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ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE BANKRUPTCY OF
METROPOLITAN PREPARATORY ACADEMY INC.
OF THE CITY OF TORONTO
IN THE PROVINCE OF ONTARIO

TRUSTEE'S PRELIMINARY REPORT

Trustee: BDO Canada Limited ("BDO" or the "Trustee")

The purpose of this report is to inform all interested parties about the Trustee's preliminary administration and findings. Readers are cautioned that the Trustee has relied upon third parties for information in the preparation of this report and that such information may be incomplete and inaccurate. The Trustee's review of this information as part of the preparation of this report does not constitute an audit, nor has the Trustee extensively verified any of the information provided it, unless otherwise noted. Therefore, the contents of this report should be considered "for general information purposes only".

PURPOSE OF MEETING

Section 102(5) of the *Bankruptcy and Insolvency Act* (the "BIA") sets out specifically the purpose of the first meeting of creditors:

- (a) to consider the affairs of the bankrupt;
- (b) to affirm the appointment of the Trustee or substitute another in place thereof;
- (c) to appoint inspectors; and
- (d) to give such directions to the Trustee as the creditors may see fit with reference to the administration of the estate.

A. BACKGROUND

Metropolitan Preparatory Academy Inc. ("MPA" or the "Company") operated as a private, semestered, co-educational school for university-oriented students in grades 7 to 12. The Company was incorporated under the *Business Corporations Act (Ontario)* on October 1, 1983. The Company operated from leased premises located at 1 Duncan Mill Road, Suites 3 and 4, Toronto, Ontario (the "Premises").

The Company incurred losses and cash flow constraints as a result of: i) renovation costs incurred after the Company had to move to a new location on or around September 2019; and ii) a reduction in revenue from international students as a result of the COVID-19 pandemic. In May 2024, Management of the company determined that the operations were no longer feasible.

Wayne McKelvey ("McKelvey"), the sole shareholder and director of the Company, passed away in March 2024. In May 30, 2024, the Company entered into an agreement with the landlord of the Premises to settle the Company's obligations under its lease in exchange for



the furniture and fixtures of the Premises and an assignment of the Company's name and website domain, amongst other things (the "Landlord Agreement").

Pursuant to credit agreements dated October 19, 2021 and February 23, 2023, Canadian Imperial Bank of Commerce ("CIBC") provided MPA with certain credit facilities (the "Indebtedness"). As at June 20, 2024, the amount of the Indebtedness was \$814,814. On June 25, 2024, CIBC demanded repayment of the Indebtedness. CIBC also delivered to the Company a Notice of Intention to Enforce Security pursuant to the BIA.

The Company ceased operations on June 30, 2024. Pursuant to a shareholders' resolution executed by the trustees of McKelvey's estate dated July 8, 2024, the Company filed an assignment in bankruptcy on August 14, 2024. BDO Canada Limited ("BDO") was appointed as the Trustee in the bankruptcy.

B. ASSETS

The assets of the Company are subject to the security held by CIBC. CIBC's security consists of a general security agreement ("GSA") over all of the Company's assets and property. CIBC enjoys a first priority position with respect to the assets and property of MPA, save and except for the priority claims of statutory priority claimants, trust claimants and holders of purchase money security interests.

The Trustee's legal counsel, Blaney McMurtry LLP ("BM LLP") has provided an independent legal opinion which opines that CIBC's security is valid and enforceable.

The Trustee has identified assets consisting of cash, accounts receivables, and 2 passenger vehicles (the "Assets").

MPA maintained a Canadian dollar bank account with CIBC (the "Bank Account") which was used to deposit cash receipts relating to tuition fees and pay the Company's operating expenses. MPA also had a US dollar bank account with CIBC. On August 19 and 26, 2024 the Trustee seized the cash in the Canadian dollar Bank Account (\$954,184 CAD) and US dollar bank account (\$152 USD).

The Trustee intends to realize upon any collectible accounts receivables and realize upon the 2 passenger vehicles.

It is noted that the assets which were transferred to the landlord under the Landlord Agreement (primarily consisting of furniture and fixtures) were appraised prior to ceasing operations at a nominal value.

Books and Records

The Trustee has been provided with the records required to administer the bankrupt estate.

C. CONSERVATORY AND PROTECTIVE MEASURES

The Trustee has taken the necessary protective measures with respect to the Assets.

D. LEGAL PROCEEDINGS

No legal proceedings have been commenced by the Trustee.



E. PROVABLE CLAIMS

The Trustee is aware of the following provable claims:

	As Per Statement of Affairs	As Filed and Admitted
Secured	850,911.69	847,406.61
Preferred	-	-
Unsecured	968,809.64	529,073.89
Contingent	-	-
Total	\$ 1,819,721.33	\$ 1,376,480.50

F. SECURED CREDITORS

I. Canada Revenue Agency - Deemed Trust

The Trustee understands that the Company has obligations owing to Canada Revenue Agency ("CRA") in respect of outstanding employee payroll withholdings in the amount of \$36,097.

II. CIBC

As stated above, CIBC's security over the Assets of the Company is secured by a GSA. As at August 22, 2024, the indebtedness owing to CIBC was \$847,407. CIBC's security interest has been registered under the *Personal Property Security Act* ("PPSA"). BM LLP has opined that CIBC's security is valid and enforceable and stands in priority to unsecured creditors.

III. Service Canada

The Company had approximately 19 employees, and all employees were terminated prior to ceasing operations. As of the date of bankruptcy, the Trustee understands that no amounts were owed to the Company's former employees that would qualify as claims under section 81.3 of the BIA as the Company had paid all amounts owing in respect of outstanding wages and/or vacation pay.

G. UNSECURED CREDITORS

The Company's Statement of Affairs indicates that total known unsecured claims are approximately \$968,810.

The Company's unsecured claims primarily consist of \$949,259 in cash deposits that were made by the parents of MPA's students relating to tuition fees for the 2024-2025 school year (the "Tuition Deposits").

BM LLP has reviewed MPA's tuition documentation and has provided an independent legal opinion on whether the Tuition Deposits in the Bank Account in the constitute trust funds for the benefit of the depositors. BM LLP's legal opinion concludes that the Tuition Deposits in the Bank Account



do not constitute trust funds, as there were no contractual terms or statute stating the Tuition Deposits were being held in trust.

H. REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS

The Trustee has not performed a review with respect to potential preferences, settlements, or transfers at undervalue, as defined in the BIA. It is the intention of the Trustee to discuss the scope of such a review if required with the inspectors to be appointed, if any, in this estate.

I. ESTIMATED REALIZATION AND PROJECTED DISTRIBUTION

The Assets of the Company are subject to the secured claims of CRA and CIBC. Given the estimated net realizable value of the Assets which are shown on the Statement of Affairs, the Trustee anticipates that there will be funds available for a dividend to the unsecured creditors.

J. TRUSTEE'S FEES

The Trustee has received a retainer in the amount of \$35,000 from the Company for its fees to administer the bankruptcy proceeding, as well as the fees of its legal counsel.

Dated at Toronto, Ontario, this 3rd day of September, 2024.

BDO CANADA LIMITED
In its capacity as Trustee of the estate of
Metropolitan Preparatory Academy Inc.
and not in its personal capacity
Per:

A handwritten signature in black ink, appearing to read "Nicole Sagolili", written over a horizontal line.

Nicole Sagolili, CPA, CA, CIRP, LIT
Vice President