
Estate File No: 31-1963343

**IN THE MATTER OF THE BANKRUPTCY OF
EVEREST COLLEGES CANADA, INC.
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

AND

Estate File No: 31-1963353

**IN THE MATTER OF THE BANKRUPTCY OF
CAREER CANADA C.F.P. LIMITED
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S REPORT TO CREDITORS ON
PRELIMINARY ADMINISTRATION**

1. Introduction

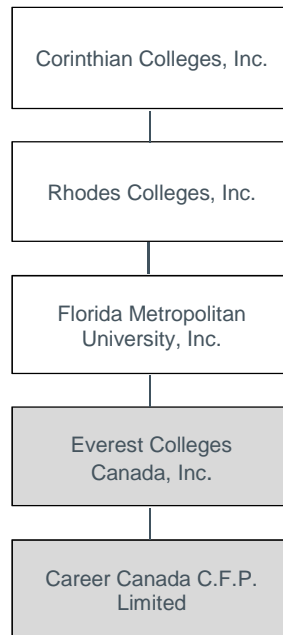
1. On February 20, 2015, Everest Colleges Canada, Inc. ("ECC") and its wholly-owned subsidiary, Career Canada C.F.P. Limited ("Career Canada") (jointly, the "Companies"), made assignments in bankruptcy and Duff & Phelps Canada Restructuring Inc. ("D&P") was appointed as trustee in bankruptcy ("Trustee") of each bankrupt estate, subject to affirmation at the First Meetings of Creditors.

1.2 Currency

1. All currency references in this report are to Canadian dollars.

2. Background

1. The Companies are indirect subsidiaries of Corinthian Colleges Inc. (“CCI”), a US publicly traded company. The relevant excerpt of CCI’s corporate chart is provided below (the bankrupt entities are shaded).



2. Until February 19, 2015, ECC operated as a private career college, offering various college diploma programs. ECC operated from fourteen leased campuses across Ontario, at which approximately 2,400 students were enrolled.¹
3. Career Canada, ECC’s wholly-owned subsidiary, was an inactive entity,² void of any assets.
4. As at the date of bankruptcy, ECC and Career Canada employed approximately 400 and 300 individuals, respectively. The Companies’ workforce was non-unionized and the Companies did not maintain any pension plans.

¹ Pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) issued on February 27, 2015, the Trustee disclaimed the campus leases, as well as three additional real property leases (additional information is provided in section 3.1.5 of this report).

² Career Canada has never carried on any business activities; however, for workplace insurance and safety board purposes, it employed approximately 300 individuals as at the date of bankruptcy.

5. The Companies' consolidated unaudited balance sheet as of January 31, 2015 reflected negative retained earnings of approximately \$55 million, representing principally the Companies' operating losses since inception. The Companies' consolidated unaudited income statement for the seven month period ended January 31, 2015 reflected a net loss of approximately \$9.3 million. The Companies' recurring and significant operational losses result from substantial fixed costs and lower than projected student enrollment.
6. On February 19, 2015, the Ministry of Training, Colleges and Universities of Ontario (the "MTCU"), which provides regulatory oversight for Ontario private colleges pursuant to the *Private Career Colleges Act, 2005* ("PCCA"), issued a Notice of Immediate Suspension and Notice of Proposal to Revoke Registration (the "MTCU Notice") due to, *inter alia*, ECC's financial position. The effect of the MTCU Notice was the immediate suspension of ECC's operations. The deadline to appeal the MTCU Notice was March 6, 2015.
7. On February 20, 2015, the day following the issuance of the MTCU Notice, the Companies filed assignments in bankruptcy.
8. On February 26, 2015, the MTCU issued a Notice of Immediate Suspension and Proposal to Revoke Designation for Purposes of the International Student Program due to, *inter alia*, the MTCU Notice and the Companies' bankruptcy proceedings. The deadline to appeal this notice is March 30, 2015.
9. On March 5, 2015, the Trustee filed a Notice of Appeal of the MTCU Notice pursuant to Section 19(3) of the PCCA. The Trustee intends to seek direction from ECC's Inspectors, once appointed, on whether the appeal should be pursued.

3. The Bankrupt Estates

3.1 ECC's Assets

1. As at the date of bankruptcy, there was approximately \$360,000 in ECC's bank accounts. The Trustee immediately transferred those funds to its estate account.
2. According to ECC's unaudited internal balance sheet as at January 31, 2015, the book value of ECC's assets is presented in the table below.

Description	Amount (\$000s)
Accounts receivable	2,597
Prepaid expenses and other assets	1,428
Fixed Assets (leasehold improvements, office furniture and computer equipment)	6,870
	10,895

3. The realizable value, if any, of the ECC's assets is anticipated to be materially lower than the book values reflected above, as described in the following sections.

3.1.1 Accounts Receivable

1. Substantially all accounts receivable (approximately \$2.6 million) is comprised of tuition owed by former students, who will not be able to complete their programs with ECC. As at January 31, 2015, accounts receivable was owing from approximately 4,300 account debtors.

3.1.2 Prepaid expenses and other assets

1. Prepaid expenses and other assets (approximately \$1.4 million) is largely comprised of deposits to landlords and utility and other service providers who are creditors in the bankruptcy.

3.1.3 Tangible Assets

1. Tangible assets are mainly comprised of equipment located in the campuses. Immediately after its appointment, the Trustee solicited a proposal for the tangible assets from an asset appraisal firm. The appraiser attended at the campuses and concluded that the realizable value, if any, of the equipment and other assets at the leased premises appeared to be nominal after considering occupancy costs and/or other realization costs, including moving and storage expenses.
2. Given that the real property leases have been disclaimed by the Trustee (as detailed in Section 3.1.5 below), the Companies' interest in the tangible assets were abandoned.

3.1.4 Intellectual Property

1. Intellectual property is mainly comprised of curricula and trademarks. The Trustee is investigating the realizable value, if any, of these assets.

3.1.5 Leases

1. ECC had 17 real property leases comprised of 14 college campuses, two parking lots (adjacent to campuses) and its head office on Eglinton Avenue East (collectively, the "Leases"). Monthly occupancy costs for ECC's leased premises totaled approximately \$1 million, inclusive of base rent, utilities, parking, property taxes and harmonized sales tax. Based on ECC's books and records, rent was paid for all leased premises up to the end of February, 2015.

2. On February 27, 2015, the Trustee brought a motion to seek Court approval to disclaim the Leases, as, among other things:
 - There were no funds in the estate (or unencumbered assets from which to secure funding) available to fund occupancy or other costs post February 28, 2015;
 - Based on the Companies' books and records and the Trustee's discussions with an appraiser who attended at the campuses, there was no economic basis for the Trustee to continue to occupy the premises; and
 - Bank of America, N.A. (the "Bank"), likely the Companies' only economic stakeholder (other than the limited Priority Claims identified below), supported the Trustee proceeding to disclaim the Leases.
3. Pursuant to a Court order made on February 27, 2015, the Trustee was authorized to disclaim the Leases. The Leases were disclaimed on that date.

3.2 Career Canada's Assets

1. As noted above, Career Canada is void of any assets.

3.3 Property of the Bankrupt Not Divisible Amongst Creditors by Virtue of Section 67(1)(b) of the *Bankruptcy and Insolvency Act*

1. There does not appear to be any property exempt from execution or seizure pursuant to Section 67(1)(b) of the *Bankruptcy and Insolvency Act* ("BIA").

4. ECC's Creditors

4.1 Priority Claims

1. Based on the Companies' payroll records, there appears to be a priority claim for unpaid employee wages (in the form of unpaid employer RRSP contributions and/or unpaid employee bonuses). Based on the Companies' books and records, these priority employee claims total approximately \$100,000, which amount considers the \$2,000 limit per employee for wages accrued in the six months prior to the date of bankruptcy.
2. These priority employee claims will be determined (and paid) as part of the Trustee's claims administration in accordance with the *Wage Earner Protection Program Act*, which is in process.
3. The Trustee is unaware of any other priority and/or trust claims.

4.2 Secured Creditors

4.2.1 The Bank

1. Subject to the potential priority claims noted above, all of the Companies' assets are encumbered by the Bank, the Companies' principal secured creditor³. The Companies' indebtedness to the Bank totals approximately \$5.7 million (plus interest and costs) pursuant to two irrevocable standby letters of credit ("LC") issued in favour of the Minister of Finance, Province of Ontario, detailed as follows:

Description	Amount (\$000s)
This LC is for use by the MTCU's Training Completion Assurance Fund (the "Fund"). The Fund provides student funding for training completion or refunds when a private career college ceases to operate. On February 19, 2015, this LC was determined by MTCU to be in forfeit and was called upon, in full.	3,000
This LC is for use by the Ontario Student Assistance Program ("OSAP"). This LC has not yet been called upon; exposure under this LC will be determined by defaults that may occur on OSAP loans made to ECC's students.	2,700
Total	5,700

2. The Bank will incur a substantial shortfall on its exposure under the LC's and, accordingly, there are no assets in the estate and no funding available to the Trustee.

4.2.2 Other

1. According to a search conducted under the *Personal Property Security Act* (Ontario), two equipment lessors appear to have registered security interests in certain of the Companies leased computer and photocopier equipment.

4.3 Unsecured Creditors

1. According to its Statement of Affairs, ECC's unsecured liabilities total approximately \$1.8 million. This amount excludes ECC's obligations owing to its parent company, CCI, which totaled approximately \$34.7 million as at January 31, 2015. CCI is ECC's largest unsecured creditor – it has funded ECC's substantial operating losses since inception.
2. The Statement of Affairs also excludes certain "off balance sheet" obligations, including obligations owing to ECC's landlords, amounts owing to former employees for severance and termination and, potentially, claims that may be asserted by students.

³ The Trustee will be instructing its counsel, Norton Rose Fulbright Canada LLP, to provide a security opinion on the validity and enforceability of the Bank's security.

5. Career Canada's Creditors

1. Based on Career Canada's books and records, other than its secured obligations under the LCs owing to the Bank, principally all of its creditors appear to be former employees for severance and termination claims and a workplace insurance provider.

6. Books and Records

1. The Trustee has taken possession of the books and records of the bankrupt entities located at the Companies' head office. Books and records required for the Trustee's administration, including payroll records required to administer the employee claims process under the *Wage Earner Protection Program Act*, have been removed from the Companies' head office and placed in a storage facility. The Trustee has also taken a backup of the Companies' network and servers.
2. Certain of the Companies' books and records are in storage with Iron Mountain, a document storage facility. Immediately upon its appointment, the Trustee notified Iron Mountain of the bankruptcy and advised that no books and records are to be removed from Iron Mountain's facility without the Trustee's written authorization.

7. Preferences and Transfers at Undervalue

1. As part of its statutory duties, the Trustee is required to review the Companies' books and records, including bank statements, to identify any transfers undervalue or preference payments during the year preceding the date of bankruptcy. Based on the Trustee's preliminary review, it appears that the disbursements made during that period were required to operate the business in the normal course, largely for payroll and occupancy costs.
2. The Trustee will advise the Inspectors, if appointed, should it become aware of any material transaction(s) which it believes should be reviewed and/or challenged, as well as a cost estimate to do so.
3. As part of the Trustee's preliminary review, it reviewed the Companies' bank statements for non-arms' length transactions. Based on its preliminary review, ECC appears to have received net funding from CCI in the year prior to bankruptcy totaling approximately \$600,000.

8. Anticipated Realization and Projected Distribution

1. The Trustee does not expect that there will be any funds available for distribution to the unsecured creditors of the Companies.

9. Funding of these Proceedings

1. In consideration of D&P agreeing to act as Trustee in these bankruptcy proceedings, the Bank agreed that the fees of the Trustee and its legal counsel, up to a maximum amount, could be funded from the cash on deposit in ECC's bank accounts.

* * *

DATED at Toronto, Ontario, this 10th day of March, 2015.

A handwritten signature in blue ink that reads "Duff & Phelps Canada Restructuring Inc." The signature is written in a cursive, flowing style.

**DUFF & PHELPS CANADA RESTRUCTURING INC.
IN ITS CAPACITIES AS TRUSTEE IN BANKRUPTCY OF
EVEREST CANADA COLLEGES, INC. AND CAREER CANADA C.F.P. LIMITED
AND NOT IN ITS PERSONAL CAPACITY**