s. 81.3(1) to be \$36,250.00.

20. According to the books and records of McKay, outstanding source deduction remittances total \$63,852.82. The Trustee has notified the Canada Revenue Agency and anticipates that a trust audit will be conducted to determine the total amount outstanding and the deemed trust portion of same.
21. The Business Development Bank of Canada ("BDC") registered a General Security Agreement ("GSA") at the Personal Property Registry ("PPR") on October 22, 2010. BDC is owed an estimated sum of \$28,969.61.
22. Premium Data Office Supplies Inc. ("Premium Data") has a security interest in certain of McKay's equipment via lease. The specifics of the security and amounts owed to Premium Data are not yet known.

Summary of Claims:

23. Below is a summary of claims contained in McKay's Statement of Affairs:

Deemed Trust	\$	63,852.82
Wages/Preferred:	\$	26,199.92
Secured	\$	28,969.61
Unsecured	\$	<u>997,460.51</u>
Total		\$1,096,482.96

24. Below is a summary of claims received as at May 12, 2023, 1:30 pm CST:

Deemed Trust	\$	
Wages/Preferred:	\$	21,688.01
Secured	\$	
Unsecured	\$	<u>291,314.39</u>
Total	\$	313,002.40

SECTION E

Anticipated Realization and Projected Distribution:

25. Estimated realizations and projected distributions are undetermined at this time. However, given the secured wage claims, the estimated deemed trust, and BDC's security interest, the Trustee does not anticipate a distribution.

SECTION F

Reviewable Transactions and Preference Payments:

26. The Trustee has not yet undertaken a review of any transactions that occurred prior to the date of bankruptcy that would constitute a transfer at undervalue or a preference as defined by sections 95 and 96 of the *Bankruptcy and Insolvency Act*.

SECTION G:

Employees:

27. The Trustee attended at the Leased Premises on April 27, 2023 and met with the employees present. The employees were provided with letters of termination dated April 27, 2023. Termination letters were mailed to those employees not present.

28. The Trustee has determined the outstanding wages, vacation pay, and termination pay owed to the employees as of April 27, 2023. The Trustee is in the process of administering WEPPA. Notice packages have been forwarded to the employees along with detailed instructions regarding the application process.
29. The Trustee has prepared the Records of Employment and T4s.


Students:

30. Two representatives on behalf of the Ministry of Advanced Education (the "Ministry") attended at the Leased Premises on April 27, 2023 and met with students and teachers to advise that McKay's Certificate of Registration had been cancelled and that operations had ceased.
31. The Ministry has advised that its officials will be reaching out to students beginning the week of May 29, 2023, to set up appointments to discuss options available.
32. The Ministry advised the Trustee that it will be calling the surety bond held with Saskatchewan Government Insurance for the benefit of the students impacted. The Trustee has also been advised that McKay paid into a provincial training allowance which may also be utilized if the Ministry deems it appropriate.
33. A Memo to Students has been posted on the front door at the Leased Premises.

Third Party Deposit:

34. Stephanie Scharfl has provided the Trustee with a \$20,000.00 retainer for its fees and disbursements to administer the bankruptcy estate.

Dated at Saskatoon, Saskatchewan, the 12th day of May, 2023.



Chelene Riendeau, CIRP LIT
Vice President