

**IN THE MATTER OF THE BANKRUPTCY OF  
GOODWILL INDUSTRIES OF TORONTO, EASTERN,  
CENTRAL AND NORTHERN ONTARIO  
Of the City of Toronto, in the Province of Ontario  
TRUSTEE'S REPORT ON ITS PRELIMINARY ADMINISTRATION  
TRUSTEE: POLLARD & ASSOCIATES INC.**

Background

On February 8, 2016, Goodwill Industries of Toronto, Eastern, Central and Northern Ontario (“Goodwill” or the “Company”) filed an assignment in bankruptcy.

Prior to Goodwill filing an assignment in bankruptcy, the Company had experienced a decrease in donations and continued cost pressure. On or around January 16, 2016 Goodwill had determined that it could no longer continue to operate under the current situation and it closed all of its donation centers and store locations. Goodwill found itself without sufficient revenue to continue to operate.

Goodwill discussed various options with professionals including filing a Proposal under the *Bankruptcy and Insolvency Act* (“BIA”) or a CCAA application.

Goodwill was able to use its banking facility with its lender to issue payment for outstanding wages on or around January 22, 2016. Upon completion of the payment to the employees of wages outstanding the Company had very limited funds available.

The Company with the understanding that a formal insolvency proceeding needed to be filed in order to allow for the employees to be able to claim outstanding vacation pay for the last six months, termination pay and severance pay, through the wage earner protection program (WEPP), decided that the best course of action was to file an assignment in bankruptcy and continue to attempt to file a viable proposal under the BIA. The Company anticipated that Goodwill could be viable with a smaller foot print.

Discussions occurred with various parties to determine if funding could be obtained including concessions from the landlords and the union to allow for a smaller operation to continue on.

Goodwill Industries International determined that it could no longer support the Company and terminated its agreement whereby the Company would no longer be able to operate under the "Goodwill" name.

The Company has now determined that it can not present a viable proposal to its creditors.

### Assets

(i) *Cash*

The Company had cash in its bank account of \$1,300 at the time of filing the assignment in bankruptcy.

(ii) *Accounts Receivables*

The accounts receivables were estimated on the statement of affairs as collectable to be \$334,000. The majority of the receivables pertain to property tax rebates. The Trustee has not received any of the outstanding property tax rebates at this time. The rebates are being reviewed and it is anticipated that the Trustee should be receiving the same shortly. The directors of the Company have agreed to assist the Trustee with collection of the same.

(iii) *Inventory*

The Company had inventory which was made up of donated clothing and personal items. The Company estimated the value of the inventory to be \$250,000. The inventory has been inspected at each location.

(iv) *Equipment*

The Company estimated that the equipment has a value of \$250,000. The equipment consists of various totes and other items to move the inventory, a bailer, titling machine, office equipment and furniture. The equipment has been inspected at each location. Some of the equipment has been leased to the Company by various leasing companies. The phone system, photocopiers, forklifts, and computer equipment are leased.

(v) *Vehicles*

The Company did not provide any estimate of value for the vehicles/trailers which are owned by the Company on the statement of affairs. The Trustee reviewed the vehicles which are owned by the Company and has taken possession of the same. The Trustee is in the process of obtaining an appraisal of the value of the vehicles/trailers.

Valuation and sale of inventory/equipment

The Trustee has obtained an appraisal in reference to the inventory, and equipment including the office furniture. The Trustee has obtained a number of offers for the equipment and inventory. The Trustee will discuss these offers with the inspector(s) of the estate and it is the plan of the Trustee to complete the sale with the best offers received to date. The offers have generally come from other charities which means that the goods donated will end up being used for the purpose they were originally donated for.

Conservatory and Protective Measures

The Trustee is not in occupation of any of the premises. The landlords have been advised that the assets within the premises vest with the Trustee. The Trustee has been added as a named insured on the insurance policies of the Company.

Books and Records

The Trustee is in possession of the books and records of the Company and is in progress of making arrangements for the storage of the same. The Trustee has not reviewed these records at this time for reviewable or preference payments.

The T4's for 2015 have been completed, filed with Canada Revenue Agency ("CRA") and mailed to the employees. In addition the ROE's were prepared prior to the filing of the assignment in bankruptcy and forwarded to the terminated employees of the Company by Goodwill. At the time of the bankruptcy there were no employees. The board of directors prior to the Company filing the assignment had resigned and all employees had been terminated.

The Trustee will be making arrangements to obtain the T4's for 2016 and have the same forwarded to the employees.

In the near future CRA will be completing a payroll audit and any debt owing to CRA for payroll liability, if any, will have priority over all of the assets of the Company. Since the Company used a service provider the Trustee does not anticipate any significant debt being owed to CRA.

#### Canadian Airport Workers Union

The Canadian Airport Workers Union ("CAWU") has filed a claim in the amount of \$25,607 for union dues and \$600,000 claim for insufficient notice of closure. The CAWU has also filed a claim for the vacation pay, severance and terminated pay of its members. The Trustee is reviewing this claim with the CAWU and its counsel.

#### Wage Earner Protection Program - WEPP

The Trustee has filed the necessary documents for the terminated employees to claim under the WEPP the funds allowed under the program. The Company's human resources personnel provided to the Trustee all of the necessary information to complete the WEPP forms for vacation pay, termination pay and severance pay owing, if any. The Trustee has forwarded to all of the terminated employees the necessary forms to file their claim with WEPP.

WEPP has advised the Trustee that they will commence processing of the claims filed by the employees on March 1, 2016. The Trustee has processed all proof of claims received up to the end of business on March 1, 2016 and will continue to process the claims on a weekly basis. The Trustee has been provided with information from a few employees who will require amendments to their claim and review of the amounts claimed by each of these employees.

#### Pension Plan – retirement policy No – 21011

The Trustee has requested that the pension plan be windup.

Landlords

The Company had drop off centers and 10 store/office/distribution centers. Prior to the bankruptcy filing two landlords had proceeded to terminate the lease. It is the Trustee's intention once the assets have been removed to disclaim the leases.

Legal Proceedings

The Trustee has reviewed the claims filed by Emmitt Financial Inc., National Leasing Group Inc, Jim Paterson Industries Ltd., MCS Equipment Leasing Inc., De Lage Landen Financial Services Canada Inc., and will be releasing its interest in the assets as they have valid leases/rental agreements and security.

Creditors

	Statement of Affairs	Proof Lodged
Deemed Trust	\$ 0.00	\$ 0.00
Contingent	0.00	0.00
Secured	7.00	495,640.98
Preferred	0.00	0.00
Unsecured	<u>6,038,911.19</u>	<u>7,127,535.10</u>
Total	<u>\$ 6,038,918.19</u>	<u>\$ 7,623,176.08</u>

Secured creditors

Emmitt Financial Inc., has filed a proof of claim for funding they provided in reference to lighting. The Trustee has reviewed the security and determined that they have valid and enforceable security against the Trustee. It is the Trustee's intention to release its interest.

Jim Paterson Industries Ltd., has filed a proof of claim for a leased vehicle. The Trustee has determined that its security is valid and enforceable against the Trustee and the Trustee intends to release its interest in the vehicle.

National Leasing Group Inc., has filed a proof of claim for various lease/financed items including the computer equipment, phone system and some forklifts. The Trustee has determined that its security is valid and enforceable against the Trustee and the Trustee intends to release its interest in the equipment.

MSC Equipment Leasing Inc., has filed a proof of claim for compactors it rented to the Company at a number of locations. The rental agreement indicates that the assets are the property of MSC Equipment Leasing Inc., and the Trustee intends to release its interest in the equipment.

De Lage Landen Financial Services Canada Inc., has filed a proof of claim for four photocopiers. The Trustee has determined that its security is valid and enforceable against the Trustee and the Trustee intends to release its interest.

#### Anticipated Realization and Projected Distribution

The Trustee anticipates that there will not be sufficient funds to provide any funds to the unsecured creditors based upon the value of the assets of the Company.

#### Funds in the estate

At the time of filing the assignment in bankruptcy the Company had \$1,300 in the bank account. As Goodwill was a charity and did not have funds in its bank account at the time of filing the Trustee was prepared to extent its personal funds to cover the expenses of filing the WEPP claims for the employees and obtaining the T4's for the employees. The Trustee has received to date an HST refund and some general receivables in the amount of \$122,855.

#### Solicitor for the Trustee

The Trustee has engaged Devry Smith Frank LLP as represented by Kelli Preston to be the estate solicitor. Devry Smith Frank LLP extended its services to the Trustee prior to any funds being available to cover its professional fees.

Dated at Richmond Hill, this 1st day of March, 2016

**POLLARD & ASSOCIATES INC.**