

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE BANKRUPTCY OF
WESTSIDE PREPARATORY SOCIETY

ORDINARY ADMINISTRATION

TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

BACKGROUND

Westside Preparatory Society (“**Westside**” or the “**Society**”) is a provincially registered society. A search of the British Columbia Society Registry performed on April 12, 2023, indicated that the Society’s directors are Graham Baldwin, Christina Berkey, Andrew Blackmore and Narayan Sainaney (the “**Directors**”). We understand that the Directors have since resigned. We also understand that the Society has had many directorial changes in the years preceding the bankruptcy. The Society operated an independent school which operated as the Westside Preparatory School (the “**School**”) in Vancouver, BC from two locations. The School offered educational programming for students ranging from elementary to high school.

It is our understanding that over the final years of operation the School’s enrollment had decreased, that the Society had accrued unpaid arrears owing to CRA, that the Society had been dealing with litigation claims, and that the Society was experiencing constraints with respect to its cashflow.

BANKRUPTCY ORDER

0946664 B.C. Ltd., being a creditor of Westside, made an application to the Court seeking a Bankruptcy Order against the Society pursuant to section 43 of the *Bankruptcy and Insolvency Act*. The Bankruptcy Order was granted on April 11, 2023, and MNP Ltd. was appointed as the Trustee of the Bankrupt Estate. (the “**Trustee**”), subject to creditor affirmation at the First Meeting of Creditors.

Notice of the Bankruptcy Order and the First Meeting of Creditors was sent to all known creditors on April 20, 2023. The Trustee has been contacted by other parties with claims against the Society who were not included on the Statement of Affairs. The Trustee expects that the list of creditors provided by the Society is not exhaustive.

ASSETS

According to the Statement of Affairs filed in the bankruptcy, the Society’s assets include School and Office Furniture valued at \$1.

PROVABLE CLAIMS

It is the duty of the Trustee to examine and satisfy itself as to the validity and priority of all claims filed in the Estate. As of May 2, 2023, at 11:00am, thirty-five proofs of claim have been filed with the Trustee and represents \$1,821,173 in total creditor claims.

	Statement of Affairs	Filed
Secured creditors	\$1,523,148.29	12,747.50
Preferred creditors	Nil	Nil
Unsecured creditors	\$13,938,874.62	\$1,808,425.97
Total	<u>\$3,256,340.13</u>	<u>\$1,821,173.47</u>

There were significant differences noted between the claims filed and the amounts presented on the Statement of Affairs. The Trustee is still in the process of reviewing these claims.

SECURED CREDITORS

According to a British Columbia Personal Property Registry search performed on April 27, 2023, Meridian One Cap has a registered security agreement in relation to specific photocopiers and printers.

Canada Revenue Agency (“CRA”)

CRA has a “deemed trust” claim or property claim equal to the amount of payroll deductions withheld from employees’ compensation and not remitted to CRA. This claim comes in priority to the claims of all other creditors. The Trustee reviewed a CRA statement of account related to payroll source deductions dated January 19, 2023, which indicates a balance owing of \$1,523,149.29 for payroll source deductions.

Any debt owing to CRA for unremitted goods and service tax at the date of bankruptcy will rank as a general, unsecured claim.

To date, a proof of claim has not been received from CRA in relation to the unremitted payroll source deductions. The Trustee will engage in correspondence with CRA for the purpose of confirming the deemed trust amounts owing to CRA.

Claims of Wage Earners

Pursuant to Section 81.3(1) of the BIA, claims of employees who are owed wages, vacation pay, and other compensation for services rendered in the six-month period preceding the Date of Bankruptcy are secured, to the extent of \$2,000, by security over the Society's current assets (cash, accounts receivable and inventory).

The Directors provided information regarding amounts owing to employees as of the date of bankruptcy. The Trustee provided notice regarding the Wage Earners Protection Program ("WEPP") to all employees, and the Trustee is in the process of administering the claims of employees through WEPP.

The employees' compensation was fully paid at the time of bankruptcy with the exception of termination pay. Service Canada's subrogated claim related to termination pay is considered an unsecured claim and would rank *pari passu* with the other unsecured creditors. As of the date of this report, employees have submitted claims valued at \$89,999 for unpaid termination pay.

PREFERRED CREDITORS

Employees

Employees are afforded a priority for wages and compensation that are not paid by virtue of Section 81 of the BIA. Claims of employees that relate to the period more than six months preceding the date of bankruptcy are general, unsecured claims and will share ratably with the claims of other creditors. As reported, we do not anticipate receiving priority claims from employees for unpaid compensation over and above their claims through WEPP.

Landlords

Landlords are afforded a priority for unpaid rent for a period of three months immediately preceding the bankruptcy and accelerated rent for a period not exceeding three months following the bankruptcy if entitled to accelerated rent under the lease. The Society's landlords have not filed proofs of claim.

UNSECURED CREDITORS

The Statement of Affairs reports total unsecured creditors of \$13,938,874.62. The Trustee has also been contacted by several parties that had enrolled for AP exams which were not able to be completed due to the Society's bankruptcy and due to School's closure. Ultimately the amounts owing to the unsecured creditors will be based on proofs of claim filed by the creditors and admitted by the Trustee.

SALE OF ASSETS

The Trustee arranged for Able Auctions to remove the realizable assets from the School’s leased premises and has guaranteed net minimum auction proceeds of \$5,000. The Trustee is not aware of any further realizable assets.

OTHER MATTERS

Books and Records

The Trustee is in possession of certain books and records at the date of bankruptcy that were provided by the Society. The Trustee requests that if any parties are in possession of books and records related to the Society, that they be provided to the Trustee without delay.

Legal Proceedings

The Trustee has not commenced any legal proceedings at the date of this report.

Conservatory and Protective Measures

The Trustee did not take possession of the Society’s leased premises and has not taken any conservatory measures with the exception of taking possession of certain books and records.

Preferences, and Transactions at Under Value

The Trustee will undertake a review of the Society’s books and records preceding the date of bankruptcy in order to ascertain whether or not any preferential payments and/or reviewable transactions have occurred.

Directive 16 Third-Party Deposits and Guarantees

Elmwood Study Group Ltd. provided the Trustee with a retainer in the amount of \$53,784.47 to be used for the Trustee’s professional fees.

ESTIMATED REALIZATION

The Trustee does not expect any realizations over and above the proceeds from furniture described above.

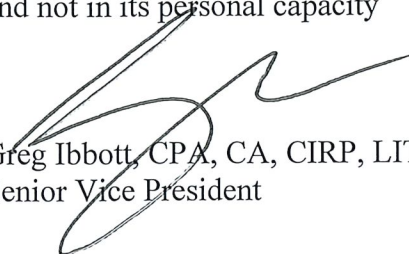
All dividends payable by the Trustee to creditors are subject to a 5% levy payable to the Office of the Superintendent of Bankruptcy.

This concludes the Trustee’s Preliminary Report to Creditors.

DATED at the City of Vancouver, in the Province of British Columbia, this 2nd day of May, 2023.

MNP Ltd.

In its capacity as Licensed Insolvency Trustee
of the Bankrupt Estate of
Westside Preparatory Society
and not in its personal capacity



Greg Ibbott, CPA, CA, CIRP, LIT
Senior Vice President