

VOLUME 1

Court File No. CL-25-00753536-0000

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)**

B E T W E E N:

FABRICE COLIN and TOM FENSKE

Plaintiffs

and

**FLOYD LAUGHREN, MICHAEL ATKINS, JENNIFER WITTY, CLAUDE
LACROIX, DOMINIC GIROUX, PIERRE ZUNDEL, CAROL MCAULAY,
LORELLA HAYES, IAN WOOD, JOHN POLLESEL, JUDITH
WOODSWORTH and ROBERT HACHÉ**

Defendants

MOTION RECORD OF THE PLAINTIFFS

(Representation Order and Settlement Approval)

Returnable December 17, 2025

October 22, 2025

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WOODSWORTH and ROBERT HACHÉ**

Defendants

NOTICE OF MOTION

The Plaintiffs will make a motion to Chief Justice Geoffrey Morawetz of the Ontario Superior Court of Justice on December 17, 2025 at 10:00 a.m., or as soon after that time as the motion can be heard.

PROPOSED METHOD OF HEARING: The motion is to be heard

- [] In writing under subrule 37.12.1(1) because it is;
- [] In writing as an opposed motion under subrule 37.12.1(4);
- [] In person;
- [] By telephone conference;
- [X] By video conference.

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at the following location:

- Commercial List Office, 9th Floor, 330 University Avenue, Toronto M5G 1R7
- Zoom details to be provided

THE MOTION IS FOR:

(a) An Order pursuant to Rule 12.08 of the *Rules of Civil Procedure*, R.R.O 1990, Reg. 194 (the “**Rules**”) appointing Tom Fenske (“**Fenske**”) as the representative plaintiff on behalf of the following class of Laurentian University Staff Union (“**LUSU**”) members and retirees, who together comprise all of the individuals on behalf of whom LUSU filed a Proof of Claim dated July 4, 2021 in the Laurentian University of Sudbury (“**Laurentian**” or the “**University**”) proceedings under the *Companies’ Creditors Arrangement Act*, R.S.C., 1985, c. C-36 (“**CCAA**”):

(i) former LUSU members who retired while members of LUSU and were receiving benefits from the University’s Retiree Health Benefits Plan (“**RHBP**”) as of February 1, 2021 (including the estates of such LUSU retirees);

(ii) current and former LUSU members who were LUSU members as of February 1, 2021 and were eligible to claim RHBP benefits as of that date (including the estates of such LUSU members); and

(iii) current and former LUSU members who were LUSU members as of February 1, 2021 and who had contributed to the RHBP at any

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time prior to that date (including the estates of such LUSU members) (the “**LUSU Members**”).

(b) An Order pursuant to Rule 12.08 of the *Rules* appointing Fabrice Colin (“**Colin**”) as the representative plaintiff on behalf of the following class of Laurentian University Faculty Association (“**LUFA**”) members and former members (including retirees), who together comprise all of the individuals on behalf of whom LUFA filed a Proof of Claim dated July 31, 2021 in the Laurentian CCAA proceedings:

- (i) former members of the Laurentian University Faculty Association (“**LUFA**”) who retired while members of LUFA and were receiving RHBP benefits as of February 1, 2021 (including the estates of such retirees);
- (ii) current and former LUFA members who were LUFA members as of February 1, 2021 and were eligible to claim RHBP benefits as of February 1, 2021 (including the estates of such members);
- (iii) current and former LUFA members who were LUFA members as of February 1, 2021 and had contributed to the RHBP at any time prior to that date (including the estates of such members); and
- (iv) members of the Laurentian administration as of February 1, 2021 who were dues-paying members of LUFA at some time prior to February 1, 2021 and contributed to the RHBP at any time prior to

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that date (including the estates of such members) (the “**LUFA Members**”).

- (c) An Order defining the “**Settlement Class**” as all LUSU and LUFA Members;
- (d) An Order defining the Common Issues for the Settlement Class as:
 - (i) did the Defendants negligently or fraudulently misrepresent the state of the RHPB to the Settlement Class?; and
 - (ii) in the alternative, did the Defendants knowingly assist Laurentian’s breach of trust with respect to the Settlement Class’s RHPB contributions?
- (e) An Order approving the Settlement Agreement between the Plaintiffs and the Defendants executed on November 14, 2023 (the “**Settlement Agreement**”);
- (f) A declaration that the claimants on behalf of whom LUSU filed its July 4, 2021 Proof of Claim are the LUSU Members and only the LUSU Members have Excluded D&O Claims, as that term is defined in the Amended CCAA Plan of Compromise and Arrangement dated September 9, 2022 (the “**CCAA Plan**”);
- (g) A declaration that the claimants on behalf of whom LUFA filed its July 30, 2021 Proof of Claim are the LUFA Members and only the LUFA Members have Excluded D&O Claims, as that term is defined in the CCAA Plan;
- (h) A Order fully and finally releasing all Excluded D&O Claims held by any former, current or retired members of LUSU and LUFA;

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- (i) A declaration that the Settlement Agreement is fair, reasonable and in the best interests of the Settlement Class;
- (j) An Order that the Defendants pay the settlement payment under the Settlement Agreement to Goldblatt Partners LLP, in trust, within thirty (30) days;
- (k) An Order approving the proposed settlement funds distribution methodology (“**Plan of Distribution**”);
- (l) An Order that this action be dismissed against the Defendants without costs; and
- (m) Such further and other relief as counsel may advise and this Honourable Court deems just.

THE GROUNDS FOR THE MOTION ARE:

Background

1. The proposed representative plaintiff, Fenske, is an employee of Laurentian who participated in the RHBP. Fenske is also a member and the current President of LUSU. LUSU is a trade union that represents employees of the University engaged in certain clerical, technical, administrative, service, and security guard work.
2. The proposed representative plaintiff, Colin, is an employee of Laurentian who participated in the RHBP. Colin is also member and the President of LUFA. LUFA is a trade union the represents faculty at Laurentian.
3. The Defendants are former directors and/or officers of Laurentian.

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4. The RHBP was a benefit plan that provided eligible University retirees with an annual reimbursement for out-of-pocket medical expenses and/or private health insurance premiums. The RHBP was established effective July 1, 1998.

5. Members of LUSU and LUFA were eligible to participate in the RHBP. Participating members paid fixed monthly contributions to the RHBP and were eligible to receive RHBP benefits upon retirement (provided applicable eligibility criteria were met).

6. On February 1, 2021, the University commenced proceedings under the CCAA. The RHBP was eliminated during the CCAA process. Hundreds of LUSU and LUFA members contributed to the RHBP between July 1998 and February 2021.

7. In July 2021, LUSU and LUFA each submitted Proofs of Claim in the CCAA proceeding on behalf of certain current and former members claiming, *inter alia*, damages as against certain directors and officers of the University arising from their alleged involvement in the misuse and/or depletion of RHBP funds, the “**Excluded D&O Claims**”. The Excluded D&O Claims were not resolved or compromised in the CCAA process.

8. The CCAA Plan granted LUSU and LUFA the right to assert the Excluded D&O Claims following the implementation of the CCAA Plan. The CCAA Plan contemplates that the Excluded D&O Claims may be brought directly by the unions in their own name or by way of an authorized representative on behalf of each union’s members pursuant to Rule 12 or the *Class Proceedings Act, 1992*, S.O. 1992, c. 6 (the “CPA”).

9. Any claims against directors and officers of Laurentian for which no Proof of Claim was submitted during the CCAA proceeding were released pursuant to the Plan.

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10. Following the implementation of the Plan, LUSU and LUFA engaged in extensive pre-litigation negotiations with the Defendants with respect to the Excluded D&O Claims, culminating in the execution of the Settlement Agreement.

11. The Settlement Agreement requires that LUSU and LUFA obtain Court approval of the settlement.

Representation Order

12. The pleadings disclose reasonable causes of action against the Defendants. There is an identifiable class. The claims of the LUSU and LUFA Members raise common issues.

13. The representative plaintiff, Fenske:

- (a) Will fairly and adequately represent the interests of the LUSU Members;
- (b) Has a plan that sets out a workable method for the advancement of the proceeding on behalf of the LUSU Members, including the provision of notice to the LUSU Members; and
- (c) Does not have an interest in conflict with the interests of the other LUSU Members.

14. The representative plaintiff, Colin:

- (a) Will fairly and adequately represent the interests of the LUFA Members;
- (b) Has a plan that sets out a workable method for the advancement of the proceeding on behalf of the LUFA Members, including the provision of notice to the LUFA Members; and

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(c) Does not have an interest in conflict with the interests of the other LUFA Members.

15. Pursuant to the terms of the CCAA Plan, the only entities capable of pursuing the claims being advanced on behalf of the Settlement Class are LUSU and LUFA or their authorized representatives.

16. LUSU and LUFA, as unincorporated trade unions, may not be a party to any civil action by virtue of section 3 of the *Rights of Labour Act*, R.S.O. 1990, c. R.33. As such, the Excluded D&O Claims must be advanced by way of a representative action or class proceeding.

17. A class proceeding under the CPA would be an unduly expensive and/or an inconvenient means for determining the claims of the LUSU and LUFA Class Members.

18. For the purposes of settlement only, the Defendants consent to the representation orders sought herein.

Settlement Approval

19. The Plaintiffs and the Defendants have reached a proposed settlement of this action, as set out in the Settlement Agreement.

20. The Settlement Agreement was negotiated at arm's length and following a mediation with a third-party mediator.

21. The Settlement Agreement is fair, reasonable and in the best interests of the Settlement Class.

22. The Plan of Distribution is fair, reasonable and in the best interests of the Settlement Class.

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23. The Plaintiffs have provided notice of the settlement to the Settlement Class that advised the Settlement Class of:

- (a) the existence of the Settlement Agreement, its salient terms, and the hearing of the motion for approval of the Settlement Agreement;
- (b) their rights to attend the hearing of the motion for approval of the Settlement Agreement;
- (c) their rights to object to the terms of the Settlement Agreement; and
- (d) their rights to object to Class Counsel's proposed fee request.

Other Grounds

24. Rules 1.04(1), 2.01(1), 3.02, 12.08 (or, in the alternative, Rule 10.01) and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194.

25. *Rights of Labour Act*, R.S.O. 1990, c.R.33.

26. *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36.

27. Such further and other grounds as counsel may advise and this Honourable Court permits.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (a) The Statement of Claim, issued October 16, 2025;
- (b) The Affidavit of Tom Fenske, affirmed October 16, 2025;
- (c) The Affidavit of Brendan Scott, affirmed October 17, 2025;

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(d) The Affidavit of Fabrice Colin, affirmed October 20, 2025; and

(e) Such further and other evidence as the lawyers may advise and this Honourable Court may permit.

October 22, 2025

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ONTARIO
SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT
SUDBURY

NOTICE OF MOTION

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WOODSWORTH and ROBERT HACHÉ**

Defendants

AFFIDAVIT OF TOM FENSKE

I, Tom Fenske, of the City of Greater Sudbury, **AFFIRM**:

1. I am a proposed representative plaintiff in this proceeding. I am a Technologist at the Laurentian University of Sudbury ("Laurentian" or the "University") and the President of the Laurentian University Staff Union ("LUSU"). LUSU is a trade union that represents over 240 employees at Laurentian who are engaged in clerical, technical, administrative, service, and full-time security-guard roles. As a Technologist, I am a member of LUSU's bargaining unit at Laurentian.
2. I have been a member of LUSU since January 8, 2007 and the President of LUSU since January 1, 2012. Prior to becoming President, I held the position of Steward and, later, Chief Steward. As the President of LUSU, I am responsible for the day-to-day administration of the collective agreement between LUSU and the University.

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3. As President of LUSU, I was a member of LUSU's bargaining committee with respect to the renewal collective agreement negotiations in 2012, 2015, and 2018, as well as the collective agreement re-opener negotiations in 2020. I am a non-voting member of the Laurentian Senate and a non-voting member of the Laurentian Board of Governors. I have regularly attended Finance Committee meetings as a non-voting member since 2012. I participated in the University's Retiree Health Benefits Plan (the "**RHBP**") and made contributions to the RHBP from 2007 until February 2021.

4. I represented LUSU in my capacity as President in the proceedings under the *Companies' Creditors Arrangements Act* (the "**CCAA**") following Laurentian's application for CCAA protection on February 1, 2021. I also participated in negotiations with the Defendants regarding the resolution of the proposed representative action concerning the alleged misuse and/or depletion of RHBP funds. As such, I have knowledge of the matters contained in this Affidavit, except where stated to be based on information and belief, in which case I verily believe the information to be true.

The RHBP

Terms of the RHBP

5. Laurentian established the RHBP effective July 1, 1998 for the benefit of employees of Huntington University, Thorneloe University and the University of Sudbury (collectively the "**Federated Universities**"), Laurentian, the SNO Lab and MIRARCO research centres, and the Centre for Excellence in Mining Innovation. A copy of the RHBP Policy dated July 1, 1998 is included as **Exhibit "A"**. Copies of amended RHBP Policies dated December 1, 2008 and June 11, 2018 are included as **Exhibits "B"** and "**C**", respectively.

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6. As set out in the RHBP Policy, eligible retirees were reimbursed on an annual basis for premiums that they paid for private health insurance or for other qualifying health expenses. The annual reimbursement amount was indexed to inflation, to a maximum of 3% per year. The University engaged the actuarial and accounting firm, Eckler Ltd., to provide periodic reports on the RHBP. According to the most recent report, as of July 1, 2020, the annual benefit amounts were as follows:

- (a) for LUSU retirees: \$1,374.85 per annum for family plans and \$687.45 per annum for single plans; and
- (b) for Laurentian University Faculty Association (“LUFA”) retirees: \$1,589.53 per annum for family plans and \$978.17 for single plans. A copy of Eckler’s July 1, 2020 report is included as **Exhibit “D”**.

7. To receive RHBP benefits, participants needed to retire at age 55 or older and contribute to the RHBP for at least 15 years. Eligible retirees received RHBP benefits for life. Upon the death of a retiree who had family coverage, benefits to the retiree’s spouse or dependants continued for two years from the date of death.

8. The RHBP was funded by monthly contributions from RHBP participants, as well as annual contributions by Laurentian and the Federated Universities. Pursuant to the terms of the RHBP Policy, Laurentian was required to hold the RHBP contributions in a trust account and to credit interest to the trust funds.

RHBP Deficit

9. I understand that the RHBP was underfunded for many years. Around 2014, the University, LUSU and LUFA began exploring possible changes or alternatives to the RHBP to address its funding deficit. The University engaged Eckler to develop potential alternatives for consideration. Around 2015, I (along with other members of LUSU) attended several presentations by Eckler and the University in which the RHBP's funding deficit was discussed and in which possible alternatives were described. Ultimately, LUSU and LUFA rejected the alternatives presented by Eckler and the University because they all involved the current and future beneficiaries of the RHBP absorbing the funding deficit in existence at the time.

10. In 2019 and 2020, I attended Finance Committee meetings at which University administrators presented financial statements that stated, *inter alia*, that (i) the University was increasing its annual contributions over time in order to eliminate the funding deficit; and (ii) the RHBP had assets valued at \$1,929,000 for the fiscal years ending April 30, 2019 and April 30, 2020. Copies of the University's financial statements for the fiscal years ending April 30, 2019 and April 30, 2020 are included as **Exhibit "E"**.

11. Unbeknownst to me, the University had depleted all of the RHBP assets prior to commencing its application under the CCAA in February 2021.

The CCAA Proceeding***My Role During the CCAA Proceeding***

12. On February 1, 2021, the University commenced an application under the CCAA (the "CCAA Proceeding").

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13. As President of LUSU, I represented LUSU in various negotiations with the University and other stakeholders throughout the CCAA Proceeding. On behalf of LUSU, I negotiated with the University and agreed to changes to LUSU's collective agreement and pension plan during the CCAA Proceeding.

14. From the outset of the CCAA proceedings, LUSU represented the interests of its current members, those members whose employment was terminated by Laurentian during the CCAA proceedings and its retirees. Given its status as the exclusive bargaining agent for its members, LUSU did not seek or obtain a representation order during the CCAA Proceeding. Likewise, the University and the Monitor did not require me or any other member of the LUSU executive to obtain a representation order before making binding decisions on behalf of LUSU and its members in the CCAA Proceeding.

Elimination of RHBP

15. In support of its CCAA application, the University filed an affidavit sworn January 30, 2021 by its then President, Robert Haché (the “**Haché Affidavit**”). The Haché Affidavit disclosed that the Laurentian administration had, among other things, never established a trust fund to hold the RHBP contributions and had instead deposited contributions into the University’s operating account, thus comingling RHBP funds with its operating funds. The Haché Affidavit estimated that the RHBP has an accrued benefit obligation of \$7.2 million as of April 30, 2020, but that the RHBP was completely unfunded. A copy of the Haché Affidavit, excluding its exhibits, is included as **Exhibit “F”**.

16. While I was aware of the RHBP’s funding deficit, I was not aware that the RHBP funds were not being held separately in a trust account. I was also not aware that the RHBP was

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completely unfunded as of February 2021. I first learned these facts when I read the Haché Affidavit in February 2021.

17. The RHPB was eliminated during the CCAA Proceeding.

Proofs of Claim

18. In the CCAA Proceeding, parties that intended to assert certain claims against directors and officers of Laurentian were required to submit Proofs of Claim to the Monitor by no later than July 30, 2021. A copy of the Claims Process Order dated May 31, 2021 is included as **Exhibit “G”**.

19. On July 30, 2021, under my direction, LUSU submitted a proof of claim on behalf of all LUSU members (including retirees and terminated employees) against current and former directors and officers of Laurentian for, among other things, the misuse of RHPB trust funds (the **“Proof of Claim”**). A copy of the Proof of Claim (without enclosures) is included as **Exhibit “H”**.

20. The Proof of Claim was accepted by the Monitor. The Monitor did not require LUSU to obtain a representation order before submitting the Proof of Claim on behalf of LUSU’s members and former members.

21. I was subsequently informed by the Monitor that claims against directors and officers of Laurentian would not be resolved in the CCAA Proceeding. As such, parties that submitted proofs of claim with respect to claims against directors and officers of Laurentian prior to July 30, 2021 were given the right to pursue their claims after Laurentian exited the CCAA.

Terms of the Plan of Arrangement

22. In September 2022, Laurentian's creditors voted to approve the Plan of Compromise and Arrangement that the University had filed with the Ontario Superior Court of Justice in July 2022.

23. The University later obtained Court approval with respect to its Amended Plan of Compromise and Arrangement dated September 9, 2022 (the "**Plan**"). A copy of the Plan is included as **Exhibit "I"**.

24. I understand and am advised by counsel that pursuant to the Plan, LUSU retained the right to bring an action against directors and officers of Laurentian in respect of the claims set out in LUSU's Proof of Claim alleging misuse and depletion of RHBP funds (the "**D&O Claims**").

25. As noted in the Affidavit of Brendan Scott affirmed October 16, 2025, which I have reviewed, the Monitor told LUSU's counsel that only LUSU submitted a Proof of Claim on behalf of current and former LUSU members against directors and officers of Laurentian with respect to the misuse and/or depletion of RHBP funds. The Monitor also advised that LUFA and the Federated Universities filed similar Proofs of Claim, with the latter filed on behalf of their employees arising out of the misuse and/or depletion of RHBP funds. Accordingly, I understand and am advised by counsel that the Federated Universities, LUSU and LUFA, or individual plaintiffs duly appointed as representatives of their members, are the only parties able to bring the D&O Claims.

26. The Plan was implemented on November 28, 2022. A copy of the Monitor's Plan Implementation Certificate is included as **Exhibit "J"**.

Post-CCAA Negotiations and Settlement

Report of the Auditor General

27. On November 17, 2022, the Auditor General for Ontario released a special report on the Laurentian insolvency (the “**AG Report**”). The AG Report found that senior administration officials had used restricted funds (including RHBP funds) to pay for capital projects. A copy of the AG Report is included as **Exhibit “K”**. I first learned of this fact when I reviewed the AG Report in November 2022.

Representative Action

28. In 2022, LUSU retained the law firm Wright Henry LLP to represent current and former LUSU members in a representative action against the Defendants for LUSU members’ and former members’ losses flowing from the D&O Claims. I understand from Fabrice Colin (“**Fabrice**”), President of LUFA, that LUFA retained the law firm Goldblatt Partners LLP around the same time to represent current and former LUFA members in a representative action against the Defendants with respect to LUFA members’ and former members’ losses flowing from the D&O Claims. Collectively, the law firms of Wright Henry LLP and Goldblatt Partners LLP are referred to as “**Class Counsel**”.

29. Fabrice and I chose to pursue a representative action against the Defendants with respect to losses flowing from the D&O Claims on behalf of current and former members of LUSU and LUFA who:

- (a) retired while a member of LUSU or LUFA and were receiving benefits from the RHBP as of February 1, 2021 (including the estates of such LUFA and LUSU retirees);

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- (b) were a LUSU or LUFA member eligible to claim RHBP benefits as of February 1, 2021 (including the estates of such LUFA and LUSU retirees);
- (c) were dues-paying members of LUFA prior to February 1, 2021 but left the bargaining unit to join the senior administration and were in that position at the time of Laurentian's CCAA filing on February 1, 2021 (including the estates of such LUFA members); or
- (d) were a LUSU or LUFA member as of February 1, 2021 and had contributed to the RHBP at any time prior to that date (including the estates of such LUFA and LUSU members) (collectively, the "**Settlement Class**" or the "**Settlement Class Members**").

30. As a person who contributed to the RHBP and who was a LUSU member as of February 1, 2021, I am a member of the Settlement Class.

31. I am aware that several LUSU members and/or retirees who were Settlement Class Members passed away after February 1, 2021. LUSU will be providing notice of the settlement to deceased members/retirees based on the contact information that LUSU has on file (where available).

Negotiations with the Defendants and Settlement

32. Immediately after the University exited the CCAA in November 2022, Class Counsel, on behalf of the Settlement Class, engaged in without-prejudice negotiations with counsel to, Floyd Laughren, Michael Atkins, Jennifer Witty, Claude Lacroix, Dominic Giroux, Pierre Zundel, Carol McCaulay, Lorella Hayes, Ian Wood, John Pollesel, Judith Woodsworth and Robert Haché (the

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“**Defendants**”). The Defendants are all former directors and/or officers of Laurentian, who served at Laurentian at various points between 2002 and 2022. The negotiations concerned the Settlement Class’s D&O Claims.

33. On October 19, 2023, I participated in a mediation with the Defendants before Mediator Mary Jane Stitt.

34. On November 14, 2023, LUSU and LUFA, on behalf of the Settlement Class, concluded a settlement agreement with the Defendants (the “**Settlement Agreement**”). Under the Settlement Agreement, the Defendants did not admit, and in fact expressly denied, liability for any conduct relating to the RHBP.

35. I have reviewed the Agreement and have had its terms explained to me by Class Counsel. I have also reviewed the Affidavit of Brendan Scott affirmed October 16, 2025. I understand that, pursuant to the Settlement Agreement, the Defendants have agreed to pay CAD \$3,000,000 (the “**Settlement Amount**”) in full and final settlement of the Settlement Class’s representative action against the Defendants.

36. I understand that administrative fees and Class Counsels’ fees and disbursements in the amount of \$300,000 will be deducted from the Settlement Amount. I further understand that the settlement is conditional upon obtaining Court approval of the Settlement Agreement.

37. I have instructed Class Counsel to seek Court approval of the Settlement Agreement. I believe that the settlement is fair and reasonable and in the best interest of the Settlement Class.

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38. I swear this Affidavit in support of the Plaintiffs' motion for a representation order and for Court approval of the Settlement Agreement, including the Minutes of Settlement, plan of distribution and counsel's fees and for no other or improper purpose.

AFFIRMED REMOTELY by Tom Fenske
stated as being located at the City of Sudbury,
in the Province of Ontario, before me at the
City of Welland in the Province of Ontario, on
October 16, 2025, in accordance with
O. Reg 431/20, *Administering Oath or
Declaration Remotely*.



Commissioner for Taking Affidavits
(or as may be)

MELISSA EVELYN APRIL O'CONNOR,
a Commissioner, etc., Province of Ontario,
for Wright Henry LLP,
Barristers and Solicitors.
Expires November 25, 2025.



TOM FENSKE

This is Exhibit "A" referred to in the Affidavit of Tom Fenske
affirmed October 16, 2025

A handwritten signature in black ink, appearing to read "Tom Fenske".

Commissioner for Taking Affidavits (or as may be)

RETIREE'S HEALTH BENEFIT PLAN POLICY
EFFECTIVE: JULY 1st, 1998

1. Retirees will purchase private coverage from available external plans.
2. The University will establish a Retirees Health Benefit Plan (RHBP) to be used towards the subsidization of retiree health benefits premiums in the following manner.
 - 2a. A limit of \$8.00 dispensing fee per prescription will be implemented in the current extended health plan. The savings attributed to this change will be credited to the RHBP trust account.
 - 2b. The request made to the Pension Committee to allow a pension contribution holiday by the employer to a limit of \$200,000, has been approved. This amount will be credited to the RHBP trust account.
 - 2c. All current employees in the extended health plan will pay a fixed amount per month equal to \$2.00 per month for single and \$5.25 per month for family coverage. This represents approximately 3.6% of the current monthly health premiums. This money will be placed in the RHBP trust account.
 - 2d. The University will contribute \$25,000 per year into the RHBP trust account.
 - 2e. The Federated Colleges will contribute an annual amount proportional to the Laurentian contribution to the RHBP trust account.
3. Grant funded and term employees may opt out of the RHBP.
4. Interest will be credited to funds on deposit in the RHBP trust account and retiree reimbursements will be charged against the trust account.
5. Retirees will be reimbursed for premiums or other qualifying expenses paid in the amount of \$25.00 per month for single and \$50.00 per month for family, payable on a yearly basis.
6. The Benefits Committee will continue to review the current benefit plans in order to achieve savings which might be utilized to improve the RHBP.
7. An annual statement of transactions in the trust fund and updated projections will be provided to the Benefits Committee. This Benefit Plan will be reviewed on an annual basis.
8. The amounts in items 2c, 2d, 2e and 5, are to be increased every year on July 1st by the increase in Consumer Price Index (CPI) to a maximum of 3%. The annual CPI taken into consideration will be the CPI for the proceeding twelve (12) months period starting April 1st of the previous calendar year to March 31st of the current calendar year.

This is Exhibit "B" referred to in the Affidavit of Tom Fenske
affirmed October 16, 2025



Commissioner for Taking Affidavits (or as may be)

RETIREES BENEFIT PLAN POLICY
EFFECTIVE: JULY 1, 1998

1. Retirees will purchase private coverage from available external plans.
2. The University will establish a Retirees Health Benefit Plan (RHBP) to be used towards the subsidization of retiree health benefit premiums in the following manner.
 - 2a. A limit of \$8.00 dispensing fee per prescription will be implemented in the current extended health plan. The savings attributed to this change will be credited to the RHBP trust account.
 - 2b. The request made to the Pension Committee to allow a pension-contribution holiday by the employer to a limit of \$200,000 has been approved. This amount will be credited to the RHBP trust account.
 - 2c. All current employees in the Extended Health Plan will pay a fixed amount per month equal to \$2.00 per month for single and \$5.25 per month for family coverage. This represents approximately 3.6% of the current monthly health premiums. This money will be placed in the RHBP trust account.
 - 2d. The University will contribute \$25,000 per year into the RHBP trust account.
 - 2e. The Federated Colleges will contribute an annual amount proportional to the Laurentian contribution to the RHBP trust account.
3. Grant-funded and term employees may opt out of the RHBP.
4. Interest will be credited to funds on deposit in the RHBP trust account and retiree reimbursements will be charged against the trust account.
5. Retirees will be reimbursed for premiums or other qualifying expenses paid in the amount of \$25.00 per month for single and \$50.00 per month for family, payable on a yearly basis. The list of expenses will be the same as that enjoyed by the full-time active employees. Over-the-counter medication, except vitamins, will be considered an eligible expense provided that a physician's prescription is submitted with an original receipt containing the required information (i.e. name of medication, date of purchase, cost of medication).
6. The Benefits Committee will continue to review the current benefit plans in order to achieve savings which might be utilized to improve the RHBP.
7. An annual statement of transactions in the trust fund and updated projections will be provided to the Benefits Committee. This Benefit Plan will be reviewed on an annual basis.
8. The amounts in items 2c, 2d, 2e and 5 are to be increased every year on July 1 by the average increase in Consumer Price Index (CPI) to a maximum of 3%. The annual CPI taken into consideration will be the CPI for the proceeding twelve (12) month period starting April 1 of the previous calendar year to March 31 of the current calendar year.
9. Upon the death of the retiree, the spouse and/or dependents will continue to be afforded the RHBP benefit for a period of two (2) years from the date of death of the retiree.

This is Exhibit "C" referred to in the Affidavit of Tom Fenske
affirmed October 16, 2025



Commissioner for Taking Affidavits (or as may be)

RETIREES BENEFIT PLAN POLICY
EFFECTIVE: JULY 1, 1998

1. Retirees will purchase private coverage from available external plans.
2. The University will establish a Retirees Health Benefit Plan (RHBP) to be used towards the subsidization of retiree health benefit premiums in the following manner.
 - 2a. A limit of \$8.00 dispensing fee per prescription will be implemented in the current extended health plan. The savings attributed to this change will be credited to the RHBP trust account. (Effective July 1, 2018, this contribution is rolled into the employer share.)
 - 2b. The request made to the Pension Committee to allow a pension-contribution holiday by the employer to a limit of \$200,000 has been approved. This amount will be credited to the RHBP trust account.
 - 2c. All current employees in the Extended Health Plan will pay a fixed amount per month equal to \$2.00 per month for single and \$5.25 per month for family coverage. This represents approximately 3.6% of the current monthly health premiums. This money will be placed in the RHBP trust account.
 - 2d. The University will contribute \$25,000 per year into the RHBP trust account. (Effective July 1, 2018, this contribution is rolled into the employer share.)
 - 2e. The Federated Colleges will contribute an annual amount proportional to the Laurentian contribution to the RHBP trust account.
3. Grant-funded and term employees may opt out of the RHBP.
4. Interest will be credited to funds on deposit in the RHBP trust account and retiree reimbursements will be charged against the trust account.
5. Retirees will be reimbursed for premiums or other qualifying expenses paid in the amount of \$25.00 per month for single and \$50.00 per month for family, payable on a yearly basis. The list of expenses will be the same as that enjoyed by the full-time active employees. Over-the-counter medication, except vitamins, will be considered an eligible expense provided that a physician's prescription is submitted with an original receipt containing the required information (i.e. name of medication, date of purchase, cost of medication).
6. The Benefits Committee will continue to review the current benefit plans in order to achieve savings which might be utilized to improve the RHBP.
7. An annual statement of transactions in the trust fund and updated projections will be provided to the Benefits Committee. This Benefit Plan will be reviewed on an annual basis.
8. The amounts in items 2c, 2d, 2e and 5 are to be increased every year on July 1 by the average increase in Consumer Price Index (CPI) to a maximum of 3%. The annual CPI taken into consideration will be the CPI for the proceeding twelve (12) month period starting April 1 of the previous calendar year to March 31 of the current calendar year.
9. Upon the death of the retiree, the spouse and/or dependents will continue to be afforded the RHBP benefit for a period of two (2) years from the date of death of the retiree.

This is Exhibit "D" referred to in the Affidavit of Tom Fenske
affirmed October 16, 2025



Commissioner for Taking Affidavits (or as may be)

Laurentian University Retirees Health Benefit Plan

**ACTUARIAL REPORT FOR FINANCIAL REPORTING PURPOSES
IN ACCORDANCE WITH CPA 3463
FOR THE PERIOD MAY 1, 2019 TO APRIL 30, 2020**

June 16, 2020

Prepared by:

ECKLER

**Steve Cheon, FSA, FCIA
Scott Mossman, FSA, FCIA**

**Eckler Ltd.
5140 Yonge Street, Suite 1700
Toronto, Ontario
M2N 6L7**



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Section 1. EXECUTIVE SUMMARY

The following report provides the actuarial valuation results of Laurentian University's (the "University") Retirees Health Benefit Plan ("RHBP") (and extrapolations thereof) in accordance with the Chartered Professional Accountants of Canada Handbook Section 3463 – Accounting for Not-for-Profit Organizations ("CPA 3463") for Fiscal 2020 (May 1, 2019 to April 30, 2020).

This report has been prepared at the request of Laurentian University ("the University") and is intended for use by the University and its external auditor in support of amounts appearing on the University's financial statements.

The University sponsors a Retirees Health Benefit Plan ("RHBP") that provides reimbursement for retiree health benefit premiums for private medical insurance or qualifying medical expenses, subject to a maximum yearly reimbursement. To support the accruing obligations, active members participating in the RHBP pay monthly premiums into the RHBP fund while the University and Federated Universities contribute annually. As well, the University and Federated Universities have been voluntarily contributing an additional amount from a portion of savings from the pay direct drug card into the RHBP fund.

The RHBP covers the members and retirees from Laurentian University, Sudbury Neutrino Observatory Institute (SNOI), and the following federated universities: Huntington University, Thorneloe University and The University of Sudbury (U of S). The accounting results in this report are summarized by reporting entity.

Purpose

The purpose of this report is to show the following information in accordance with CPA 3463:

1. The benefit cost for Fiscal 2020 and year-end disclosure results as of April 30, 2020; and
2. The estimated benefit cost for Fiscal 2021.

Please note that all the information provided for Fiscal 2021 are estimates only and can be materially different from what is shown dependant on significant events and changes in assumptions that may occur during and at the end of Fiscal 2021. We will confirm or update these estimates at the time of the preparation of the final Fiscal 2021 disclosure results.



Summary of Main Disclosure Result for the Year Ending April 30, 2020

The key financial information for the fiscal year ending April 30, 2020 is summarized as follows:

	Laurentian	SNOI	Huntington	Thorneloe	U of S	RHBP Total
Benefit cost/(income)	\$242,640	\$14,109	\$4,197	\$7,005	\$17,896	\$285,847
Fair value of plan assets	\$1,768,753	\$39,821	\$41,080	\$40,774	\$111,595	\$2,002,023
Defined benefit obligation	<u>\$7,206,000</u>	<u>\$152,209</u>	<u>\$123,131</u>	<u>\$168,847</u>	<u>\$416,134</u>	<u>\$8,066,321</u>
Defined benefit asset/(liability)	<u>(\$5,437,247)</u>	<u>(\$112,388)</u>	<u>(\$82,051)</u>	<u>(\$128,073)</u>	<u>(\$304,539)</u>	<u>(\$6,064,298)</u>
Employer contributions	\$147,596	\$2,859	\$2,746	\$2,727	\$5,616	\$161,544
Employee current service contributions	\$154,555	\$2,993	\$3,146	\$3,109	\$6,694	\$170,497
Employee past service contributions	\$0	\$0	\$0	\$0	\$0	\$0

Projected Results for Fiscal Year Ending April 30, 2021

The projected expense for the fiscal year ending April 30, 2021 is summarized as follows:

	Laurentian	SNOI	Huntington	Thorneloe	U of S	RHBP Total
Development of benefit cost/(income) for period						
Current service cost	29,369	10,107	986	1,880	6,561	48,903
Financial cost (net interest cost on defined benefit liability)	289,877	6,612	4,994	6,798	16,827	325,108
Expected return on plan assets	(71,070)	(1,709)	(1,664)	(1,592)	(4,361)	(80,396)
Benefit cost/(income) for period	<u>\$248,176</u>	<u>\$15,010</u>	<u>\$4,316</u>	<u>\$7,086</u>	<u>\$19,027</u>	<u>\$293,615</u>
Estimated employer contributions	\$150,548	\$2,916	\$2,801	\$2,782	\$5,728	\$164,775
Estimated employee current service contributions	\$157,646	\$3,053	\$3,209	\$3,171	\$6,828	\$173,907
Estimated employee past service contributions	\$0	\$0	\$0	\$0	\$0	\$0

The actual expense for Fiscal 2021 may be different than outlined here due to plan changes or significant events which may occur during the next fiscal year.

The financial amounts included in this report are in Canadian dollars. Detailed disclosure information is provided in Sections 3 and 4 of this report.

Actuarial valuations and extrapolations

An actuarial valuation of the RHBP was performed at June 30, 2017 based on data as at that date. The valuation was extrapolated to determine the Fiscal 2020 benefit expense. This valuation was also extrapolated to prepare the disclosure information at April 30, 2020 and estimated Fiscal 2021 expense. The maximum subsidy rates are updated annually, and the extrapolations reflect the applicable rates effective July 1, 2019, and July 1, 2020.

Actuarial Assumptions and Methods

There were no changes to the actuarial assumptions or methods since the last disclosure as of April 30, 2019.



Plan Provisions

The University has reported that there were no plan changes since the last disclosure as of April 30, 2019.



Section 2. RELIANCE AND CERTIFICATION

The results of the last actuarial valuation as at June 30, 2017 were extrapolated to April 30, 2020 for purposes of determining the year-end disclosure position as at April 30, 2020 and the estimated 2021 benefit cost.

We have relied on the following in our calculations:

Item	Provider
RHBP census data provided as at June 30, 2017	Julie Richer at Laurentian University
Plan provisions and confirmation of plan provisions at April 30, 2020	Julie Richer at Laurentian University
Other (i.e. employee and employer contribution levels, asset info, etc.) at April 30, 2020	Julie Richer at Laurentian University

This report has been prepared exclusively for the University and their external auditors for accounting purposes only, and in accordance with CPA 3463. The valuation report may not be relied upon or be appropriate for other purposes.

A plan's actual costs will depend on a number of factors, including the amount of benefits paid, the number of members covered for benefits, the amount of plan expenses and other external influences on the plan costs. These amounts are not known at the valuation date and are uncertain, but are expected to fall within a reasonable range of possibilities. To prepare this report, the selected actuarial assumptions produce one scenario from a range of possible scenarios. The results of the single scenario are summarized in this report. However, actual plan experience will differ from the assumptions used, and the differences may be material or significant.

Another reasonable set of assumptions could have been selected and the results would have been different. As well, valuation assumptions are likely to change at each valuation due to plan changes, data or experience changes, legislated events or changed expectations about the future.

Data

For the April 30, 2020 disclosure calculations, results were extrapolated from the valuation as at June 30, 2017, using membership data as of that date. The data was provided by the University for purposes of preparing our actuarial valuation, and was reviewed for consistency and sufficiency at that time.

The membership data is summarized in Section 7 of this report and confirmed by the University in Section 10.



Plan Provisions

The most recent RHBP valuation is based on plan provisions as at April 30, 2020, and was used to determine the expense and disclosure as at April 30, 2020. The plan provisions have been provided or confirmed by the University in Section 10, and the plan provisions are summarized in Section 9 of this report.

Methods and Assumptions

The actuarial valuation methods and assumptions of the University's management that have been used in the determination of the expense and disclosure amounts for fiscal year ending April 30, 2020 are summarized in Section 8 of this report.

The methods used in the valuations and extrapolations are the same as prior years.

The assumptions used in the RHBP valuation and extrapolation of results to April 30, 2020 are the same as those used to prepare the April 30, 2019 disclosures.

The subsidy rates have been updated to reflect the rates effective July 1, 2020, as provided by the University.

The resulting gains or losses that have arisen due to changes in assumptions are summarized in Section 6 of this report.

Subsequent Events

Subsequent to December 31, 2019, the COVID-19 pandemic has been evolving. At this time, we do not expect the long-term impact of COVID-19 on the liability to be material.

To the best of our knowledge and on the basis of discussions with the University, it is our understanding that there were no events which occurred between the disclosure date of April 30, 2020, and the date this report was completed which would have a material impact on the results of the valuation, extrapolation or the year-end disclosures at April 30, 2020.



Statement of Actuarial Opinion

In our opinion,

- the membership data on which the valuation and extrapolations are based is sufficient and reliable for the purpose of the valuation;
- the preparers of the financial statements have selected the assumptions, and they are in accordance with accepted actuarial practice in Canada; and
- the calculations have been made in accordance with my understanding of the requirements of CPA 3463.

The valuation properly reflects the effect of all events and changes which have occurred subsequent to the most recent actuarial valuation and that have been brought to our attention. Nonetheless, emerging experience differing from the assumptions used will result in gains or losses which will be revealed in future valuations.

This report has been prepared, and my opinion given, in accordance with accepted actuarial practice in Canada.

Respectfully submitted,

A handwritten signature in blue ink that appears to read "Steve Cheon".

Steve Cheon, FCIA, FSA

A handwritten signature in blue ink that appears to read "Scott Mossman".

Scott Mossman, FCIA, FSA

June 16, 2020

Date

June 16, 2020

Date



Section 3. FISCAL 2020 - DISCLOSURE

CPA Disclosure	Laurentian	SNOI	Huntington	Thorneloe	U of S	RHBP Total
Reconciliation of plan assets						
Fair value of plan assets at start	1,627,354	32,026	37,455	35,561	116,595	1,848,991
Actual returns and other adjustments	100,310	1,943	2,308	2,191	7,185	113,937
Employer contributions	147,596	2,859	2,746	2,727	5,616	161,544
Employees' current service contributions	154,555	2,993	3,146	3,109	6,694	170,497
Employees' past service contributions	0	0	0	0	0	0
Benefit payments	(261,062)	0	(4,575)	(2,814)	(24,495)	(292,946)
Fair value of plan assets at end	1,768,753	39,821	41,080	40,774	111,595	2,002,023
Reconciliation of defined benefit obligation						
Defined benefit obligation at start	7,016,919	133,506	119,048	164,611	403,652	7,837,736
Employer current service cost	25,004	9,643	882	1,741	6,161	43,431
Employees' current service contributions	154,555	2,993	3,146	3,109	6,694	170,497
Employees' past service contributions	0	0	0	0	0	0
Interest on defined benefit obligation	282,194	5,846	4,824	6,629	16,314	315,807
Benefit payments	(261,062)	0	(4,575)	(2,814)	(24,495)	(292,946)
Past service costs	0	0	0	0	0	0
Actuarial (gain) loss on defined benefit obligation	(11,610)	221	(194)	(4,429)	7,808	(8,204)
Defined benefit obligation at end	7,206,000	152,209	123,131	168,847	416,134	8,066,321
Recognition of remeasurements and other items						
Difference between actual return and interest income on plan assets	(35,752)	(563)	(799)	(826)	(2,606)	(40,546)
Net actuarial loss/(gain) on defined benefit obligation	(11,610)	221	(194)	(4,429)	7,808	(8,204)
Past service costs	0	0	0	0	0	0
Remeasurements and other items reflected in Net Assets	(47,362)	(342)	(993)	(5,255)	5,202	(48,750)
Development of benefit cost/(income) for period						
Current service cost	25,004	9,643	882	1,741	6,161	43,431
Financial cost (net interest cost on defined benefit obligation)	282,194	5,846	4,824	6,629	16,314	315,807
Expected return on plan assets	(64,558)	(1,380)	(1,509)	(1,365)	(4,579)	(73,391)
Benefit cost/(income) for period	242,640	14,109	4,197	7,005	17,896	285,847
Defined benefit asset/(liability)						
Defined benefit asset/(liability) at start	(5,389,565)	(101,480)	(81,593)	(129,050)	(287,057)	(5,988,745)
Benefit (cost)/income for period	(242,640)	(14,109)	(4,197)	(7,005)	(17,896)	(285,847)
Employer contributions	147,596	2,859	2,746	2,727	5,616	161,544
Remeasurements and other items reflected in Net Assets	47,362	342	993	5,255	(5,202)	48,750
Defined benefit asset/(liability) at end	(5,437,247)	(112,388)	(82,051)	(128,073)	(304,539)	(6,064,298)
Reconciliation of funded status						
Defined benefit obligation at end	7,206,000	152,209	123,131	168,847	416,134	8,066,321
Plan assets at fair value at end	1,768,753	39,821	41,080	40,774	111,595	2,002,023
Funded status	(5,437,247)	(112,388)	(82,051)	(128,073)	(304,539)	(6,064,298)



Section 4. FISCAL 2021 – ESTIMATED BENEFIT COST

CPA Disclosure	Laurentian	SNOI	Huntington	Thorneloe	U of S	RHBP Total
	\$	\$	\$	\$	\$	\$
Reconciliation of plan assets						
Fair value of plan assets at start	1,768,753	39,821	41,080	40,774	111,595	2,002,023
Actual returns and other adjustments	71,070	1,709	1,664	1,592	4,361	80,396
Employer contributions	150,548	2,916	2,801	2,782	5,728	164,775
Employees' current service contributions	157,646	3,053	3,209	3,171	6,828	173,907
Employees' past service contributions	0	0	0	0	0	0
Benefit payments	(292,185)	(154)	(4,957)	(7,879)	(17,683)	(322,858)
Fair value of plan assets at end	\$1,855,832	\$47,345	\$43,797	\$40,440	\$110,829	\$2,098,243
Reconciliation of defined benefit obligation						
Defined benefit obligation at start	7,206,000	152,209	123,131	168,847	416,134	8,066,321
Employer current service cost	29,369	10,107	986	1,880	6,561	48,903
Employees' current service contributions	157,646	3,053	3,209	3,171	6,828	173,907
Employees' past service contributions	0	0	0	0	0	0
Interest on defined benefit obligation	289,877	6,612	4,994	6,798	16,827	325,108
Benefit payments	(292,185)	(154)	(4,957)	(7,879)	(17,683)	(322,858)
Past service costs	0	0	0	0	0	0
Actuarial (gain) loss on defined benefit obligation	0	0	0	0	0	0
Defined benefit obligation at end	\$7,390,707	\$171,827	\$127,363	\$172,817	\$428,667	\$8,291,381
Recognition of remeasurements and other items						
Difference between actual return and interest income on plan assets	0	0	0	0	0	0
Net actuarial loss/(gain) on defined benefit obligation	0	0	0	0	0	0
Past service costs	0	0	0	0	0	0
Remeasurements and other items reflected in Net Assets	0	0	0	0	0	0
Development of benefit cost/(income) for period						
Current service cost	29,369	10,107	986	1,880	6,561	48,903
Financial cost (net interest cost on defined benefit obligation)	289,877	6,612	4,994	6,798	16,827	325,108
Expected return on plan assets	(71,070)	(1,709)	(1,664)	(1,592)	(4,361)	(80,396)
Benefit cost/(income) for period	248,176	15,010	4,316	7,086	19,027	293,615
Defined benefit asset/(liability)						
Defined benefit asset/(liability) at start	(5,437,247)	(112,388)	(82,051)	(128,073)	(304,539)	(6,064,298)
Benefit (cost)/income for period	(248,176)	(15,010)	(4,316)	(7,086)	(19,027)	(293,615)
Employer contributions	150,548	2,916	2,801	2,782	5,728	164,775
Remeasurements and other items reflected in Net Assets	0	0	0	0	0	0
Defined benefit asset/(liability) at end	(5,534,875)	(124,482)	(83,566)	(132,377)	(317,838)	(6,193,138)
Reconciliation of funded status						
Defined benefit obligation at end	7,390,707	171,827	127,363	172,817	428,667	8,291,381
Plan assets at fair value at end	1,855,832	47,345	43,797	40,440	110,829	2,098,243
Funded status	(5,534,875)	(124,482)	(83,566)	(132,377)	(317,838)	(6,193,138)



Section 5. SUMMARY OF SENSITIVITY RESULTS

Sensitivity Results at April 30, 2020	Laurentian	SNOI	Huntington	Thorneloe	U of S	RHBP Total
	\$	\$	\$	\$	\$	\$
Effect on current service cost and interest cost for period						
Impact of 1% increase in CPI assumption	107,600	5,600	2,100	2,300	6,800	124,400
Impact of 1% decrease in CPI assumption	(83,200)	(4,200)	(1,600)	(1,800)	(5,200)	(96,000)
Effect on defined benefit obligation at year end						
Impact of 1% increase in CPI assumption	1,374,300	43,200	24,400	28,700	78,900	1,549,500
Impact of 1% decrease in CPI assumption	(1,100,900)	(32,800)	(19,400)	(23,500)	(63,500)	(1,240,100)



Section 6. RECONCILIATION OF THE ACTUARIAL GAINS/LOSSES

Fiscal 2020	Laurentian	SNOI	Huntington	Thorneloe	U of S	RHBP Total
Sources of actuarial (gains)/losses in the period						
(Gain)/Loss from expected benefit payments different from actual	(22,182)	0	(375)	(4,673)	7,194	(20,036)
(Gain)/Loss from updated subsidy rates	10,572	221	181	244	614	11,832
Miscellaneous	0	0	0	0	0	0
Total actuarial (gain)/loss in period	(\$11,610)	\$221	(\$194)	(\$4,429)	\$7,808	(\$8,204)



Section 7. MEMBERSHIP DATA

All information on the membership data was provided by Laurentian University. The membership data used in the valuations and extrapolations were compiled as at June 30, 2017.

We subjected this data to a number of tests for reasonableness and consistency, including the following:

- a member's (and spouse's, if applicable) age is within a reasonable range;
- given age, rendered service was reasonable;
- membership statistics for the most recent valuation compared to membership statistics as at last valuation appeared reasonable;
- checked for duplicate records; and
- missing or inconsistent information was verified by the client.

A reconciliation of the change in membership from June 30, 2014 to June 30, 2017 is summarized as follows:

	Actives					Total	Retirees & Survivors				Total
	Laurentian	Thornloe	Huntington	SNOI	U of S		Laurentian	Thornloe	Huntington	U of S	
Number at June 30, 2014	795	13	16	27	40	891	277	7	6	21	311
New Entrants	87	1	3	13	10	114					0
Termination	(52)	0	(3)	(1)	(4)	(60)					0
Retirement (with benefits)	(51)	(1)	(1)		(2)	(55)	51	1	1	2	55
Retirement (without benefits)	(9)				(1)	(10)					0
Death (with survivor)	(4)					(4)	4				0
Death (without survivor)	(1)					(1)	(18)		(1)	(1)	(19)
Survivors benefit ended						0	(4)				0
ER Change	1				(1)	0					0
Data correction	(1)					(1)	1	1			1
Number at June 30, 2017	765	13	15	39	42	874	311	9	6	22	348



Membership Data – Actives as at June 30, 2017

Age/Service Distribution

Age	Years of Completed Service					Total
	0-10	10-20	20-30	30-40	40-50	
20-25	3					3
25-30	40					40
30-35	58	1				59
35-40	66	10				76
40-45	79	51				130
45-50	46	55	2			103
50-55	55	107	4			166
55-60	37	96	4			137
60-65	23	76	3	5		107
65-70	4	27	1			32
70-75		16	1		1	18
75-80		3				3
Total	411	442	15	5	1	874
Average Age		49.54				
Average Service		10.63				

Membership Data – Retirees as at June 30, 2017

Age Distribution

Age	Count
50-55	1
55-60	3
60-65	30
65-70	75
70-75	74
75-80	76
80-85	39
85-90	30
90-95	15
95-100	3
100-105	1
105-110	1
Total	348
Average Age	75.20

Distribution by Coverage Type

Coverage	Members
Single	69
Family	184
Nil*	95
Total	348

*For eligible members who have not yet claimed



Section 8. VALUATION METHODS AND ASSUMPTIONS

The assumptions used in the disclosure as of April 30, 2020, compared to those used as of April 30, 2019, are summarized as follows:

RHBP Actuarial Assumptions	April 30, 2020		April 30, 2019
Discount rate	4.0% per annum		
Expected Return on Assets	4.0% per annum		
Inflation Rate (increase in Consumer Price Index)	2.0% per annum		
Mortality Rates	CPM-2014 Public Sector Mortality with CIA Scale CPM-B - 105% Females, 115% Males		
Termination Rates	<u>Age</u> 25 35 45 55	<u>Males</u> 0.2240 0.0600 0.0432 0.0000	<u>Females</u> 0.2670 0.0720 0.0525 0.0000
Retirement Rates	<u>Age</u> 55-59 60-61 62 63 64 65 66 67 68 69 70 71	<u>Faculty</u> 0.00 0.00 0.10 0.05 0.05 0.50 0.25 0.25 0.25 0.25 0.50 1.00	<u>Staff</u> 0.00 0.00 0.25 0.25 0.25 0.50 0.50 1.00 1.00 1.00 1.00 1.00
Percentage of members electing family coverage at retirement	80%		
Percentage of contributing active employees who will participate in the RHBP in retirement	100%		
Percentage of subsidy claimed	Retired prior to or on July 1, 1998: 50% Retired post-July 1, 1998: 60%		

Actuarial Assumptions

According to Section 3463 of the CPA Handbook, the assumptions used to compute the defined benefit obligation should be management's best estimate, aside from the selection of the discount rate.



Economic Assumptions

A discount rate of 4.0% per annum was used, which represents the expected long-term rate of return for the RHBP assets. This is unchanged from the prior disclosure. The expected rate of return was provided by the University.

As provided by the University, a 4.0% rate of return on assets per annum is assumed for the assets supporting the RHBP, and is unchanged from the prior disclosure.

The increase in Consumer Price Index is assumed to be 2.0% per annum, which is unchanged from the prior disclosure. This is the indexing assumption used to estimate future RHBP subsidy amounts.

The purpose of an accounting valuation is to report the financial position of the plan on a best-estimate basis, and for this reason, provisions for adverse deviations were not included in the valuation assumptions since doing so would result in a more conservative financial position.

Demographic Assumptions

Most of the demographic assumptions (e.g. mortality and termination) used for this valuation were based on standard population tables instead of the plan's experience, due to the limited statistical volume of data available and to be consistent with the assumptions used for the University's pension plan valuation.

For mortality, the CPM-2014 Public Sector Mortality Table (adjusted 115% male/105% female) with generational projection using Scale CPM-B was used.

The main demographic assumptions concern the percent of members electing family coverage at retirement, member participation in the RHBP and the expected future claiming patterns of retirees eligible to make claims against the RHBP (but who have not done so to date).

The claiming assumptions for the subsidy amount are single percentage amounts that apply to the whole population, including retirees eligible to make claims against the RHBP but who have not done so. Based on historical experience, the percentage of the maximum subsidy amount claimed is assumed to be 50% for those retired on or before July 1, 1998, and 60% for those retired after this date.



The maximum subsidy benefits are as follows:

	Effective July 1, 2020:	Effective July 1, 2019:
Maximum Subsidy Benefit	<u>LUSU members</u> Single coverage: \$ 687.45 per year Family coverage: \$1,374.87 per year <u>GRANTS members</u> Single coverage: \$ 817.52 per year Family coverage: \$1,374.87 per year <u>LUFA, LUAPSA, EXECUTIVE, US, HU, TU members</u> Single coverage: \$ 978.17 per year Family coverage: \$1,589.53 per year	<u>LUSU members</u> Single coverage: \$ 672.99 per year Family coverage: \$1,345.93 per year <u>GRANTS members</u> Single coverage: \$ 800.31 per year Family coverage: \$1,345.93 per year <u>LUFA, LUAPSA, EXECUTIVE, US, HU, TU members</u> Single coverage: \$ 957.58 per year Family coverage: \$1,556.07 per year

Actuarial Cost Method

The benefit obligations shown in this report are computed using the Projected Unit Credit Method as prescribed in the CPA Handbook. The present value of the Defined Benefit Obligation (DBO) is calculated under this method as an equal portion of the total estimated future benefit attributed to each year of service up to the attainment of “full eligibility” – as defined below. The DBO represents the portion of the total future benefit attributable to service rendered to date. The current service cost represents the portion of the future benefit deemed to accrue in the year. That is,

- For active members who have reached full eligibility, retirees and their spouses, or surviving spouses, the DBO is the present value of future projected benefits. For these members, the current service cost is nil.
- For each active member who has not reached full eligibility, the DBO is the present value of future projected benefits multiplied by the ratio of service to date to total expected service at full eligibility. For these members, the current service cost is the present value of future projected benefits divided by the total expected service at full eligibility.

The plan’s current service cost is the sum of the individual current service costs of all plan members; the plan’s DBO is the sum of the individual DBO of all plan members.

Full eligibility is determined as the earliest date at which the member reaches age 55 with 15 or more years of contributions to the plan

Amortization Method

Under CPA 3463, actuarial gains and losses are recognized as a charge to the Net Assets in the Statement of Financial Position in the year they arise. Any past service costs from plan amendments will also be reflected as a charge to the Net Assets in the year they arise.

Assets

The trust account is held by the University to reimburse retiree health benefit premiums and qualifying medical expenses. The market value of the fund is used in the accounting results.



Section 9. SUMMARY OF PLAN PROVISIONS

The following is a summary of the plan provisions pertinent to this valuation.

Effective Date

The RHBP was implemented in January 1999 retroactive to July 1, 1998. The plan provides reimbursement for retiree health benefit premiums for private medical insurance or qualifying medical expenses, subject to a maximum yearly reimbursement.

Eligibility

Former employees who retired before July 1, 1998 are automatically eligible for benefits. Employees hired before July 1, 1998 are eligible for benefits if they retire at age 55 or older and have contributed to the plan during the entire period since July 1, 1998.

Employees hired on or after July 1, 1998 are eligible for benefits if they retire at age 55 or older and have contributed to the plan for at least 15 years.

Employees do not receive any benefits under the RHBP if they terminate their employment, die or retire without meeting the above criteria.

All employees are eligible to participate in the RHBP, however, grant-funded and term employees may opt out.

Indexing

The yearly maximum subsidy payment, employee cost and employer contributions are indexed annually by the lesser of the average increase in the Consumer Price Index and 2%.

Benefit Duration

Benefits are payable for the life of the retiree. On the death of a retiree who had family coverage, benefits to the retiree's spouse or dependants continue for two years from the date of death.

History of Plan Amendments

On several occasions, the maximum yearly reimbursement was increased over and above the average increase in the Consumer Price Index.

- Effective July 1, 2002, the maximum reimbursement was increased by the average CPI plus an additional 7.6% resulting from the demutualization proceeds that arose from policies issued by Sun Life and held by the University. The maximum reimbursement was further increased (\$400 for single, \$800 for family) as a result of negotiations between the University and the Laurentian University Faculty Association (LUFA).

In order to fund the enhanced maximum yearly reimbursement resulting from the negotiations in 2002, the University agreed to contribute an additional \$30,000 per year for the 10 years following



July 1, 2002. Annual contributions from the University and Federated Colleges averaged \$98,800 over the period July 1, 1999 to June 30, 2002 and totaled \$296,500 over the three-year period.

- Effective July 1, 2005, the annual single and family maximum reimbursement amounts were increased by \$200 as a result of negotiations between the University and LUFA. This increase applied to employees in all groups with the exception of employees represented by the Laurentian University Staff Union (LUSU).
- Effective July 1, 2006, the annual single maximum reimbursement amount was increased by \$100 and the annual family maximum reimbursement amount was increased by \$200. This increase was a result of a collective agreement and applied to LUSU employees only.
- Effective July 1, 2008, the annual maximum reimbursement amount was increased to \$800 for single members and \$1,300 for family members as a result of negotiations between the University and LUFA. This increase applied to employees of LUFA, Laurentian University Administrative and Professional Staff Association (LUAPSA), University of Sudbury (US), Huntington University (HU) and executives.

In order to fund the enhanced maximum yearly reimbursement effective July 1, 2008, employees provided with the enhancement are contributing an additional \$60 per year, covering roughly 40% of the cost of the increase.

- Effective January 1, 2018, the annual maximum reimbursement amount was changed for Thorneloe University (TU) members to be the same as employees of LUFA, LUAPSA, US, HU and executives.

Employee Contribution Rates

The employee contribution rates are as follows:

Employee Contribution Rates	Effective July 1, 2020:	Effective July 1, 2019:
	<p><u>LUSU members</u> Single coverage: \$78.08 per year Family coverage: \$156.17 per year</p> <p><u>GRANTS members</u> Single coverage: \$156.17 per year Family coverage: \$156.17 per year</p> <p><u>LUFA, LUAPSA, EXECUTIVE, US, HU, TU members</u> Single coverage: \$229.53 per year Family coverage: \$229.53 per year</p>	<p><u>LUSU members</u> Single coverage: \$76.44 per year Family coverage: \$152.88 per year</p> <p><u>GRANTS members</u> Single coverage: \$152.88 per year Family coverage: \$152.88 per year</p> <p><u>LUFA, LUAPSA, EXECUTIVE, US, HU, TU members</u> Single coverage: \$224.70 per year Family coverage: \$224.70 per year</p>



Section 10. EMPLOYER CERTIFICATE

With respect to the non-pension post-retirement benefit expense and disclosure for the fiscal year ending April 30, 2020 under CPA 3463 for Laurentian University's RHBP, I hereby certify that, to the best of my knowledge and belief:

- The membership data provided to the actuary provides a complete and accurate description of all persons who are entitled to benefits under the terms of the plan for service up to the date of the last valuation as of June 30, 2017 and remains appropriate for the extrapolation to April 30, 2020;
- A copy of the plan documents and of all amendments made up to April 30, 2020 were supplied to the actuary;
- All substantive commitments have been communicated to the actuary;
- The actuarial methods used for the purposes of the valuation are those described in this report;
- Management's best-estimate assumptions for purposes of the valuation of the plan and the extrapolation of the financial position of the plan as of the fiscal year-end April 30, 2020 are those described in this report; and
- All events subsequent to the valuation that may have an impact on the results of the valuation have been communicated to the actuary.

Signed

Normand Lavallee

Name

AVP, Financial Services

Title

June 16, 2020

Date

This is Exhibit "E" referred to in the Affidavit of Tom Fenske
affirmed October 16, 2025



Commissioner for Taking Affidavits (or as may be)

Annual Financial Report

Fiscal year ended April 30, 2019



Laurentian University
Université Laurentienne

Sudbury, ON laurentian.ca



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REVIEW OF FISCAL 2018-2019

Highlights

The past 5-years at Laurentian University have been remarkable and transformative. We have enjoyed success on many levels and achieved historical milestones as a result of the ambitious outcomes identified in our 2012-2017 Strategic Plan.

Laurentian's 2018-2023 Strategic Plan is a continuation of the University's development and growth and will build on our shared values. We will focus on opportunities for collaboration, investments and accomplishments that align with our strengths: Indigeneity, Francophone cultures and language, interdisciplinarity, mining and environmental sustainability, and well-being. This university has a wide reach, and what we achieve here resonates with people and helps build vibrant, knowledgeable, and healthy communities.

Imagine 2023 is a plan that provides guidance, but allows for creativity. In the creation of the plan, the University met with over 1500 people, held more than 50 consultations, received hundreds of emails and prepared dozens of documents, including 5 drafts of the plan.

Fiscal 2018-19 had financial challenges that resulted in a consolidated loss of \$4.1 million from all funds. The University's operating fund had a deficit of \$4.4 million as planned in the 2018-19 budget. The 2019-20 budget includes anticipated funds from the Northern Sustainability Fund and it is anticipated that the 2020-21 budget will be balanced.

Reconciliation of Budget to Audited Financial Statements

	Revenues	Expenses	Net
Per 2018-19 Budget	156,319	160,719	(4,400)
Consolidated entities (MIRARCO and 20% of SNOLAB)	4,379	4,990	(611)
Capital fund	4,864	4,516	348
Research and trust (non-operating fund)	29,780	29,566	214
Difference between Employer Pension Contributions and Net Benefit Cost	0	(772)	772
Other variances	(118)	305	(423)
Per 2018-19 Audited Financial Statements	195,224	199,324	(4,100)

Capital Projects & Financing

❖ Students' Centre

The Students' General Association (SGA) held a referendum in March of 2014 in which the majority of the members who voted supported the construction of a new Student Centre. This is a project for the students, by the students, supported by the University's skilled Capital Team as project managers. The new Student Centre will be located at the intersection of University Road next to West Residence and will open in October 2019. The University guarantees the loan by the Student General Association.

The space will include an atrium with study and lounge facilities as well as private study rooms and an open concept games room. It will also feature a room for clubs, SGA administration offices, meeting rooms, retail space for a new coffee kiosk, an onsite dental hygienist, graduation photo space, and two retail areas for pop-up shops or potential future food services.

❖ Greenhouse Gas Campus Retrofit Program

Ontario is reducing greenhouse gas pollution and supporting student achievement by investing in energy improvements at college and university campuses across the province. This investment is part of Ontario's Climate Change Action Plan and is funded by proceeds from the province's cap on pollution and carbon market.

Laurentian's share of this funding has allowed for much needed retrofits such as boiler replacements and campus metering upgrades.

❖ Capital financing

Capital projects are financed through grants, donations, long-term debt and internal funding. Total outstanding long-term debt was \$95.3 million at the end of fiscal 2019.

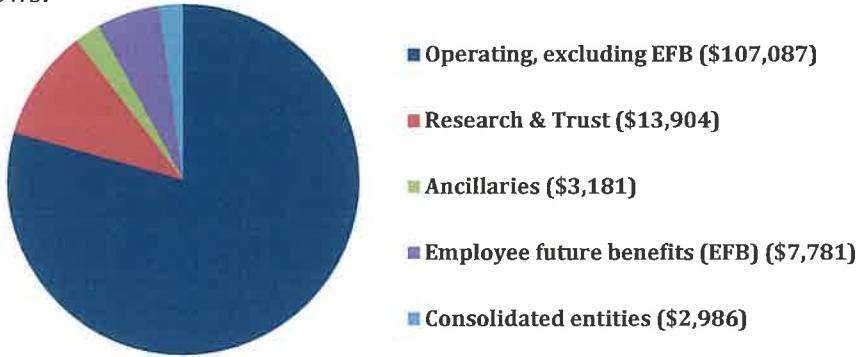
Campus modernization projects	\$40.6
Ancillaries	\$34.3
School of Education	\$13.6
Voyageur Recreation Centre	\$6.8
	\$95.3

During the year, the University repaid \$3.5 million in long-term debt and is compliant with the debt policy approved by the Board of Governors. At April 30, 2019, \$10.7 million in capital projects were financed by internal financing. Ongoing major capital projects are financed by internal debt until receipt of funding or long-term borrowing.

The University has access to a Royal Bank unsecured line of credit of \$5 million and a Desjardins unsecured line of credit of \$26 million in support of internal capital funding. At April 30, 2019 the University had utilized \$17.6 million.

Compensation and Benefits

Salaries and benefits represent 68% of the University's expenses. Salaries and benefits expense increased 6.5% from prior year to \$134.9 million. This increase is primarily due to one-time savings realized in 2018 from faculty labour disruption, wage increases ranging from 1.5%-1.6%, as well as step increases and progress-through-the ranks. The breakdown of salaries and benefits expense is as follows:



Employee Future Benefits (EFB)

The University has three post-employment benefit plans. The first is a defined benefit pension plan (formerly a hybrid plan until 2012) to which the University contributes the funding required to support its current obligation and any special payments as required by regulations. The employees contribute a set amount as determined either through collective bargaining or through decisions made by the Board. The benefits are based on years of service and the average of the best five consecutive years of salary at retirement. The second benefit is the Retiree Health Benefit Plan (RHPB) to which the employees contribute during their employment. The benefit is based upon a fixed annual maximum reimbursement of actual expenses claimed. The third benefit is a supplemental pension plan to provide eligible employees with benefits otherwise available should Canada Revenue Agency limitations not be imposed.

The University determines its obligations for its employee future benefits using funding assumptions within its financial statements.

The Pension Plan filed a new valuation effective June 30, 2018. The timing of filing this valuation effectively moved the valuation process to utilize the 2018 pension reform regulations. Pension reform introduced additional funding requirements for the Provision for Adverse Deviation (PfAD), which is above the current service costs. The PfAD percentage is calculated on a risk calculation on the plan's assets. The current PfAD rate is 7.94% applied to current services costs. The University is only required to fund solvency deficits up to an 85% level with a 5-year amortization period. The solvency ratio deficit for the June 2018 valuation was 88%. Going concern deficits will now be required to be funded over a 10 year period instead of 15 year period. The net effect of the above changes is a decrease in special payments on July 1, 2019 from \$1.9 million to \$0.9 million annually. Laurentian's Pension Plan is also subject to the Pension Benefits Guarantee Fund.

Employee Future Benefits (EFB) (continued)

At April 30, 2019, the Pension Plan has a going concern surplus of \$1.9 million (in 2018 a deficit of \$6.5 million). The main reason for the valuation change is the performance of the plan's assets over the year. This resulted in a remeasurement gain of \$7.4 million as reflected in the Consolidated Statement of Changes in Net Assets.

The Retiree Health Benefit Plan (RHBP) has been underfunded since its inception and currently has a deficit of \$5.4 million. The University is increasing the employer's contributions to resolve this issue over time.

Funding Formula and Strategic Mandate Agreement

Laurentian signed SMA2 with the Province in October 2017 covering the period of 2017-20. SMA2 set the corridor midpoint for funding purposes for Laurentian at 15,891 Weighted Grant Units (WGU). The corridor midpoint is the annual enrolment comparator to determine if Laurentian remains within the plus or minus 3% corridor. The actual measured WGU is based upon the moving weighted value for 5 years with 2016-17 being the base year.

If Laurentian University maintains the same number of domestic students in 2019-20 as in 2018-19, the weighted average for the last year of the SMA2 would be 15,548 WGU or 2.2% below the corridor midpoint.

FUNDING WGU		SMA 2		
	Base 2016-17	Actual 2017-18	Actual 2018-19	Budget 2019-20
Actual and estimated WGU	15,891	15,089	14,977	14,950
Weighted WGU		15,891	15,731	15,548
Variance to corridor		0.00%	-1.01%	-2.16%

The Province has also announced additional changes to the funding formula for SMA3 in order to increase both accountability and transparency. Beginning in 2020-21, 25% of provincial funding will be linked to 10 metrics with that share rising to 60% by the 2024-25 academic year. Correspondingly, enrolment-based funding which stands at \$2,903 per WGU is anticipated to decrease to \$1,143 per WGU.

There are six 'skills and job outcomes' metrics: graduate earnings, experiential learning, skills and competencies, graduate employment, institutional strength or focus, and graduation rates. There are four 'economic and community impact' metrics: research funding capacity, research funding from industry sources or funding from industry sources, community or local impact, and institution specific (economic impact) as defined by Laurentian.

Ancillaries (in 000's)

	Budget 2018-19	Actual 2018-19
Ancillary revenues	14,646	14,424
Ancillary expenses	11,372	11,436
Contribution	3,274	2,987

Laurentian's ancillary operations include Residences, Parking, Food Services, Press, Conferences and Events, Laurentian English Language Institute and the Centre for Academic Development.

Endowments

The University has \$51.8 million in endowment, an increase of \$3 million over 2017-18. For 2018-19, the University assigned a spending rate of 4% towards the scholarships and other commitments supported by the funds.

During the year, the Board of Governors approved a new Statement of Investment Policy and Procedures (SIPP) that will diversify the assets invested by the fund to include infrastructure investments and more diversified fixed income investments.

Research

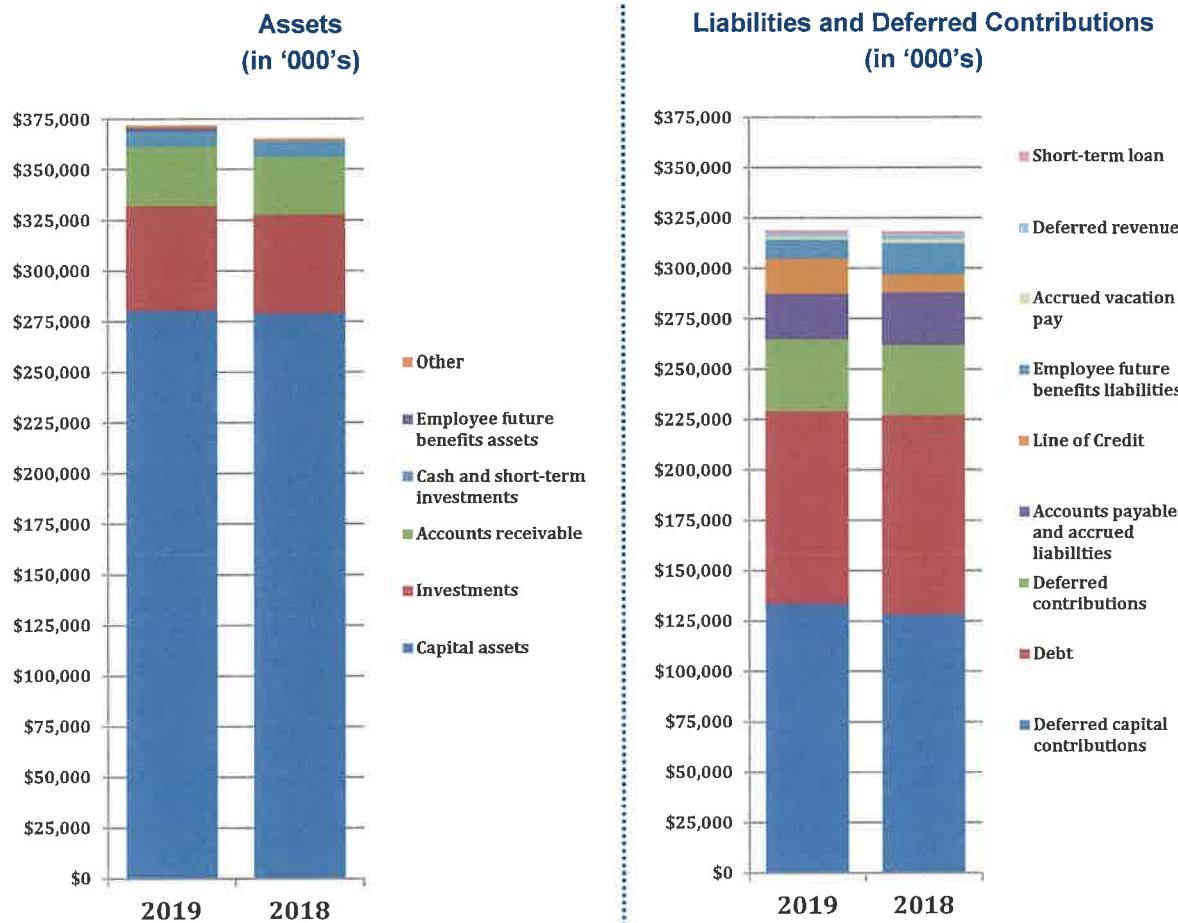
Laurentian University is an ideal environment for advanced learning with small class sizes and the opportunity to conduct research alongside professors with international reputations. Our graduate curriculum builds on a solid tradition of innovative programs and ground-breaking research. We are proud of our value-added, high-quality graduate education that offers every opportunity to become involved in the invigorating intellectual environment at Laurentian.

Laurentian is home to a wealth of creative minds, and students benefit from the expertise of professors with international experience. To support our faculty and students, Laurentian has an array of cutting-edge research facilities – some are the first of their kind in Canada. In September 2018, Laurentian opened the Norrine Perdue Central Analytical Facility, a shared laboratory space that facilitates multi-disciplinary research and collaboration by providing access to analytical instruments and services in a centralized location. The campus itself – due to its location and setting – serves as a vast outdoor laboratory for research in health, biology, geology and the environment.

Laurentian is currently home to fourteen Senate-approved research centres and institutes. These centres and institutes bring together researchers with common interests and are places that foster collaboration. They create a presence on the world stage for our areas of research strength. Many of Laurentian's most prominent researchers are members and leaders of research centres or institutes. For example, Dr. John Gunn, Tier 1 Canada Research Chair in Stressed Aquatic Systems, leads the Co-operative Freshwater Ecology Unit that celebrated 30 years of successful collaboration with government and industry partners this past year. The centre is also home to two other Research Chairs, Dr. Nathan Basiliko, Tier 2 Canada Research Chair in Environmental Microbiology and Dr. Nadia Mykytczuk, NOHFC Industrial Research Chair Bio-mining, bioremediation and science communications.

FINANCIAL STATEMENT HIGHLIGHTS

Consolidated Statement of Financial Position



Capital assets increased \$1.5M during the year which was mainly related to the Cliff Fielding Research, Innovation and Engineering Building and Greenhouse Gas Campus Retrofit projects. Long-term investments increased \$3.0M thanks to generous endowment contributions received during the year. Accounts receivable are up \$1.2M mainly due to the timing of grants received. The University's cash level remained comparable to prior year. Employee future benefit assets are \$1.9M and were a liability in 2018, based on actuarial valuation. Other assets are comprised of inventory and prepaid expenses and remained similar to prior year.

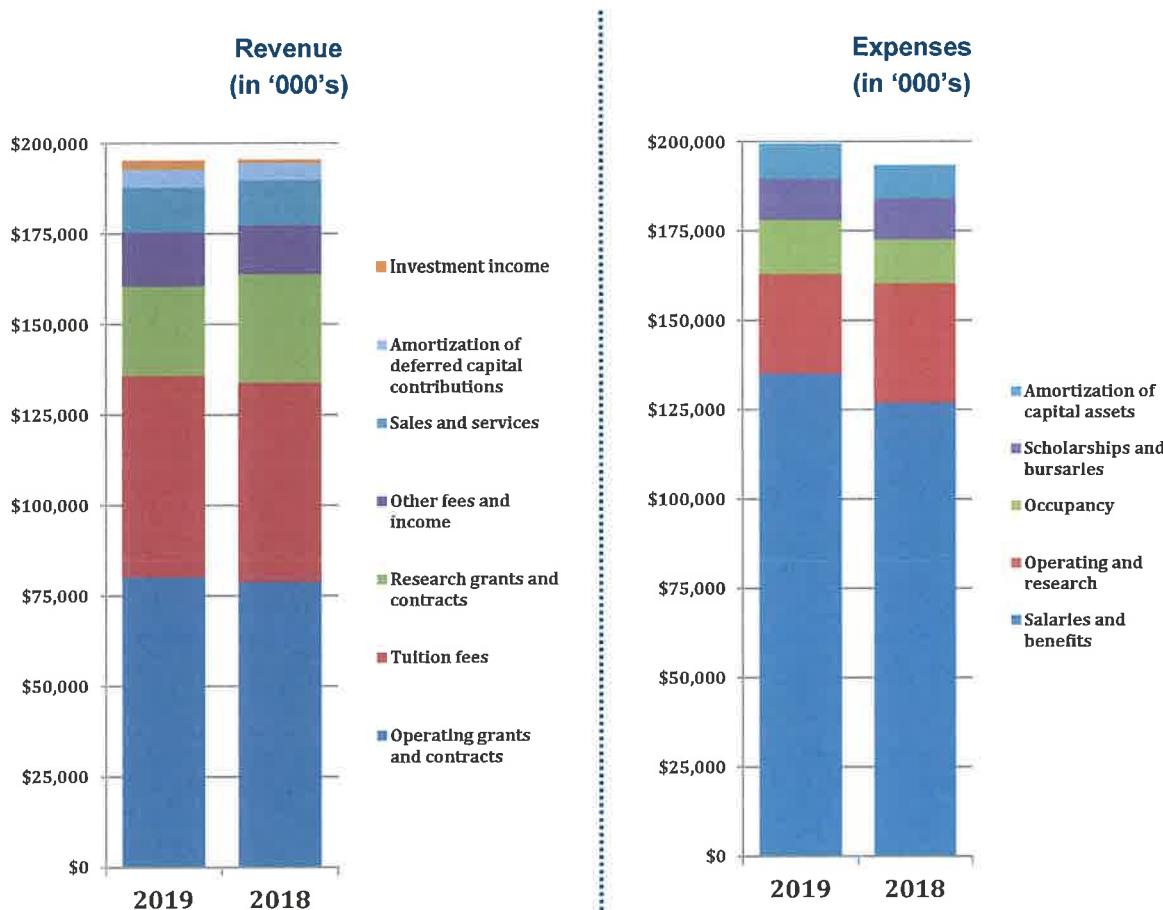
Overall, assets increased by 1.9%.

Deferred capital contributions increased \$5.3M, primarily because of grants relating to the Cliff Fielding Research, Innovation and Engineering Building which will be amortized to revenue over the life of the assets. Long-term debt went down \$3.5M from principal payments made during the year. Accounts payable were reduced \$3.7M mostly due to the release of large capital holdbacks. At April 30, 2019, \$17.6M of the University's line of credit was utilized for capital spending, an increase of \$8.6M. Employee future benefits liabilities decreased \$6.2M based on actuarial valuation.

Overall, liabilities and deferred contributions increased by 0.2%.

FINANCIAL STATEMENT HIGHLIGHTS (continued)

Consolidated Statement of Operations



Operating grants increased slightly mainly due to an increase in Graduate Access grants. Tuition revenue increased by 1.2% due to annual tuition increases, partially offset by a slight enrolment decline. Research grants and contracts decreased 18.0% primarily because of a decrease in grant revenue earned by Mirarco, a consolidated research entity. Other fees and income are up due to administrative fee increases. Sales and services were comparable to prior year. Amortization of deferred capital is up by 5.0% due to new funding for capital projects. Investments had a stronger rate of return this year resulting in a \$1.6M increase in investment income.

Overall, revenue decreased by 0.1%.

Salaries and benefits increased 6.5% primarily due to one-time savings realized in 2018 from faculty labour disruption, wage increases ranging from 1.5%-1.6%, as well as step increases and progress-through-the ranks. There was a decrease in operating and research of 16.5% because of a decrease in research expenses, particularly Mirarco. Occupancy related expenses increased 22.4%, this was a result of annualization of campus modernization interest payments as well as additional costs related to newly constructed facilities and aging infrastructure. Scholarships and bursaries remained comparable to prior year. Amortization increased 6.7% due to completion of capital projects.

Overall, expenses increased by 3.1%.

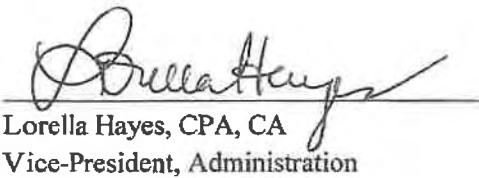
STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

The administration of Laurentian University of Sudbury (the University) is responsible for the preparation of the consolidated financial statements, the notes thereto and all other financial information contained in this Annual Financial Report. The administration has prepared the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations. The administration believes the consolidated financial statements present fairly the University's financial position as at April 30, 2019 and the results of its operations and its cash flows for the year ended April 30, 2019. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and judgments were employed. Additionally, management has ensured that financial information presented elsewhere in this Annual Financial Report has been prepared in a manner consistent with that in the consolidated financial statements. In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from permanent loss and that the accounting records are a reliable basis for the preparation of consolidated financial statements.

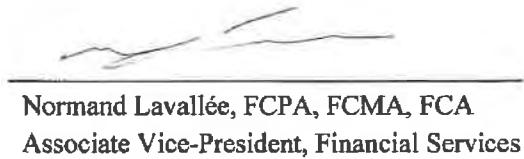
Eckler Ltd. has been retained by the University in order to provide an estimate of the University's liability for pension and other employee future benefits. Management has provided the actuary with the information necessary for the completion of the University's actuarial report and retains ultimate responsibility for the determination and estimation of the pension and other employee future benefits liabilities reported.

The Board of Governors carries out its responsibility for review of the consolidated financial statements and this Annual Financial Report principally through its Audit Committee. The members of the Audit Committee are not officers or full-time employees of the University. The Audit Committee meets regularly with the administration, as well as external auditors, to discuss the results of audit examinations and financial reporting matters and to satisfy itself that each party is properly discharging its responsibilities. The auditors have full access to the Audit Committee with and without the presence of the administration.

The consolidated financial statements for the year ended April 30, 2019 have been reported on by KPMG LLP, Chartered Accountants, the auditors appointed by the Board of Governors. The independent auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the consolidated financial statements.



Lorella Hayes, CPA, CA
Vice-President, Administration



Normand Lavallée, FCPA, FCMA, FCA
Associate Vice-President, Financial Services

Consolidated Financial Statements of

**LAURENTIAN UNIVERSITY
OF SUDBURY**

And Independent Auditors' Report thereon

Year ended April 30, 2019



KPMG LLP
 Claridge Executive Centre
 144 Pine Street
 Sudbury Ontario P3C 1X3
 Canada
 Telephone (705) 675-8500
 Fax (705) 675-7586

INDEPENDENT AUDITORS' REPORT

To the Governors of Laurentian University of Sudbury

Opinion

We have audited the accompanying consolidated financial statements of Laurentian University of Sudbury, which comprise:

- The consolidated statement of financial position as at April 30, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Laurentian University of Sudbury as at April 30, 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial statements"*** section of our report. We are independent of Laurentian University of Sudbury in accordance with the applicable independence standards, and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



In preparing the financial statements, management is responsible for assessing Laurentian University of Sudbury's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Laurentian University of Sudbury or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Laurentian University of Sudbury's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Laurentian University of Sudbury's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Laurentian University of Sudbury's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Laurentian University of Sudbury to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group of Laurentian University of Sudbury to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP' in a stylized, cursive font. A thin black line is drawn underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

October 25, 2019

LAURENTIAN UNIVERSITY OF SUDBURY

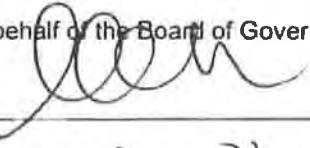
Consolidated Statement of Financial Position

April 30, 2019, with comparative information for 2018
(thousands of dollars)

	2019	2018
Assets		
Current assets:		
Cash and short-term investments (note 2)	\$ 7,505	7,906
Accounts receivable (note 3)	28,879	27,689
Other	1,329	1,173
	37,713	36,768
Accounts receivable (note 3)	232	798
Investments (note 2)	51,809	48,800
Employee future benefit assets (note 4)	1,929	—
Capital assets (note 5)	280,187	278,725
	\$ 371,870	365,091
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Line of credit (note 13)	\$ 17,600	9,000
Short-term loan (note 6)	1,426	1,484
Accounts payable and accrued liabilities (note 7)	22,307	25,960
Accrued vacation pay	1,799	1,907
Deferred revenue	1,468	2,522
Current portion of long-term debt (note 8)	3,606	3,464
	48,206	44,337
Long-term obligations:		
Long-term debt (note 8)	91,711	95,317
Employee future benefits liabilities (note 4)	9,237	15,454
	100,948	110,771
Deferred contributions (note 9):		
Deferred contributions	36,078	34,896
Deferred capital contributions	133,474	128,206
	169,552	163,102
Net assets (deficiency):		
Unrestricted	(14,544)	(10,122)
Vacation and employee future benefits	(9,107)	(17,555)
Internally restricted (note 10)	25,006	25,758
Endowment	51,809	48,800
	53,164	46,881
Commitments and contingencies (note 13)		
	\$ 371,870	365,091

See accompanying notes to consolidated financial statements.

On behalf of the Board of Governors:


Governor


Governor

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Operations

Year ended April 30, 2019, with comparative information for 2018
(thousands of dollars)

	2019	2018
Revenue:		
Operating grants and contracts	\$ 80,063	78,754
Tuition fees	55,581	54,940
Research grants and contracts	24,655	30,085
Other fees and income (note 15)	14,940	13,453
Sales and services	12,468	12,482
Amortization of deferred capital contributions	4,864	4,631
Investment income (note 2)	2,653	1,016
	195,224	195,361
Expenses:		
Salaries and benefits	134,939	126,751
Operating and research	27,880	33,383
Occupancy	15,163	12,386
Scholarships and bursaries	11,411	11,472
Amortization of capital assets	9,931	9,309
	199,324	193,301
Excess (deficiency) of revenue over expenses	\$ (4,100)	2,060

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2019, with comparative information for 2018
(thousands of dollars)

2019	Unrestricted	Vacation and Employee Future Benefits	Internally Restricted (note 10)	Endowment	Total
Net assets (deficiency), beginning of year	\$ (10,122)	(17,555)	25,758	48,800	46,881
Excess (deficiency) of revenue over expenses	967	–	(5,067)	–	(4,100)
Transfer for capital transactions	(5,423)	–	5,423	–	–
Other transfers	34	1,074	(1,108)	–	–
Endowment contributions	–	–	–	3,009	3,009
Employee future benefits remeasurements and other items	–	7,374	–	–	7,374
Net assets (deficiency), end of year	\$ (14,544)	(9,107)	25,006	51,809	53,164

2018	Unrestricted	Vacation and Employee Future Benefits	Internally Restricted (note 10)	Endowment	Total
Net assets (deficiency), beginning of year	\$ (10,331)	11,042	26,078	47,064	73,853
Excess (deficiency) of revenue over expenses	6,738	–	(4,678)	–	2,060
Transfer for capital transactions	(2,027)	–	2,027	–	–
Other transfers	(4,502)	2,171	2,331	–	–
Endowment contributions	–	–	–	1,736	1,736
Employee future benefits remeasurements and other items	–	(30,768)	–	–	(30,768)
Net assets (deficiency), end of year	\$ (10,122)	(17,555)	25,758	48,800	46,881

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Cash Flows

Year ended April 30, 2019, with comparative information for 2018
(thousands of dollars)

	2019	2018
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	\$ (4,100)	2,060
Non-cash items:		
Amortization of capital assets	9,931	9,309
Amortization of deferred capital contributions	(4,864)	(4,631)
Unrealized loss (gain) on investments	(326)	984
Excess of employer contributions over employee future benefits net benefit costs	(772)	(1,800)
	(131)	5,922
Change in non-cash working capital (note 14)	(5,595)	(6,624)
	(5,726)	(702)
Cash flows from financing activities:		
Endowment contributions	3,009	1,736
Increase in deferred contributions	1,182	928
Deferred capital contributions received	10,132	17,951
Repayment of long-term debt	(3,464)	(3,305)
Increase in line of credit	8,600	9,000
Decrease in short-term loan	(58)	(59)
	19,401	26,251
Cash flows from investing activities:		
Purchases of capital assets	(11,393)	(24,955)
Net acquisition of investments	(2,683)	(2,720)
	(14,076)	(27,675)
Net decrease in cash and short-term investments	(401)	(2,126)
Cash and short-term investments, beginning of year	7,906	10,032
Cash and short-term investments, end of year	\$ 7,505	7,906

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Consolidated Financial Statements

Year ended April 30, 2019
(thousands of dollars)

Laurentian University of Sudbury (the "University") is incorporated by special act under the laws of Ontario.

The university is a registered charity and is therefore, under section 149 of the Income Tax Act, exempt from payment of income tax.

1. Significant accounting policies:

(a) Revenue recognition:

The University follows the deferral method of accounting for contributions. The principles under this method are summarized as follows:

Unrestricted contributions and donations are recognized as revenue when received or receivable if the amount can be reasonably estimated and allocation is reasonably assured. Contributions pertaining to future periods are deferred and recognized as revenue in the year in which the related expenses are recognized.

Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for capital asset purchases are deferred and amortized to operations on the same basis as the related asset is amortized.

Endowment contributions consist of donations and capitalized investment income and are recognized on the accrual basis as direct changes in net assets.

Pledges are not legally enforceable claims and therefore are not recorded in these consolidated financial statements until they are received.

Student fees and tuitions and other fees and income are recognized as revenue in the fiscal period when the respective courses and seminars are held.

(b) Investments:

Investments are largely invested in pooled funds, which are carried at fair value.

Income/loss derived from endowment investments is allocated to the related scholarship and bursary accounts and the endowment fund balance. Investment income/loss on non-endowment investments is allocated to the respective non-endowment fund balance in proportion to their yearly weighted average.

(c) Capital assets:

Purchased assets are recorded at cost. Contributed assets are recorded at fair market value at the date of contribution. Certain parcels of land that were purchased prior to May 1, 2011 are recorded at deemed cost, being their fair value at May 1, 2011, the transition date to Canadian accounting standards for not-for-profit organizations.

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2019
(thousands of dollars)

1. Significant accounting policies: (continued)

(c) Capital assets: (continued)

Capital assets are amortized on the straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Equipment and furnishings	7 years
Site improvements	15 years

Construction in progress is not amortized until the project is complete and the facilities are put in use.

(d) Employee future benefits liabilities:

Effective July 1, 2012, the University registered its Pension Plan for all future service as a defined benefit plan for all employees of the University. Prior to this, the Pension Plan provided a defined contribution Pension Plan with a guaranteed minimum defined benefit.

All full time employees of the University which participate in the plan, are eligible to join a plan upon entering the service of one of those employers. The benefits are based on years of service and final average salary.

The University sponsors a defined benefit health care plan for substantially all retirees and employees.

The University has approved a supplemental plan for employees to provide them with full benefits should the Canada Revenue Agency limitations not have been imposed.

The University recognizes the amount of the accrued obligation net of the fair value of plan assets in the consolidated statement of financial position. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized as a direct increase or decrease in net assets. The accrued liability for funded employee future benefits is determined using a roll-forward technique to estimate the accrued liability using funding assumptions from the most recent actuarial valuation report prepared at least every three years.

Employee future benefit plans' assets are measured at fair value at the date of the consolidated statement of financial position.

The most recent actuarial valuation was as of July 1, 2018, and the next required valuation will be as of July 1, 2021.

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2019
(thousands of dollars)

1. Significant accounting policies: (continued)

(e) Internally restricted net assets:

The University restricts use of portions of its operating net assets for specific future uses. When incurred, the related expenses are charged to operations, and the balance of internally restricted assets is reduced accordingly with a transfer to unrestricted net assets.

(f) Related entities and basis of presentation:

MIRARCO

These consolidated financial statements are inclusive of the assets, liabilities, revenues and expenses of the Mining Innovation Rehabilitation and Applied Research Corporation, which is a wholly controlled entity.

Northern Ontario School of Medicine

The Northern Ontario School of Medicine (the "School") was created to provide medical education in Northern Ontario. Although the University, along with Lakehead University, the only other voting member of the School, has significant relationships with the School, the University has no claim to the School's net assets nor is the University liable or contingently liable for any of the School's obligations. Accordingly, the operations of the School are not included in these consolidated financial statements.

SNOLAB

SNOLAB is a research project whose principal objective is the construction, operation and decommissioning of the SNOLAB International Facility for Underground Science. An agreement specifies that the project's liabilities and assets are to be divided among the SNOLAB member institutions. As a result, the University's proportionate share (20%) of the entity's revenues and expenses to March 31, 2018 have been included in these consolidated financial statements. The 2019 financial statements are not yet available. SNOLAB is in the process of incorporating as a not-for-profit corporation. Therefore, the University wrote-off its share of assets and liabilities as at April 30, 2017 as it will no longer have access to the assets or liabilities related to the operations of SNOLAB once incorporated.

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2019
(thousands of dollars)

1. Significant accounting policies: (continued)

(f) Related entities and basis of presentation: (continued)

Centre for Excellence in Mining and Innovation (CEMI)

The Centre for Excellence in Mining and Innovation (CEMI) was created on April 23, 2007 to advance study, research and innovation. The University contributed \$10 million received from the Provincial Government to create and fund CEMI on its inception.

The University has no claim to CEMI's assets during its operating life nor is it liable or contingently liable for CEMI's obligations. Accordingly, the operations of CEMI are not included in these consolidated financial statements.

Student Organizations

These consolidated financial statements do not reflect the assets, liabilities and results of operations of the various student organizations at the University.

(g) Financial instruments:

All financial instruments are initially recorded on the consolidated statement of financial position at fair value.

All investments held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

The University enters into interest rate swaps to hedge the effect of changes in interest rates on its long-term debt that bears interest based on LIBOR. Gains or losses realized on the settlement of the hedging item are deferred until the settlement of the hedged item.

At the inception of hedging relationship, the University designates that hedge accounting will be applied. The University formally documents the hedging relationship between the hedging instruments and hedged item. At the inception of the hedge and throughout its term, the terms of the hedging item and hedged item are the same.

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2019
(thousands of dollars)

1. Significant accounting policies: (continued)

(h) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Items subject to such estimates and assumptions include the carrying value of accounts receivable and capital assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are recognized in the consolidated financial statements in the year in which they become known.

(i) Impairment of long-lived assets:

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

2. Cash and Investments:

	2019	2018
Short-term:		
Cash	\$ 3,671	3,378
Short-term investments	3,834	4,528
	7,505	7,906
Long-term:		
Equity funds	22,167	23,369
Fixed income	24,404	25,431
Structured credit	2,638	—
Real estate	2,600	—
	51,809	48,800
	\$ 59,314	56,706

Long-term investments reflect funds for endowment balances.

The equity funds, fixed income securities, structured credit funds and real estate funds are measured at market value.

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2019
(thousands of dollars)

2. Cash and Investments (continued):

The breakdown of investment income is as follows:

	2019	2018
Unrealized gains (losses)	\$ 326	(984)
Interest income	3,277	2,449
Realized losses	(760)	(263)
	2,843	1,202
Investment management fees	(190)	(186)
	\$ 2,653	1,016

3. Accounts receivable:

	2019	2018
Accounts receivable	\$ 32,231	31,188
Less allowance for doubtful accounts	(3,120)	(2,701)
	\$ 29,111	28,487
Current portion of accounts receivable	\$ 28,879	27,689
Long-term accounts receivable	232	798
	\$ 29,111	28,487

4. Employee future benefits:

The University provides for pension benefits as well as the reimbursement of a fixed annual amount of medical expenses to retired employees provided that certain specified conditions are met. An actuarial calculation of the future liabilities thereof has been made and forms the basis for the accrued benefit obligation.

The breakdown of the plans is as follows:

	Post-Employment		Supplemental		2019	2018
	Pension	Benefit Obligation	Pension Plan	Total		
Accrued benefit obligation	\$ (404,582)	(7,017)	(3,847)	(415,446)	(398,103)	
Fair value of plan assets	406,511	1,627	—	408,138	382,649	
Accrued benefit assets	\$ 1,929	—	—	1,929	—	
Accrued benefit liabilities	\$	(5,390)	(3,847)	(9,237)	(15,454)	

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2019
(thousands of dollars)

4. Employee future benefits (continued):

The significant assumptions used are as follows (weighted-average):

	Pension and Supplemental Pension Plan		Post-Employment Benefit Obligation	
	2019	2018	2019	2018
Discount rate	6.10%	5.75%	4.00%	4.00%
Provision for adverse deviation (on non-indexed liabilities)	7.94%	n/a	–	–
Rate of compensation increases	2.50%	2.50%	–	–
Expected long-term rate of return on plan assets	6.10%	5.75%	4.00%	4.00%
Health care cost trend rate	–	–	2.00%	2.00%
Rate of inflation	2.00%	2.00%	–	–

5. Capital assets:

	Cost	Accumulated Amortization	2019 Net book Value	2018 Net book Value
Buildings	\$ 355,124	(99,098)	256,026	255,030
Equipment and furnishing	65,417	(56,935)	8,482	7,948
Site improvements	12,266	(10,000)	2,266	2,334
Land	13,413	–	13,413	13,413
	\$ 446,220	(166,033)	280,187	278,725

A total of \$5,888 (2018 – \$25,351) of buildings and \$571 (2018 - \$204) of equipment is under construction and not yet subject to amortization.

6. Short-term loan:

The short-term loan represents an unsecured loan with no mandatory repayment terms from TD Canada Trust for the student recreation centre, with a floating interest rate of 3.28% at April 20, 2019 (2018 – 2.85%).

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2019
(thousands of dollars)

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$3,791 (2018 – \$3,704), which includes amounts payable for payroll related taxes.

8. Long-term debt:

Unsecured loans with:	Rate	Fixed Maturity	2019	2018
Bank of Montreal	5.14%	2024	\$ 1,618	1,858
Royal Bank of Canada	3.90%	2040	13,579	13,956
Royal Bank of Canada	4.50%	2042	18,031	18,470
Royal Bank of Canada	3.90%	2023	3,616	4,437
Royal Bank of Canada	4.63%	2042	40,599	41,657
TD Canada Trust	4.70%	2036	11,056	11,445
TD Canada Trust	4.74%	2043	6,818	6,958
			95,317	98,781
Less: current portion of long-term debt			(3,606)	(3,464)
			\$ 91,711	95,317

The above-noted debt was advanced under variable rate credit facilities for the financing of various residences, construction of the School of Education and Student Recreation Centre as well as Campus Modernization projects.

The University has entered into interest rate derivative agreements to manage the volatility of interest rates. The University converted floating rate debt of 1.96% (2018 - 1.35%) for fixed rate debt as noted above. The related derivative agreements are in place until the maturity of the debt.

The principal repayments of long-term debt are as follows:

2020	\$ 3,606
2021	3,756
2022	3,917
2023	4,082
2024	3,373
Thereafter	76,583
	\$ 95,317

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2019
(thousands of dollars)

9. Deferred contributions:

(a) Deferred contributions:

Deferred contributions represent external contributions restricted for research and other expenditures to be incurred in subsequent fiscal years. Details of the change in deferred contributions are as follows:

	2019	2018
Balance, beginning of year	\$ 34,896	33,968
Add contributions received in the year	28,453	30,543
Less amounts recognized as revenue	(27,271)	(29,615)
Balance, end of year	\$ 36,078	34,896

(b) Deferred capital contributions:

Deferred capital contributions represent the unspent and unamortized amount of donations and grants received for the purchase of capital assets. Details of the change in deferred capital contributions are as follows:

	2019	2018
Unspent:		
Balance, beginning of year	\$ 148	4,424
Add contributions received in the year	10,132	17,951
Less amounts utilized	(9,717)	(22,227)
Balance, end of year	563	148
Unamortized:		
Balance, beginning of year	128,058	110,462
Add contributions utilized in the year	9,717	22,227
Less amount amortized to revenue	(4,864)	(4,631)
Balance, end of year	132,911	128,058
Total unspent and unamortized capital contributions	\$ 133,474	128,206

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2019
(thousands of dollars)

10. Internally restricted net assets:

	2019	2018
Investment in capital assets (note 11)	\$ 22,283	21,927
Reserve for future years	744	1,744
Scholarship and bursary funds	(948)	(796)
Departmental and subsidiary research funds	1,254	1,404
Departmental carry forward and future budget provisions	2,150	1,967
McEwen School of Architecture	(1,036)	(1,336)
Ancillaries	559	848
	<hr/> \$ 25,006	<hr/> 25,758

The McEwen School of Architecture was launched in 2013. During the initial years, losses from the school will accumulate until full enrolment in the Master in Architecture Program. Subsequently, the School will repay the accumulated deficits to the University's Operating Fund.

11. Investment in capital assets:

The investment in capital assets is calculated as follows:

	2019	2018
Capital assets	\$ 280,187	278,725
Less amounts financed by:		
Long-term debt	(95,317)	(98,781)
Internal financing (note 12)	(10,651)	(19,475)
Short-term loan	(1,425)	(1,484)
Line of credit	(17,600)	(9,000)
Unamortized deferred capital contributions (note 9)	(132,911)	(128,058)
	<hr/> \$ 22,283	<hr/> 21,927

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2019
(thousands of dollars)

12. Internal financing:

Details of capital asset internal financing activities are as follows:

	2018	New Financing	Repayments	2019
Campus Modernization	\$ 17,137	406	(536)	17,007
Cardiovascular Metabolic Research Lab	5,724	—	(223)	5,501
Great Hall renovations	1,881	—	(235)	1,646
Ancillaries	1,766		(379)	1,387
Cliff Fielding Research, Innovation and Engineering Building	—	985	—	985
Parking Lot 4	918	—	(50)	868
School of Education Building	373	—	(10)	363
DNA Lab	228	—	(22)	206
Other small projects	448	—	(160)	288
Line of credit	(9,000)	(8,600)	—	(17,600)
	\$ 19,475	(7,209)	(1,615)	10,651

The internal loans bear interest at a floating rate equal to the return earned on short-term investments and are to be repaid over a period ranging from three to twenty-four years.

13. Commitments and contingencies:

- The University has access to a Royal Bank unsecured line of credit of \$5,000 and a Desjardins unsecured line of credit of \$26,000. These lines of credit bear interest at Royal Bank prime rate less 0.50% and Desjardins prime rate less 0.70%. As at April 30, 2019, the University had not drawn on the Royal Bank line and had drawn \$17,600 on the Desjardins line of credit.
- The University participates in a reciprocal exchange of insurance risks in association with forty other Canadian universities. This self-insurance co-operative involves a contractual agreement to share the insurance property and liability risks of member universities.
- The Students' General Association, through a referendum, approved a student levy to cover the repayment of a student long-term debt facility to provide funding for a new Student Centre. The Board of Governors of the University has approved that the University guarantee the student loan up to the amount of \$8,500.
- The University is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved.

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2019
(thousands of dollars)

14. Change in non-cash working capital:

	2019	2018
Cash flows from operating activities:		
Accounts receivable	\$ (624)	(3,324)
Other assets	(156)	(29)
Accounts payable and accrued liabilities	(3,653)	(1,653)
Accrued vacation pay	(108)	30
Deferred revenue	(1,054)	(1,648)
	<hr/> \$ (5,595)	<hr/> (6,624)

15. Other fees and income:

Details of the other fees and income are as follows:

	2019	2018
Scholarships, bursaries and other restricted contributions	\$ 4,321	3,619
Administrative fees	3,885	3,936
Sponsored students	1,989	2,095
Compulsory fees	1,328	1,309
Other	3,417	2,494
	<hr/> \$ 14,940	<hr/> 13,453

16. Financial risks:

(a) Credit risk:

The risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum credit exposure of the University is represented by the fair value of the investments and accounts receivable as presented in the consolidated statement of financial position. Credit risk concentration exists where a significant portion of the portfolio is invested in securities which have similar characteristics or similar variations relating to economic, political or other conditions. The University monitors the financial health of its investments on an ongoing basis with the assistance of its Finance Committee and its investment advisors.

The University assesses on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Consolidated Financial Statements (continued)

Year ended April 30, 2019
(thousands of dollars)

16. Financial risks: (continued)

(b) Interest rate risk:

The University is exposed to interest rate risk with respect to its interest-bearing investments, long-term debt and interest rate derivative agreements as disclosed in the consolidated statement of cash flows and notes 1, 2 and 8.

(c) Currency risk:

The University believes that it is not exposed to significant currency risks arising from its financial instruments.

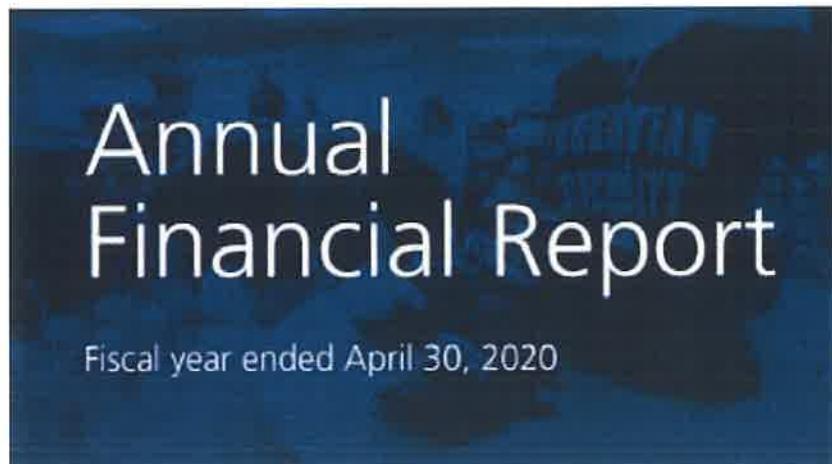
(d) Liquidity risk:

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The University manages its liquidity risk by monitoring its operating requirements. The University prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There has been no change to the risk exposures from 2018.

17. Comparative information:

Certain comparative information have been reclassified to conform with the financial statement presentation adopted for the current year.



Sudbury, ON laurentian.ca



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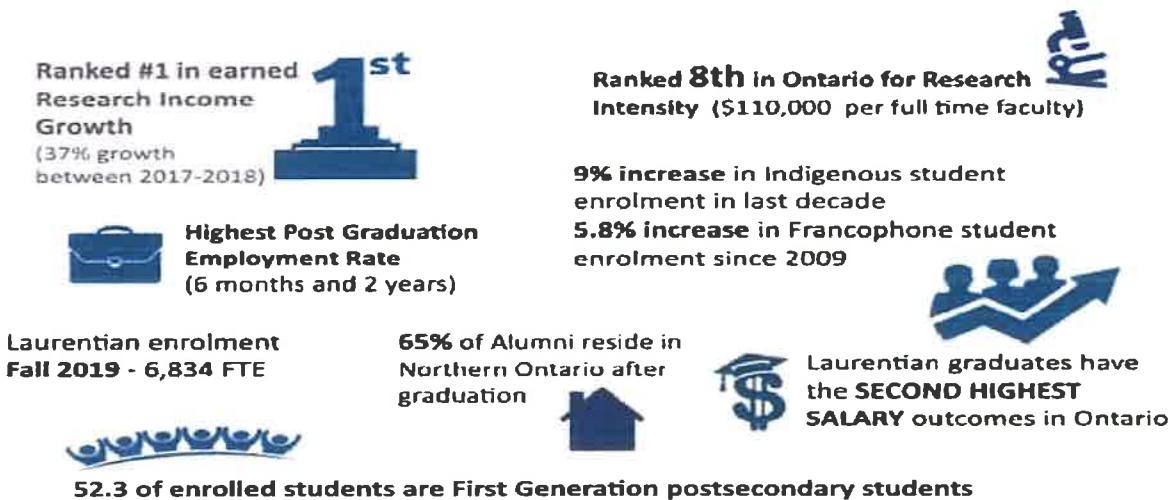
Overview

Overview

Laurentian University is a microcosm of Canada: we are northern; we are bilingual; we are committed to reconciliation. Laurentian is committed to strengthening the foundation of knowledge in higher education and research to offer an outstanding university experience in English and French with a comprehensive approach to Indigenous education.

Laurentian has been rapidly growing its reputation as a leading university for the North, with increasing international recognition and strong national, provincial and regional impact. We strive to deliver innovative academic and research programming that successfully prepares students as critical thinkers for the 21st century. We are committed to achieving this objective through cutting edge teaching and research programs that engage students within and beyond their disciplines, and provide real world experience and a concrete framework in how they can make a difference.

Laurentian University has a proven track record of delivering strong student outcomes and being socially and economically impactful. This includes:



Guided by our strengths, pillars and shared values, we are strategically focusing on **25 outcomes**. Building on this Strategic Plan, the University ensures alignment with the Academic Plan, Research Plan, Multi-Year Budget and this SMA3 Agreement.

Our Strategic Plan is guided by the following pillars and shared values:

- The North inspires us: We celebrate our location in Greater Sudbury because Northeastern Ontario provides us with unique opportunities in an unmatched setting. The North is our advantage.

Overview (continued)

- Student success is our success: We focus on the student experience because we know that postsecondary education is transformational. Students are our core.
- Teaching and learning define us: We are creators, holders, and communicators of knowledge that connects the generations. Knowledge is our foundation.
- Curiosity drives our research: Through critical inquiry we discover answers relevant to society. Creativity shapes the future.
- Relationships are our priority: We pursue collaborations across campus and with local, provincial, national, and international partners because relationships empower us. Together we are stronger.

Laurentian's commitment to providing world-class education and opportunities for students is unwavering as it continues to trace its path to sustainability. Laurentian has proven before that by working Together | Ensemble | Maamwi, we can find and implement solutions. Pre-Covid, our Long Term Sustainability Plan enabled Laurentian to achieve \$20 million in savings and cost reductions compared to plan, and post COVID, the accelerated plan enabled additional savings of approx. \$10 million, bringing total savings achieved since 2018 to over \$30 million as of August 2020. Unfortunately, due to COVID 19, coupled with the permanent decline in domestic tuition rates and declines in government funding, our work is not complete. Within an environment of weak fiscal health, projected demographic declines and unforeseen financial pressures due to COVID-19, Laurentian is determined to hold the line on costs and to seek revenue and savings opportunities which will sustain growth and increase its relevance in the North and well beyond.

Review of Fiscal 2019-20

Highlights

The fiscal 2019-20 approved budget expected balanced results from operations with an expected one time grant from government to offset 10% domestic tuition rate decline. This provincial funding provided Northern postsecondary organizations with one additional year to implement and address the long term impacts of a 10% decline in domestic tuition rates. Prior to the COVID-19 outbreak, Laurentian University was implementing its sustainability measures as outlined in the Long Term Sustainability Plan – focused on a balance approach of revenue growth and cost reductions to address the revenue shortfalls, and the University was on track to operating fiscal year 2019-20 with an anticipated a small deficit of \$0.9 million from operations. Overall, actual operating revenues were lower due to lower provincial grants for Northern Sustainability and Graduate Capital grants. Sustainability measures, mainly from reduced payroll expenses, offset the reduced grants. As a result of COVID-19, Laurentian University halted in-person activity, restricted its facilities to staff and students and moved to an online education format and began providing services remotely in March 2020. The net impact was an operating deficit of \$5.4 million of which \$5.2 million is related to the COVID-19 outbreak. The Unrestricted net assets (ie. Accumulated operating deficit) increased from \$14.544 million to \$19.986 million due to the operating budget deficit.

The following schedule provides the reconciliation from the Operating Budget for 2019-20 and the Draft Audited Financial Statements:

Reconciliation of Budget to Audited Financial Statements in \$thousands (\$'000)

	Revenues	Expenses	Net
Per 2019-20 Budget	160,983	160,983	(0.0)
Negative variances due to COVID-19 (see schedule below)	751	5,900	(5,149)
Other variances	(2,693)	(2,400)	(293)
Net operating deficit	159,041	164,483	(5,442)
Consolidated entities (MIRARCO and 20% of SNOLAB)	4,460	4,918	(458)
Capital fund	5,594	5,265	329
Research and trust (non-operating fund)	29,302	27,768	1,534
Difference between Employer Pension Contributions and Net Benefit Cost	0	(917)	917
Per 2019-20 Audited Financial Statements	198,397	201,517	(3,120)

The following lists the major causes of the 2019-20 operating fund deficit, and the impacts of COVID-19 on the 2019-20 fiscal year in \$thousands (\$'000):

	Revenues	Expenses	Net
Net COVID-19 Grant from MCU	751		751
Additional credit risk on tuition receivable		1,300	(1,300)
Refund of ancillary fees and reduction in planned contribution to operating budget		1,521	(1,521)
Scholarships funded from operations due to loss in endowment income		1,803	(1,803)
Interest and investment income declines compared to budget		1,171	(1,171)
Other COVID-19 costs net of savings		105	(105)
Per 2019-20 Audited Financial Statements	(751)	5,900	(5,149)

As seen in the chart, the University received a Grant from the Province which was shared with the Federated Universities. The net grant to Laurentian University was \$751,000. In addition, there is an additional impact associated with the credit risk on accounts receivable where the risk of default on contractual obligations is anticipated to increase as students decide if they shall return to post-secondary studies.

The early closure of the campus resulted in partial refunds of the residences and other ancillary activities.

The University's investments were also impacted as a result of the pandemic that had created volatility and uncertainty in the world markets, which ultimately led to a loss in market value. This lower than anticipated return resulted in scholarships that were anticipated to be paid by the endowment fund to be covered by the operating fund. In addition, total endowment return for the year was also slightly negative.

Operational variances, other than those caused by COVID-19 were \$0.3 million. On the revenue side, the main variances were mainly due to the reductions in provincial grants for Graduate Capital of \$0.6 million and lower than expected proceeds from the Northern Tuition Sustainability Fund of \$1.4 million, offset by additional tuition revenue of \$1.0 million. Total expenses savings of \$1.2 million were as a result of not hiring into vacant positions and reducing spending for non-essential areas.

Capital Project Financing

❖ Capital financing

Capital projects are financed through grants, donations, long-term debt and internal funding. Total outstanding long-term debt was \$91.7 million at the end of fiscal 2020.

Campus modernization projects	\$39.5
Ancillaries	\$32.3
School of Education	\$13.2
<u>Voyageur Recreation Centre</u>	<u>\$6.7</u>
	\$91.7

During the year, the University repaid \$3.6 million in long-term debt and is compliant with the debt policy approved by the Board of Governors. At April 30, 2020, \$12.9 million in capital projects were financed by internal financing. Ongoing major capital projects are financed by internal debt until receipt of funding or long-term borrowing. Subsequent to year-end, principal repayments on four loans relating to the operations of the residences were deferred for six months. This has been reflected in the repayment terms.

The University has access to a Royal Bank unsecured line of credit of \$5 million and a Desjardins unsecured line of credit of \$26 million in support of internal capital funding. At April 30, 2020 the University had utilized \$14.4 million.

Compensation and Benefits

Salaries and benefits represent 67% of the University's expenses. Salaries and benefits expense remained consistent with the prior year at approximately \$134 million. The breakdown of salaries and benefits expense is as follows:



Employee Future Benefits (EFB)

The University has three post-employment benefit plans. The first is a defined benefit pension plan (formerly a hybrid plan until 2012) to which the University contributes the funding required to support its current obligation and any special payments as required by regulations. The employees contribute a set amount as determined either through collective bargaining or through decisions made by the Board. The benefits are based on years of service and the average of the best five consecutive years of salary at retirement. The second benefit is the Retiree Health Benefit Plan (RHPB) to which the employees contribute during their employment. The benefit is based upon a fixed annual maximum reimbursement of actual expenses claimed. The third benefit is a supplemental pension plan to provide eligible employees with benefits otherwise available should Canada Revenue Agency limitations not be imposed.

The University determines its obligations for its employee future benefits using funding assumptions within its financial statements. The reduction of the discount rate has increased the liability component to the plan resulting in a net increase in total plan liability after the asset value of the investments at April 30, 2020. The University is the principal employer for the Pension Plan and also administers the Retiree Health Benefit Plan on behalf of the Federated Universities and SNOLAB.

The Pension Plan will file a new valuation effective January 1, 2020. The valuation process utilizes the 2018 pension reform regulations. Pension reform introduced additional funding requirements for the Provision for Adverse Deviation (PfAD), which is above the current service costs. The PfAD percentage is calculated on a risk calculation on the plan's assets. The current PfAD rate is 10.3% (2019, 7.94%) applied to current services costs. The University is only required to fund solvency deficits up to an 85% level with a 5-year amortization period.

The solvency ratio deficit for the January 1, 2020 was 85.4% (2019, 87.8%). Going concern deficits will now be required to be funded over a 10 year period instead of 15 year period.

Funding Formula and Strategic Mandate Agreement

With the execution of the previous SMA2 agreement in 2017, the first phase of the provincial funding model redesign saw the implementation of the corridor mechanism. SMA3 reset the corridor midpoint at 16,423.53 Weighted Grant Units (WGU) for funding purposes for Laurentian. The corridor midpoint is the annual enrolment comparator to determine if Laurentian remains within the plus or minus 3% corridor. Starting in 2020-21, Laurentian is below the corridor.

With SMA3, the government announced a set of metrics against which institutional performance would be assessed, the details of the mechanism that would be used to evaluate institutions' performance and the impacts to funding of the performance grant.

Beginning in 2020-21, 25% of provincial funding was to be linked to 10 metrics with that share rising to 60% by the 2024-25 academic year. Correspondingly, enrolment-based funding which in 2019-20 was at \$2,903 per WGU is anticipated to decrease to \$1,173 per WGU.

Laurentian signed a new Strategic Mandate Agreements (SMA3) agreement with the Province in September 2020 covering the period of 2020-25. As a result of the COVID-19 pandemic, the ministry announced their decision to delay the activation of the Performance-based grant for two years (2020-21 and 2021-22), decoupling the funding, but keeping all other aspects of the SMA3 model.

Ancillaries (in 000's)

	Budget 2019-20	Actual 2019-20
Ancillary revenues	15,594	14,979
Ancillary expenses	11,955	12,232
Contribution	3,639	2,747

Laurentian's ancillary operations include Residences, Parking, Food Services, Press, Conferences and Events, Laurentian English Language Institute and the Centre for Academic Development.

As a result of COVID-19, the actual contribution is lower than anticipated due to the residence and ancillary services refunds of \$1.2 million provided to the students.

Endowments

The University has \$52.8 million in endowment, an increase of \$1 million over 2018-19. For 2019-20, the University assigned a spending rate of 3.5% towards the scholarships and other commitments supported by the funds. Due to COVID-19 the fund had returned a negative value for the year. As a result, the amounts spent to cover the spending rate were a cost of the operating fund in the amount of \$1.8 million.

Research

With more than 62,000 alumni, Laurentian University is proud of its significant contribution to finding solutions to the world's current and future challenges. Laurentian University researchers continue to excel in the four research areas of strength outlined in its 2018-2023 Strategic Plan, with a goal of achieving national recognition through exceptional scholarships.

In *Health, Health Services and Well-being*, Dr. Amadeo Parisenti is leading an international clinical trial examining the ability of his proprietary chemo response assay to predict early in treatment complete tumour destruction and improved survival for patients with breast cancer. Dr. Nancy Young is leading a joint initiative between Naandwechige-Gamig Wikwemikong Health Centre and Laurentian University's Evaluating Children's Health Outcomes Research Centre, to implement a tablet-based survey, known as the Aboriginal Children's Health and Well-being Measure, which helps children talk about their health.

Researchers have also advanced Laurentian's profile in *Environment* research. Dr. Ashley Scott's research group is leading research projects, which look to repurpose mine waste, while Dr. Nathan Basiliko's research team is quantifying the carbon that has been removed from the atmosphere through Sudbury's regreening. Laurentian is also a leader in *Materials, Minerals, Matter and Energy*. Dr. Marie-Hélène Fillion is applying her expertise in geological, civil and mining engineering statistical methods to advance research in geo-engineering and Discrete Fracture Networks modelling, and Dr. Elizabeth Turner led a team of scientists that discovered the world's oldest fungus fossil to date (which dates back as far as a billion years ago).

Laurentian scholars have also led projects in *Histories, Identities, Cultures, and Languages* including researchers Drs. Roxanne Bélanger and Chantal Mayer-Crittenden who are developing new tools to improve the identification of preschool children with developmental language disorders, and Dr. Serge Miville, Director of the Institut franco-ontarien who is leading research to preserve culture and enhance French language.

Laurentian University researchers are also contributing to the fight against COVID-19. Dr. Stefan Siemann is using virtual reality to find drugs to combat COVID-19, and Dr. Thomas Merritt and Dr. Gustavo Ybazeta are studying waste water in Greater Sudbury to determine the level of COVID-19 virus within the general population. Moreover, Dr. Jennifer Walker and her team have pivoted their research program to support First Nations through the production of COVID-19 epidemiological models to support the Chiefs of Ontario, the Ontario Regional Chiefs and other First Nations leadership to develop their pandemic planning and response.

In summary, the research enterprise at Laurentian University continues to make an impact. The examples shared in this short report offer only a glimpse into the incredible contributions made possible through investment in research. Laurentian remains committed to growing our research enterprise. We will continue to engage partners from industry, labour and community to collaborate in areas of strength identified in our Strategic Research Plan, and we will continue to seek out emerging opportunities that will elevate the impact of research, innovation, and discovery at Laurentian University.

Future Impact of COVID-19

As a result of the pandemic, the University has experienced increased risk exposure in several areas. The in-year deficiency associated with COVID-19 was \$5.2 million. There is further concern as to the revenues into fiscal 2021. The University negotiated a deferral of residence debt repayments for six months subsequent to year-end to manage cash flow requirements.

The University's investments are recognized at fair value and the impact of the pandemic has created volatility and uncertainty in world markets, which may lead to a loss on market value that is other than temporary. The ultimate length and duration of the pandemic is unknown and the potential impact on the University's investments is not yet known at this time.

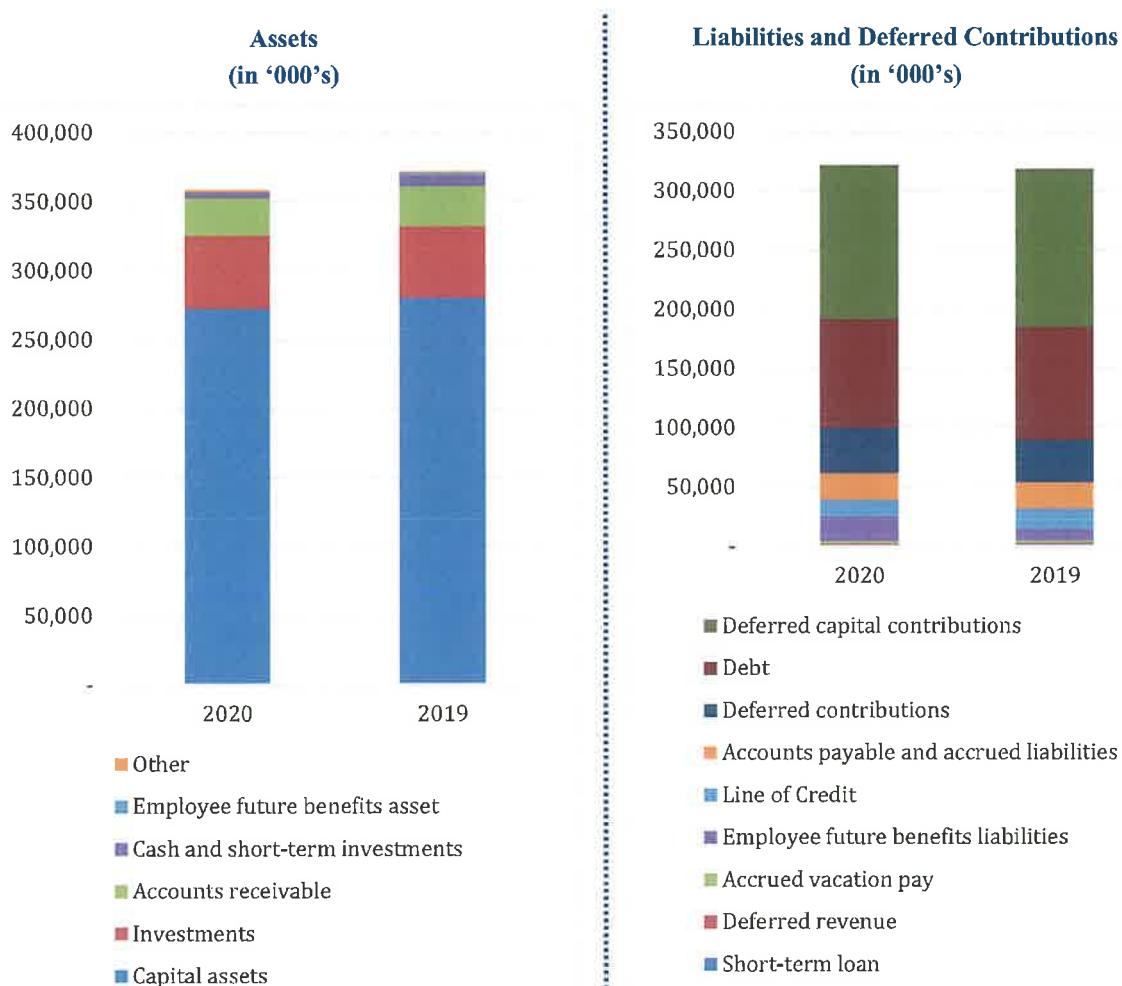
Significant reductions in long term interest rates has resulted in an increase in liability for the Pension Plan. While the Pension Plan investments have rebounded, the impact of prolonged low interest rates could increase the defined benefit pension plan liabilities and require additional funding from the University.

The Board of Governors had approved an accelerated and amended Long Term Sustainability plan to address the 10% tuition rate reduction, grant funding changes, as well as the COVID related long term impacts. The University continues its sustainability plan for the future in order to address the potential long-term impact of enrolment pressures on tuition revenue and ancillary services.

Laurentian's commitment to providing world-class education and opportunities for students is unwavering as it continues to trace its path to sustainability.

FINANCIAL STATEMENT HIGHLIGHTS

Consolidated Statement of Financial Position



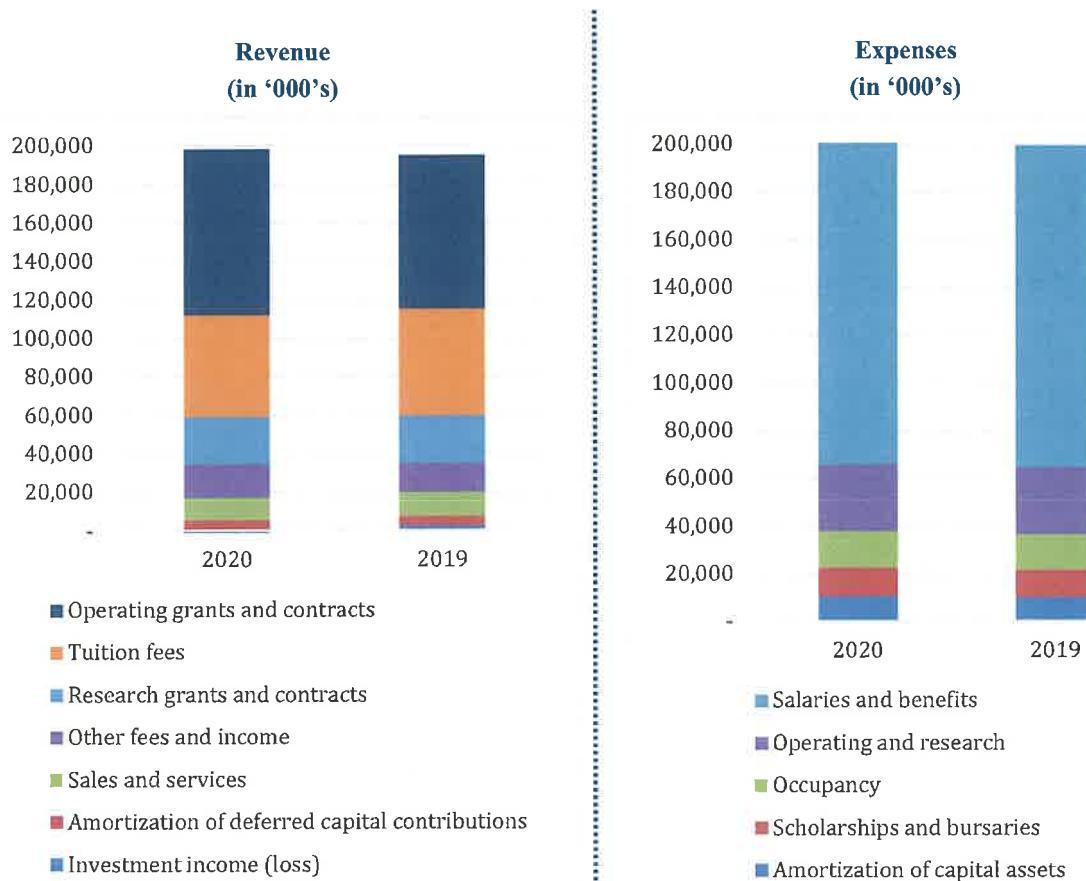
Capital assets decreased \$8.0M which is primarily comprised of additions pertaining to various small projects less amortization. Long-term investments increased \$1.0M thanks to generous endowment contributions received during the year. Accounts receivable are down \$1.8M mainly due to the timing of grants received. The University's cash level decreased \$2.9M as a portion of the line of credit was paid off in 2020. Employee future benefit assets were \$1.9M in the prior year and are now a liability in 2020, based on actuarial valuation. Other assets are comprised of inventory and prepaid expenses and remained similar to prior year. Overall, assets decreased by 3.6%.

Deferred capital contributions decreased \$2.7M, primarily because of the current year amortization of these grants. Long-term debt went down \$3.0M from principal payments made during the year. Accounts payable remained consistent with the prior year. At April 30, 2020, \$14.4M of the University's line of credit was utilized for capital spending, a decrease of \$3.2M. Employee future benefits liabilities increased \$11.5M based on actuarial valuation.

Overall, liabilities and deferred contributions decreased by 3.7%.

FINANCIAL STATEMENT HIGHLIGHTS (continued)

Consolidated Statement of Operations



Operating grants increased 7.7% mainly due to a one-time Northern Sustainability grant received in 2020. Tuition revenue decreased by 7.6% due to the 10.0% reduction in domestic tuition fees which was partially offset by international and graduate studies growth. Research grants and contracts remained consistent with the prior year. Other fees and income are up due to new compulsory ancillary fees that were introduced. Furthermore, there was an increase in administrative fees due an amendment to the funding arrangements with the Federated Universities. Sales and services decreased by 6.8% due to residence and parking refunds resulting from COVID-19. Amortization of deferred capital is up by 15.0% due to amortization recorded on the RIE building grants. Overall revenues increased by 0.2%.

Salaries and benefits remained consistent with the prior year. There was a decrease in operating and research of 5.6% because of a decrease in research expenses. Occupancy related expenses remained consistent with the prior year. Scholarships and bursaries increased 5.8% due to a new scholarship program that was introduced for international students. Amortization increased 5.2% due to completion of capital projects.

Overall, expenses decreased 0.3%.

STATEMENT OF ADMINISTRATIVE RESPONSIBILITY

The administration of Laurentian University of Sudbury (the University) is responsible for the preparation of the consolidated financial statements, the notes thereto and all other financial information contained in this Annual Financial Report. The administration has prepared the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations. The administration believes the consolidated financial statements present fairly the University's financial position as at April 30, 2020 and the results of its operations and its cash flows for the year ended April 30, 2020. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and judgments were employed. Additionally, management has ensured that financial information presented elsewhere in this Annual Financial Report has been prepared in a manner consistent with that in the consolidated financial statements. In fulfilling its responsibilities and recognizing the limits inherent in all systems, the administration has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from permanent loss and that the accounting records are a reliable basis for the preparation of consolidated financial statements.

Eckler Ltd. has been retained by the University in order to provide an estimate of the University's liability for pension and other employee future benefits. Management has provided the actuary with the information necessary for the completion of the University's actuarial report and retains ultimate responsibility for the determination and estimation of the pension and other employee future benefits liabilities reported.

The Board of Governors carries out its responsibility for review of the consolidated financial statements and this Annual Financial Report principally through its Audit Committee. The members of the Audit Committee are not officers or full-time employees of the University. The Audit Committee meets regularly with the administration, as well as external auditors, to discuss the results of audit examinations and financial reporting matters and to satisfy itself that each party is properly discharging its responsibilities. The auditors have full access to the Audit Committee with and without the presence of the administration.

The consolidated financial statements for the year ended April 30, 2020 have been reported on by KPMG LLP, Chartered Accountants, the auditors appointed by the Board of Governors. The independent auditors' report outlines the scope of their audit and their opinion on the presentation of the information included in the consolidated financial statements.

Lorella Hayes, CPA, CA
Vice-President, Administration

Normand Lavallée, FCPA, FCMA, FCA
Associate Vice-President, Financial Services

Consolidated Financial Statements of

**LAURENTIAN UNIVERSITY
OF SUDBURY**

And Independent Auditors' Report thereon

Year ended April 30, 2020



KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
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INDEPENDENT AUDITORS' REPORT

To the Governors of Laurentian University of Sudbury

Opinion

We have audited the accompanying consolidated financial statements of Laurentian University of Sudbury, which comprise:

- the consolidated statement of financial position as at April 30, 2020
- the consolidated statement of operations for the year then ended
- the consolidated statement of statement of changes in net assets (deficiency) for the year then ended
- the consolidated statement of cash flows for the year then ended
- and the notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of Laurentian University of Sudbury as at April 30, 2020, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial statements"** section of our report. We are independent of Laurentian University of Sudbury in accordance with the applicable independence standards, and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Laurentian University of Sudbury's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Laurentian University of Sudbury or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Laurentian University of Sudbury's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Laurentian University of Sudbury's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Laurentian University of Sudbury's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Laurentian University of Sudbury to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group of Laurentian University of Sudbury to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

Date

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Financial Position

April 30, 2020, with comparative information for 2019
(thousands of dollars)

	2020	2019
Assets		
Current assets:		
Cash and short-term investments (note 2)	\$ 4,544	\$ 7,505
Accounts receivable (note 3)	27,045	28,879
Other	1,650	1,329
	33,239	37,713
Accounts receivable (note 3)	169	232
Investments (note 2)	52,845	51,809
Employee future benefit assets (note 4)	—	1,929
Capital assets (note 5)	272,267	280,187
	\$ 358,520	\$ 371,870
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Line of credit (note 13)	\$ 14,400	\$ 17,600
Short-term loan (note 6)	1,367	1,426
Accounts payable and accrued liabilities (note 7)	22,319	22,307
Accrued vacation pay	1,846	1,799
Deferred revenue	1,009	1,468
Current portion of long-term debt (note 8)	2,738	3,606
	43,679	48,206
Long-term obligations:		
Long-term debt (note 8)	88,973	91,711
Employee future benefits liabilities (note 4)	20,788	9,237
	109,761	100,948
Deferred contributions (note 9):		
Deferred contributions	38,519	36,078
Deferred capital contributions	129,879	133,474
	168,398	169,552
Net assets (deficiency):		
Unrestricted	(19,986)	(14,544)
Vacation and employee future benefits	(22,635)	(9,107)
Internally restricted (note 11)	3,848	2,723
Investment in capital assets (note 10)	22,610	22,283
Endowment	52,845	51,809
	36,682	53,164
Commitments and contingencies (note 13)		
Effects of COVID-19 (note 17)		
	\$ 358,520	\$ 371,870

See accompanying notes to consolidated financial statements

On behalf of the Board of Governors:

Governor

Governor

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Operations

Year ended April 30, 2020, with comparative information for 2019
(thousands of dollars)

	2020	2019
Revenue:		
Operating grants and contracts	\$ 86,234	\$ 80,063
Tuition fees	53,211	55,581
Research grants and contracts	24,151	24,655
Other fees and income (note 15)	17,587	14,940
Sales and services	11,620	12,468
Amortization of deferred capital contributions	5,594	4,864
Investment income (note 2)	—	2,653
	198,397	195,224
Expenses:		
Salaries and benefits	134,552	134,939
Operating and research	28,175	27,880
Occupancy	15,271	15,163
Scholarships and bursaries	12,072	11,411
Amortization of capital assets	10,446	9,931
Investment loss (note 2)	1,001	—
	201,517	199,324
Deficiency of revenue over expenses	\$ (3,120)	\$ (4,100)

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Changes in Net Assets (Deficiency)

Year ended April 30, 2020, with comparative information for 2019
(thousands of dollars)

2020	Vacation and Employee Future Benefits		Internally Restricted (note 11)	Investment in Capital Assets		Endowment	Total
	Unrestricted						
Net assets (deficiency), beginning of year	\$ (14,544)	\$ (9,107)	\$ 2,723	\$ 22,283	\$ 51,809	\$ 53,164	
Excess (deficiency) of revenue over expenses	1,734	—	—	(4,854)	—	(3,120)	
Transfer for capital transactions	(5,181)	—	—	5,181	—	—	
Other transfers	(1,995)	870	1,125	—	—	—	
Endowment contributions	—	—	—	—	1,036	1,036	
Employee future benefits remeasurements and other items	—	(14,398)	—	—	—	(14,398)	
Net assets (deficiency), end of year	\$ (19,986)	\$ (22,635)	\$ 3,848	\$ 22,610	\$ 52,845	\$ 36,682	

2019	Vacation and Employee Future Benefits		Internally Restricted (note 11)	Investment in Capital Assets		Endowment	Total
	Unrestricted						
Net assets (deficiency), beginning of year	\$ (10,122)	\$ (17,555)	\$ 3,831	\$ 21,927	\$ 48,800	\$ 46,881	
Excess (deficiency) of revenue over expenses	967	—	—	(5,067)	—	(4,100)	
Transfer for capital transactions	(5,423)	—	—	5,423	—	—	
Other transfers	34	1,074	(1,108)	—	—	—	
Endowment contributions	—	—	—	—	3,009	3,009	
Employee future benefits remeasurements and other items	—	7,374	—	—	—	7,374	
Net assets (deficiency), end of year	\$ (14,544)	\$ (9,107)	\$ 2,723	\$ 22,283	\$ 51,809	\$ 53,164	

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Consolidated Statement of Cash Flows

Year ended April 30, 2020, with comparative information for 2019
(thousands of dollars)

	2020	2019
Cash flows from operating activities:		
Deficiency of revenue over expenses	\$ (3,120)	\$ (4,100)
Non-cash items:		
Amortization of capital assets	10,446	9,931
Amortization of deferred capital contributions	(5,594)	(4,864)
Unrealized loss (gain) on investments	84	(326)
Excess of employer contributions over employee future benefits net benefit costs	(917)	(772)
	899	(131)
Change in non-cash working capital (note 14)	1,176	(5,595)
	2,075	(5,726)
Cash flows from financing activities:		
Endowment contributions	1,036	3,009
Increase in deferred contributions	2,441	1,182
Deferred capital contributions received	1,999	10,132
Repayment of long-term debt	(3,606)	(3,464)
Increase (decrease) in line of credit	(3,200)	8,600
Decrease in short-term loan	(59)	(58)
	(1,389)	19,401
Cash flows from investing activities:		
Purchases of capital assets	(2,527)	(11,393)
Net acquisition of investments	(1,120)	(2,683)
	(3,647)	(14,076)
Net decrease in cash and short-term investments	(2,961)	(401)
Cash and short-term investments, beginning of year	7,505	7,906
Cash and short-term investments, end of year	\$ 4,544	\$ 7,505

See accompanying notes to consolidated financial statements.

LAURENTIAN UNIVERSITY OF SUDBURY

Notes to Consolidated Financial Statements

Year ended April 30, 2020, with comparative information for 2019
(thousands of dollars)

Laurentian University of Sudbury (the "University") is incorporated by special act under the laws of Ontario. The university is a registered charity and is therefore, under section 149 of the Income Tax Act, exempt from payment of income tax.

The University has incurred short and long-term borrowing in excess of \$100 million, the proceeds of which were used to finance residences, the student recreation centre and various educational buildings to modernize the campus. It will prove difficult to utilize the full campus with social distancing requirements and management anticipates a negative effect on ancillary revenues (note 17). Incremental costs have been incurred for transition to a digital learning environment. Management is working to fulfill student academic needs through this period of transition. Consistent with prior years, the University has a level of reliance on the Ministry of Colleges and Universities to assist in meeting its obligations and also a requirement to meet its sustainability targets.

1. Significant accounting policies:

(a) Revenue recognition:

The University follows the deferral method of accounting for contributions. The principles under this method are summarized as follows:

Unrestricted contributions and donations are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Contributions pertaining to future periods are deferred and recognized as revenue in the year in which the related expenses are recognized.

Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized.

Contributions restricted for capital asset purchases are deferred and amortized to operations on the same basis as the related asset is amortized.

Endowment contributions consist of donations and capitalized investment income and are recognized on the accrual basis as direct changes in net assets.

Pledges are not legally enforceable claims and therefore are not recorded in these consolidated financial statements until they are received.

Student fees and tuitions and other fees and income are recognized as revenue in the fiscal period when the respective courses and seminars are held.

1. Significant accounting policies (continued):**(b) Investments:**

Investments are largely invested in pooled funds, which are carried at fair value.

Income/loss derived from endowment investments is allocated to the related scholarship and bursary accounts and the endowment fund balance. Investment income/loss on non-endowment investments is allocated to the respective non-endowment fund balance in proportion to their yearly weighted average.

(c) Capital assets:

Purchased assets are recorded at cost. Contributed assets are recorded at fair market value at the date of contribution. Certain parcels of land that were purchased prior to May 1, 2011 are recorded at deemed cost, being their fair value at May 1, 2011, the transition date to Canadian accounting standards for not-for-profit organizations.

Capital assets are amortized on the straight-line basis over their estimated useful lives as follows:

Buildings	40 years
Equipment and furnishings	7 years
Site improvements	15 years

Construction in progress is not amortized until the project is complete and the facilities are put in use.

1. Significant accounting policies (continued):**(d) Employee future benefits liabilities:**

Effective July 1, 2012, the University registered its Pension Plan for all future service as a defined benefit plan for all employees of the University. Prior to this, the Pension Plan provided a defined contribution Pension Plan with a guaranteed minimum defined benefit.

All full time employees of the University which participate in the plan, are eligible to join a plan upon entering the service of one of those employers. The benefits are based on years of service and final average salary.

The University sponsors a defined benefit health care plan for substantially all retirees and employees.

The University has approved a supplemental plan for employees to provide them with full benefits should the Canada Revenue Agency limitations not have been imposed.

The University recognizes the amount of the accrued obligation net of the fair value of plan assets in the consolidated statement of financial position. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized as a direct increase or decrease in net assets. The accrued liability for funded employee future benefits is determined using a roll-forward technique to estimate the accrued liability using funding assumptions from the most recent actuarial valuation report prepared at least every three years.

Employee future benefit plans' assets are measured at fair value at the date of the consolidated statement of financial position. The most recent actuarial valuation was as of January 1, 2020.

(e) Internally restricted net assets:

The University restricts use of portions of its operating net assets for specific future uses. When incurred, the related expenses are charged to operations, and the balance of internally restricted assets is reduced accordingly with a transfer to unrestricted net assets.

1. Significant accounting policies (continued):

(f) Related entities and basis of presentation:

MIRARCO

These consolidated financial statements are inclusive of the assets, liabilities, revenues and expenses of the Mining Innovation Rehabilitation and Applied Research Corporation, which is a wholly controlled entity.

Northern Ontario School of Medicine

The Northern Ontario School of Medicine (the "School") was created to provide medical education in Northern Ontario. Although the University, along with Lakehead University, the only other voting member of the School, has significant relationships with the School, the University has no claim to the School's net assets nor is the University liable or contingently liable for any of the School's obligations. Accordingly, the operations of the School are not included in these consolidated financial statements.

SNOLAB

SNOLAB is a research project whose principal objective is the construction, operation and decommissioning of the SNOLAB International Facility for Underground Science. An agreement specifies that the project's liabilities and assets are to be divided among the SNOLAB member institutions. As a result, the University's proportionate share (20%) of the entity's revenues and expenses to March 31, 2019 have been included in these consolidated financial statements. The 2020 financial statements are not yet available. SNOLAB is in the process of incorporating as a not-for-profit corporation. Therefore, the University wrote-off its share of assets and liabilities as at April 30, 2018 as it will no longer have access to the assets or liabilities related to the operations of SNOLAB once incorporated.

Centre for Excellence in Mining and Innovation (CEMI)

The Centre for Excellence in Mining and Innovation (CEMI) was created on April 23, 2007 to advance study, research and innovation. The University contributed \$10 million received from the Provincial Government to create and fund CEMI on its inception.

The University has no claim to CEMI's assets during its operating life nor is it liable or contingently liable for CEMI's obligations. Accordingly, the operations of CEMI are not included in these consolidated financial statements.

Student Organizations

These consolidated financial statements do not reflect the assets, liabilities and results of operations of the various student organizations at the University.

1. Significant accounting policies (continued):**(g) Financial instruments:**

All financial instruments are initially recorded on the consolidated statement of financial position at fair value.

All investments held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

The University enters into interest rate swaps to hedge the effect of changes in interest rates on its long-term debt that bears interest based on LIBOR. Gains or losses realized on the settlement of the hedging item are deferred until the settlement of the hedged item.

At the inception of hedging relationship, the University designates that hedge accounting will be applied. The University formally documents the hedging relationship between the hedging instruments and hedged item. At the inception of the hedge and throughout its term, the terms of the hedging item and hedged item are the same.

(h) Use of estimates:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Items subject to such estimates and assumptions include the carrying value of accounts receivable and capital assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are recognized in the consolidated financial statements in the year in which they become known.

(i) Impairment of long-lived assets:

Long-lived assets, including capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

2. Cash and Investments:

	2020	2019
Short-term:		
Cash	\$ 2,637	\$ 3,671
<u>Short-term investments</u>	<u>1,907</u>	<u>3,834</u>
	4,544	7,505
Long-term:		
Equity funds	22,369	22,167
Fixed income	25,884	24,404
Structured credit	1,822	2,638
Real estate	2,770	2,600
	52,845	51,809
	<hr/> \$ 57,389	<hr/> \$ 59,314

Long-term investments reflect funds for endowment balances.

The equity funds, fixed income securities, structured credit funds and real estate funds are measured at market value.

2. Cash and Investments (continued):

The breakdown of investment income (loss) is as follows:

	2020	2019
Unrealized gains (losses)	\$ (84)	\$ 326
Interest income	1,291	3,277
Realized losses	(2,016)	(760)
	(809)	2,843
Investment management fees	(192)	(190)
	\$ (1,001)	\$ 2,653

3. Accounts receivable:

	2020	2019
Accounts receivable	\$ 32,234	\$ 32,231
Less allowance for doubtful accounts	(5,020)	(3,120)
	\$ 27,214	\$ 29,111
Current portion of accounts receivable	\$ 27,045	\$ 28,879
Long-term accounts receivable	169	232
	\$ 27,214	\$ 29,111

4. Employee future benefits:

The University provides for pension benefits as well as the reimbursement of a fixed annual amount of medical expenses to retired employees provided that certain specified conditions are met. An actuarial calculation of the future liabilities thereof has been made and forms the basis for the accrued benefit obligation.

The breakdown of the plans is as follows:

Benefit	Post-Employment		Supplemental		Total
	Pension	2020	Obligation	2019	
	Pension	Plan	Total		
Accrued benefit obligation	\$ (431,581)	\$ (7,206)	\$ (3,063)	\$ (441,850)	\$ (415,446)
Fair value of plan assets	419,293	1,769	—	421,062	408,138
Accrued benefit assets	\$ —	\$ —	\$ —	\$ —	\$ 1,929
Accrued benefit liabilities	\$ (12,288)	\$ (5,437)	\$ (3,063)	\$ (20,788)	\$ (9,237)

The significant assumptions used are as follows (weighted-average):

	Pension		Post-Employment	
	and Supplemental		Benefit Obligation	
	Pension Plan		2020	2019
Discount rate	5.85%	6.10%	4.00%	4.00%
Provision for adverse deviation (on non-indexed liabilities)	10.29%	7.94%	—	—
Rate of compensation increases	2.50%	2.50%	—	—
Expected long-term rate of return on plan assets	5.85%	6.10%	4.00%	4.00%
Health care cost trend rate	—	—	2.00%	2.00%
Rate of inflation	2.00%	2.00%	—	—

5. Capital assets:

	Cost	Accumulated Amortization	2020	2019
			Net book Value	Net book Value
Buildings	\$ 356,705	\$ 107,061	\$ 249,644	\$ 256,026
Equipment and furnishing	66,353	59,075	7,278	8,482
Site improvements	12,266	10,334	1,932	2,266
Land	13,413	-	13,413	13,413
	\$ 448,737	\$ 176,470	\$ 272,267	\$ 280,187

A total of \$1,525 (2019 - \$5,888) of buildings and \$564 (2019 - \$571) of equipment is under construction and not yet subject to amortization.

6. Short-term loan:

The short-term loan represents an unsecured loan with no mandatory repayment terms from TD Canada Trust for the student recreation centre, with a floating interest rate of 1.91% at April 30, 2020 (2019 – 3.28%).

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$3,872 (2019 - \$3,791), which includes amounts payable for payroll related taxes.

8. Long-term debt:

Unsecured loans with:	Rate	Fixed Maturity	2020	2019
Bank of Montreal (i)	5.14%	2024	\$ 1,366	\$ 1,618
Royal Bank of Canada	3.90%	2040	13,187	13,579
Royal Bank of Canada (i)	4.50%	2043	17,573	18,031
Royal Bank of Canada (i)	3.90%	2023	2,770	3,616
Royal Bank of Canada	4.63%	2042	39,496	40,599
TD Canada Trust (i)	4.70%	2036	10,647	11,056
TD Canada Trust	4.74%	2043	6,672	6,818
			91,711	95,317
Less: current portion of long-term debt			(2,738)	(3,606)
			\$ 88,973	\$ 91,711

The above-noted debt was advanced under variable rate credit facilities for the financing of various residences, construction of the School of Education and Student Recreation Centre as well as Campus Modernization projects.

Subsequent to year-end, principal repayments on the four loans indicated by (i) were deferred for six months. This has been reflected in the repayment terms.

The University has entered into interest rate derivative agreements to manage the volatility of interest rates. The University converted floating rate debt 0.62% (2019 – 1.96%) for fixed rate debt as noted above. The related derivative agreements are in place until the maturity of the debt.

The principal repayments of long-term debt are as follows:

2021	\$ 2,738
2022	3,917
2023	4,082
2024	3,504
2025	3,337
Thereafter	74,133
	\$ 91,711

9. Deferred contributions:

(a) Deferred contributions:

Deferred contributions represent external contributions restricted for research and other expenditures to be incurred in subsequent fiscal years. Details of the change in deferred contributions are as follows:

	2020	2019
Balance, beginning of year	\$ 36,078	\$ 34,896
Add contributions received in the year	25,860	28,453
Less amounts recognized as revenue	(23,419)	(27,271)
Balance, end of year	\$ 38,519	\$ 36,078

(b) Deferred capital contributions:

Deferred capital contributions represent the unspent and unamortized amount of donations and grants received for the purchase of capital assets. Details of the change in deferred capital contributions are as follows:

	2020	2019
Unspent:		
Balance, beginning of year	\$ 563	\$ 148
Add contributions received in the year	1,999	10,132
Less amounts utilized	(2,012)	(9,717)
Balance, end of year	550	563
Unamortized:		
Balance, beginning of year	132,911	128,058
Add contributions utilized in the year	2,012	9,717
Less amount amortized to revenue	(5,594)	(4,864)
Balance, end of year	129,329	132,911
Total unspent and unamortized capital contributions	\$ 129,879	\$ 133,474

10. Investment in capital assets:

The investment in capital assets is calculated as follows:

	2020	2019
Capital assets	\$ 272,267	\$ 280,187
Less amounts financed by:		
Long-term debt	(91,711)	(95,317)
Internal financing (note 12)	(12,850)	(10,651)
Short-term loan	(1,367)	(1,425)
Line of credit	(14,400)	(17,600)
Unamortized deferred capital contributions (note 9)	(129,329)	(132,911)
	\$ 22,610	\$ 22,283

11. Internally restricted net assets:

	2020	2019
Reserve for future years	\$ —	\$ 744
Scholarship and bursary funds	—	(948)
Departmental and subsidiary research funds	1,051	1,254
Departmental carry forward	2,647	2,150
McEwen School of Architecture	(736)	(1,036)
Ancillaries	886	559
	\$ 3,848	\$ 2,723

The McEwen School of Architecture was launched in 2013. During the initial years, losses from the school will accumulate until full enrolment in the Master in Architecture Program. Subsequently, the School of Architecture will repay the accumulated deficits to the University's Operating Fund.

12. Internal financing:

Details of capital asset internal financing activities are as follows:

	2019	New Financing	Repayments	2020
Campus Modernization	\$ 17,007	\$ 419	\$ (548)	\$ 16,878
Cardiovascular Metabolic Research Lab	5,501	–	(233)	5,268
Great Hall renovations	1,646	–	(244)	1,402
Ancillaries	1,387	–	(261)	1,126
Cliff Fielding Research, Innovation and Engineering Building	985	–	(256)	729
Parking Lot 4	868	–	(52)	816
School of Education Building	363	264	(11)	616
DNA Lab	206	–	(22)	184
Other small projects	288	–	(57)	231
Line of credit	(17,600)	–	3,200	(14,400)
	\$ 10,651	\$ 683	\$ 1,516	\$ 12,850

The internal loans bear interest at a floating rate equal to the return earned on short-term investments and are to be repaid over a period ranging from three to twenty-four years.

13. Commitments and contingencies:

- (a) The University has access to a Royal Bank unsecured line of credit of \$5,000 and a Desjardins unsecured line of credit of \$26,000. These lines of credit bear interest at Royal Bank prime rate less 0.50% and Desjardins prime rate less 0.70%. As at April 30, 2020, the University had not drawn on the Royal Bank line and had drawn \$14,400 on the Desjardins line of credit.
- (b) The University participates in a reciprocal exchange of insurance risks in association with forty other Canadian universities. This self-insurance co-operative involves a contractual agreement to share the insurance property and liability risks of member universities.
- (c) The Students' General Association, through a referendum, approved a student levy to cover the repayment of a student long-term debt facility to provide funding for a new Student Centre. The Board of Governors of the University has approved that the University guarantee the student loan up to the amount of \$8,500.
- (d) The University is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss, if any, from these contingencies will be accounted for in the periods in which the matters are resolved.
- (e) The University is the principal employer for the Pension Plan and also administers the Retiree Health Benefit Plan on behalf of the Federated Universities and SNOLAB. In total, the Federated Universities and SNOLAB have post-employment benefit liabilities of \$4,918, in addition to the amounts allocated to the University.

14. Change in non-cash working capital:

	2020	2019
Cash flows from operating activities:		
Accounts receivable	\$ 1,897	\$ (624)
Other assets	(321)	(156)
Accounts payable and accrued liabilities	12	(3,653)
Accrued vacation pay	47	(108)
Deferred revenue	(459)	(1,054)
	<hr/>	<hr/>
	\$ 1,176	\$ (5,595)

15. Other fees and income:

Details of the other fees and income are as follows:

	2020	2019
Administrative fees	\$ 4,967	\$ 3,885
Scholarships, bursaries and other restricted contributions	4,296	4,321
Compulsory fees	2,975	1,328
Sponsored students	1,930	1,989
Other	3,419	3,417
	<hr/>	<hr/>
	\$ 17,587	\$ 14,940

16. Financial risks:**(a) Credit risk:**

The risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The maximum credit exposure of the University is represented by the fair value of the investments and accounts receivable as presented in the consolidated statement of financial position. Credit risk concentration exists where a significant portion of the portfolio is invested in securities which have similar characteristics or similar variations relating to economic, political or other conditions. The University monitors the financial health of its investments on an ongoing basis with the assistance of its Finance Committee and its investment advisors.

The University assesses on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

16. Financial risks (continued):

(b) Interest rate risk:

The University is exposed to interest rate risk with respect to its interest-bearing investments, long-term debt and interest rate derivative agreements as disclosed in the consolidated statement of cash flows and notes 2, 6 and 8.

(c) Currency risk:

The University believes that it is not exposed to significant currency risks arising from its financial instruments.

(d) Liquidity risk:

Liquidity risk is the risk that the University will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The University manages its liquidity risk by monitoring its operating requirements. The University prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no changes to the risk exposures from 2019, except as a result of the effects of COVID-19 (note 17).

17. Effects of COVID 19:

Prior to year-end, the COVID-19 (the “pandemic”) outbreak was declared a pandemic by the World Health Organization. Laurentian University halted in-person activity, restricted its facilities to staff and students and moved to online education format in March 2020 based on recommendations from Public Health Ontario. The spring and summer semesters were moved to an online format. The fall semester will largely be online and remote delivery with on-campus activities where deemed necessary.

As a result of the pandemic, the University has experienced increased risk exposure in several areas. The in-year deficiency associated with COVID-19 was \$5.2 million. There is further concern as to the revenues into fiscal 2021.

The University negotiated a deferral of residence debt repayments for six months subsequent to year-end to manage cash flow requirements.

The University’s investments are recognized at fair value and the impact of the pandemic has created volatility and uncertainty in world markets, which may ultimately lead to a loss on market value that is other than temporary. The ultimate length and duration of the pandemic is unknown and the potential magnitude of the impact on the University’s investments is not yet known at this time. The University continues to monitor investment balances and working with investment managers to mitigate the impact where possible.

The University’s defined benefit component of its pension plan is subject to the same increased risk exposure of the University’s investments as the underlying investments recognized within the pension plan are subject to market volatility and uncertainty for which the ultimate length and duration is not yet known at this time. The impact of prolonged low interest rates could increase the defined benefit pension plan liabilities and require additional funding from the University.

17. Effects of COVID 19 (continued):

The University cannot reasonably reflect the future financial impact of COVID-19. Given that the outcome and timeframe to a recovery from the current pandemic is highly unpredictable, it is not practicable to estimate and disclose its financial effect on future operations at this time.

18. Adoption of new accounting policies:

The University has adopted the following Canadian Not-for-Profit Accounting Standards effective on May 1, 2019:

- Section 4433, to replace Section 4431, Tangible Capital Assets Held by Not-for-Profit Organizations
- Section 4434, to replace Section 4432, Intangible Assets Held by Not-for-Profit Organizations
- Section 4441, to replace Section 4440, Collections Held by Not-for-Profit Organizations

The University has adopted these standards on a prospective basis and will apply the componentization approach of significant tangible capital assets (and related amortization) acquired and will comply with revised intangible asset impairment guidelines. Collections are carried on a nominal basis.

The adoption of these standard did not result in any adjustments to the financial statements as at May 1, 2019.

19. Comparative information:

Certain comparative information have been reclassified to conform with the financial statement presentation adopted for the current year.

This is Exhibit "F" referred to in the Affidavit of Tom Fenske
affirmed October 16, 2025

A handwritten signature in black ink, appearing to read "Tom Fenske".

Commissioner for Taking Affidavits (or as may be)

Court File No. _____

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS' ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF **LAURENTIAN UNIVERSITY OF SUDBURY**

Applicant

AFFIDAVIT OF DR. ROBERT HACHE
(sworn January 30, 2021)

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I, Dr. Robert Haché, of the City of Sudbury, in the Province of Ontario, **MAKE OATH**
AND SAY AS FOLLOWS:

I. INTRODUCTION

1. I am the President and Vice-Chancellor of Laurentian University of Sudbury (“**LU**” or the “**Applicant**”) and a member of the Board of Governors (the “**Board**”) of LU, having served in this role since July 2019.
2. Prior to joining LU in July 2019, I was the Vice-President of Research and Innovation at York University and prior to that, the Associate Vice-President of Research at the University of Calgary and the Vice Dean of Research for the Faculty of Medicine at the University of Ottawa. I have been involved in leadership positions at post-secondary institutions for over 15 years and have extensive experience in the operational, academic and research arms of such institutions.
3. As President and Vice-Chancellor, I am the chief executive officer (CEO) of LU. I am the chair of the Senate and have supervision over and direction of the academic work and general administration of LU, including the faculty staff, students, and officers and employees of LU. Further, I am a voting member of the Board, subject to certain limited exceptions. Generally speaking, I am the public face of LU. For example, I am involved in coordination with the Government of Ontario, the Federated Universities (as defined below) communications with students, including the student associations and, at a high level, the Unions (as defined below). Where I do not have direct communications, I rely on a team comprised of, among others, the Provost and VP Academic, AVP Human Resources & Organizational Development, VP Research, VP Administration, AVP

Financial Services, Chief Advancement Officer, the Executive Director of Communications, Marketing and Governmental Relations, and the University Secretary and the General Counsel of LU (collectively, the “**Internal Team**”).

4. As such, I have knowledge of the matters hereinafter deposed to, save where I have obtained information from others. Where I have obtained information from others, I have stated the source of the information and believe it to be true.
5. In preparing this affidavit, I have relied upon the financial information in this affidavit has been provided to me by the VP Administration who is accountable for, and has responsibility over, LU’s Finance department. This is the best information available to me through the VP Administration, the Finance department and the books and records of LU as of the date of swearing. LU has experienced a number of challenges with the limited team and resources in the Finance department, and such difficulties are made even more pronounced with the additional demands placed on their time in connection with the preparation for this CCAA proceeding.
6. This affidavit is sworn in support of LU’s application for an Order (the “**Initial Order**”), among other things, commencing proceedings under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and appointing Ernst & Young Inc. (“**EY**”) as the court-appointed monitor of the Applicant (in such capacity, the “**Proposed Monitor**”) in the CCAA proceeding, to facilitate the restructuring of the Applicant for the benefit of its stakeholders.
7. All monetary amounts referred to in this Affidavit are in Canadian dollars, unless otherwise noted.

II. THE PRESSING NEED FOR RELIEF

8. LU has experienced recurring operational deficits in the millions of dollars each year for a significant period of time.¹ These operational deficits have led to the accumulated deficit in the operational fund of LU increasing from approximately \$8.2 million in FY 2014-15 to approximately \$20 million per year in FY 2019-20.
9. In the current 2020-21 fiscal year, LU projects a further operational deficit of \$5.6 million. This is notwithstanding previous efforts implemented by the Internal Team and, previously, the budget committee (which was comprised of members of the Internal Team, among other academic and non-academic senior leaders) at LU to review and identify areas where LU could reduce its annual expenses and grow revenue. In the years preceding this application, LU has:
 - (a) reduced its non-faculty workforce from approximately 429 to 409 and faculty workforce (excluding the Barrie campus closure) from approximately 358 to 344 at that time;
 - (b) deferred the hiring of faculty and non-faculty positions;
 - (c) negotiated with LUSU (as defined below) to forego their employee salary increases;
 - (d) approved a pay freeze and reduced the salaries of its non-unionized, including managerial, employees;

¹ In fiscal year 2017-18, LU reported an operational surplus of approximately \$2 million due to certain positive one-time financial realizations by LU. This fiscal year was an anomaly.

(e) approved a pay freeze and reduced the salaries of certain members of the Internal Team²; and

(f) re-negotiated the funding model with the Federated Universities (as defined below).

10. Nonetheless, these efforts are not enough. LU is insolvent and absent the relief sought in the Initial Order, will run out of cash to meet payroll in February. The financial challenges that LU faces are significant and, absent fundamental change, LU's short-term and long-term financial and operational sustainability are at risk. The COVID-19 pandemic has only exacerbated these issues.

11. One significant source of financial challenge are the terms of LU's collective agreement with Laurentian University Faculty Association ("LUFA"), which is addressed in this affidavit. This financial issue is exacerbated by the labour relationship between LU and LUFA (there was a strike in 2017 during bargaining of the LUFA CA) stemming from decisions made in the past at LU and which remains challenging. For example, there are approximately 102 active grievances that have been filed by LUFA dating back to 2017. I am advised by LU's external employment and labour counsel Michael Kennedy of Hicks Morley LLP that this volume of grievances is significantly higher than volumes seen at other Ontario universities.

12. Operationally, the academic programming offered by LU is not sustainable in its current form and must be addressed. LU offers 132 undergraduate programs and 43 graduate

² Some members of the Internal Team are considered 'designated executives' under the Broader Public Sector Executive Compensation Act, 2014. The salary for the position of President and Vice-Chancellor of LU has remained unchanged since 2009.

programs. Approximately 25% of students are enrolled in the top five programs, approximately 62% are enrolled in the top 25 programs and 83% are enrolled in the top 50 programs.

13. When considering individual courses (each program offers multiple courses), the issues are magnified. Of the 1,902 courses offered by LU in the Winter 2021 semester:
 - (a) 162 courses (8%) have five students or fewer enrolled;
 - (b) 180 courses (9%) have between six to ten students enrolled;
 - (c) 1,018 courses (53%) have between eleven to fourteen students enrolled; and
 - (d) 568 courses (30%) have fifteen or more students enrolled.
14. Notwithstanding the number of students enrolled in a course, LU must employ a faculty member to instruct that course. A significant number of courses have ten or fewer students enrolled, and a majority of courses have fourteen or fewer students enrolled. For context, average first-year and second-year class sizes at Canadian universities range from 23.1 (Moncton) to 127.4 (McMaster). Average upper year class sizes at Canadian universities range from 13.8 (Brandon) to 51.8 (McMaster).³
15. Low enrolment in courses causes such courses to be financially unsustainable. The cost of offering such courses greatly exceeds the grant and tuition revenue received by LU for those courses.

³ Source: The average undergraduate class size at Canadian universities, 2017, Maclean's Canada: <https://www.macleans.ca/education/the-average-undergraduate-class-size-at-canadian-universities>.

16. Within the current structure, it costs more for LU and the Federated Universities to educate each student per year when compared to the average cost across all other Ontario universities. Based on data retrieved from Council of Ontario Finance Officers, it costs LU and the Federated Universities approximately \$2,000 more to educate its students per year than the Provincial average across all universities.
17. Historical efforts to address LU's program offerings have been unsuccessful. For example, LUFA has challenged the July 2020 decision by the Provost and VP Academic of LU to temporarily suspend admissions to 17 academic programs with low enrolment. This is currently the subject of a pending judicial review, which proceeding will be stayed if this application is granted.
18. LU seeks to commence proceedings under the CCAA in order to provide it with a platform to financially and operationally restructure itself in order to emerge as a sustainable and long-term financially viable institution. The commencement of a CCAA proceeding to address these significant issues represents the only realistic path forward for the university at this time.
19. It is in the interest of public policy, as well as current and future students, faculty, staff, retirees, the Greater Sudbury community and the Northern Ontario region generally, to provide LU with the breathing room and platform of a court-supervised proceeding with the oversight and assistance of a Monitor, in order for it to restructure. I believe that supporting a successful restructuring is consistent with the Ontario Legislature's public policy objective of providing accessible (financially and geographically) higher education to Ontarians.

20. LU has made every effort over the last several years to support its students and provide the best academic and student experience possible. Such efforts will continue following the commencement of these proceedings. However, LU must take steps to ensure its long-term sustainability. LU requires financial assistance and the breathing room afforded by CCAA protection to effect an overall restructuring and to safeguard against significant changes to its operations and a corresponding decline in student experience which would likely result if this is not undertaken through a coordinated, transparent and efficient court-supervised process. A successful restructuring of LU will necessarily involve its federated universities: Huntington University, Thorneloe University and the University of Sudbury (collectively, the “**Federated Universities**”), as described below.

III. OVERVIEW OF THE APPLICANT

A. *Background and Corporate Structure*

21. On March 28, 1960, LU was incorporated pursuant to *An Act to Incorporate Laurentian University of Sudbury*, S.O. 1960, c. 151 C. 154 (the “**Act**”). A copy of the Act is attached as **Exhibit “A”** hereto.

22. LU is a non-share capital corporation governed by the Board. The Bylaws provide that the Board is to be comprised of 25 voting members. Currently, there are four vacancies and only 21 current voting members (of which I am one) and 9 non-voting members for a total of 30 members. The constitution of the Board is pursuant to the General Bylaws of the Board (the “**Bylaws**”) and requires representation from various stakeholder groups of LU, as described more fully in paragraph 101. Attached as **Exhibit “B”** is a copy of the corporate profile report for LU obtained from the Ministry of Government and Consumer Services.

23. LU is a registered charity pursuant to the *Income Tax Act*. Its charitable registration number is 119009686RR0001. For all charitable contributions and donations received by LU, LU issues a tax receipt to the donor. LU's charitable fundraising is an essential component of various programs and services that LU provides to its students.
24. LU has operated in Sudbury, Ontario since its incorporation as a publicly-funded, bilingual postsecondary institution. At one time, LU operated a satellite campus in Barrie, Ontario which closed operations entirely in 2019.
25. As further discussed below, LU has a federated school structure whereby it has formal affiliations with several independent universities under the overall LU umbrella: the University of Sudbury (“**SU**”), the University of Thorneloe (“**Thorneloe**”) and Huntington University (“**Huntington**”).
26. Since inception, LU strives to provide quality higher education to the community of Sudbury and Northern Ontario at large. LU has rapidly grown its reputation as a leading university for Northern Ontario, with increasing international recognition and strong national, provincial and regional impact. The innovative programs that LU offers have been a significant factor in LU’s growth and success.
27. LU is considered an “access university”, since over 50% of the student population is comprised of first-generation postsecondary students (those whose parents did not attend university) and over 12% of the student population self-identifies as Indigenous.
28. LU is an integral part of the economic fabric of Northern Ontario and serves as the primary postsecondary institution for a large geographic region. The City of Greater Sudbury has

a population of approximately 165,000. Northern Ontario communities depend on LU to educate a local workforce of professionals in a wide array of disciplines, which assists with keeping these communities competitive and thriving. It is not uncommon for LU students from outside the region to decide to reside in Northern Ontario after graduation.

29. LU is consistently one of the largest employers in Sudbury. If LU ceased to operate, there would be a profound economic impact on the City of Greater Sudbury as many employees would lose their livelihood and, in some cases, that may cause such persons to move out of the region.

B. *Students and Academic Programming*

30. LU's mission is to provide the best possible academic and social experience to its students. LU recognizes that its students are the lifeblood of the organization and while this restructuring will touch on a significant number of financial and operational aspects of LU, the primary goal of the restructuring is to ensure that current and future students will continue to have access to a high quality post-secondary education at LU for years to come.

31. Academically, LU's programs result in success for its graduates. LU provides some of the best outcomes for students in Ontario, including the highest post-graduation employment rate in Ontario after both six months (94.3%) and two years (97.4%), as well as strong salary outcomes.⁴

32. This application is made with a view to protecting and preserving the student experience at LU. I am committed to ensuring that the organization takes every step necessary to

⁴ Source: Ontario University Graduate Survey, conducted in 2018-2019 with students who graduated in 2016. Available online at: <http://www.iaccess.gov.on.ca/OsapRatesWeb/enterapp/home.xhtml>.

ensure that the student experience is uninterrupted during this restructuring. That will allow our students to focus on what they are at LU for – learning and growing as individuals, within a community of fellow students. While the restructuring will be a central priority of the Board and Internal Team, it is our intention that student education and experience will not be impacted or disrupted.

i. Undergraduate Programming

33. LU primarily focuses on undergraduate programming, with approximately 8,200 total domestic and international undergraduate students (approximately 6,250 full-time equivalents) enrolled in the 2020-21 fall semester.
34. LU students may choose to combine program offerings for a multidisciplinary and well-rounded experience. To prepare LU students for the workforce, there are several programs offering hands-on experience, field work and co-op placements such as the Commerce and Engineering programs offered at LU.
35. LU has five undergraduate faculties:
 - (a) Faculty of Arts;
 - (b) Faculty of Education;
 - (c) Faculty of Health;
 - (d) Faculty of Management; and
 - (e) the Faculty of Science, Engineering and Architecture.
36. Within these faculties, students can choose from approximately 132 undergraduate programs to enroll in. Each faculty offers English and French programs and the Faculty of

Science, Engineering and Architecture offers a bilingual Bachelor of Engineering program designed to be responsive to the Francophone population at LU.

37. As part of its bilingual mandate, LU offers its students the opportunity to obtain a Certificate of Bilingualism, which is awarded to students who earn a minimum of 15 credits in courses offered in English or French (whichever is not their primary language of study). In a world where fluency in more than one language is increasingly desirable, this Certificate is a valuable offering for LU students in their career progression and the Certificate provides a competitive edge in the workforce.
38. LU has a consistent track record of providing an accessible and enhanced academic experience for Indigenous students. Key to this initiative is the Indigenous Student Affairs team, which strives to ensure a positive learning environment in a manner consistent with the Indigenous worldview. This team nurtures a learning environment supportive of the academic, spiritual, physical and emotional well-being of the First Nations, Metis, and Inuit student body.

ii. Graduate Programming

39. LU also has a strong graduate program, with approximately 1,100 total domestic and international graduate students (approximately 830 full-time equivalents) enrolled during the 2020-21 fall semester.
40. Graduate studies are administered through the Faculty of Graduate Studies.
41. LU offers over 40 Masters and Ph.D degrees, including, among others: (i) Ph.D in Rural and Northern Health; (ii) Ph.D in Mineral Deposits and Precambrian Geology; (iii) Ph.D in Boreal Ecology; (iv) Ph.D in Biomolecular Sciences; (v) Ph.D in Materials Sciences;

(vi) Sciences humaines et interdisciplinarité (Ph.D) (French); (vii) Masters in Indigenous Relations; (viii) Masters in Science Communication; (ix) Masters in Forensic Science; and (x) Masters in Business Administration.

42. As part of their degree requirements, graduate students are required to complete research or scholarly activities. Depending on the degree, this research can take place on campus in specified labs, with one of LU's sixteen research centres, in the field in collaboration with industry and/or community partners, or in a clinical placement. Faculty supervise graduate students and, in many cases, fund the student's research projects through grants they apply for and receive from external sources including, but not limited to, government, industry and community partners.

iii. Northern Ontario School of Medicine

43. Through agreement between LU and Lakehead University (located in Thunder Bay, Ontario), the Northern Ontario School of Medicine ("NOSM") opened in 2005. NOSM is an independent not-for-profit non-share corporation which serves as the faculty of medicine for both LU and Lakehead University. LU and Lakehead University are the two members of NOSM and representatives from both organizations, among others, are on the Board of Directors of NOSM. I am the current Chair of NOSM. A copy of the Corporation Profile Report for NOSM is attached as **Exhibit "C"**.

44. NOSM provides training in more than 90 communities across a geographic expanse of 800,000 square kilometers and was established with a mandate to improve the health of the people in Northern Ontario. The medical school is mandated both to educate doctors and to contribute to health care in Northern Ontario's rural, urban, and remote communities.

45. NOSM has campuses located in Sudbury and Thunder Bay. LU owns the two buildings NOSM occupies on the Sudbury campus: the Health Sciences Education Resource Centre and the Medical School Building, which are leased to NOSM. A copy of the lease with respect to the Medical School Building is attached as **Exhibit “D”** and a copy of the amendment to the lease which added the Health Sciences Education Resource Centre to the demised premises is attached as **Exhibit “E”**.
46. The medical school has approximately 461 students enrolled in the 2020-21 academic year across the medical doctor (MD) program, residency, the dietetic internship program and the Masters in Medical Studies (MMS) graduate program.
47. NOSM employs approximately 21 full-time faculty and has approximately 1,776 part-time stipendiary faculty. As a result of the nature of NOSM’s learning model, many of the clinical stipendiary faculty are situated in more than 90 teaching sites across Northern Ontario and provide a clinical learning experience to the students of NOSM.
48. Pursuant to a Relationship Agreement dated December 18, 2018 (the “**Relationship Agreement**”), LU and Lakehead University each agreed to provide certain support services and faculty to NOSM. Both LU and Lakehead provide facilities and support services, student registration and student fee collection, scholarship receipt and disbursement, and other educational, research and operational services.
49. NOSM and LU entered into a subsequent agreement as a schedule to the Relationship Agreement which governs the collection and accounting of tuition and incidental fees for the 2020/2021 academic year. As part of this agreement, LU provides collection and accounting services for NOSM at a fee of \$250 per NOSM student enrolled at the Sudbury

campus. A copy of the Relationship Agreement and its schedules are attached hereto as **Exhibit “F”**.

50. Certain NOSM students pay their fees to LU and those funds are deposited into LU's general operating account with all other student fees. LU provides monthly outstanding balance reports for NOSM students to NOSM and issues the relevant tax forms directly to NOSM students. LU also provides bursaries to NOSM students and LU is reimbursed directly by NOSM for such payments. These funds flow through LU's main operating account.
51. Although NOSM was formed by agreement between LU and Lakehead University, NOSM is legally, financially and operationally independent from LU, save and except for the aforementioned services provided by LU and the holding of endowment funds by LU from third parties designated for NOSM. NOSM faculty and staff have separate unions and the NOSM pension plan and benefits packages are separate from the LU programs. NOSM receives its government support directly from the Province of Ontario (the “**Province**”).
52. Approximately \$14 million of the \$53 million in endowment funds currently held by LU are funds that are in respect of donations or gifts from third parties for NOSM, rather than LU. As will be described in greater detail below, due to the unique nature of endowment funds to a post-secondary organization, LU proposes that such funds continue to be held and available only for their designated and intended purpose (that is, to fund scholarships to qualifying students).

53. Other than any ancillary reputational impact as a result of LU's insolvency, LU anticipates that NOSM and its students will be largely unaffected by the commencement of these proceedings.

C. *Research and Scholarly Activity*

54. LU places considerable emphasis on its research and enjoys the reputation of being a leading undergraduate university in Canada for research and scholarly activity. In the most recent rankings from Research InfoSource, LU ranked first in sponsored research income in the undergraduate university category in Canada with \$39.4 million. The average sponsored research income of similar undergraduate universities is \$17.4 million.⁵

55. Sponsored research income includes all funds to support research received in the form of a grant, award, contribution or contract from external sources. As discussed further below, LU carries significant obligations in respect of deferred contribution amounts on its balance sheet, which, among other things, represent sponsored research funds that have been received by LU in advance of the related expenses being incurred. These amounts include research grant funding which has not yet been allocated towards the designated research activities. A few notable projects currently funded at LU through sponsored income are:

(a) Metal Earth, which is funded through the federal government's Canada First Research Excellence Fund ("CFREF"). This program has received over \$80 million in in-kind funding from industry partners to date, and the federal government has committed \$49 million in cash contributions over a seven-year

⁵ Source: https://researchinfosource.com/pdf/Top50List2020MainMetrics_Undergraduate.pdf

period, with approximately \$17 million committed between March 1, 2021 and March 1, 2023.

- (b) LU is scheduled to receive \$3.7 million in funding over seven years from the McDonald Institute as an institutional partner in the CFREF project for astroparticle physics research.
- (c) Listening to Children's Voices, which promotes Indigenous mental wellness, is funded by the Canadian Institutes of Health Research in the amount of \$1.4 million over 5 years.
- (d) Neurodegeneration in Aging is scheduled to receive approximately \$2 million over five years from the Baycrest Centre for Geriatric Care; and
- (e) the Canadian Foundation for Innovation has provided \$200,000 to support the purchase of infrastructure for COVID-19 research.

56. Laurentian University has 14 Senate-approved research centres and two affiliated research centres (SNOLab and MIRARCO, as defined and discussed below). The majority of

sponsored research is completed by faculty and students affiliated with a Senate-approved research centre. These include research centres that carry out research on social justice and policy, rural and Northern Ontario health, ecology and ethical conservation, occupational safety, the Franco-Ontarian population, children's health and Indigenous issues.

57. Pursuant to the collective agreement with LUFA, full-time faculty are generally required to spend approximately 40% of their time during the academic year on scholarly activity, which includes commitments to external granting agencies and research funded by private research contracts.

58. To support research and scholarly activity, the LUFA collective agreement provides that LU is required to set aside \$160,000 each year for the Laurentian University Research Fund (“LURF”) and provide an additional \$20,000 per year to support the research activities of retired faculty members. The Director of the Office of Research Services, under the supervision of the Vice-President Research, holds an open competition for LURF funding annually. LU’s past practice has been to roll over any LURF funds not awarded in a given calendar year into the next year’s open funding competition. However, this funding has not been set aside in a separate account and instead has only been allocated in the internal general ledger of LU. Historically, any LURF funds awarded to retired faculty members have been paid out of the general operating account of LU. As a result of its liquidity crisis, LU does not have the funds to continue with the LURF program.
59. External grants obtained by faculty are a significant source of funding used to support student research (including stipends for graduate students), employment for students and direct costs related to completing research activities. Funding programs administered by the Natural Sciences and Engineering Research Council, Social Sciences and Humanities Research Council, and Canadian Institutes of Health Research (collectively, the “**Tri-Agencies**”) are examples of grants held by faculty members to support their research programs, which create opportunities for students to develop their research skills and knowledge in a particular field.
60. LU’s research programming is critical for many LU students. As discussed above, graduate students are required to complete research/scholarly activities and many undergraduate programs have a research component as part of their degree requirements. This necessarily

requires access to research facilities, equipment, services, and library materials to support graduate and undergraduate programming.

D. *Federated Universities*

61. LU and the Federated Universities are affiliated through a variety of historical relationships and contractual arrangements. Each of the Federated Universities are separate legal entities and are governed by Boards that are independent of LU.
62. Each of the Federated Universities owns its own buildings on land that is owned by LU and is leased to the Federated University by LU. The Federated Universities do not receive funding directly from the Ministry of Colleges and Universities (“MCU”), but historically, LU has transferred a portion of the funding it receives from the MCU to each Federated University according to a set formula, unless otherwise instructed by the MCU.
63. Students who enroll at LU may study at any or all of the three Federated Universities (as well as LU), which are all physically located on LU’s campus. Students enrolled in programs, courses, majors and minors which are administered by the Federated Universities remain students of LU and these courses are credited towards a degree from LU, which has the sole authority to confer degrees upon students (with the exception of Theology). In addition, all students of LU enrolled in courses delivered by the Federated Universities can fully utilize the services offered on the entire campus. For all intents and purposes, the Federated Universities are integrated into LU, however, each of the Federated Universities manages its finances separately from each other, and from LU, subject to the arrangements described below.

64. From an employee perspective, most of the faculty of the Federated Universities are represented by LUFA, but each of the Federated Universities has its own collective agreement with LUFA.
65. The employees of the Federated Universities are a part of the defined benefit pension plan of LU. Each of the Federated Universities are required, pursuant to the pension plan, to contribute the amount required to fund the pension plan, taking into account the assets and liabilities of the plan. Each of the Federated Universities directly contribute to the pension plan on a monthly basis.

i. Terms of Financial Distribution between LU and the Federated Universities

66. On November 10, 1993, LU and the Federated Universities entered into a Proposed Grant Distribution and Services Fees arrangement (the “**1993 Funding Model**”). Although this document was not signed, meeting minutes are attached to the document which indicate that LU and the Federated Universities were all in agreement with the terms of same, and the parties operated under the terms of such agreement until it was amended as of May 1, 2019. A copy of the 1993 Funding Model is attached hereto as **Exhibit “G”**.
67. The 1993 Funding Model was replaced by notices delivered by LU to each of the Federated Universities on May 1, 2019 (the “**Financial Distribution Notices**”). Copies of the Financial Distribution Notices for Huntingon, Thornloe and Sudbury, respectively, are attached as **Exhibits “H”, “I” and “J”** hereto.
68. The Financial Distribution Notices update the previous funding formula under the 1993 Funding Model and set out the terms for the distribution of operating grants to the Federated Universities and service fees charged by LU to the Federated Universities from

and after May 1, 2019. The Financial Distribution Notices amended, restated and replaced in their entirety any prior documentation, oral or written representations and past practices relating to the distribution of grant funding, tuition fees and service fees between LU and the Federated Universities, including but not limited to, those described under the 1993 Funding Model.

69. The Financial Distribution Notices advised the Federated Universities that LU would transfer funds to each of the Federated Universities in accordance with the new university funding model introduced by the Province in 2017 (the “**New Funding Model**”). The New Funding Model adopted an enrolment-based approach, where the Province would provide each post-secondary organization with a base level of operating funding determined in accordance with a specific level of eligible enrolment and program of registration.
70. The underlying principle behind LU adopting the New Funding Model was to ensure that neither LU or any of the Federated Universities would subsidize the operations or services of the other, and each organization would be responsible for covering its own expenses. It was intended to align the financial relationship of LU and the Federated Universities with the New Funding Model introduced by the Province, to which LU was subject.
71. The Financial Distribution Notices also provide that, in exchange for the provision of non-academic administrative services by LU to the Federated Universities, each of the Federated Universities would be assessed a charge by LU in the amount of 15% of shared revenues, being grant revenue and tuition revenue as defined in the Financial Distribution Notices (the “**Administrative Services Fee**”). The Administrative Services Fee partially covers the costs incurred by LU for a number of non-academic services it provides, which

include but are not limited to: (i) student fee collection and accounting; (ii) central computing services; (iii) administration of all pension and employee benefits; (iv) campus security; and (v) student support services.

72. Since the Financial Distribution Notices were issued by LU to each of the Federated Universities on May 1, 2019 the parties have been operating in accordance with the funding mechanisms set out therein.

ii. University of Sudbury

73. SU is a Roman Catholic bilingual university offering programs in Culture and Communication Studies, Indigenous Studies, Philosophy and Religious Studies and courses in both English and French. It was founded in 1913 as Collège du Sacré-Coeur before changing its name to the University of Sudbury in 1957. There are 211 students enrolled in SU-delivered programs, along with a further 24 students in a combined LU/SU Philosophy program and 56 students in Religious Studies, which is jointly administered by the Federated Universities.

LU-SU Federation Agreement

74. LU and SU entered into a Federation Agreement on September 10, 1960 (the “**LU-SU Federation Agreement**”), a copy of which is attached hereto as **Exhibit “K”**. The LU-SU Federation Agreement contains a provision stipulating that the relationship between LU and SU will be permanent, and the success of the relationship is to be predominantly fostered through “mutual cooperation and goodwill”, rather than any formal agreements.

75. Pursuant to the LU-SU Federation Agreement, SU suspended all of its degree-conferring power (with the exception of Theology) in favour of LU, for so long as the LU-SU Federation Agreement is in effect.
76. Tuition fees paid by LU students enrolled in SU-delivered programs are apportioned between LU and SU pursuant to the Financial Distribution Notice.
77. The LU-SU Federation Agreement requires LU to allocate and reserve land within its campus for SU to purchase and construct buildings on. The allocation of land to SU was completed pursuant to the SU Indenture (as defined and described in detail below).

Leases between LU and SU

78. Pursuant to an Indenture between LU and SU dated April 9, 1965 (the “**SU Indenture**”), LU leased certain land for a term of 99 years to allow SU to construct buildings and student housing for SU. Provided that SU performs all of the covenants during the term of the SU Indenture, LU is required to renew the lease for a further 99 years on substantially the same terms.
79. The SU Indenture may be terminated by LU if: (i) SU withdraws from the federation with LU or the land and premises cease to be used for educational instruction at a university level for three years, or (ii) SU is in breach or non-performance of the covenants of the SU Indenture. In the event that the SU Indenture is terminated, LU is entitled to take possession of the lands, and may elect to purchase any or all of the buildings constructed on the lands from SU. The SU Indenture provides that the value of the buildings is to be determined by arbitration. A copy of the SU Indenture is attached hereto as **Exhibit “L”**.

iii. Huntington University

80. Huntington is an independent university founded in 1960 with its own charter, and offers programs in Communication Studies, Gerontology, Religious Studies and Theology. Students who graduate from Huntington have their degrees conferred by LU, save for a limited exception in respect of Theology. There are 295 students enrolled in Huntington-delivered programs this year, along with a further 56 students in Religious Studies, which is jointly administered by the Federated Universities.

LU-Huntington Federation Agreement

81. LU and Huntington entered into a Federation Agreement on September 10, 1960 (the “**LU-Huntington Federation Agreement**”), a copy of which is attached hereto as **Exhibit “M”**. The LU-Huntington Federation Agreement contains a provision stipulating that the relationship between LU and Huntington will be permanent, and the success of the relationship is to be predominantly fostered through “mutual cooperation and goodwill”, rather than any formal agreements.

82. Pursuant to the Huntington Federation Agreement, Huntington agreed to suspend all of its degree-conferring powers except the power to grant degrees in Theology.

83. Tuition fees paid by LU students enrolled in Huntington-delivered programs are apportioned between LU and Huntington by the Financial Distribution Notice.

84. The LU-Huntington Federation Agreement requires LU to allocate and reserve land within its campus for Huntington to purchase and construct buildings on. The allocation of land

to Huntington was completed pursuant to the Huntington Indenture (as defined and described in detail below).

Other Agreements between LU and Huntington

85. Pursuant to a lease indenture between LU and Huntington dated July 3, 1964 (the **“Huntington Indenture”**), LU leased certain land to Huntington for a term of 99 years to allow Huntington to construct buildings and student housing for Huntington. The terms and conditions of the Huntington Indenture are substantially similar to the terms and conditions of the SU Indenture, such as:
 - (a) provided that Huntington performs all of the covenants during the term of the Huntington Indenture, LU is required to renew the lease for a further 99 years on substantially the same terms;
 - (b) the Huntington Indenture may be terminated by LU if: (i) Huntington withdraws from the federation with LU or the land and premises cease to be used for educational instruction at a university level for three years, or (ii) Huntington is in breach or non-performance of the covenants of the Huntington Indenture;
 - (c) in the event that the Huntington Indenture is terminated, LU is entitled to take possession of the lands, and may elect to purchase any or all of the buildings constructed on the lands from Huntington; and
 - (d) the Huntington Indenture provides that LU may pay for buildings that can be used by LU in the ordinary course for university purposes (such as residences and classrooms), but LU is not required to pay for any buildings that duplicate existing

facilities at LU. The value of the buildings is calculated as the cost of construction less depreciation calculated at 4% per annum.

A copy of the Huntington Indenture is attached hereto as **Exhibit “N”**.

86. Pursuant to a Memorandum of Agreement between LU and Huntington dated December 12, 2005, Huntington transferred its music program to LU with provisions regarding the transfer of scholarship funds, space for the program and a cost sharing arrangement for the music faculty. A copy of the Memorandum of Agreement is attached hereto as **Exhibit “O”**.

iv. University of Thorneloe

87. Thorneloe is a university with historic roots and affiliation with the Anglican Church of Canada and offers programs in the departments of Ancient Studies, Religious Studies and Women’s, Gender and Sexuality Studies. There are 119 students enrolled in Thorneloe-delivered programs this year, along with a further 56 students in Religious Studies, which is jointly administered by the Federated Universities.

LU-Thorneloe Federation Agreement

88. LU and Thorneloe entered into a Federation Agreement in 1962 (the “**LU-Thorneloe Federation Agreement**”), a copy of which is attached hereto as **Exhibit “P”**. The LU-Thorneloe Federation Agreement contains a provision stipulating that the relationship between LU and Thorneloe will be permanent, and the success of the relationship is to be predominantly fostered through “mutual cooperation and goodwill”, rather than any formal agreements.

89. Pursuant to the LU-Thorneloe Federation Agreement, Thorneloe suspended all of its degree-conferring power (with the exception of Theology) in favour of LU, for so long as the LU-Thorneloe Federation Agreement is in effect.
90. Pursuant to the LU-Thorneloe Federation Agreement, tuition fees paid by LU students enrolled in Thorneloe-delivered programs are apportioned between LU and Thorneloe pursuant to the Financial Distribution Notice.
91. LU-Thorneloe Federation Agreement requires LU to allocate and reserve land within its campus for Thorneloe to purchase and construct buildings on. The allocation of land to Thorneloe was completed pursuant to the Thorneloe Indenture (as defined and described in detail below).

Leases between LU and Thorneloe

92. Pursuant to a lease indenture between LU and Thorneloe dated October 26, 1964 (the "**Thorneloe Indenture**"), LU leased certain land to Thorneloe for a term of 99 years to allow Thorneloe to construct buildings and student housing for Thorneloe. The terms and conditions of the Thorneloe Indenture are substantially similar to the terms and conditions of the Huntington Indenture, including:
 - (a) provided that Thorneloe performs all of the covenants during the term of the Thorneloe Indenture, LU is required to renew the lease for a further 99 years on substantially the same terms;
 - (b) the Thorneloe Indenture may be terminated by LU if: (i) Thorneloe withdraws from the federation with LU or the land and premises cease to be used for educational

instruction at a university level for three years, or (ii) Thorneloe is in breach or non-performance of the covenants of the Thorneloe Indenture;

(c) in the event that the Thorneloe Indenture is terminated, LU is entitled to take possession of the lands, and may elect to purchase any or all of the buildings constructed on the lands from Thorneloe; and

(d) the Thorneloe Indenture provides that LU may pay for buildings that can be used by LU in the ordinary course for university purposes (such as residences and classrooms), but LU is not required to pay for any buildings that duplicate existing facilities at LU. The value of the buildings is calculated as the cost of construction less depreciation calculated at 4% per annum.

A copy of the Thorneloe Indenture is attached hereto as **Exhibit “Q”**.

E. *Statutory Framework*

93. LU is governed by the Act. The Act incorporated LU and vested the management of LU in the Board. The Act grants the Board all powers necessary or convenient to perform its duties and achieve the objects and purposes of the University.

94. The objects and purposes of LU are described in the Act as:

(a) the advancement of learning and the dissemination of knowledge; and

(b) the intellectual, social, moral and physical development of its members and the betterment of society.

95. The Act confers powers on LU, including, among other things, the power to: (i) establish courses (Senate); (ii) confer degrees (Senate); (iii) enter into federation agreements with

other colleges (Board); (iv) purchase, mortgage, lease and convey property (Board); (v) borrow money (Board); and (vi) commence proceedings in its own name (Board).

F. *Governance Structure*

96. The facts set out in this section relating to LU's governance structure are based on my own knowledge and on information I have received and have been advised of by the University Secretary and General Counsel of LU, which I believe to be accurate in all respects.

97. The governance structure of LU is bi-cameral. The Board and the President and Vice-Chancellor generally have powers over the operational and financial management of LU, whereas the Senate of LU (the "Senate") is responsible for the academic policy of LU.

98. The Act establishes the governance structure for LU. Section 18(1) of the Act provides that all powers over, in respect of or in relation to the governance, financial management and control of LU and its officers, servants and agents, its property, revenues, expenditures, business and affairs are vested in the Board. However, there is a carve-out in section 18(1) for matters that are specifically assigned by the Act to the President, the Senate or federated universities or colleges.

99. Section 21 of the Act provides that the Senate is responsible for the educational policy of LU, subject to approval of the Board with respect to the expenditure of funds and the establishment of facilities.

100. Section 28(2) of the Act provides that the President of LU is the chief executive officer and chairman of the Senate and has supervision over the direction of academic work and the general administration of LU.

i. Composition of the Board

101. Pursuant to the Bylaws, the Board is comprised of 25 voting members, as follows:

- (a) President and Vice-Chancellor;
- (b) five members named by the Lieutenant Governor in Council; and
- (c) nineteen (19) members selected by the Board. These members are comprised of three people nominated by each of the federated universities (SU, Huntington and Thorneloe) one person nominated by the Laurentian University Alumni Association, two people nominated by the Student Associations of LU, and seven people put forward by the Nominations Committee of the Board.

A copy of the Bylaws is attached hereto as **Exhibit “R”**.

102. All voting members, except the members elected from student nominations, hold office for a period of three (3) years ending at the close of the annual meeting in the third year following such appointments.

103. The elected voting members from student nominations hold office for a period of one (1) year ending at the close of the annual meeting in the year of such appointments.

104. No voting member is permitted to hold office for more than four consecutive terms, however, the number of terms of a voting Board member who serves as Chair, Vice-Chair or past Chair of the Board may be extended. A former voting member is eligible for re-election after a lapse of one year.

105. In addition, the Board may provide for non-voting members on the Board and Board Standing Committees. Such non-voting members are entitled to participate in the

discussions at meetings of the Board and Board Standing Committees, except when confidential matters are to be discussed “in camera”.

106. A quorum is reached if there are ten (10) voting members present at a Board meeting. All bylaws, motions and resolutions are decided by a majority of the votes of members present at said meeting with the exception of the enactment, amendment or repeal of by-laws, which must be approved at a meeting where at least fifty percent (50%) of the voting Board members are present, by a two-third majority of the voting Board members present. Further, a resolution signed by all members of the Board has the same force and effect as if passed at a regularly constituted meeting of the Board.

ii. Formation of the Ad Hoc Committee

107. On November 12, 2020, the Executive Committee of the Board, in exercising the powers of the Board under the Bylaws, authorized the formation of a special In Camera Ad Hoc Committee on Contingency Planning (the “**Ad Hoc Committee**”). The Ad Hoc Committee was formed in response to the important and time sensitive work required to address LU’s financial challenges.

108. The Ad Hoc Committee has the authority to act on behalf of the Board on matters related to all initiatives to address LU’s financial challenges, including the preparation for this application under the CCAA and providing certain ongoing strategic direction following the commencement of this CCAA proceeding. The purpose of the Ad Hoc Committee is to provide day-to-day oversight and direction with respect to the CCAA proceedings in order to report back to the Board on any fundamental strategic decisions.

109. The Ad Hoc Committee is comprised of nine (9) voting members of the Board. Since its formation, the Ad Hoc Committee has met on at least a bi-weekly basis, with increasing frequency over the past several weeks.

110. Based upon the recommendation of the Ad Hoc Committee, the Board retained independent legal counsel (Peter Osborne of Lenczner Slaght Royce Smith Griffin LLP) to advise the Board with respect to issues solely related to the Board.

iii. Authority to Commence Proceedings

111. As set out above, section 8 of the Act provides that LU may commence proceedings. Further, section 18(1) of the Act provides that all powers over, in respect of or in relation to the governance, financial management and control of LU and its officers, revenues, expenditures, business and affairs are vested in the Board.

112. Accordingly, the Board has the authority to authorize the commencement of this court proceeding. On January 29, 2021, the Board convened a meeting duly constituted with quorum and on proper notice. At such meeting, the Board passed a resolution in camera authorizing LU to file this application to commence proceedings under the CCAA. A copy of the Board resolution is attached hereto as **Exhibit “S”**.

G. Key University Performance Measures

113. LU has faced several major challenges recently, including declining demographics in Northern Ontario, the closure of LU's Barrie campus which commenced in 2016 and was finalized in 2019, high debt levels and the Province's domestic tuition reduction and freeze that was implemented in 2019.

114. Since 2011, Ontario has been facing weak demographic trends for university-aged entrants. This problem is particularly acute in Northern Ontario, where LU is located. LU's domestic undergraduate direct entry high school enrolment, which represents Ontario high school students who attend LU immediately after high school, is a significant contributor to LU's overall enrolment (around 40%) but has declined 22% since 2011. Ontario's population projections suggest these trends will continue to get worse until 2024. Although this decline was offset by enrolment growth from students in online degrees and graduate programs, this growth is not sustainable.

115. The current COVID-19 pandemic has exacerbated these issues, including due to the loss of ancillary revenues derived from, among other areas, residence, parking, conferences and food services. The loss of these revenues has made it increasingly difficult to manage the financial challenges that LU faces.

116. LU has the fourth lowest domestic tuition and student ancillary fees in the Province. Historically, this was a strategic decision designed to attract more students to LU. As tuition fees are one of LU's primary sources of revenue, the Provincially-mandated tuition reduction of 10% in 2019 resulted in further stress to the financial situation of LU. While LU did receive one-time funding from the MCU to partially offset this revenue decline in 2019-2020, the decrease in domestic tuition rates is a permanent loss of revenue which is further compounded by the Province-wide tuition freeze that is currently in place. There is a risk that continued tuition freezes may be implemented by the Province, notwithstanding rising costs on an annual basis.

117. In addition to the low tuition fees, every employee of LU (including those of the Unions) and all retirees are entitled to free tuition for themselves, their spouses and their dependants. As a significant employer within Sudbury, this creates a potentially significant loss of tuition revenue every year.
118. Due to these and other financial challenges, LU now has the worst primary reserve ratio of all universities in the Province (-29 days), the worst viability ratio (-17.6%) and one of the worst net income/loss ratios (-1.5%).
119. In Maclean's 2021 university rankings of primarily undergraduate schools across Canada, LU placed 12 out of 19 universities. Reflective of LU's leading research programs, LU ranked first in Canada in primarily undergraduate schools for total research dollars allocated to the school.⁶ This figure, calculated relative to the size of each institution's full-time faculty, includes income from sponsored research such as grants and contracts, federal, provincial and foreign government funding, and funding from non-governmental organizations.

H. *Employees*

120. As at December 30, 2020 LU employed approximately 1,751 people. Of this total, approximately 758 are full-time employees. Term employees funded through grants may also work full-time hours, but are not included in the full-time employee total. The total number of employees fluctuates on a regular basis given the large volume of part-time and student employment offered by LU. Typically, the operating departments of LU employ

⁶ Source: <https://www.macleans.ca/education/university-rankings/canadas-best-primarily-undergraduate-universities-rankings-2021/>.

approximately 400-500 student employees. However, due to the impact of COVID-19 and students studying remotely, there were only approximately 200 student employees in November 2020, whereas there were 470 in November 2019. These amounts do not include GTAs (as defined below) and students employed by faculty for research purposes.

121. There are approximately 612 employees represented by LUFA. Among these employees, 355 are full-time faculty (including seven employees currently on a leave of absence from LU), 221 are sessional faculty or health care professionals and five are full-time counsellors. Almost all of the full-time faculty have acquired tenure as defined in the collective agreement. In addition, there are 31 individuals who are staff or students of LU who also teach a sessional/clinical course. The number of sessional employees varies from term to term depending on need.
122. The non-faculty staff are represented by the Laurentian University Staff Union (“**LUSU**”). LUSU represents LU’s staff, which includes all employees of LU in clerical, technical, administrative, service and security work. LUSU represents approximately 268 employees.
123. The remainder of LU’s full-time employees who are not represented by a union include approximately 23 senior leadership employees, and 111 administrative and professional staff, most of which are in managerial roles. The managerial and non-managerial employees are considered part of an informal association that LU recognizes as the Laurentian University Administrative and Professional Staff Association (“**LUAPSA**”). LUAPSA has an executive committee that meets with LU on occasion and LU solicits feedback from the LUAPSA executive committee regarding matters that affect employees that are in positions falling under the LUAPSA umbrella.

I. Unions and Collective Bargaining Agreements**i. LUFA**

124. Total salaries and benefits represent the single largest expense item for LU on an annual basis (approximately \$134 million of \$201 million in total expenses during fiscal year 2019-20). The total salaries and benefits paid by LU to its faculty (i.e. the members of LUFA) were approximately \$70 million during fiscal year 2019-20, or 52% of total consolidated salaries and benefits. However, when excluding funding for salaries and benefits received from research grants, faculty are 57% of total salaries and benefits funded through operations, comprising LU's single largest operating expense.

125. Currently, LUFA members represent approximately 60% of total salaries and benefits.

126. LUFA and the Board of LU are parties to a Collective Agreement (the “**LUFA CA**”), with a three year term which expired on June 30, 2020. Pursuant to the provisions of the LUFA CA, the agreement automatically continues year-to-year unless notice is provided that either LUFA or LU intends to terminate or amend the LUFA CA. In February 2020, LUFA provided LU with a notice to bargain. Pursuant to Article 13.15.3 of the LUFA CA, the agreement automatically remains in force during any period of negotiation. A copy of the LUFA CA is attached at **Exhibit “T”** hereto.

127. LU and LUFA have been engaged in bargaining with respect to a new collective bargaining agreement. As a prelude to bargaining and with a sense of the economic impact of COVID-19 becoming apparent, LU met with the LUFA bargaining team on April 27, 2020, and briefed them on the economic state of LU. In that discussion, LUFA was explicitly told by the University’s chief labour spokesperson, Michael Kennedy from Hicks Morley LLP,

that there was a material risk that LU could run out of money during the life of the collective agreement and that could happen as early as the Fall 2020 or as late as Spring 2021. LUFA was also advised that LU would seek rollbacks in faculty compensation in the same way that it would with other unionized and non-unionized employee groups.

128. LUFA's response after the April 27, 2020, financial update meeting was to defer the commencement of bargaining on May 25 and 26, 2020, and seek more financial information regarding LU's financial status and the budget for the upcoming and future academic years. LUFA required such information prior to the continuation of bargaining.
129. LU has endeavoured to respond to much of LUFA's information requests. On April 27, 2020, LU responded to LUFA's first request for financial information. Further, on August 18, 2020, LU provided LUFA with a comprehensive package of financial information in response to their questions. LU also provided LUFA with financial update presentations on June 9, 2020 and August 26, 2020.
130. LU and LUFA bargained on September 11, 23, 25, 29, October 1 and 2, 2020. On September 11, 2020, LUFA responded to LU's response to its financial information requests by indicating that "the administration is indicating a sudden and unprecedented financial crisis – the data reveals that while our financial situation is not optimal, our current position fiscal situation is better than 2016". Following the September 11, 2020 bargaining date, LUFA provided a list of 11 priority questions regarding financial information they were seeking.
131. On October 1, 2020, LU advised LUFA that EY had been retained as a financial advisor and that more financial information would not be forthcoming until LU had a chance to

work with EY. On October 2, 2020, LUFA advised they did not think the information provided to date showed a financial crisis. LU responded that given LUFA's lack of satisfaction with the information provided to date demonstrating a financial crisis, that LU would defer providing more financial information until LU had the opportunity to review its financial data with EY.

132. The parties also engaged the services of William Kaplan as mediator and met with him on October 5 and 6, 2020. After the two-day mediation, bargaining was put on hold pending further review of LU's finances.
133. LU met with LUFA again on January 18, 2021 and responded to LUFA's preliminary response to University's financial circumstances. During the meeting on January 18, 2021, LUFA was advised by LU's chief labour spokesperson that since the parties broke off bargaining in October, LU's efforts to review and assess its finances had not changed the view that LU has profound economic challenges. In fact, the passage of time had only served to confirm how profound LU's financial challenges are. More specifically, LU's chief labour spokesperson confirmed as follows:
 - (a) LU continued to be at risk of running out of money prior to the end of the academic term;
 - (b) that LU had incurred short and long-term borrowing in excess of \$100 million;
 - (c) LU has consistently realized annual deficits going back to at least 2014-15; and
 - (d) LU has no further capacity to service debt and/or acquire more debt.

134. Later that day on January 18, 2021, LUFA's chief spokesperson, David Wright, of Ryder Wright Blair and Holmes LLP emailed LU's chief labour spokesperson seeking production of a wide- ranging series of documents including:

- (a) all documents and financial records which support LU's position that it is in an immediate financial crisis and will be unable to service debt or is likely to run out of funds in the near future; and
- (b) any documents provided to LU by Ernst & Young Inc. as a result of its review/analysis/consultation regarding LU's finances.

135. On January 22, 2021, the President of LUFA wrote to me indicating an intention to bring an Unfair Labour Practice Complaint pursuant to the Ontario Labour Relations Board alleging that LU had not provided any financial information to support that LU was in financial duress and that LU, as a result, had unduly delayed bargaining. A copy of the letter is attached hereto as **Exhibit "U"**.

136. LU's chief labour spokesperson responded in an email to LUFA's information request on Friday, January 29, 2021. In his email response, LU's chief labour spokesperson explained the following:

- (a) many of LUFA's questions were predicated on previously provided financial information which did not reflect the current financial circumstances of LU and were no longer applicable;
- (b) LUFA's request for **all** documents and financial records which supports LU's position that it was in an immediate financial crisis, was unable to service its debt,

or likely to run out of funds in the near future, was overly broad and beyond the duty to bargain in good faith;

- (c) LUFA already had the information it needs to understand the precariousness of LU's financial circumstances. It was well known and documented that LU has had an ongoing deficit since 2014-2015 and had accumulated debt of over \$100 million. Moreover, the December 11, 2020 Board Information Package showed LU's anticipated actual 2020-21 revenues were \$148,548,297 and expenditures were \$159,147,976; and
- (d) LU did not have the ability to obtain or service more debt or have access to borrow more money to finance its operations. LU's operations continue to be funded by the revenue it receives from tuition, grants, and other ancillary revenue.

137. I am advised by our external labour counsel, Michael Kennedy of Hicks Morley LLP that as of the date of this affidavit, LUFA has not exercised its statutory right to request a conciliator pursuant to the *Labour Relations Act* and in fact, LUFA requested that LU agree to a moratorium whereby neither party would request a conciliator.

138. I am further advised by Mr. Kennedy that there are a number of terms of the LUFA CA in favour of LUFA members that are considered to be above-market. The following summarizes such provisions:

- (a) the annual salary increases provided for in the LUFA CA have resulted in salaries for LU assistant professors that are among the highest when compared to other Ontario universities;

- (b) faculty have the option to elect “buying out” of a course (up to 15 credits over 5 years, but no more than 6 credits in a given Academic Year) for the purposes of dedicating more time to scholarly activity if faculty reimburses LU for the cost of their replacement. The Dean of each faculty decides whether to approve the buy-out, however, LU has an obligation to not unreasonably withhold its approval. This was intended to have a net-zero cost impact, however, in practice, if a sessional is required to replace the course, there are additional benefits and vacation pay obligations which result in a 10% premium to LU because LU is not permitted to seek reimbursement over and above the base salary for a course;
- (c) the large number of faculty who are able to reduce their teaching load to do other work that may not generate revenue (i.e. assume a chair/director position or the coordination of other duties), which causes LU to replace the workload through sessional instructors, thereby increasing overall faculty expenses;
- (d) courses assigned to full-time faculty members may only be cancelled if there is zero enrolment, which requires LU to continue offering courses with very low enrolment that are not financially sustainable;
- (e) sessional contracts which are typically entered into well in advance of the start date of a course cannot be reassigned to a full-time member or be cancelled without a financial penalty equal to 15% of the contract (approximately \$1,200 per course), limiting LU’s flexibility in ensuring appropriate deployment of academic resources;
- (f) LUFA members who work between ages 65 and 71 are permitted to draw upon their pension while at the same time receiving a full salary. This has created a

situation where LU has one of the highest rates of faculty members over the age of 65 in the Province. As of December 9, 2020, approximately 26 full-time faculty members were collecting both a pension and receiving a full salary;

(g) Some LUFA members, who earn an income over a certain threshold and are enrolled in the Pension Plan are also eligible for the SuRP (as defined below). Based on my experience at other Canadian universities, a SuRP such as the plan provided by LU is not normative in the university sector, particularly as a smaller university;

(h) Faculty years of service and earnings after the age of 62 continue to be counted towards accrual of pension value for LUFA members, which incentivizes LUFA members to postpone retirement; and

(i) all full-time faculty and retirees are entitled to free tuition at LU, together with the spouses and dependants of all full-time faculty, retirees, deceased retirees, and deceased faculty. As discussed above, this can contribute to a significant loss of tuition revenue every year.

139. The LUFA CA also contains financial exigency provisions which provide for a collegial process to evaluate the financial affairs of LU and determine whether budgetary cuts affecting members of LUFA are necessary.

140. Determination of whether financial exigency exists is made by a Financial Commission (the “**Commission**”) consisting of three members (one LU representative, one LUFA representative and one mutually agreeable person).

141. The salient terms of the financial exigency provisions provide:

- (a) financial exigency is defined as substantial and recurring deficits that are projected to continue for more than two years, which threaten the long-term solvency of LU as a whole;
- (b) reductions in academic staff for reasons of financial exigency may only occur after efforts to alleviate the financial crisis by reductions in all other segments of the budget have been made;
- (c) LU is responsible for providing notice that a state of financial exigency exists and bears the onus of proving financial exigency;
- (d) the Commission decides whether financial exigency exists and, if so, the amount of reduction required in the budgetary allocation to salary and benefits;
- (e) the Commission decides how the budget will be reduced across faculty, library and other similar units at which point, the faculty and library councils shall apportion the budgetary reductions across their departments and schools;
- (f) tenured members may not be laid-off in preference to a non-tenured member, unless there is a clear and substantial reason for doing otherwise;
- (g) LU must make efforts to secure alternative positions within the university for members who have been laid off with up to one year of re-training and members are entitled to a first right of refusal on academic vacancies for which they are competent for three years following lay off; and
- (h) any members who are laid off are entitled to: (i) 12 months' notice or 12 months' salary in lieu of notice, and (ii) an additional one month's salary for each year as a

full-time employee, provided that no tenured member shall receive less than 12 month's salary.

142. The financial exigency provisions entail a lengthy process for establishing whether financial exigency exists. LU does not have access to cash to meet its obligations while that process would be undertaken. LU's prospects of a successful restructuring will be handicapped if the financial exigency provisions and timeline are followed, particularly if a stay of proceedings is not obtained when financial exigency is declared by LU. The process is onerous and rigid requiring: (i) the transfer of control to the Commission, (ii) a protracted timeline for the review of LU's financial state and recommendations on terminations, (iii) priority rights in respect of who may be terminated, which may be incompatible with LU's long-term faculty requirements and need for an overall restructuring; and (iv) a high degree of discretion in decisions made by the three members constituting the Commission.
143. The financial exigency provisions of the LUFA CA create extraordinary liabilities for LU with respect to termination and severance payments that LU also does not have the cash to fund. This additional burden places LU in the untenable situation that it cannot be fiscally prudent and take the steps required for its financial stability, while also being unable to address material faculty costs as a result of the obligations arising under the financial exigency provisions of the LUFA CA.
144. Creating an effective process under the supervision of the Court and with the benefit of CCAA protection will provide LU with the opportunity to address the shortcomings in the process contemplated by the financial exigency provisions. LU is of the view that the

appointment of a Mediator by the Court within the parameters of these CCAA proceedings and providing the Mediator with flexibility to adapt a process and timeline to achieve a resolution is the best option available. Ultimately, it is the hope of LU that such mediation and discussions will result in LU achieving a collective agreement with LUFA in conjunction with negotiations and a resolution with other key stakeholders, that fits within the parameters of future sustainability of LU.

145. These negotiations, and most importantly a resolution, need to be undertaken, completed and capable of being implemented by May 2021 due to: (i) the extent of DIP financing relative to the cash flow forecast; (ii) the need to plan for and implement the necessary changes in programming for the 2021/2022 Academic Year to be ready for September; and (iii) the need to demonstrate to existing and prospective incoming students of the successful restructuring of these critical components in order for 2021 high school graduates to choose LU as their destination for university prior to the June 2021 deadline for acceptances, and in order to retain the support of existing LU students and their families.
146. The need for the court-supervised mediation to commence immediately is urgent. The labour situation at LU is tenuous, and stability and transparency within this CCAA proceeding and the involvement of the Monitor will be critically important to provide the Applicant with the best possibility of success.

ii. LUSU

147. On July 1, 2018, LUSU and LU entered into a Collective Agreement that was set to expire on June 30, 2021 (the “**LUSU CA**”). Over the past two years, LUSU executives and their members have engaged in dialogue with LU to address some of the issues facing LU. A copy of the LUSU CA is attached hereto as **Exhibit “V”**.

148. The LUSU CA provides a 1.5% salary increase effective July 1, 2020. It also contains highly burdensome provisions regarding temporary lay-offs, which offers LU limited flexibility in addressing staffing issues. Deferring salary increases and loosening the provisions on temporary lay-offs will need to be reviewed and considered as part of LU's restructuring.

149. The LUSU CA provides flexibility to transfer and reassign staff based on the operational requirements of LU. Practically, this flexibility is limited due to the specialized skills of non-administrative positions in the LUSU bargaining unit. For example, biology technicians, information technology specialists and security require a specialized skillset which makes it difficult to reassign LUSU members to these positions when greater need arises.

150. Most importantly, the LUSU CA includes a memorandum of understanding, negotiated into a prior CA which has since been renewed for the remainder of the LUSU CA term, waiving the redundancy and termination provisions. This effectively prevents LU from terminating any LUSU employee for redundancy for the remaining term of the LUSU CA.

151. In light of the financial challenges of LU, LUSU agreed to open the existing LUSU CA early for negotiation, prior to its expiration on June 30, 2021. Those negotiations achieved the following:

- (a) **Year 1:** a 1.0% salary reduction, which previously was a 1.5% salary increase under the LUSU CA;
- (b) **Year 2:** a 0.5% salary increase on July 1, 2021 and January 1, 2022;
- (c) **Year 3:** a 0.5% salary increase on July 1, 2022 and January 1, 2023;

- (d) Six furlough days for all LUSU members without pay in 2020. This provided LU with a one-time cash savings of \$450,000;
- (e) Confirmation of LU's ability to effect employee transfers and the additional flexibility to reassign and transfer staff during the collective agreement;
- (f) Retirement incentive to maintain salary and pension at the pre-reduced salary level on June 30, 2020, with the condition to retire on or before October 31, 2020; and
- (g) The reassignment, transfer and retirement provisions resulted in 11.5 position redundancies in 2020, a total annual salary and benefits savings of approximately \$808,077.

iii. CUPE Collective Agreement

- 152. On September 1, 2019, CUPE and LU entered into a Collective Agreement (the “**CUPE CA**”) which covers Masters level and Ph.D-level students who are employed as Graduate Teaching Assistants (“**GTAs**”). Approximately 305 GTAs are represented by CUPE although this number can fluctuate. The CUPE CA is set to expire on August 31, 2021. A copy of the CUPE CA is attached hereto as **Exhibit “W”**.
- 153. In September 2019, CUPE agreed to a total compensation increase of 1%. The entirety of the increase was allocated to scholarship payments, with a 0% increase in salary over the two-year term of the CUPE CA.

J. Pension and Benefit Plans

- 154. LU is the administrator of three types of plans for its employees: (i) a Primary Retirement Plan for Laurentian University and its Federated and Affiliated Universities (the “**Pension**

Plan”), (ii) a Supplementary Retirement Plan (“**SuRP**”), and (iii) a Retirement Health Benefits Plan (the “**RHBP**”).

i. Defined Benefit Pension Plan

155. There are currently 406 individuals collecting a lifetime pension from the Pension Plan. There are 981 active members currently contributing to the Pension Plan but not yet collecting a benefit. In addition, there are approximately 500 individuals no longer employed by LU that are eligible, but not yet collecting such benefits. This includes beneficiaries of the Federated Universities, the Sudbury Neutrino Observatory Laboratory (“**SNOLab**”), the Mining Innovation Rehabilitation and Applied Research Corporation (“**MIRARCO**”) and Centre for Excellence in Mining Innovation (“**CEMI**”). Under the Pension Plan, LU is defined as the “primary employer” for the Federated Universities, SNOLab, MIRARCO and CEMI. A copy of the Pension Plan is attached hereto as **Exhibit “X”**.

156. The Pension Plan is a defined benefit pension plan for all eligible employees of LU and the Federated Universities. Pursuant to the Pension Plan, all full-time employees of LU or the other applicable employers who are employed on a continuous full-time basis (as determined by the employer) must participate in the Pension Plan. Other employees who are not full-time employees may elect to join the Pension Plan once such employee has been continuously employed for at least two years and the employee meets certain minimum salary or employment hour requirements.

i. Pension Plan Valuation

157. Based on the actuarial valuation of the Pension Plan as of January 1, 2020 (updated December 2020), the Pension Plan had a solvency ratio of 85.4%, representing a going

concern deficiency of approximately \$4.5 million. This liability must be liquidated over a period not exceeding ten years, beginning one year after the date of valuation (i.e. January 1, 2021).

158. As a result of this going concern deficiency, the actuary concluded that LU must make an annual special payment contribution of \$505,000, payable in monthly instalments of approximately \$42,083. LU made the January instalment of the special payment during the week of January 17, 2021.
159. Due to its insolvency, LU will be seeking relief from this Court to stay the payment of any pre-filing or post-filing special payments to the Pension Plan, which will assist LU with its current liquidity crisis and maximize the chance that LU can successfully restructure.

ii. Supplementary Retirement Plan (SuRP)

160. In addition to the Pension Plan, LU is the provider of a SuRP for certain employees of LU who are eligible for the Pension Plan and earn an income over a certain threshold.
161. The SuRP was commenced on July 1, 2002. If retiring employees are eligible based on income, they are automatically put into the plan and receive either an annual or monthly payment. In 2020, the aggregate amount of SuRP payments was \$384,489.18. The projected amount of SuRP payments to be made in 2021 is \$262,744.87. A copy of the SuRP policy is attached hereto as **Exhibit “Y”**.
162. The contributions and benefits of the Pension Plan are directly related to employees’ salary. However, due to certain limitations under the *Income Tax Act*, the pension benefits payable from the Pension Plan to higher-paid employees may be less, as a percentage of salary, than the benefits payable to lower-paid employees. As a result, the SuRP was implemented

to provide additional benefits to active employees of LU over the amounts payable from the Pension Plan. The intention is that the total benefits from the two plans combined should be roughly equal to the amount that would have been payable from the Pension Plan alone if the *Income Tax Act* limits were not a factor.

163. Historically, LU has never set aside cash to fund the SuRP and as a result, the SuRP is unfunded. In previous years, LU paid the lump-sum payment out of its operations account. As such, the SuRP is entirely unfunded. As at April 30, 2020, the accrued benefit obligation was \$3,063,000.

iii. Retirement Health Benefits Plan (RHPB)

164. LU also provides the RHPB to retired employees of LU that elect to enrol in the program. In addition to LU employees, the RHPB is available to employees of the Federated Universities, SNOLab, Mirarco and CEMI. There are currently 866 employees contributing to the RHPB but not yet collecting the benefit, and 358 retirees who are eligible to collect the benefit. A copy of the RHPB policy is attached hereto as **Exhibit “Z”**.

165. To be eligible to participate in the RHPB, employees must satisfy the following conditions:

- (a) the employee must retire at age 55 or older;
- (b) the employee must have contributed for at least 15 years to the RHPB; and
 - (i) the employee has purchased private coverage and can provide the employer with receipts for private coverage; or
 - (ii) the employee did not purchase private coverage, but can provide the employer with receipts for medical expenses.

166. Employees do not qualify if the employee qualifies for continued coverage under the Laurentian University Group Plan.
167. Employees participating in the RHBP are required to pay a monthly premium which varies depending on the type of employee (i.e. LU, Federated Universities, SNOLab or LUSU member) and whether the employee enrolls in single or family coverage.
168. The RHBP Policy provides that LU will establish a trust account in respect of the RHBP. This trust account was to receive all contributions by employees participating in the RHBP, the annual \$25,000 contribution by LU and the proportionate contributions by the Federated Universities.
169. Rather than establishing a separate trust account, I understand that LU has historically tracked contributions to the RHBP as a liability in its accounting records. Contributions received by LU in respect of the RHBP were deposited into LU's general operating bank account and are not held separately, or at all at this time. As at April 30, 2020, the accrued benefit obligation was approximately \$7,200,000.
170. I have only recently become aware of the fact that these contributions were merely recorded as internal accounting entries and had not actually been set aside. Upon this issue being brought to my attention, I have requested the finance team to take the steps necessary to establish a segregated bank account for the monthly RHBP contributions received from the employees of LU to be deposited and retained, and this process is currently underway.

K. Certain Material Relationships and Contractual Arrangements

i. SNOLab

171. SNOLab is Canada's deep underground research laboratory, located in Vale's Creighton mine in close proximity to Sudbury, Ontario. SNOLab's science program focuses on astroparticle physics, although it also conducts biology and geology experiments.
172. SNOLab is governed by the Third SNOLab Trust Agreement (the "**SNOLab Trust Agreement**") dated May 10, 2012 between Queen's University, Carleton University, the University of Montreal, and LU (collectively, the "**SNOLab Member Institutions**"). The SNOLab Trust Agreement incorporates the SNOLab Constitution, the most recent version of which is dated November 27, 2012 and effective as of February 1, 2013 (the "**SNOLab Constitution**"). A copy of the SNOLab Trust Agreement is attached hereto as **Exhibit "AA"** and a copy of the SNOLAB Constitution is attached hereto as **Exhibit "BB"**.
173. SNOLab is an unincorporated Senate-approved Institute of Queen's University. The SNOLab Constitution provides that although SNOLab is formally constituted as a part of Queen's University, it operates through the SNOLab Trust Agreement among the SNOLab Member Institutions.
174. The SNOLab Member Institutions have changed over time, but at present they are Queen's University, Carleton University, Université de Montreal, University of Alberta and LU. Pursuant to the SNOLab Trust Agreement, each SNOLab Member Institution has a twenty percent (20%) interest in SNOLab's assets, and is responsible for SNOLab's liabilities and obligations (including any potential wind-up obligations) on the same percentage basis.

175. Oversight and governance of SNOLab and its operational management occurs through the SNOLab Institute Board of Directors (the “**SNOLab Board**”). The SNOLab Board is made up of a majority of independent directors. Each of the SNOLab Member Institutions are entitled to appoint one non-independent director to the SNOLab Board and, as such, LU appoints one member to the SNOLab Board. LU’s appointee is the Vice President, Research.
176. The operations of SNOLab are funded by a combination of federal and provincial government research grants. The SNOLab Trust Agreement provides that SNOLab Member Institutions may also apply for and receive individual grants on behalf of SNOLab and, when granted, such funds are governed by the SNOLab Trust Agreement.
177. During the time that LU has been a SNOLab Member Institution, certain LU faculty members have received research grants that, in whole or in part, are for research conducted at or with SNOLab. Prior to December 2020, those research grant funds were typically received and deposited by LU into its main operating account. It is likely that LU holds grant money that is allocated to research activities at SNOLab, but those amounts are difficult to ascertain absent an extensive reconciliation exercise.
178. SNOLab is the employer for all individuals appointed to SNOLab. However, pursuant to the SNOLab Constitution, SNOLab shall make arrangements for each employee to be on the payroll of a Member Institution and paid by a check drawn on its payroll account. All direct costs of such Member Institution will be charged and reimbursed by SNOLab, including salaries and benefits, termination costs and legal fees, if any. SNOLab retains

control of the employees and retains responsibility for ensuring that all statutory obligations are met for the employees.

179. As a result of this employee structure, LU processes the payroll for approximately 128 of SNOLab employees (2 on a monthly basis and 126 on a bi-weekly basis), provides their benefit programs, and eligible SNOLab employees participate in the Pension Plan.
180. LU funds the payroll, benefit programs and contributions to the Pension Plan on behalf of SNOLab up front and then invoices SNOLab for the total amounts paid. Upon receipt of the invoice, SNOLab reimburses LU in full for the total cost of payroll, benefits and Pension Plan contributions.
181. Save and except for the costs of administering such employment related matters, there are no further costs to LU related to providing these services to SNOLab. SNOLab funds all of the amounts required to meet its own payroll, benefits programs and the employer contributions to the Pension Plan.

ii. MIRARCO

182. MIRARCO is headquartered in Sudbury, Ontario and is the mining research arm of LU. MIRARCO's success is a significant reason for LU's reputation as a leading mining university in Canada. The operations of MIRARCO are funded by a combination of private research contracts and government grants for research and the provision of technical services. MIRARCO also generates revenue by conducting training workshops for various entities in the mining sector.
183. MIRARCO is a non-share capital corporation incorporated under the *Corporations Act*. MIRARCO is a wholly owned by LU and is consolidated in LU's financial statements. The

majority of MIRARCO's Board of Directors are independent from LU, although there is some overlap with the Board. MIRARCO's executive team is comprised primarily of mining experts.

184. As LU's mining research arm, LU processes the payroll for all of MIRARCO's 19 employees, provides their benefit programs and eligible MIRARCO employees participate in the Pension Plan.
185. Save and except for the costs of administering such employment related matters, there are no further costs to LU related to providing these services to MIRARCO. MIRARCO funds all of the amounts required to meet its own payroll, benefits programs and the employer contributions to the Pension Plan.
186. LU funds the payroll, benefit programs and contributions to the Pension Plan on behalf of MIRARCO up front and then invoices MIRARCO for the total amounts paid. Upon receipt of the invoice, MIRARCO reimburses LU in full for the total cost of payroll, benefits and Pension Plan contributions. I understand that MIRARCO has itself experienced financial difficulties in the last several years, which has resulted in outstanding payables owing to LU.

iii. CEMI

187. CEMI is a non-share capital corporation incorporated pursuant to the *Corporations Act*. CEMI is one of Canada's leading contributors to mining innovation by introducing new practices, procedures, tools and techniques to help generate significant improvement in the performance of mines. CEMI coordinates innovation initiatives with mining companies and helps ensure they are successfully implemented. The operations of CEMI are funded

by a combination of private research grants and government research grants. CEMI also generates revenue by conducting training workshops for various entities in the mining sector.

188. Oversight and governance of CEMI occurs through the CEMI Board of Directors, which is composed of leaders of the mining industry, including mining experts, government agency representatives and academics. CEMI has partnerships with numerous academic institutions globally, including LU.
189. Although LU is only one of CEMI's institutional partners, as part of its partnership with CEMI, LU processes the payroll for CEMI's five employees, provides their benefit programs and eligible CEMI employees participate in the Pension Plan.
190. Save and except for the costs of administering such employment related matters, there are no further costs to LU related to providing these services to CEMI. CEMI funds all of the amounts required to meet its own payroll, benefits programs and the employer contributions to the Pension Plan.
191. LU funds the payroll, benefit programs and contributions to the Pension Plan on behalf of CEMI up front and then invoices CEMI for the total amounts paid. Upon receipt of the invoice, CEMI reimburses LU in full for the total cost of payroll, benefits and Pension Plan contributions.

iv. St. Joseph's Health Centre of Sudbury

192. Pursuant to a lease between LU and St. Joseph's Health Centre of Sudbury ("St. Joseph's") dated February 26, 2001, LU leased certain lands to St. Joseph's for the construction of a

long-term health care facility with a term of 99 years (the “**St. Joseph’s Lease**”). The rental rate was a one-time payment of \$300,000 at the commencement of the term. LU and St. Joseph’s are independent of each other, but have agreed to collaborate on certain research projects. A copy of the lease is attached hereto as **Exhibit “CC”**.

193. LU and St. Joseph’s entered into a further agreement dated April 1, 2003, whereby LU agreed that it would not encumber or mortgage the title to the lands covered by the St. Joseph’s Lease between April 1, 2003 and March 31, 2024. This restrictive covenant was registered on title to the leased lands. However, the agreement also provided that despite the restrictive covenant, LU is not precluded from selling the leased lands during the term of the St. Joseph’s Lease. A copy of the agreement is attached hereto as **Exhibit “DD”**.

194. On October 20, 2003, St. Joseph’s mortgaged its leasehold interest, with the consent of LU, in the leased lands to Royal Trust Corporation of Canada (“**Royal Trust**”) in the amount of \$8,005,693.00 pursuant to a financing agreement between St. Joseph’s and Royal Trust. A Notice of Charge of Lease has been registered on title to the leased lands by Royal Trust. A copy of the mortgage with Royal Trust is attached here to as **Exhibit “EE”**.

v. Leases

195. LU has entered into a number of leases with various parties in which LU is the lessor. The following chart summarizes certain details of each lease:

Date	Counterparty	Expiry of Term	Building/Space Leased	Registration on title	Exhibit
Sept. 11, 2011 (amended September 1, 2016)	Ontario Minister of Infrastructure (Crown)	August 31, 2021	Vale Living with Lakes Centre	N/A	“FF”

April 1, 2019	Silvia Larocque	May 31, 2023	1,771 square feet in the McEwen School of Architecture	N/A	“GG”
January 1, 2019	Zayo Canada Inc.	December 31, 2020 (now monthly tenancy)	3,032 square feet in the McEwen School of Architecture	N/A	“HH”
February 26, 2001	St. Joseph's Health Centre of Sudbury	March 1, 2100	Village of Care Campus	Registered on PIN 73592-0412. Instrument # LT908773.	“CC”
October 24, 2019	Students' General Association	May 1, 2068	Student Centre building	N/A	“II”
April 9, 1965	University of Sudbury	April 9, 2064	University of Sudbury buildings	Registered on PIN 73593-0465. Instrument # LT223242.	“L”
July 3, 1964	Huntington University	July 3, 2063	Huntington buildings	Registered on PIN 73593-0465. Instrument # LT213378.	“N”
October 24, 1964	Thorneloe University	October 24, 2063	Thorneloe buildngs	Registered on PIN 73593-0465. Instrument # LT217228.	“Q”
July 1, 2006	NOSM	June 30, 2016 (now monthly tenancy)	Health Sciences Education Resource Centre	N/A	“D”
December 1, 2005 (amended July 1, 2011)	NOSM	August 31, 2035	Northern Ontario School of Medicine Building	N/A	“E”
March 16, 1964	Hydro-Electric Power Commission of the City of Sudbury	November 1, 2013 (now monthly tenancy)	Certain lands used for hydro substation	Registered on PIN 73593-0465. Instrument # LT436399.	“JJ”

September 12, 1969	Ontario Student Housing Corp.	August 14, 2019. Either party had option to renew for 5-year term, otherwise, the lessee is to return all lands and buildings to LU.	Single Student Residence (SSR) building	Registered on PIN 73593-0465. Instrument # LT287236.	“KK”
November 8, 1973	Ontario Student Housing Corp.	August 14, 2023.	Single Student Residence (SSR) building	Registered on PIN 73593-0465. Instrument # LT353270.	“LL”
February 12, 1988	Ontario Minister of Government Services (Crown)	January 1, 2087	Mineral and Mining Research Centre	Registered on PIN 73593-0465. Instrument # LT804581.	“MM”
October 15, 1968	Ontario Minister of Lands and Forests (Crown)	No term provided.	Crown granted LU certain tracts of land. LU agreed that if the land is no longer required for university purposes, LU will re-convey the land to the Crown if the Crown requests it to do so.	Registered on PIN 73583-0406. Instrument # LT264533.	“NN”

L. Cash Management System

196. Until December 2020, LU utilized a simple cash management system with one primary operating bank account at Royal Bank of Canada (“RBC”) whereby substantially all funds received by LU were deposited and LU funded its operations and all expenses from the same account.

197. In addition, LU maintains an investment account with SEI Investments for the purpose of depositing all donations received to fund future scholarship in the endowment fund of LU and has a blocked account with both the Bank of Montreal (“**BMO**”) and Toronto-Dominion Bank (“**TD**”) solely for the purpose of sweeping and processing debt service payments.

198. Since December 2020, LU has taken steps to alter its cash management system to better manage the various sources of cash that are provided to LU, which included opening three new bank accounts. Today, LU’s cash management system includes the following bank accounts:

- (a) operating bank accounts where all grants, tuition and ancillary revenues are received, and through which disbursements are made;
- (b) the investment account with SEI (which holds the endowment funds);
- (c) the blocked accounts with BMO and TD;
- (d) a bank account dedicated to all research grants and award funding;
- (e) a bank account for all other restricted funds, other than certain restricted donations that are received through a dedicated account which funds will remain in that account; and
- (f) a bank account dedicated to the employee and employer contributions to the RHPB.

199. The changes to the cash management system will allow LU to better account for cash that is received for specific purposes, and ensure that such funds are not comingled with other

operational amounts such as tuition, enrollment-based grants received from the Province and ancillary revenues

IV. FINANCIAL STATEMENTS

200. For the financial information that is described below, I have been advised of same by LU's VP Administration, and believe it to be true.

A. *Financial Statements of LU*

201. As at the close of business on January 28, 2021, LU had approximately \$13 million in unrestricted cash on hand, after allowing for known payments that were due on that day. LU does not prepare interim quarterly financial statements and the audited annual financial statements are the most recent available financial statements in the last twelve months. A copy of LU's audited consolidated annual financial statements for the year ended April 30, 2020, are attached hereto as **Exhibit "OO"**.

202. As at April 30, 2020, LU's assets had a book value of approximately \$358.5 million and LU's liabilities were valued as follows:

(CAD \$'000s)	April 30, 2020
ASSETS	
<i>Current</i>	
Cash and short-term investments	4,544
Accounts receivable	27,045
Other current assets	1,650
	33,239
<i>Non-current</i>	
Accounts receivable	169
Investments	52,845
Employee future benefit assets	-
Capital assets	272,267
TOTAL ASSETS	358,520

LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS

Current liabilities

Line of credit	14,400
Short-term loan	1,367

Accounts payable and accrued liabilities	22,319
Accrued vacation pay	1,846
Deferred revenue	1,009
Current portion of long-term debt	2,738
	<hr/>
	43,679
<i>Long-term obligations</i>	
Long-term debt	88,973
Employee future benefits liabilities	20,788
	<hr/>
	109,761
<i>Deferred contributions</i>	
Deferred contributions	38,519
Deferred capital contributions	129,879
	<hr/>
	168,398
<i>Net assets</i>	
Unrestricted	(19,986)
Vacation and employee future benefits	(22,635)
Internally restricted	3,848
Investment in capital assets	22,610
Endowment	52,845
TOTAL LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS	358,520

B. Assets

203. As at April 30, 2020, LU had assets with a book value totaling approximately \$358 million, of which approximately \$33 million is comprised of current assets such as cash and short-term investments, accounts receivable and other current assets.

204. The remaining assets of LU consist primarily of investments in LU's segregated endowment fund (\$53 million) and capital assets (\$272 million), comprising LU's land and buildings.

i. Capital Assets

205. The capital assets of LU are comprised of: (i) buildings, (ii) equipment and furnishing, (iii) site improvements, (iv) land; and (v) an art and library collection. The book value of the capital assets (except land) are derived by their cost less accumulated amortization. As of April 30, 2020, the book value of buildings is approximately \$249 million, equipment is

approximately \$7 million and site improvement is approximately \$2 million. The land has a book value of approximately \$13 million.

206. In addition to the land and buildings on LU's main campus, the capital assets of LU consist of other buildings and real property in and around the Sudbury area such as the Art Gallery Building located at 251 John Street, the President's House located at 179 John Street, the Vale Living with Lakes Centre at 840 Ramsey Lake Road and the McEwen School of Architecture located in downtown Sudbury at 85 Elm Street.

ii. Investments

207. LU's investments consist solely of its endowment fund created through historic gifts and donations from third parties to LU for the specific purpose of funding scholarships at LU. As of April 30, 2020, LU's endowment fund is approximately \$53 million. As described previously, approximately \$14 million of that is in respect of endowment funds received for NOSM students.

208. LU's endowment fund has been treated as not being accessible for operational purposes as it is only to be used for limited purposes such as the funding of student scholarships and other commitments supported by the fund. For 2020-2021, LU has set a spending rate of 2.5% of the endowment fund.

209. The endowment fund is comprised of an investment portfolio that holds the following asset classes: equity funds (\$22 million), fixed income (\$26 million), structured credit (\$1.8 million) and real estate (\$2.7 million).

210. As a result of the COVID-19 pandemic, the investment portfolio yielded a negative return for the 2019-2020 fiscal year, requiring LU to fund from its operations the shortfall of the

spending rate from 2019-2020 and a portion from 2018-2019. That shortfall was approximately \$1.8 million.

211. Since access to the assets in the endowment fund is treated as limited to the specific purposes described above, these assets have not been accessed by LU for operational purposes or to satisfy any obligations and liabilities.

V. LIABILITIES OF THE APPLICANT

212. As at April 30, 2020, LU had liabilities with a book value totaling approximately \$322 million, of which approximately \$43 million is comprised of current liabilities, including \$14.4 million for unsecured lines of credit (which as of today's date, have not been utilized due to LU's insolvency), a short-term loan, accounts payable, the current portion of long-term debt, accrued vacation pay and deferred revenue.
213. As at April 30, 2020, LU had deferred contributions with a book value of approximately \$168 million, of which approximately \$130 million consists of deferred capital contributions and \$38 million consists of deferred external contributions for research and other expenses to be incurred in subsequent fiscal years.
214. The remaining long-term liabilities are mostly comprised of LU's long-term debt and future pension benefit liabilities in respect of LU's employees and those of the Federated Universities whose employees are members of the Plan.
215. As of January 29, 2021, LU is current on all statutory priority payables for which it is responsible, including with respect to SNOLab, MIRARCO and CEMI, which LU administers payroll on behalf of.

A. *PPSA Registrations*

216. Based on the searches conducted in the Personal Property Security Registration System (the “**PPSA Registry**”) for “Laurentian University of Sudbury”, the only security interest registrations made against LU are with respect to certain computer equipment lessors.

217. A copy of a certified search of the PPSA Registry as at January 26, 2021, with respect to LU is attached hereto as **Exhibit “PP”**.

B. *Unsecured Lines of Credit and Short-Term Credit Facility*

218. LU had access to two unsecured revolving credit facilities with two financial institutions. Pursuant to a letter agreement most recently dated May 1, 2019, between LU and Caisse Populaire Voyageurs Inc. (“**Desjardins**”), LU had access to a revolving demand loan facility up to the maximum amount of \$26 million (the “**Desjardins Line of Credit**”). The Desjardins Line of Credit provides that it may be used to finance daily operations, however, the agreement also provides that the revolving demand loan facility is for the purposes of providing short-term variable rate financing of internal projects. Attached hereto as **Exhibit “QQ”** is a copy of the agreement governing the Desjardins Line of Credit.

219. Due to the nature of LU’s cyclical revenue cycle and the timing of when tuition payments and grant amounts are received by LU annually, the Desjardins Line of Credit is only needed at specific times during the year. For example, during the summer months, LU utilizes the full amount of the Desjardins Line of Credit. When tuition is received in September, the Desjardins Line of Credit is typically paid down and is not drawn again during the Fall. However, LU typically draws on the Desjardins Line of Credit again in February. At this time, no amounts are drawn on the Desjardins Line of Credit.

220. Upon filing for CCAA protection, LU will no longer have access to the Desjardins Line of Credit. Accordingly, LU is seeking DIP financing at the comeback hearing, as discussed below.

221. Pursuant to a letter agreement most recently dated June 12, 2019 (as amended from time to time, the “**RBC Credit Facilities Agreement**”), between LU and RBC, LU had access to, among other credit facilities with RBC, a demand revolving facility with availability of up to a maximum principal amount of \$5 million (the “**RBC Line of Credit**”). Similar to the Desjardins Line of Credit discussed above, LU would draw on the RBC Line of Credit at various times of the year based on its immediate cash requirements. In addition to the RBC Line of Credit, RBC provided LU with a \$250,000 revolving demand facility in respect of letters of guarantee. Attached hereto as **Exhibit “RR”** is a copy of the RBC Credit Facilities Agreement.

222. Pursuant to a letter agreement dated October 3, 2005 (as amended on May 30, 2008, June 1, 2009 and July 27, 2016, the “**TD Credit Facility Agreement**”), among other credit facilities, The Toronto-Dominion Bank (“**TD Bank**”) provided LU with a single draw committed reducing term facility in the initial principal amount of \$2,000,000, with a maturity date of April 3, 2021, for financing in respect of the Athletic Facility. As of January 29, 2021, the outstanding principal balance owing under this facility is \$1,323,626 (exclusive of accrued interest and costs). This is a single draw facility and LU is not entitled to draw further amounts under this facility.

C. *Guarantees*

223. In accordance with a Guarantee dated June 27, 2018, LU guaranteed the obligations owed by the Laurentian University Students’ General Association (“**SGA**”) to TD Bank up to

the maximum principal amount of \$8,500,000 pursuant to a Letter Agreement between

SGA and TD Bank dated April 10, 2018 which is attached hereto as **Exhibit “SS”**.

Attached hereto as **Exhibit “TT”** is a copy of the Guarantee dated June 27, 2018.

D. *Unsecured Long-term Debt*

224. In addition to its short-term unsecured lines of credit with Desjardins and RBC, LU has unsecured long-term debt obligations to Bank of Montreal, RBC and TD Canada Trust.

Bank of Montreal

225. Pursuant to a term sheet, fixed rate promissory note and an ISDA Master Agreement (collectively, the “**BMO Facility**”), each dated November 12, 2004, LU and BMO entered into an unsecured fixed rate term loan and fixed rate operating loan with an interest rate SWAP option up to the maximum principal amount of \$4,116,098 (the “**BMO Credit Facility**”). The term of the BMO Credit Facility is 20 years.

226. On June 16, 2020, LU requested and BMO agreed to provide certain payment accommodations to LU in light of the ongoing COVID-19 pandemic and defer principal payments under the BMO Credit Facility for a period of several months. As of today’s date, approximately \$1.3 million is outstanding under the BMO Facility. A copy of the credit facility agreement is attached hereto as **Exhibit “UU”**.

Royal Bank of Canada

227. Pursuant to the RBC Credit Facilities Agreement, in addition to the RBC Line of Credit, RBC has provided LU with the following additional unsecured credit facilities:

(a) a fully advanced non-revolving term facility in the principal amount of \$13,547,000, with a maturity date of November 22, 2040, the proceeds of which were used by LU to finance the construction of a new building on LU’s campus;

(b) a fully advanced non-revolving term facility in the principal amount of \$17,994,000, with a maturity date of October 7, 2042, the proceeds of which were used as takeout financing of a new residence located on LU's campus (the "**Residence Takeout Facility**");

(c) a fully advanced non-revolving term facility in the principal amount of \$40,509,000, with a maturity date of December 15, 2041, the proceeds of which were used as takeout financing of the Sudbury Campus Modernization Project; and

(d) a fully advanced non-revolving term facility in the principal amount of \$3,616,000, with a maturity date of May 31, 2023, the proceeds of which were used as takeout financing in respect of a renovation loan in respect of a single student residence (the "**Renovation Takeout Facility**")

(collectively, the "**RBC Credit Facilities**").

228. On or about June 25, 2020, LU requested, and RBC agreed, to provide certain payment accommodations to LU in light of the ongoing COVID-19 pandemic and defer principal payments for a period of several months in respect of the Residence Takeout Facility and the Renovation Takeout Facility.

229. Pursuant to the RBC Credit Facilities Agreement, LU has, among other things, covenanted not to grant, create, assume or suffer any charge, security interest or encumbrance affecting any of its properties or assets without the written consent of RBC.

230. Commencing January 11, 2021, LU engaged in open discussions with RBC with respect to its financial situation and the contingency planning exercises underway. Those discussions included advising RBC that LU was already in discussions with prospective DIP lenders

and requesting whether RBC would consider providing DIP financing on an expedited basis.

231. As a result of LU's financial situation, LU could not satisfy the conditions precedent to borrow any additional amounts under the RBC Credit Facilities and LU advised RBC that it did not intend to make any further draws on any of the RBC Credit Facilities.
232. As a result, on January 15, 2021, RBC delivered a letter through counsel advising that all availability under the RBC Credit Facilities were cancelled. However, all cash balances in RBC bank accounts have continued to be available to LU.

Toronto-Dominion Bank

233. Pursuant to the TD Credit Facility Agreement, TD Bank has provided LU with the following unsecured credit facilities:
 - (a) committed reducing term facility in the initial principal amount of \$14,800,000, with a maturity date of August 31, 2021, used to pay out a previous facility advanced by TD Bank for the construction of a student residence. As of January 29, 2021, the outstanding principal balance owing under this facility is \$10,575,875 (exclusive of accrued interest and costs). This is a single draw facility and LU is not entitled to draw further amounts under this facility; and
 - (b) committed reducing term facility in the initial principal amount of \$6,150,000 (subsequently increased to \$10,000,000), with a maturity date of September 30, 2018 (which was extended to September 28, 2023), used to pay out previous facilities advanced by TD Bank and Infrastructure Ontario for the construction of a new Athletic Facility and to convert to long term debt. As of January 29, 2021, the

outstanding principal balance owing under this facility is \$6,570,917 (exclusive of accrued interest and costs). This is a single draw facility and LU is not entitled to draw further amounts under this facility.

234. Pursuant to the TD Credit Facility Agreement, LU has covenanted that its indebtedness under the TD Credit Facility Agreement to TD Bank will rank at least *pari passu* with all other obligations of LU. A copy of the TD Credit Facility Agreement is attached hereto as **Exhibit “VV”**.
235. On or about June 25, 2020, LU requested, and TD Bank agreed, to provide certain payment accommodations to LU in light of the ongoing COVID-19 pandemic and defer principal payments for a period of several months in respect of the TD Credit Facility Agreement.
236. Commencing January 11, 2021, LU engaged in open discussions with TD Bank with respect to its financial situation and the contingency planning exercises underway. Those discussions included advising TD Bank that LU was already in discussions with prospective DIP lenders and requesting whether TD Bank would consider providing DIP financing on an expedited basis.
237. Below is a summary of the long-term debt obligations of LU (in thousands) as at April 30, 2020 and as reflected in the notes to the annual financial statements:

Bank	Maturity	Amount Outstanding
BMO	2024	1,366
RBC	2040	13,187
RBC	2043	17,573
RBC	2023	2,770
RBC	2042	39,496
TD	2036	10,647
TD	2043	6,672

TOTAL LONG-TERM DEBT	91,711
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E. *Interest Rate Swaps*

238. In order to manage its long-term interest rate risk, LU entered into a series of interest rate swap transactions with its lenders. In each case, LU agreed to pay a fixed rate of interest on a notional principal amount and the counterparty lender agreed to pay a variable rate of interest on a notional principal amount based on the Canadian Dollar Offered Rate (“CDOR”).

239. As the interest rate swap transactions correspond to certain of LU’s long-term debt obligations, the notional principal amount outstanding varies month to month in accordance with the amortization schedules appended to the interest rate swap confirmations. The net impact of these interest rate swap transactions to LU has been a net monthly cash outflow of approximately \$340,000. Copies of the swap confirmations for the interest rate swap transactions separated by financial institution are attached hereto as **Exhibits “WW” (RBC), “XX” (TD) and “YY” (BMO)**.

F. *Employee Future Benefits*

240. As described above, LU has three post-employment benefit plans. On an annual basis, LU determines its obligations for its employee future benefits using certain funding assumptions within the financial statements of LU.

241. In fiscal year 2019 - 2020, LU reduced the discount rate used in the calculation of future employee benefits, which had the corresponding effect of increasing the liability component to the post-employment benefit plans. The decrease in the discount rate was caused by the reduction of overnight interest rates by the Bank of Canada in response to the COVID-19 pandemic.

242. A lower discount rate resulted in a net increase in total plan liability after the asset value of the investments as at April 30, 2020.

G. Deferred Contributions

243. The deferred contribution amounts on LU's balance sheet represent funds that have been received by LU in advance of the related expense being incurred and in respect of which the funds were designated by the payor for a specific purpose. Such purposes include:

- (a) **Research Grants:** Grants received pursuant to specific research awards that in many cases are received in advance of the research actually being undertaken. These funds are required to be held and only used for the specific research contemplated in the grant and only for qualifying types of expenditures;
- (b) **Restricted Donations:** Donations or other contributions received with a requirement that the funds are to be used for specific purposes; and
- (c) **Scholarships:** Donations or funds received specifically to fund scholarships to students.

244. Deferred research contributions include external research grants that faculty members have received which have outstanding allocations for 2021 to, among other things, pay students, fund research projects and research equipment purchases, and to transfer to affiliated research partners.

245. Contracts associated with research grants typically include the amount and designated purpose for which the funds are allocated. Most contracts also contain certain provisions with respect to financial administration obligations. For example, universities receiving funds from the Tri-Agencies are governed by the *Tri-Agency Guide on Financial*

Administration and are further bound by the *Agreement on the Administration of Agency Grants and Awards by Research Institutions* (the “**Tri-Agency Agreement**”). Typically, these agreements provide for reporting obligations and that the funds received by LU must be used for the specific purpose intended by the grant or award. In the case of the Tri-Agency Agreement, it requires LU to establish a separate account for each grant or award.

246. As of December 30, 2020, LU had a liability of approximately \$36.5 million in respect of deferred contributions, which have been allocated in the internal general ledger. Although funds which comprise deferred contributions are received by LU for an intended purpose, historically, the funds have been received and deposited into LU’s sole operating account and comingled with all other sources of revenue. As a result of the current financial position of LU, those funds have been spent and there are no funds set aside or available to satisfy the obligations represented by these deferred contributions.
247. I understand that it is not uncommon for Ontario universities to deposit research grants and awards into their main operating account. However, it is not an issue with universities that have sufficient cash. In this case, it is LU’s liquidity crisis and insolvency over a number of years that have caused the issue because LU used those research grant and award funds for operating purposes.
248. This issue may impact LU’s ability to meet its research obligations as they become due, which may cause an event of default under certain research contracts it has entered into privately and with the Tri-Agencies. LU’s access to research funding may be negatively impacted in the future if corrective actions are not taken to rectify these historical issues.

249. Although LU cannot retroactively remedy the amounts received on account of historical deferred contributions, LU implemented measures in December 2020 to account for and separately track all funds that are received by LU for a specific purpose. As discussed above, LU implemented a new cash management system to allow LU to appropriately manage future research grant and award funding received.

250. The new cash management system and processes contemplate that new incoming restricted funds will be deposited and held in the appropriate dedicated bank accounts until such time as the underlying obligations as specified in the research grant or donation have been satisfied, at which time LU will reimburse itself for such costs from the segregated account.

251. Going forward, LU intends to continue to utilize the segregated bank account system established for all deferred contribution funds received and will advise agencies and donors of the establishment of these new bank accounts. However, there may be an interim period whereby these funds are first received in LU's general operating account until updated banking information for the new accounts can be provided to the sources for these payments. In the circumstances, members of LU's finance department will track receipts and transfer funds into the appropriate segregated account where they will be held for the specific purpose intended.

H. Deferred Capital Contributions

252. As at April 30, 2020, LU had a deferred capital contributions liability of approximately \$129 million. This represents donations, grants or other contributions previously received by Laurentian to fund capital projects. This amount is amortized or recognized as income over a period consistent with the amortization of the capital assets. As a result, this amount does not represent a future cash liability of LU.

253. LU assesses the condition of its buildings and other assets and estimates the amount (the “**Deferred Maintenance Amount**”) required to be spent on maintenance and other improvement-type items to ensure that the buildings remain in a good state of repair. This Deferred Maintenance Amount is not recorded on LU’s financial statements because it is not an obligation that has been incurred, although it does represent future obligations that may need to be incurred to maintain the infrastructure, unless LU reduces its footprint. Currently, LU’s estimate of the Deferred Maintenance Amount is approximately \$135 million.

254. LU has allocated 1.5% of operating revenues, including the amounts received from the MCU under the Facilities Renewal Grant, in its annual budget since 2017 (approximately \$2.3 million in 2020-21) to deferred maintenance contributions in order to deal with required capital and building repairs. It is very likely that the budgeted amount is not sufficient to manage the deferred maintenance needs of LU. However, as a result of LU’s financial circumstances it is unable to contribute any additional amounts.

255. In the event that there are a series of significant and expensive maintenance projects that require immediate attention by LU, it would be extremely difficult for LU to address these issues without obtaining further external financing. Through these CCAA proceedings, LU intends to address its underlying financial difficulties, which will allow LU to normalize amounts allocated to deferred maintenance.

I. Litigation

256. LU is currently involved in several outstanding litigation matters. I am advised by the General Counsel of LU, that the outstanding litigation that LU is a party to generally consists of:

- (a) **Construction Claims brought by LU:** LU has initiated a claim for damages against several contractors and subcontractors in the amount of approximately \$2,500,000 with respect to certain alleged deficiencies in the cladding work on the School of Education building. Further, LU has initiated a separate claim for breach of contract damages against Bondfield Construction Company Ltd. (“**Bondfield**”) in the amount of approximately \$2,500,000 as well as a claim against Travelers Insurance Company for \$2,000,000;
- (b) **Construction Lien Claims:** Several subcontractors have registered construction liens against the lands owned by LU in relation to the McEwen School of Architecture project. The aggregate amount of the outstanding construction liens is approximately \$5.9 million made by the following six lien claimants: (i) Accel Electrical Contractors Limited, (ii) BBM Excavating Company Ltd., (iii) F&M Caulking Ltd., (iv) Forma-Con Construction, (v) Interpaving Ltd. And (vi) Sandro Steel Fabrication Ltd.;
- (c) **Civil Claims:** There are several minor civil litigation claims brought by and against LU;
- (d) **Human Rights Claims:** There are four current human rights applications brought against LU for various alleged acts of discrimination;
- (e) **Litigation Covered by Insurer:** Several claims for damages are covered by LU’s insurance policies and are being defended by the insurer and its respective counsel; and

(f) **Data Breach Class Action:** LU is a named party to a proposed \$40 million class action claim in respect of a security incident that resulted in the personal and confidential information of certain LU students being disclosed without permission. As of today's date, the proposed class action has not been certified to proceed as a class action and the claims against LU have not been evaluated on their merits.

257. A summary of the outstanding litigation matters described above is attached hereto as **Exhibit “ZZ”**.
258. With respect to the construction projects on property and buildings owned by LU, I have been advised by the University Secretary and General Counsel at LU that pursuant to the *Construction Act* (Ontario), LU is required to holdback 10% of the price of the services or materials as they are actually supplied under the contract until all liens have been expired or satisfied. Based on information provided to me by the VP Administration and the LU Finance team, I understand that LU is responsible for approximately \$3 million in unpaid holdback. While these obligations were recorded for internal accounting purposes as being held in trust, since LU uses only one operating account and has no trust accounts, LU does not have the requisite funds required to pay the holdback amounts.
259. As of January 8, 2021, LUFA has filed approximately 102 active grievances and one ongoing Unfair Labour Practice complaint. I am advised by LU's labour counsel Michael Kennedy of Hicks Morley LLP, who also acts for other universities, that the number of grievances at LU is considerably higher than he has seen at other universities in Ontario. During the fiscal years 2018/2019 and 2019/2020, LU's legal costs associated with grievances and complaints were \$328,303 and \$379,276, respectively. The most common

issues described in these grievances are challenges to LU's management rights, allegations of insufficient resources and challenges to promotion or performance assessments. There are a further two active grievances filed by LUSU and none by CUPE.

260. In the summer of 2020, LUFA brought an application for judicial review of the Provost and VP Academic's decision to suspend admissions to 17 academic programs which all had either low or very low enrolment. In some instances, these programs had 2-3 students. The Provost and VP Academic reached this conclusion after discussions with the various Deans and the future of the programs was then to be put to the Academic Planning Committee in the Senate. LUFA's application argues that the jurisdiction to make decisions on academic programs lies solely with the Senate. The decision to suspend admissions to programs as being within the purview of the Provost and VP Academic is supported by the Ontario Universities Council on Quality Assurance ("CQA"), which is the provincial body responsible for assuring the quality of all programs leading to degrees and graduate diplomas. A copy of the letter from the CQA dated January 22, 2021 approving the decision is attached hereto as **Exhibit "AAA"**.

VI. CASH FLOW FORECAST

261. Attached as **Exhibit "BBB"** is a statement of the projected 13-week cash flow forecast (the **"Cash Flow Statement"**) of LU for the week beginning February 1, 2021 to the week ending April 30, 2021. The Cash Flow Statement was prepared with the assistance of Ernst & Young Inc. ("EY"), the Proposed Monitor herein.

262. The Cash Flow Statement demonstrates that if the relief requested is granted, including the approval of the DIP Facility (as defined below) at the comeback hearing, LU has sufficient liquidity to meet its obligations during the initial 13-week period of a CCAA filing.

VII. INSOLVENCY AND LIQUIDITY CRISIS

A. *Historical Long-Term Financial Stability Initiatives*

263. LU's financial issues were first identified as early as 2008-09 when a previous administration presented a budget to the Board that would not likely be balanced for the 2008-2009 academic year, with little to no improvement for the future financial prospects of LU absent any change. Although that budget was approved, the Board expected the financial situation to be remedied as a top priority item.

264. During the summer of 2008, the acting President of LU convened a retreat of the entire leadership team at LU to launch a process to create a plan to address the current and future financial prospects of LU. This retreat led to the formation of a Core Transition Group Committee ("CTG Committee") made up of fifteen employees of LU from management and faculty to meet on a weekly basis to examine the various components identified at the retreat with a view to drafting a go-forward plan to present to the Board. The CTG Committee prepared a Plan for Regaining Sustainability at LU (the "2009 Plan") and presented it to the Board on December 18, 2008 and again on February 20, 2009. The Board approved the implementation of the 2009 Plan, expected to occur over a three-year period, during the February meeting. A copy of the 2009 Plan is attached hereto as **Exhibit "CCC"**.

265. Pursuant to the 2009 Plan, the CTG Committee recommended a number of measures such as: (i) efforts to increase domestic and international enrolment, (ii) an increased internet presence through a revamped website, (iii) an integrated marketing and communications strategy, (iv) the retention of first-year students, international students and aboriginal students, (v) a reorganization of several upper management positions to eliminate

inefficiencies and provide for a better decision-making process, and (vi) the establishment of the “Next 50 Campaign”— an initiative to raise \$50 million in cash and pledges.

266. The 2009 Plan also identified that the growth of LU would lead to a severe shortage of space and a corresponding need for new capital projects. Beginning in 2014, LU undertook a \$64 million Campus Modernization Project for the construction of approximately 250,000 sq. ft. of classrooms, research, study and public space.
267. The Campus Modernization Project involved LU incurring a substantial amount of long-term debt (approximately \$40 million) to pay for the construction of buildings and facilities to modernize the campus in order to accommodate LU’s historical growth and fuel the projected enrolment growth. LU elected to defer repayment of the principal amounts borrowed until after construction was completed, leading to the accrual of further interest.
268. LU approved further significant investments in the 2014-15 budget to further support the 2012-2017 strategic plan outcomes, graduate expansion strategy and enrolment growth targets.
269. When the Board approved the 2016-17 operating budget, LU forecasted operational deficits continuing through 2021-22 leading to an accumulated operational deficit of greater than \$43 million. The Board took steps to address the issue and in February 2017, the Board approved the Long-Term Sustainability Report (the “**2017 Report**”). The 2017 Report highlighted the need to take a hard look at areas where LU could reduce costs and increase revenues in an effort to improve LU’s financial outlook. It also outlined that many of the measures required to achieve long-term sustainability will take time to implement

and will generate benefits that start small and increase over time. A redacted copy of the Long-Term Sustainability Report is attached hereto as **Exhibit “DDD”**.

270. In June 2017, the Board approved the 2017-18 Budget and the multi-year projected revenues and expenses for 2018-2019 to 2022-2023. This budget included savings targets and forecasted a deficit of \$889,000 for 2018-19.
271. In response to the financial challenges faced by LU, including the unexpected enrolment decline in Fall 2017, steps were taken by academic and non-academic senior leaders and other support resources to implement on-going sustainability measures identified in the 2017 Report and various other measures identified and informed by feedback from staff and faculty. Since 2018, LU and its senior leaders have tried to identify all potential sources of savings, efficiencies, cost avoidances and new sources of revenue in an effort to address its financial challenges and the accumulated operational deficit.
272. At one point, LU delivered programs at Georgian College in Barrie, beginning in 2001. After the term of the original agreements expired in 2014, LU and Georgian College engaged in negotiations to continue the relationship. LU considered a major expansion in Barrie, however, negotiations stalled with Georgian College and the MCU. Declining revenues and increasing expenses associated with the delivery of programs in Barrie, together with the failed expansion, resulted in the decision to close the Barrie campus being made in February 2016.
273. The Barrie campus ultimately closed in May 2019. As a result of the closure, LU experienced an overall decline in enrolment in 2017 and additional one-time and on-going faculty costs. LU also lost the enrolment of many international students as a result of

foreign policy issues in 2018. Notably, Saudi Arabia ordered its international students studying in Canada to relocate to educational institutions in other countries as a result of a diplomatic dispute with the Canadian government. Prior to this dispute, there were 163 students from Saudi Arabia enrolled at LU in Fall 2017. This enrollment decreased to 26 students from Saudi Arabia in Fall 2018.

274. These stresses on LU's revenue were exacerbated by changes made to the tuition fee structure across the Province. The Provincial Tuition Fee Framework for 2019-20 and 2020-21 required all universities in Ontario to reduce domestic tuition fees by 10% and the Province implemented a subsequent tuition freeze. This had the impact of a permanent loss of \$5.5 million in revenue in 2019-20, including the foregone ability to increase rates by 3%. This projected loss of revenue compounds to approximately \$6.8 million in 2020-21. The MCU provided a one-time Northern Tuition Sustainability Grant in 2019-20 in the amount of \$4.3 million, of which \$0.2 million was shared with each of the Federated Universities. A further aggravating factor related to the tuition decrease and freeze is that prior to the implementation of the Provincial Tuition Fee Framework, LU's fees were already below the allowed maximum amount of tuition fees set by the Province as a result of a past strategic decision made by LU that was designed to increase enrolment.
275. At the same time as the tuition freeze, LU received less funding from certain MCU grants (such as the Graduate Capital Grant and Teacher Education Stabilization Grant). In 2020-2021, LU anticipates a decline in the funding of the Core Enrolment grant due to declining domestic enrolments, including from the closure of the Barrie campus.

276. With the exception of the modest growth experienced in 2020, enrolment has declined each year from 2015 to 2018 and tuition fees remain low, while labour and debt servicing costs have grown substantially. LU's academic costs are generally higher as a percentage of total costs than other Ontario universities. LU has made efforts to reduce administrative costs which has resulted in a situation in which the reduced administrative staff has limited ability to focus on potential revenue-generating projects, while academic costs have become unsustainable.

277. During the previous decade, LU has not periodically re-evaluated its offered programs to ensure it is focusing on programs that reflect current student demands. For example, demand for Faculty of Arts programs have declined while demand for business and engineering programs has increased. LU has not typically made program changes to align with these shifts in demand.

278. Finally, the financial impact of the COVID-19 pandemic, which is discussed below, has further derailed LU's efforts to achieve financial sustainability.

279. Despite the continued and best efforts of members of the LU administration, a fundamental change to the status quo is required.

B. Impact of COVID-19

280. Upon the declaration by the World Health Organization of the COVID-19 pandemic, LU halted in-person activity, restricted its facilities to staff and students and took steps to move to a remote delivery format in March 2020 based on recommendations from Public Health Ontario.

281. Both the Spring and Summer semesters were transferred to alternate delivery and most of the Fall 2020 and Winter 2021 semesters are online, with the delivery of on-campus activities where deemed necessary and in accordance with guidance from Public Health Ontario.

282. As a result of the COVID-19 pandemic, LU continues to face a number of financial and operational challenges. As at December 30, 2020, LU estimates that the impacts associated with the COVID-19 pandemic were approximately \$5 million in 2019-20 and approximately \$7.5 million in 2020-21 for a total of approximately \$12.5 million since March 2020. These estimates are based on increased costs and decreased revenues, such as:

- (a) a decrease in ancillary revenues associated with: (i) less students staying in on-campus residences owned and operated by LU, (ii) the loss of rental income from events and conferences hosted on campus, (iii) the loss of parking income, (iv) the loss of food service income, and (iv) reduced student fees and revenue from campus recreation services;
- (b) an increase in the employer pension contributions in 2020-2021 and an increase in the associated future employee benefits liability as a result of the reduction in the Bank of Canada's overnight lending rate, resulting in a decrease to the discount rate used in such calculations;
- (c) increased costs associated with the implementation of additional protective measures designed to reduce or eliminate the risk of COVID-19 transmission on-campus when students, faculty and staff are required to be physically present; and

(d) endowment investment return declines related to COVID-19 affected scholarships paid from operations, as of April 30, 2020.

283. LU received \$0.8 million in one-time COVID relief funding from MCU. In addition, in response to known and potential COVID-19 impacts, LU amended and accelerated its sustainability plan to reduce reliance on revenue growth and focus on cost reductions and structural change to address its financial challenges. In addition, a series of one-time fiscal restraint measures were implemented to reduce spending in an attempt to mitigate the projected losses in 2020-21. The COVID-19 pandemic continues to evolve, and LU continues to adopt strategies to ensure that students continue to receive high quality education in the safest possible environment at LU. However, given that the outcome and timeframe to a recovery from the COVID-19 pandemic is highly unpredictable, it is difficult to estimate the pandemic's effect on future operations and the financial situation of LU.

C. *Discussions with the Provincial Government*

284. Concurrent with the exploration of contingency planning scenarios, LU has been completely transparent with the MCU regarding the financial challenges it faces, has provided details to the MCU regarding its financial situation and the concerns that are described herein, and the outcome if the efforts undertaken by LU could not achieve the required results.

285. Discussions regarding LU's financial challenges occurred with MCU during the Strategic Mandate Agreement bilateral negotiations which took place from November 2019 to April 2020, during the summer of 2020 and then again with LU's external advisors joining the discussions in December 2020.

286. During these discussions, LU highlighted the benefits that it provides to the community of Northern Ontario, but more importantly, the costs and risks associated with attempting an informal restructuring outside of a proceeding and the costs and risks associated with a potential CCAA restructuring.

287. In December 2020 and January 2021, I, together with LU's external counsel and advisors, have regularly met with the Minister of Colleges and Universities, several senior staff members at the MCU, members of the Treasury Board and senior staff members at the Ministry of Finance.

288. I have been advised that MCU is the lead Ministry on this matter and that MCU has also involved the Finance and Treasury functions of the Province and I understand that the Premier's office has been made aware of the situation. MCU has asked two sets of follow-up questions, which LU has provided prompt and complete responses to.

289. In the weeks and days leading up to this application, I have been in frequent communication with members of MCU and LU advised the MCU the date that LU would seek to commence CCAA proceedings.

290. More particularly, LU and MCU exchanged correspondence in the ten days prior to filing. A copy of the letter from MCU to LU dated January 21, 2021 is attached hereto as **Confidential Exhibit “EEE”** and a copy of the letter from LU to MCU dated January 25, 2021 is attached hereto as **Confidential Exhibit “FFF”**.

291. In summary, LU has been in continuous dialogue with MCU and intends to continue this dialogue throughout the CCAA proceedings.

VIII. OBJECTIVE OF THE CCAA FILING

A. *Proposed Restructuring of LU*

292. Leading up to this application for protection under the CCAA, I have worked with the Internal Team to plan for “Laurentian 2.0”. Externally, Laurentian 2.0 will not look or feel much different than LU today because a vast majority of LU students take the most popular courses and the delivery of those courses should not materially change. However, LU will be internally overhauled from an operational and financial standpoint to focus on its strengths and shed areas of relative weakness or unnecessary costs.

293. Today, the future of LU could be in jeopardy due to, among others, the following factors:

- (a) a Student-to-Faculty teaching ratio that is far too low when compared to other Ontario universities (LU is approximately 20:1);
- (b) as described earlier, the annual cost to educate each student at LU and the Federated Universities is approximately \$2,000 higher than the average cost when compared to other Ontario universities;
- (c) LU employs more faculty members than are required (355), which is one of the largest expense items annually for LU;
- (d) LU offers too many undergraduate programs today (132), many of which only have a handful of students, leading to programs that do not break-even; and
- (e) in circumstances which LU’s annual revenue is not expected to materially increase over the next five years due to declining demographics, LU’s total estimated operating expenses for 2020-21 of \$156 million, plus increases for inflation, are too high.

294. To address these operational and financial issues, the implementation of Laurentian 2.0 will seek to:

- (a) increase the Student-to-Faculty teaching ratio;
- (b) restructure its current academic model to reduce the number of undergraduate programs;
- (c) reduce the number of faculty members as a result of the elimination of admissions into certain programs and reduce or re-deploy the number of non-faculty members as a result of internal reorganization and the elimination of unnecessary cost centres; and
- (d) through these measures, significantly reduce expenses.

295. The Laurentian 2.0 framework seeks to accomplish the foregoing through:

- (a) **Restructuring the Academic Model** by streamlining academic programming and delivery through the reduction of number of programs, restructuring academic supports and terminating the agreements and relationship with the Federated Universities; and
- (b) **Restructuring the Business Model** by updating business operations, restructuring existing obligations through a compromise in the CCAA and ultimately balancing the budget.

296. Due to the unique bicameral nature of the university, the structure of the Federated Universities and LU's Unions and the many challenges it faces, LU requires the platform of a Court-supervised proceeding to effect its proposed restructuring into Laurentian 2.0.

297. LU intends to use this CCAA proceeding to commence an intensive mediation with certain of its stakeholders that can be conducted within a relatively short time frame, as a necessary pre-condition to determining if a financially sustainable outcome can be achieved. Given LU's significant cash requirements, the availability and extent of DIP financing, and the timing of the academic year for programs and students in September 2021, a determination must be made expeditiously as to whether, and if so on what terms, that may be accomplished.

298. More particularly, during this CCAA proceeding, LU intends to:

- (a) complete its review of the breadth of academic programs offered at LU to ensure that adequate students are enrolling in programs and classes to justify their continuance at LU and engaging in discussions with the Senate of LU in respect of same;
- (b) re-evaluate the Federated Universities model in such a way that the historic significance of the Federated Universities can be preserved while ensuring that the relationships reflect the current realities of each organization;
- (c) use the CCAA proceeding as a platform for negotiations with its unions regarding what LU must look like in the future and ensuring that a restructured LU can be aligned with collective agreements that will facilitate its future sustainability;
- (d) identify opportunities for future revenue generation;
- (e) focus on refining the student experience at LU so that students continue to receive a top-notch education at a university that they enjoy attending;

- (f) consider available options for addressing its current and long-term indebtedness to its lenders; and
- (g) ultimately, implement the Laurentian 2.0 framework.

B. Evaluation of Federated Universities Model

- 299. In 2019, LU provided notice of a change in the funding agreement between LU and each of the Federated Universities. While this amendment was necessary to make the funding arrangements consistent with metrics in respect of tuition and grants from the Province, further work is required. LU estimates that the Federated Universities model costs LU approximately \$5 million each year.
- 300. Currently, the Federated Universities have duplicative organizational infrastructure, functions and services. Although LU respects the autonomy of the Federated Universities, the Federated Universities also have financial challenges. One successful outcome of this CCAA proceeding may be the remolding of the Federated Universities model in such a way that creates economies of efficiency for LU and the Federated Universities while maintaining the historical significance and identities of the Federated Universities.
- 301. This Court-supervised proceeding will assist LU in focusing its discussions and negotiations with leadership of the Federated Universities to arrive at a compromise and solution that is acceptable and, more importantly, ensures the long-term sustainability of LU. If necessary, LU may utilize the proposed mediation to address and resolve the Federated Universities model.

C. Restructuring of Program Offerings

302. As summarized above, LU offers too many courses with low enrolment levels that cause the offering of such course to be financially unsustainable. Although LU recognizes that not every course offered will have consistently high levels of enrolment, LU cannot continue to offer courses and programs where there are less than ten students enrolled. The financial resources required to continue offering such courses are too great in circumstances which LU is insolvent.

303. The Provost of LU, working with members of the Senate, the various faculties and academic departments has taken a number of steps to academically restructure LU to save costs:

(a) on July 30, 2020, by way of report to the Senate (the “**July 30 Report**”), the interim Vice-President, Academic and Provost of LU identified 17 academic programs requiring temporary suspension, pending review by ACAPLAN, the academic planning committee of the Senate. Notwithstanding objection to the recommendation at the September 15, 2020 meeting of the Senate, ACAPLAN approved a motion on September 18, 2020, directing the Provost of LU to contact the programs listed in the July 30 Report to ensure the appropriate processes were followed;

(b) subsequently, an additional suspension of low enrolment programs is being considered in accordance with the Senate-approved Institutional Quality Assurance Program changes;

- (c) in Fall 2020, faculties working collegially with Deans and the Provost agreed to decrease the number of course offerings for the 2021 Winter Term;
- (d) there are ongoing discussions to create efficiencies by reducing the number of Departments and Schools at LU through realignment, mergers and closures;
- (e) LU is moving towards implementing a new responsibility-based budget model, which empowers and holds Deans and academic units accountable for activity-based revenues, expenses and sustainable academic outcomes; and
- (f) in my December report to Senate, I advised that LU has one of the highest education costs per student in the Province and that to be sustainable, LU must find ways to offer attractive, compelling programming in a way that also increases our student-to-faculty ratio and brings our cost per student in line with sustainable levels.

304. In my experience as an academic administrator, the normal course of Senate decision making entails extensive collegial committee work and Senate discussions, and takes up to one year to complete an academic program review and is only completed every seven years. LU does not have the necessary liquidity to sustain it during such a process, while it seeks to achieve financial sustainability.

305. Outside of a CCAA proceeding, LU will not be able to reduce the number of academic programs through the Senate in a timely way. This process must also be completed in an expedited fashion so LU can negotiate with LUFA to facilitate a reduction in the number of faculty members commensurate with the reduction in academic programs. Further, LU is financially unable to facilitate voluntary retirements or terminations under the LUFA CA due to the massive liabilities such actions precipitate, with no means of addressing same.

306. In conjunction with its academic restructuring efforts in the Senate, LU is working on reducing the number of full-time tenured faculty members such that the student to faculty ratios and class sizes that will be comparable to other Ontario comprehensive research universities. LU predicts this will require further reductions in the faculty complement. To facilitate reductions, the following measures are being taken:

- (a) there will be no replacement of vacant faculty positions (except for: (i) critical positions approved in June 2020 as term contract hires to incentivise retirement, and (ii) externally funded research chairs);
- (b) recruitment has been stopped for seven existing vacancies; and
- (c) six retirements are anticipated by June 2021.

307. In addition to restructuring its program offerings, LU plans to increase academic-related revenue streams by implementing various measures, including:

- (a) expanding LU's continuing education and micro-credential offerings, commencing in Spring 2021 which will include additional options for post-graduate training, professional development, summer youth camps, bridge programs for university admission, customized training programs for employers, specialized opportunities related to leadership, management, health and wellness, Indigenous culture and Francophone culture. LU has set a revenue goal for this expansion, net of costs, of \$1.5 million for 2023;
- (b) developing and enhancing business partnerships in order to deliver programs that meet the needs of businesses and the general public in collaboration with other postsecondary institutions in the Greater Sudbury area and employers;

- (c) continuing to focus on the attraction and retention of international students, including a focus on competitive international tuition rates to attract and grow Francophone enrolment;
- (d) restructuring student services under the leadership of AVP Student Affairs and AVP Student Experience, with an aligned focus on recruitment, admissions, health and well-being, pedagogical support and increased opportunities for lifelong learning;
- (e) focusing on student success, leading to strong employment outcomes that will grow student demand, including bilingual and Francophone students;
- (f) implementing a new marketing plan, focused on student recruitment, retention, and ancillary operations including targeted recruitment and retention strategies to increase domestic and international student enrolment (both undergraduate and graduate), with a minimum goal of maintaining current levels of student enrolment to counterbalance the declining regional demographic trends;
- (g) continuing to build partnerships with other postsecondary institutions both within Canada and internationally to expand articulation opportunities;
- (h) growing philanthropic revenues to support student scholarships and strategic priorities/initiatives; and
- (i) reducing LU's space footprint by a minimum of 20% from current occupancy which will create opportunities for revenue generation.

IX. RELIEF BEING SOUGHT

A. *Stay of Proceedings and Limited Exemptions*

308. Given LU's current financial situation, LU requires a broad of stay of proceedings, including the stay of pre-filing amounts for goods, services, and principal and interest debt obligations, to provide it with the breathing room required to restructure. I am advised by external counsel that the stay of proceedings sought is consistent with the Model Initial Order commonly used in CCAA proceedings, subject to certain exemptions described below.

309. As a publicly-funded university, LU is subject to information requests in respect of the *Freedom of Information and Protection of Privacy Act* (“**FIPPA**”). In the ordinary course, these requests are handled by the Office of the University Secretary and General Counsel. It is expected that one by-product of the CCAA proceeding will be an extraordinary influx of FIPPA requests. LU’s human and financial resources are extremely thin, due in part to reductions undertaken over the past several years as a cost-cutting measure. LU’s already-thin resources are stretched further by the demands of its insolvency, this CCAA proceeding and the “real-time” nature of responses required to extensive information and documentation requests from our external advisors and stakeholders. LU seeks an Order that the stay of proceedings will operate to suspend the requirement of LU to respond to existing and future FIPPA requests during the currency of the CCAA proceeding.

310. If the stay of proceedings does not extend to FIPPA requests, the limited resources of LU will be further stressed during a critical time period that it needs to focus on its restructuring efforts. This diversion of key resources could negatively affect LU’s ability to achieve a successful restructuring. There are, and will continue to be, numerous means by which

interested parties can obtain full disclosure of all material facts throughout this CCAA proceeding. That includes the website hosted by the Monitor, an extensive communications plan implemented by LU itself, access to up to date information on LU's website, and through public statements, communications, Q&As and similar documents disseminated.

Limited Stay for Students General Association

311. As described herein, the finances and operations of LU are intertwined with certain entities that, while they are not related parties to LU, the commencement of proceedings under the CCAA may affect such parties. At this time, LU believes that only one entity, the SGA, may be directly affected by the CCAA proceedings of LU due to the SGA's credit facility in the amount of \$8.5 million being guaranteed by LU. At this time, LU seeks a limited stay of proceedings in favour of the SGA.
312. The stay of proceedings in respect of the SGA is limited in nature in that it prevents any person from: (i) commencing proceedings against the SGA, (ii) terminating, repudiating, making any demand or otherwise altering any contractual relationships with the SGA or enforcing any rights or remedies, or (iii) discontinuing or ceasing to perform any obligations under any contractual agreements with the SGA, resulting from the commencement of CCAA proceeding by LU, the stay of proceedings granted to LU and any default or cross-default arising due to the foregoing.

Stay of Interest Rate Swaps

313. As previously described in the summary of LU's financial health, LU entered into a series of interest rate swap transactions with RBC, TD and BMO. In each of these swap

transactions, LU has agreed to pay a fixed rate of interest that varies between 4% to 5% on a notional principal amount and LU receives a variable rate of interest a notional principal amount based on CDOR.

314. Due to the low interest rate environment in Canada at this time and the decrease in the Bank of Canada's Prime Rate in 2020, the net effect of the interest rate swap transactions is that LU is required to pay approximately \$341,764.22 per month, or approximately \$4.1 million annually.
315. Given LU's current financial situation, LU seeks relief in the Initial Order confirming that the payment of any post-filing net amounts payable pursuant to the interest rate swap transactions is not permitted during the CCAA proceedings. For clarity, LU is not seeking to amend the swap transactions. Instead, LU simply seeks to stay payment of the net interest payment amounts.

Exemptions to the Stay of Certain Pre-filing Amounts

316. At its core, LU exists because of its students who attend the university and LU must make every effort to protect its students or suffer the irreparable result that it has a restructured university with no students to teach.
317. LU seeks to permit the payment of all outstanding amounts in respect of the current 2020-21 academic year and future amounts owing in respect of rebates, refunds or other amounts that are owing or may be owed to students or the student associations of LU, whether such amounts are as a result of the reimbursement of tuition fees, ancillary fees or otherwise. LU also seeks to permit the continued payment of pre-filing and post-filing amounts

payable in respect of scholarship, bursary or grants. This exemption is limited as long as any such rebates, refunds or other amounts are in accordance with LU's existing policies and procedures.

318. This exemption is intended to apply to students of LU and students who take courses offered by the Federated Universities (but are LU students).
319. LU intends on operating in the ordinary course during the CCAA proceeding and minimizing the disruption to students as much as possible. To facilitate this, LU must be able to process certain rebates owing to students and continue to provide students with scholarship and bursary money, which is a critical payment for students in need of financial aid. Students represent a particularly vulnerable population in terms of their age and the academic pressures they face, in addition to the added stress that remote learning and reduced interaction and services due to COVID has had.

B. Appointment of the Monitor

320. On August 28, 2020, the Board approved the engagement of EY as financial advisor to LU through a competitive process led by external counsel to LU. EY was engaged by the Board as financial advisor to assist LU in its restructuring efforts and if necessary, act as the Court-appointed Monitor of LU should LU decide to seek protection under the CCAA. The engagement letter was signed by EY and LU on September 4, 2020.
321. EY (the “**Proposed Monitor**”) has consented to act as the Court-appointed Monitor of the Applicant, subject to its consent to any form of order of appointment that may be approved by the Court. A copy of EY’s consent is attached hereto as **Exhibit “GGG”**. I am advised by Sharon Hamilton of EY that EY is a “trustee” within the meaning of section 2 of the

BIA, and is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.

C. Appointment of Mediator

322. In order for this restructuring to be successful, difficult negotiations are required with multiple stakeholders in a condensed period of time before LU runs out of cash. As a result of this dynamic, the Applicant is of the view that the best way to proceed is through court-supervised mediation in order to advance such negotiations and reach an outcome that results in a financially sustainable university.

323. LU will be seeking the appointment of a neutral third-party mediator (the “**Court-Appointed Mediator**”). At the outset, the Applicant expects the Court-Appointed Mediator to assist with: (i) negotiations related to the review and restructuring of the academic programs of the Academic, and (ii) the collective agreement between the Applicant and LUFA. However, the Court-Appointed Mediator’s mandate will not be limited to such roles and will assist with any other issues that cannot be resolved consensually among the stakeholders and the Applicant.

324. The Applicant’s counsel recently reached out to one party to canvass the possibility of being put forward as a proposed mediator, if appointed by the Court. That party’s existing schedule did not permit them to undertake the role and intense time commitment that would be required through February, March and April. In our view, the need for the appointment of a mediator by the Court is urgent and a highest priority item, given the timeframes involved if key aspects of a restructuring can be effected.

325. The Applicant's relations with LUFA are strained at this time, and I am of the view that a fresh start in the negotiations within a court-supervised mediation setting will allow the parties to engage in open discussions with the benefit of all financial and other information that will provide the best framework for success. In my view, regardless of the skills and experience of any party that may be proposed by the Applicant to be appointed by the Court as mediator, such proposal will unfortunately face fierce objections from LUFA. I am concerned that valuable time will be lost in debating or objecting to the identity of the mediator, when there is virtually no time that can be lost in the process. It is critically important that the court-supervised mediation commence forthwith, in order to allow any outcome to be implemented within the availability of DIP Facility, with faculty and program changes that can be implemented for the Fall 2021 academic calendar, and with key messages of stability to students for their continued education at LU being available.

326. I believe that, in order to avoid any debates by stakeholders as to personal preferences, claims of bias or any other basis for objection, it would be most appropriate for the Court to identify and appoint a Mediator of its choosing at the earliest opportunity. In the Applicant's view, certain criteria that would be helpful in view of the issues to be addressed through mediation would be someone who is: bilingual, has experience in insolvency matters, is familiar with collective agreements and labour negotiations, and has the time available in their schedule to commit to an intensive schedule over the months of February, March and April. A sitting or recently-retired judge would be welcome, and in the case of a sitting judge, would not result in the costs being paid from the Applicant's strained cash position.

D. Administration Charge

327. The Applicant seeks a super-priority charge (the “**Administration Charge**”) on the Property (as defined in the draft Initial Order) to secure the fees and disbursements incurred in connection with services rendered to LU both before and after the commencement of the CCAA proceedings by counsel and advisors to LU, the Proposed Monitor, counsel to the Proposed Monitor and independent counsel to the Board. During the initial ten days until the comeback hearing, the Applicant seeks the Administration Charge up to the maximum amount of \$400,000, consistent with the first ten days in the Cash Flow Forecast. At the comeback hearing, the Applicant will seek to increase the Administration Charge up to \$1.25 million, representing the estimated restructuring costs for a one-month period.

328. It is contemplated that each of the aforementioned parties: (i) will have extensive involvement during the CCAA proceedings; (ii) have contributed and will continue to contribute to the restructuring of LU; and (iii) will ensure that there is no unnecessary duplication of roles among the parties.

329. I understand that the Proposed Monitor has reviewed the proposed quantum of the Administration Charge and is of the view that it is reasonable and appropriate in the circumstances given the contemplated work required to be completed during the pendency of the CCAA proceedings and the services provided and to be provided by the beneficiaries of the Administration Charge.

E. Directors’ Charge

330. To provide LU with continued direction during the CCAA proceedings, LU believes that the continued participation of the members of the Board would be helpful in this CCAA proceeding. None of the Board members receive remuneration for acting, and each brings

a unique perspective to the bilingual and tricultural nature of the university's operations. The volunteer nature of a directorship in a non-share corporation such as LU distinguishes it from a directorship in a typical OBCA or CBCA share capital corporation, where directors are typically both compensated and insured under their own policy. The Directors' Charge will also secure the fees of independent counsel to the Board.

331. There is a concern that the members of the Board may discontinue their services during this restructuring unless the Initial order grants the Directors' Charge to secure LU's indemnity obligations to the directors and officers that arise post-filing in respect of potential personal statutory liabilities.
332. The Applicant's payroll is approximately \$11 million per month, and is payable once each month with some limited exceptions.

i. Insurance Policies

333. LU maintains an educational errors and omissions liability insurance policy with Canadian Universities Reciprocal Insurance Exchange ("CURIE") (the "E&O Policy"), which renews annually on January 1. The E&O Policy provides coverage for up to \$5,000,000 in respect of claims for "wrongful acts", as defined under the E&O Policy, save and except for claims for "wrongful acts" in respect of terrorism, cyber risk and asbestos, which limit is only \$3,000,000. It is notable that since the E&O Policy is only an errors and omissions policy, the E&O Policy expressly excludes, among others, the following categories of claim: (i) employee benefits, (ii) breach of contract, (iii) employment-related practices, including consequential losses, and (iv) tuition, fees or rents.

334. In addition, LU also maintains an excess liability insurance policy from CURIE (the “**Excess Policy**”). The Excess Policy provides increased coverage for up to \$45 million for each claim in excess of the \$5 million covered under the E&O Policy.

335. The proposed Initial Order contemplates that the Directors’ Charge will be in the amount of \$2 million. The Applicant worked with the Proposed Monitor in determining the proposed quantum of the Directors’ Charge and believes that the Directors’ Charge is reasonable and appropriate in the circumstances. The Director’s Charge is proposed to rank behind the Administration Charge. At the comeback hearing, the Applicant proposes that the Directors’ Charge will rank in priority to the DIP Lender’s Charge up to the maximum amount of \$2 million, with an additional amount that will rank subordinate to the DIP Lender’s Charge.

336. The Proposed Monitor supports the granting of the Directors’ Charge and will expand on such support for the Directors’ Charge in its pre-filing report to the Court.

337. The directors and officers of LU do not know whether CURIE will seek to deny coverage on the basis that the E&O Policy and the Excess Policy do not cover particular claims (specifically in circumstances where the E&O Policy excludes claims commonly asserted against directors and officers of insolvent corporations and those that could be reasonably anticipated in this insolvency proceeding) or that coverage limits have been exhausted.

338. LU may not have sufficient funds available to satisfy any contractual indemnities to the directors or officers should the directors or officers need to call upon those indemnities. It is proposed that the Directors’ Charge will only be engaged if the E&O Policy or Excess Policy, if applicable, fail to respond to a claim.

F. DIP Financing and DIP Lender's Charge

339. At the initial hearing for the commencement of these CCAA proceedings, LU will not be seeking approval of the DIP financing.

340. At the comeback hearing, LU will seek to have the DIP Term Sheet and the DIP financing approved. As demonstrated by the Cash Flow Forecast, LU forecasts that it will require an amount of up to \$25 million of DIP financing during the first thirteen weeks of these CCAA proceedings.

341. During its contingency planning process, LU, with the assistance of its external legal counsel, canvassed the market for interim financing and evaluated competing offers. In order to preserve confidentiality, LU's counsel required potential lenders to execute a redacted form of Non-Disclosure Agreement ("NDA") prior to having LU's identity disclosed to them and prior to receiving any information in respect of LU. Once the redacted NDA was executed by the potential lender, external counsel to LU provided the potential lender with an unredacted form of NDA and requested that it be executed as well.

342. In December 2020, four potential external lenders were contacted by LU's counsel and each executed the applicable two forms of NDA. Beginning in December 2020, the potential lenders were granted access to a virtual data room containing certain information and documents that may be relevant to interim financing and external counsel convened telephone calls with these lenders. The data room was updated at various times with additional information.

343. The potential lenders requested and reviewed additional due diligence materials as necessary and were invited to submit interim financing term sheet proposals. Three non-binding term sheets were received from the four potential lenders originally contacted.

344. In January, LU, through its external counsel, also reached out to four additional parties (including three of LU's existing lenders) to see if those parties wished to provide DIP financing.

345. Following this process, LU identified two proposals for DIP financing as being superior to all others received by LU. LU engaged in further negotiations with the potential lenders in respect of the terms of their DIP financing proposals.

346. For the reasons described below, with the assistance of counsel and on an informed basis and in good faith with a view to the best interests of LU and its stakeholders, LU selected the DIP facility (the "**DIP Facility**") offered by Firm Capital Corporation ("FCC").

347. LU has negotiated and is seeking Court approval of the DIP Facility, described in more detail below, and a charge over the Property (defined below) securing the DIP Facility (the "**DIP Lender's Charge**"), as further described in the Term Sheet between LU and FCC dated January 29, 2021 (the "**DIP Term Sheet**") attached as **Exhibit "HHH"** hereto. I am advised by LU's external counsel Thornton Grout Finnigan LLP that subsequent to execution of the DIP Term Sheet, FCC will be assigning its interest to Firm Capital Mortgage Fund Inc. (the "**DIP Lender**"). In addition to addressing LU's short-term liquidity issues, approval of the DIP Facility will provide assurance to LU's suppliers, employees, students and other stakeholders that LU has the necessary funds to continue operating during this CCAA proceeding.

348. The salient terms of the DIP Term Sheet are as follows:

- (a) the DIP Lender will make available to LU two advances of up to a maximum amount of \$25 million;
- (b) the DIP Facility has a maturity date of May 1, 2021, which maturity date may be extended if LU achieves the following milestones, to the satisfaction of the DIP Lender in its sole and unfettered discretion:
 - (i) LU enters into a negotiated settlement with LUFA with respect to the terms of a collective agreement between LUFA and LU;
 - (ii) LU reaches a consensus among all necessary stakeholders on an academic restructuring of LU's program offerings; and
 - (iii) LU provides the DIP Lender with a revised cash flow forecast and a multi-year budget demonstrating to the DIP Lender, in its sole and unfettered discretion, that LU is financially sustainable;
- (c) interest accrues on the outstanding indebtedness at a rate that is the greater of 8.50% per annum or the TD Canada Trust Posted Bank Prime Rate of Interest plus 6.05% per annum, which amounts are reflected in the Cash Flow Forecast;
- (d) a Commitment Fee of \$500,000 that is earned and payable to the DIP Lender on the date that the Court approves the DIP Facility;
- (e) all amounts outstanding under the DIP Facility shall be secured by a charge on all of the current and future assets, undertakings and property of LU pursuant to a court-approved, super-priority charge (the "**DIP Lender's Charge**") that is only subordinate to: (i) the Administration Charge up to the maximum of \$1.25 million;

(ii) the Directors' Charge up to the maximum of \$2 million (with such further amount to be subordinate to the DIP Lender's Charge); and (iii) any valid purchase money security interests, including the registrations made under the *Personal Property Security Act* (Ontario);

(f) the DIP Facility is conditional on, among other things, LU obtaining a court order approving the DIP Term Sheet and the DIP Facility; and

(g) customary reporting covenants given the size of the DIP Facility and the third party nature of the DIP Lender.

349. The DIP Lender has requested a definitive DIP loan agreement to formally document the terms and conditions of the DIP Facility. Prior to the comeback hearing, the Applicant and the DIP Lender will negotiate and finalize the DIP Loan Agreement.

350. It is necessary to obtain the DIP Facility to support the costs to be incurred by LU after the commencement of the CCAA proceeding, as LU will not be further utilizing its existing unsecured lines of credit and has no other cash reserves on which to draw. The DIP Facility will allow LU to continue to operate in the ordinary course and will allow LU the opportunity to undertake its operational restructuring.

351. LU will access the DIP Facility in two tranches. One will be shortly after the comeback hearing and the second is expected to be 30-45 days afterwards, based on the cash needs of LU.

352. If a successful restructuring with LU's Unions and other stakeholders can be achieved by April, 2021, LU expects that it will seek this Court's approval for exit financing that would

allow LU's operations to return to a position of sustainability, and to fund any payments to be made under a Plan of Arrangement.

G. *Ranking of Court-Ordered Charges*

353. During the first ten days of the CCAA proceedings, the Applicant proposes ranking the Administration Charge and the Directors' Charge (collectively, the "CCAA Charges") as follows:

(a) first, the Administration Charge initially up to a maximum amount of \$400,000; and

(b) second, the Directors' Charge initially up to a maximum amount of \$2,000,000.

354. During the first ten days of the CCAA proceedings until the comeback hearing, the CCAA Charges are proposed to rank in priority to all other security interests, trusts, liens, construction liens, charges and encumbrances, except for any person who is a "secured creditor" as defined in the CCAA that has not been served with the Notice of Application.

355. At the comeback hearing, the Applicant proposes ranking the CCAA Charges, including the DIP Lender's Charge, as follows:

(a) first, the Administration Charge, which is proposed to be increased up to a maximum amount of \$1,250,000;

(b) second, the Directors' Charge up to a maximum amount of \$2,000,000;

(c) third, the DIP Lender's Charge, up to a maximum amount of \$25,000,000; and

(d) fourth, the balance of the Director's Charge, up to a maximum amount of \$3,000,000,

(collectively, the “Comeback CCAA Charges”).

356. The Applicant intends to provide notice of the comeback hearing to persons who are known to be secured creditors of the Applicant, including the construction lien claimants described above in paragraph 256(b), and will seek to elevate the Comeback CCAA Charges in priority to any other creditor of the Applicant. As discussed above, with the exception of PPSA registrations for certain equipment leases, LU does not have any other secured creditors and is current on all priority payables.

X. FORM OF ORDER

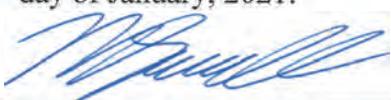
357. LU seeks an Initial Order under the CCAA substantially in the form of the “skinny” Model Initial Order adopted for proceedings commenced before the Commercial List in Toronto, subject to certain changes reflected to address the circumstances of LU, in the proposed form of order attached at Tab 4 in LU’s Application Record, blacklined to the Model Order.

358. The form of Amended and Restated Initial Order that will be sought at the Comeback Hearing is attached at Tab 6 in LU’s Application Record, blacklined to the Model Order.

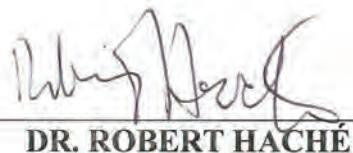
359. LU also seeks an order sealing Confidential Exhibits “EEE” and “FFF” as the correspondence contains sensitive information that could jeopardize the ability of LU to complete a restructuring.

360. This affidavit is sworn in support of LU’s application for protection pursuant to the CCAA and for no other or improper purpose.

AFFIDAVIT SWORN BY VIDEO
CONFERENCE before me at the City of
Toronto, in the Province of Ontario, this
30th day of January, 2021.



Mitchell W. Grossell
LSO # 699931



DR. ROBERT HACHE

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF LAURENTIAN UNIVERSITY OF SUDBURY

Court File No. 20-CV-_____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

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Lawyers for the Applicant

This is Exhibit "G" referred to in the Affidavit of Tom Fenske
affirmed October 16, 2025



Commissioner for Taking Affidavits (or as may be)

Court File No. CV-21-656040-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE CHIEF)	MONDAY, THE 31ST
)	
JUSTICE MORAWETZ)	DAY OF MAY, 2021



IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
LAURENTIAN UNIVERSITY OF SUDBURY

Applicant
CLAIMS PROCESS ORDER

THIS MOTION, brought by the Applicant pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) for an order, among other things, establishing a claims process to identify, determine and resolve claims of creditors of the Applicant, was heard this day by videoconference via Zoom in Toronto, Ontario due to the COVID-19 pandemic.

ON READING the Applicant’s Notice of Motion, the affidavit of Dr. Robert Haché sworn May 21, 2021 (the “**Haché Affidavit**”), the Fourth Report of Ernst & Young Inc. (the “**Monitor**” or “**EY**”) dated May 27, 2021 (the “**Fourth Report**”), and on hearing the submissions of counsel for the Applicant, counsel for the Monitor, counsel for Toronto-Dominion Bank, counsel for Royal Bank of Canada, counsel for Bank of Montreal, counsel for the Laurentian University Faculty Association, counsel for the Laurentian University Staff Union, counsel for Thorneloe University, counsel for the University of Sudbury, counsel for Huntington University, and those other parties listed on the Counsel Slip, no one else appearing although duly served with the Applicant’s Motion Record as appears from the Affidavit of Service of Derek Harland dated May 27, 2021,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

DEFINITIONS AND INTERPRETATION

2. The following terms shall have the following meanings ascribed thereto:

- (a) "**Applicant**" means Laurentian University of Sudbury;
- (b) "**Business Day**" means a day, other than a Saturday or a Sunday, on which banks are generally open for business in Toronto, Ontario;
- (c) "**CCAA**" has the meaning ascribed to it in the preamble to this Order;
- (d) "**Charges**" means the Administration Charge and the DIP Lender's Charge, as such terms are defined in the Initial Order;
- (e) "**Claim**" means each of:
 - (i) any right of any Person against the Applicant, in connection with any indebtedness, liability or obligation of any kind of the Applicant whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise and whether or not such right is executory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity (including any claim by a Director or Officer against the Applicant for contribution and/or indemnity arising from any D&O Claim) for or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation (A) is based in whole or in part on facts existing prior to the Filing Date, (B) relates to a time period prior to the Filing Date, or (C) would have been a claim provable in bankruptcy had the Applicant become bankrupt on the Filing Date (each, a "**Pre-Filing Claim**", and collectively, the "**Pre-Filing Claims**");
 - (ii) any indebtedness, liability or obligation of any kind arising out of the restructuring, termination, repudiation or disclaimer of any lease, contract, or other agreement or obligation on or after the Filing Date and whether such restructuring, termination, repudiation or disclaimer took place or

takes place before or after the date of this Order (each, a "**Restructuring Claim**", and collectively, the "**Restructuring Claims**"); or

(iii) any right of any Person against the Directors or Officers of the Applicant, or any of them, that relates to any claim for which they might be liable as a result of any act as a Director or Officer of the Applicant (each, a "**D&O Claim**", and collectively, the "**D&O Claims**"),

provided however, that "Claim" shall not include an Excluded Claim.

- (f) "**Claims Bar Date**" means the Pre-Filing Claims Bar Date, the Restructuring Claims Bar Date or the D&O Claims Bar Date, as the case may be;
- (g) "**Claims Officer**" means the person or persons who may be appointed by the Court;
- (h) "**Compensation Claims**" has the meaning ascribed to that term in paragraph 2(r)(i) of this Order;
- (i) "**Compensation Claims Methodology**" means the methodologies to be used to calculate the Compensation Claims;
- (j) "**Court**" means the Ontario Superior Court of Justice (Commercial List);
- (k) "**Creditor**" means any Person asserting a Claim;
- (l) "**Creditors' Meeting**" means the meeting or meetings of Creditors scheduled pursuant to further Order of this Court for purposes of voting on a Plan, if and when filed with this Court;
- (m) "**Directors**" means all current and former directors of the Applicant, and "Director" means any one of them, and for greater certainty includes any current or former member of the Board of Governors of the Applicant;
- (n) "**D&O Claim**" has the meaning ascribed to that term in paragraph 2(e)(iii) of this Order;
- (o) "**D&O Claims Bar Date**" means 5:00 p.m. (prevailing Eastern Time) on July 30, 2021;

- (p) "**Dispute Notice**" means a written notice to the Monitor, substantially in the form attached hereto as Schedule "E", delivered to the Monitor by a Creditor who has received a Notice of Revision or Disallowance of its intention to dispute such Notice of Revision or Disallowance;
- (q) "**Employees**" means the current and former employees of the Applicant;
- (r) "**Excluded Claim**" means the following claims, whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown:
 - (i) claims of: (A) any Employee for amounts owing to him or her in his or her capacity as a current or former employee of the Applicant, including without limitation, claims on account of wages, salaries, any other form of compensation (whether sales-based, incentive-based, deferred, retention-based, share-based, or otherwise), severance or termination pay, employee benefits (including, but not limited to, medical and similar benefits, disability benefits, relocation or mobility benefits, and benefits under employee assistance programs), pension and retirement benefits (including the RHBP and SuRP), vacation pay, and employee expenses, (B) any Employee arising from the administration, management or oversight of any of the pension plans or employee benefit plans administered or sponsored by the Applicant, (C) any Employee in respect of grievances under any collective agreement to which the Applicant is party, whether such grievance arose prior to or after the Filing Date, (D) any labour union of the Applicant in respect of claims arising pursuant to section 33(5) of the CCAA, and (E) Huntington University, University of Sudbury, Thorneloe University, the Sudbury Neutrino Observatory Laboratory, the Mining Innovation Rehabilitation and Applied Research Corporation or the Centre for Excellence in Mining Innovation or any current or former employee of any of the foregoing entities, in each case solely in respect of any claims relating to the participation of their current or former employees in the RHBP (collectively, including Employee and Employee grievance claims of the above nature, "**Compensation Claims**");
 - (ii) claims against the Applicant by any student enrolled with the Applicant during the 2020-21 academic year in respect of amounts owing in respect of rebates, refunds, account credits or other similar amounts that are subject to the existing policies and procedures of the Applicant; or
 - (iii) any claim entitled to the benefit of an existing or future Court-ordered priority charge ordered by the Court, including the Charges;

- (s) "**Filing Date**" means February 1, 2021;
- (t) "**Initial Order**" means the Amended and Restated Initial Order dated February 11, 2021 (as may be further supplemented, amended or varied from time to time);
- (u) "**Instruction Letter**" means the guide to completing the Proof of Claim form, in substantially the form attached as Schedule "B" hereto;
- (v) "**Known Creditors**" means:
 - (i) those Creditors which, to the knowledge of the Applicant and the Monitor, were owed monies by the Applicant as of the Filing Date and which monies remain unpaid in whole or in part;
 - (ii) the collective bargaining agents, Laurentian University Faculty Association and Laurentian University Staff Union;
 - (iii) Huntington University, Thorneloe University and the University of Sudbury;
 - (iv) any Person who, to the knowledge of the Applicant and the Monitor, commenced a legal or any other proceeding against the Applicant, which legal proceeding was commenced and served upon the Applicant prior to the Filing Date; and
 - (v) any Person who is party to a lease, contract, or other agreement or obligation of the Applicant which was (to the knowledge of the Applicant and the Monitor) terminated, repudiated or disclaimed by the Applicant between the Filing Date and the date of this Order.
- (w) "**Monitor**" has the meaning ascribed to it in the preamble to this Order;
- (x) "**Notice of Revision or Disallowance**" means a notice, substantially in the form attached hereto as Schedule "D", advising a Creditor that the Monitor has revised or disallowed all or part of such Creditor's Claim as set out in the Creditor's Proof of Claim;
- (y) "**Notice to Creditors**" means the Notice to Creditors for publication in substantially the form attached as Schedule "A" hereto;

- (z) "**Officers**" means all current and former officers of the Applicant, and "Officer" means any one of them;
- (aa) "**Person**" is to be interpreted broadly and includes any individual, firm, general or limited partnership, joint venture, trust, corporation, limited or unlimited liability company, unincorporated organization, association, trust, collective bargaining agent, joint venture, federal or provincial government body, agency or Ministry, regulatory body, officer or instrumentality thereof, or any juridical entity, wherever situate or domiciled, and whether or not having legal status, howsoever designated or constituted, and whether acting on their own or in a representative capacity;
- (bb) "**Plan**" means any plan of compromise or arrangement by the Applicant, if and when filed, as revised, amended, modified or supplemented from time to time in accordance with its terms;
- (cc) "**Pre-Filing Claim**" has the meaning ascribed to that term in paragraph 2(e)(i) of this Order;
- (dd) "**Pre-Filing Claims Bar Date**" means 5:00 p.m. (prevailing Eastern Time) on July 30, 2021;
- (ee) "**Proof of Claim**" means the proof of claim to be completed and filed by a Person setting forth a Claim and which shall include all supporting documentation in respect of such Claim, substantially in the form attached hereto as Schedule "C";
- (ff) "**Proof of Claim Document Package**" means a document package that includes a copy of the Notice to Creditors, Instruction Letter, Proof of Claim, and such other materials as the Monitor may consider appropriate or desirable;
- (gg) "**Proven Claim**" means a Claim as finally accepted by the Monitor, in consultation with the Applicant, or determined by the Claims Officer or by the Court, including for purposes of voting and/or distribution under the Plan;
- (hh) "**Restructuring Claim**" has the meaning ascribed to that term in paragraph 2(e)(ii) of this Order;

- (ii) "**Restructuring Claims Bar Date**" means, in respect of each Restructuring Claim and each Person having a Restructuring Claim, 5:00 p.m. (prevailing Eastern Time) on the later of: (i) July 30, 2021, and (ii) the date that is 30 days after the date on which the Monitor sends a Proof of Claim Document Package to the Creditor with respect to a Restructuring Claim that arose after the Filing Date; and
- (jj) "**Secured Claim**" means any Claim of a Secured Creditor (as defined in the CCAA), but only to the extent of the value of the security in respect of the Claim.

3. **THIS COURT ORDERS** that all references as to time herein shall mean local time in Toronto, Ontario, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day, unless otherwise indicated herein.

4. **THIS COURT ORDERS** that all references to the word "including" shall mean "including without limitation".

5. **THIS COURT ORDERS** that all references to the singular herein include the plural, the plural include the singular, and any gender includes all genders.

MONITOR'S ROLE

6. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights, duties, responsibilities and obligations under the CCAA and under the Initial Order, is hereby directed and empowered to take all such other actions and fulfill such other roles as are authorized by this Order or are incidental thereto, and that in taking such other actions and in fulfilling such other roles, the Monitor shall have the protections given to it in the Initial Order and this Order, including without limitation the protections provided in paragraph 33 of this Order.

NOTICE TO CREDITORS

7. **THIS COURT ORDERS** that:

- (a) the Monitor shall, as soon as practicable, post a copy of the Proof of Claim Document Package on its website, in both French and English, at <http://www.ey.com/ca/Laurentian>;

- (b) the Monitor shall, as soon as practicable following the issuance of this Order, on behalf of the Applicant, send to each of the Known Creditors with a Claim greater than \$50 (for which the Monitor has an address) a copy of the Proof of Claim Document Package, provided however that the Monitor is not required to send the Proof of Claim Document Package, in both French and English, to any Persons that may have a Compensation Claim;
- (c) the Monitor shall, as soon as practicable following the issuance of this Order, cause the Notice to Creditors, in both French and English, to be published in *The Globe and Mail* (National Edition) and the *Sudbury Star*, each for one (1) Business Day;
- (d) with respect to Restructuring Claims, the Monitor shall, no later than five (5) Business Days following the time that the Monitor becomes aware of the effective date of the termination, repudiation or disclaimer of a lease, contract or other agreement or obligation, send to the counterparty(ies) of such agreement or obligation a Proof of Claim Document Package; and
- (e) the Monitor shall, as soon as reasonably possible following receipt of a request therefor, deliver a copy of the Proof of Claim Document Package to any Person claiming to be a Creditor and requesting such material.

8. **THIS COURT ORDERS** that a separate process to deal with Compensation Claims shall be established by further Order of this Court, to address the validity and quantum of any Compensation Claims, and that this Order shall be without prejudice to any matter relating to any Compensation Claims now existing or arising in the future.

CLAIMS BAR DATES

9. **THIS COURT ORDERS** that all Proofs of Claim with respect to: (a) Pre-Filing Claims, shall be filed with the Monitor on or before the Pre-Filing Claims Bar Date, (b) Restructuring Claims, shall be filed with the Monitor on or before the Restructuring Claims Bar Date, and (c) D&O Claims, shall be filed with the Monitor on or before the D&O Claims Bar Date, except to the extent that the D&O Claim relates to a Restructuring Claim, in which case such D&O Claim shall be filed with the Monitor on or before the applicable Restructuring Claims Bar Date.,

10. **THIS COURT ORDERS** that any Creditor that does not file a Proof of Claim as provided for herein such that such Proof of Claim is received by the Monitor on or before the applicable Claims Bar Date: (a) shall be, and is hereby forever barred from making or enforcing such Claim against the Applicant or the Directors or Officers, or any of them; (b) shall not be entitled to vote at the applicable Creditors' Meeting in respect of the Plan or to receive any distribution thereunder; and (c) shall not be entitled to any further notice of, and shall not be entitled to participate as a Creditor in these proceedings.

PROOFS OF CLAIM

11. **THIS COURT ORDERS** that each Creditor shall file a separate Proof of Claim against the Applicant and shall include any and all Claims it asserts against the Applicant in a single Proof of Claim.

12. **THIS COURT ORDERS** that if a Creditor is asserting a Claim against the Applicant and against the Directors or Officers of the Applicant, all such Claims shall be included in the same Proof of Claim.

13. **THIS COURT ORDERS** that, where a Creditor has taken an assignment or transfer of a Claim after the Filing Date, that Creditor shall file a separate Proof of Claim for each assigned or transferred Claim.

14. **THIS COURT ORDERS** that where a Claim against the Applicant is based on the Applicant's guarantee of the repayment of a debt of any other Person, the Proof of Claim in respect of such Claim shall clearly state that it is based on such a guarantee.

15. **THIS COURT ORDERS** that if any Claim arose in a currency other than Canadian dollars, then the Creditor making the Claim shall complete its Proof of Claim indicating the amount of the Claim in such currency, rather than in Canadian dollars or any other currency. The Monitor shall subsequently calculate the amount of such Claim in Canadian dollars, using the Bank of Canada closing rate on February 1, 2021, without prejudice to the ability of the Applicant to utilize a different exchange rate in any Plan.

REVIEW OF PROOFS OF CLAIM

16. **THIS COURT ORDERS** that the Monitor, in consultation with the Applicant, shall review all Proofs of Claim filed, and at any time:

- (a) may request additional information from a Creditor;
- (b) may request that the Creditor file a revised Proof of Claim;
- (c) in consultation with the Applicant, may attempt to resolve and settle any issue arising in the Proof of Claim or in respect of a Claim;
- (d) in consultation with the Applicant, may accept (in whole or in part) the amount and/or status of any Claim and notify the Creditor in writing; and
- (e) in consultation with the Applicant, may by notice in writing revise or disallow (in whole or in part) the amount and/or status of any Claim.

17. **THIS COURT ORDERS** that where a Claim is revised or disallowed (in whole or in part, and whether as to amount and/or as to status), the Monitor shall deliver to the Creditor a Notice of Revision or Disallowance, attaching a form of Dispute Notice.

18. **THIS COURT ORDERS** that the Monitor, in consultation with the Applicant, is hereby authorized to use its reasonable discretion as to the adequacy of compliance with respect to the manner and timing in which forms delivered hereunder are completed and executed, and may, where it is satisfied that a Claim has been adequately proven, waive strict compliance with the requirements of this Order as to completion and execution of such forms. Notwithstanding any other provision of this Order, any Claim filed with the Monitor after the applicable Claims Bar Date may, in the reasonable discretion of the Monitor or subject to further Order of the Court, be deemed to have been filed on or before the applicable Claims Bar Date, and may be reviewed by the Monitor in accordance with the process set out in this Order.

DISPUTE NOTICE

19. **THIS COURT ORDERS** that a Creditor who intends to dispute a Notice of Revision or Disallowance shall file a Dispute Notice with the Monitor as soon as reasonably practicable but in any event such that the Dispute Notice shall be received by the Monitor on or before 5:00 p.m. (prevailing Eastern Time) on the day that is fourteen (14) days after the Creditor is deemed to have received the Notice of Revision or Disallowance in accordance with paragraph 35 of this Order. The filing of a Dispute Notice with the Monitor within the fourteen (14) day period

specified in this paragraph shall constitute an application to have the amount or status of such Claim determined as set out in paragraphs 21 to 25 hereof.

20. **THIS COURT ORDERS** that where a Creditor that receives a Notice of Revision or Disallowance fails to file a Dispute Notice with the Monitor within the time period provided for in paragraph 19 above, the amount and status of such Creditor's Claim shall be deemed to be as set out in the Notice of Revision or Disallowance and such amount and status, if any, shall constitute such Creditor's Proven Claim.

RESOLUTION OF CLAIMS

21. **THIS COURT ORDERS** that, as soon as practicable after a Dispute Notice is received by the Monitor in accordance with this Order, the Monitor, in consultation with the Applicant and the Creditor, shall attempt to resolve and settle the amount and status of the Creditor's Claim.

22. **THIS COURT ORDERS** that, in the event that a dispute raised in a Dispute Notice is not settled within a reasonable time period or in a manner satisfactory to the Monitor, the Applicant and the applicable Creditor, the Monitor may, in its sole discretion: (a) refer the dispute to a Claims Officer for determination, or (b) on notice to the disputing Creditor, bring the dispute before the Court for determination.

23. **THIS COURT ORDERS** that either the Monitor or the Applicant is hereby authorized to bring a motion to Court seeking an order appointing a Claims Officer in respect of any and all disputed Claims.

24. **THIS COURT ORDERS** that subject to further order of the Court, the Claims Officer shall determine the status and/or amount of each Claim in respect of which a dispute has been referred to the Claims Officer and in doing so, the Claims Officer shall be empowered to determine the process in which evidence may be brought before him or her as well as any other procedural matters which may arise in respect of the determination of any disputed Claim.

25. **THIS COURT ORDERS** that the Applicant or the Creditor may appeal the Claims Officer's determination to this Court by serving upon the other (with a copy to the Monitor) and filing with this Court, within ten (10) calendar days of notification of the Claims Officer's determination of such Creditor's Claim, a notice of motion returnable on a date to be fixed by

this Court. If a notice of motion is not filed within such period, then the Claims Officer's determination shall be deemed to be final and binding and shall be such Creditor's Proven Claim.

DETERMINATION OF PROVEN CLAIM

26. **THIS COURT ORDERS** that the amount and status of every Claim, including any Secured Claim, as finally determined in accordance with the procedures set forth in this Order, shall be final for all purposes, including for voting on and/or distributions made to Creditors of the Applicant pursuant to the Plan, provided however, that no Claim may be allowed or may be established as a Proven Claim unless a Proof of Claim with respect to that Claim is filed in accordance with this Order.

27. **THIS COURT ORDERS** that a Claim shall not be a Proven Claim in whole or in part unless and until the Claim has been allowed or otherwise finally determined in whole or in part in accordance with the procedures set out in this Order or further Order of the Court.

NOTICE OF TRANSFEREES

28. **THIS COURT ORDERS** that neither the Applicant nor the Monitor shall be obligated to give notice to or to otherwise deal with a transferee or assignee of a Claim as the Creditor in respect thereof unless and until (a) actual written notice of transfer or assignment, together with satisfactory evidence of such transfer or assignment, shall have been received by the Monitor, and (b) the Monitor shall have acknowledged in writing such transfer or assignment, and thereafter such transferee or assignee shall for the purposes hereof constitute the "Creditor" in respect of such Claim. Any such transferee or assignee of a Claim, and such Claim, shall be bound by any notices given or steps taken in respect of such Claim in accordance with this Order prior to the written acknowledgement by the Monitor of such transfer or assignment.

29. **THIS COURT ORDERS** that if the holder of a Claim has transferred or assigned the whole of such Claim to more than one Person or part of such Claim to another Person or Persons, such transfer or assignment shall not create a separate Claim or Claims and such Claim shall continue to constitute and be dealt with as a single Claim notwithstanding such transfer or assignment, and the Applicant and the Monitor shall in each such case not be bound to acknowledge or recognize any such transfer or assignment and shall be entitled to give notices to and to otherwise deal with such Claim only as a whole and then only to and with the Person last

holding such Claim in whole as the Creditor in respect of such Claim. Provided that a transfer or assignment of the Claim has taken place in accordance with paragraph 28 of this Order and the Monitor has acknowledged in writing such transfer or assignment, the Person last holding such Claim in whole as the Creditor in respect of such Claim may by notice in writing to the Monitor direct that subsequent dealings in respect of such Claim, but only as a whole, shall be with a specified Person and, in such event, such Creditor, such transferee or assignee of the Claim and the whole of such Claim shall be bound by any notices given or steps taken in respect of such Claim by or with respect to such Person in accordance with this Order.

30. **THIS COURT ORDERS** that the transferee or assignee of any Claim (a) shall take the Claim subject to the rights and obligations of the transferor/assignor of the Claim, and subject to the rights of the Applicant against any such transferor or assignor, including any rights of set-off which the Applicant had against such transferor or assignor, and (b) cannot use any transferred or assigned Claim to reduce any amount owing by the transferee or assignee to the Applicant, whether by way of set off, application, merger, consolidation or otherwise.

COMPENSATION CLAIMS

31. **THIS COURT ORDERS** that the Applicant and the Monitor, in consultation with representatives of the Laurentian University Faculty Association and the Laurentian University Staff Union, shall:

- (a) establish the primary categories of claims to be covered in a Compensation Claims process;
- (b) determine what information and how the information required to calculate such claims can be compiled with regard to the information available from the Applicant and third-party service providers;
- (c) establish the Compensation Claims Methodology; and
- (d) consider alternative procedures for notification and claim processing.

32. **THIS COURT ORDERS** that the Applicant shall bring a motion to Court by no later than July 30, 2021 seeking approval of:

- (a) the Compensation Claims Methodology; and
- (b) the process for notification of Employees and claim processing.

PROTECTIONS FOR MONITOR

33. **THIS COURT ORDERS** that: (a) in carrying out the terms of this Order, the Monitor shall have all of the protections given to it by the CCAA and the Initial Order or as an officer of this Court, including the stay of proceedings in its favour, (b) the Monitor shall incur no liability or obligation as a result of the carrying out of the provisions of this Order, (c) the Monitor shall be entitled to rely on the books and records of the Applicant and any information provided by the Applicant, all without independent investigation, and (d) the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such books, records or information.

DIRECTIONS

34. **THIS COURT ORDERS** that the Applicant or the Monitor may, at any time, and with such notice as this Court may require, seek directions from the Court with respect to this Order and the claims process set out herein, including the forms attached as Schedules hereto.

SERVICE AND NOTICE

35. **THIS COURT ORDERS** that the Monitor or the Applicant, as the case may be, are at liberty to deliver the Proof of Claim Document Package, and any letters, notices or other documents to Creditors or other interested Persons, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission to such Persons at the address as last shown on the records of the Applicant and that any such service or notice by courier, personal delivery or electronic or digital transmission shall be deemed to be received on the next Business Day following the date of forwarding thereof, or if sent by prepaid ordinary mail, on the third Business Day after mailing.

36. **THIS COURT ORDERS** that any notice or other communication (including, without limitation, Proofs of Claim) to be given under this Order by a Creditor to the Monitor shall be in writing in substantially the form, if any, provided for in this Order and will be sufficiently given only if given by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission addressed to:

ERNST & YOUNG INC.

Court-appointed Monitor of Laurentian University of Sudbury
100 Adelaide Street West, PO Box 1
Toronto, Ontario
Canada M5H 0B3

Attention: Laurentian University Claims
Telephone: 1-888-338-1766 / 1-416-943-3057
E-mail: LaurentianUniversity.monitor@ca.ey.com

37. Any such notice or other communication by a Creditor shall be deemed received only upon actual receipt thereof during normal business hours on a Business Day.

MISCELLANEOUS

38. **THIS COURT ORDERS** that notwithstanding any other provision of this Order, the solicitation of Proofs of Claim, and the filing by a Person of any Proof of Claim, shall not, for that reason only, grant any Person any standing in the CCAA proceedings or rights under a Plan.

39. **THIS COURT ORDERS** that nothing in this Order shall constitute or be deemed to constitute an allocation or assignment of a Claim or Excluded Claim into particular affected or unaffected classes for the purpose of a Plan and, for greater certainty, the treatment of Claims or Excluded Claims, or any other claims shall be dealt with in accordance with the terms and conditions of a Plan and the class or classes of creditors for voting and distribution purposes shall be subject to the terms of any Plan or further Order of the Court.

40. **THIS COURT ORDERS AND REQUESTS** the aid and recognition of any court of any judicial, regulatory or administrative body in any province or territory of Canada (including the assistance of any court in Canada pursuant to Section 17 of the CCAA) and of any other nation or state, to act in aid of and to be complementary to this Court in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and the Monitor, as an officer of the Court, as may be necessary or desirable to give effect to this Order or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

41. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Time on the date of this Order, and is enforceable without any need for entry and filing.



CHIEF JUSTICE G.B. MORAWETZ

SCHEDULE "A"**NOTICE TO CREDITORS**

Court File No.: CV-21-656040-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED*

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF LAURENTIAN UNIVERSITY OF SUDBURY
("LU" or the "Applicant")

**NOTICE OF THE CLAIMS PROCESS AND CLAIMS BAR DATE FOR THE
APPLICANT IN THE CCAA PROCEEDINGS**

NOTICE IS HEREBY GIVEN that, pursuant to an Order of the Court made on May 31, 2021, (the "Claims Process Order") a claims process has been commenced for the purpose of identifying and determining certain claims against the Applicant. Capitalized terms under this Notice that are not otherwise defined herein have the meaning ascribed to them in the Claims Process Order (a copy of which is available on the Monitor's Website).

PLEASE TAKE NOTICE that the claims process applies to Claims, as described in the Claims Process Order. The claims process has called for *Pre-Filing Claims, Restructuring Claim and, D&O Claims*. Any creditor who has not received a Claims Package and who believes that he or she has a Claim against the Applicant, under the Claims Process Order must contact the Monitor in order to obtain a Proof of Claim form or visit the Monitor's Website.

PLEASE TAKE NOTICE that Employees will not be receiving a Claims Package and do not need to complete a Proof of Claim at this time. Compensation Claims of Employees will be determined by a Court-approved Compensation Claims Methodology at a later date.

THE PRE-FILING CLAIMS BAR DATE is 5:00 p.m. (Toronto Time) on July 30, 2021. This bar date applies to all Pre-filing Claims, which does not include Restructuring Claims or Compensation Claims. Proofs of Claim must be completed and filed with the Monitor using the procedures required in the Claims Process Order so that they are received by the Monitor on or before the Pre-Filing Claims Bar Date.

THE RESTRUCTURING CLAIMS BAR DATE is 5:00 p.m. (Toronto Time) on the date that is the later of: (i) July 30, 2021, and (ii) the date that is 30 days after the date on which the Monitor sends a Proof of Claim Document Package to the Creditor with respect to such Restructuring Claim. Proofs of Claim in respect of Restructuring Claims must be completed and filed with the Monitor using the procedures required in the Claims Process Order so that they are received by the Monitor on or before the Restructuring Claims Bar Date.

THE D&O CLAIMS BAR DATE is 5:00 p.m. (Toronto Time) on July 30, 2021. This bar date applies to all D&O Claims, which does not include Restructuring Claims or Compensation Claims. Proofs of Claim must be completed and filed with the Monitor using the procedures required in the Claims Process Order so that they are received by the Monitor on or before the D&O Claims Bar Date.

HOLDERS OF CLAIMS WHO DO NOT FILE A PROOF OF CLAIM BY THE PRE-FILING CLAIMS BAR DATE, RESTRUCTURING CLAIMS BAR DATE OR D&O CLAIMS BAR DATE SHALL BE FOREVER EXTINGUISHED AND BARRED FROM ASSERTING THEIR CLAIMS AGAINST THE APPLICANT OR THE DIRECTORS AND OFFICERS OF THE APPLICANT.

CREDITORS REQUIRING INFORMATION or claims documentation may contact the Monitor. The Monitor's contact details for additional information relating to the Initial Order, the CCAA Proceedings, or the Claims Process is:

Ernst & Young Inc.
Court-appointed Monitor of Laurentian University of Sudbury
Ernst & Young Tower
100 Adelaide Street West, P.O. Box 1
Toronto, Ontario M5H 0B3

Hotline: 1-888-338-1766 / 1-416-943-3057
Email: LaurentianUniversity.monitor@ca.ey.com
Website: <http://www.ey.com/ca/Laurentian>

SCHEDULE "B"
INSTRUCTION LETTER

Court File No.: CV-21-656040-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **LAURENTIAN UNIVERSITY OF SUDBURY** ("LU" or the "Applicant")

INSTRUCTION LETTER

CLAIMS PROCESS

By Order of the Ontario Superior Court of Justice (Commercial List) dated May 31, 2021 ("Claims Process Order") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), the Applicant and Ernst & Young Inc., in its capacity as Court-appointed Monitor of the Applicant (in such capacity, the "Monitor"), have been authorized to conduct a claims process (the "Claims Process"). A copy of the Claims Process Order and other public information concerning these proceedings can be obtained from the Monitor's website at: <http://www.ey.com/ca/Laurentian>

This letter provides general instructions for completing a Proof of Claim form. Defined terms not defined within this instruction letter shall have the meaning ascribed thereto in the Claims Process Order.

The Claims Process is intended to identify and determine the amount of certain Claims against the Applicant or the Directors or Officers of the Applicant.

Current and former Employees with Compensation Claims and other Excluded Claims do not need to complete a Proof of Claim at this time.

Please review the Claims Process Order for the full terms of the Claims Process.

All notices and inquiries with respect to the Claims Process should be directed to the Monitor by prepaid registered mail, courier, personal delivery, facsimile transmission or email at the address below:

Ernst & Young Inc.
Court-appointed Monitor of Laurentian University of Sudbury
Ernst & Young Tower
100 Adelaide Street West, P.O. Box 1
Toronto, Ontario M5H 0B3

Hotline: 1-888-338-1766 / 1-416-943-3057
Email: LaurentianUniversity.monitor@ca.ey.com

FOR CREDITORS SUBMITTING A PROOF OF CLAIM

If you believe that you have a Claim (excluding Compensation Claim) against the Applicant, you must complete and file a Proof of Claim form with the Monitor.

All Proofs of Claim for Pre-Filing Claims (Claims against the Applicant arising prior to February 1, 2021) must be received by the Monitor before 5:00 p.m. (Toronto Time) on July 30, 2021 (the "**Pre-Filing Claims Bar Date**"), subject to the provisions of the Claims Process Order.

All Proofs of Claim for Restructuring Claims must be received by the Monitor on the date that is the later of: (i) July 30, 2021, and (ii) thirty (30) calendar days following the date on which the Monitor sends a Claims Package with respect to such Restructuring Claim (the "**Restructuring Claims Bar Date**"), subject to the provisions of the Claims Process Order. If you do not file a Proof of Claim in respect of any such Restructuring Claim by the Restructuring Claims Bar Date, any Restructuring Claim that you may have shall be forever extinguished and barred.

All Proofs of Claim for D&O Claims must be received by the Monitor before 5:00 p.m. (Toronto Time) on July 30, 2021 (the "**D&O Claims Bar Date**"), subject to the provisions of the Claims Process Order.

All Claims denominated in a foreign currency shall be converted to Canadian Dollars at the Bank of Canada Canadian Dollar Daily Exchange Rate in effect as of the date of the Initial Order.

ADDITIONAL FORMS

Additional Proof of Claim forms can be obtained from the Monitor's website at <http://www.ey.com/ca/Laurentian> or by contacting the Monitor.

DATED this ____ day of May, 2021

SCHEDULE "C"
PROOF OF CLAIM

Court File No.: CV-21-656040-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF LAURENTIAN UNIVERSITY OF SUDBURY
("LU" or the "Applicant")

PROOF OF CLAIM

1. PARTICULARS OF CREDITOR

Full Legal Name of Creditor:	
Full Mailing Address of Creditor:	
Telephone Number of Creditor:	
E-mail Address of Creditor:	
Attention (Contact Person):	

2. PARTICULARS OF ORIGINAL CREDITOR FROM WHOM YOU ACQUIRED THE CLAIM, IF APPLICABLE:

(a) Have you acquired this Claim by assignment? Yes No
(if yes, attach documents evidencing assignment)

a. Full Legal Name of original creditor(s):

3. PROOF OF CLAIM

THE UNDERSIGNED CERTIFIES AS FOLLOWS:

That I am a Creditor [or hold the position of _____ of the Creditor] and have knowledge of all the circumstances connected with the Claim described herein;

That I have knowledge of all the circumstances connected with the Claim described and set out below;

The Applicant was and is still indebted to the Creditor as follows:

Any Claims denominated in a foreign currency shall be filed in such currency and will be converted to Canadian Dollars at rate as set out in the Claims Process Order.

	Class of Claim Against the Applicant (Pre-Filing Claims, Restructuring Claim)	Amount of Claim Against the Applicant (include the foreign currency if not Canadian dollars)
1.		\$
2.		\$
TOTAL AMOUNT OF CLAIMS		\$

4. NATURE OF CLAIM

(CHECK AND COMPLETE APPROPRIATE CATEGORY)

Total Unsecured Claim of \$ _____

Total Secured Claim of \$ _____

In respect of this debt, I hold security over the assets of LU valued at \$ _____, the particulars of which security and value are attached to this Proof of Claim form.

(If the Claim is secured, provide full particulars of the security, including the date on which the security was given the value for which you ascribe to the assets charged by your security, the basis for such valuation and attach a copy of the security documents evidencing the security.)

5. PARTICULARS OF CLAIM:

The particulars of the undersigned's total Claims (including Pre-Filing Claims, Restructuring Claims or any D&O Claims) are attached.

Provide full particulars of the Claim(s) and supporting documentation you are asserting a Claim against, the amount, description of transaction(s) or agreement(s) giving rise to the Claim(s), name of any guarantor(s) which has guaranteed the Claim(s), and amount of Claim(s) allocated thereto, date and number of all invoices, particulars of all credits, discounts, etc. claimed. In the event that any part of your claim also includes a claim amount against the Directors and Officers, please particularize the exact amount claimed against the Directors and Officers and the accompanying legal analysis. If you fail to sufficiently explain the legal analysis in respect of any claim against the Directors and Officers, that portion of the claim will be revised or disallowed.

FILING OF CLAIM

For Pre-Filing Claims, this Proof of Claim must be returned to and received by the Monitor by 5:00 p.m. (Toronto Time) on the Pre-Filing Claims Bar Date (July 30, 2021).

For Restructuring Claims, this Proof of Claim must be returned to and received by the Monitor by 5:00 p.m. (Toronto Time) on the date that is the later of: (i) July 30, 2021, and (ii) thirty (30) calendar days following the date on which the Monitor sends a Claims Package with respect to such Restructuring Claim.

For D&O Claims, this Proof of Claim must be returned to and received by the Monitor by 5:00 p.m. (Toronto Time) on the D&O Claims Bar Date (July 30, 2021).

In each case, completed forms must be delivered by prepaid registered mail, courier, personal delivery, facsimile transmission or email to the Monitor at the following address:

Ernst & Young Inc.
Court-appointed Monitor of Laurentian University of Sudbury
Ernst & Young Tower
100 Adelaide Street West, P.O. Box 1
Toronto, Ontario M5H 0B3

Hotline: 1-888-338-1766 / 1-416-943-3057
Email: LaurentianUniversity.monitor@ca.ey.com

Dated at _____ this _____ day of _____, 20____.

Witness Name: _____ Name of Creditor: _____

Signature of Creditor: _____

*If Creditor is other than an individual, print name
and title of authorized signatory*

Name: _____

Title: _____

SCHEDULE "D"**NOTICE OF REVISION OR DISALLOWANCE****Court File No.: CV-21-656040-00CL**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C.
1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
LAURENTIAN UNIVERSITY OF SUDBURY ("LU" or the "Applicant")**

NOTICE OF REVISION OR DISALLOWANCE

TO:

Terms not otherwise defined in this Notice have the meaning ascribed thereto in the Claims Process Order. The Claims Process Order can be accessed on the Monitor's website at www.ey.com/ca/Laurentian.

This Notice of Revision or Disallowance is issued pursuant to the Claims Process Order. The Monitor hereby gives you notice that it has reviewed your Proofs of Claim and has revised or disallowed your Claim as set out below:

Claim Type	Amount of Claim per Proof of Claim	Disallowed Amount	Allowed as Revised

If you intend to dispute this Notice of Revision or Disallowance, you must notify the Monitor of such intent by delivery to the Monitor of a Dispute Notice in accordance with the Claims Process Order, such that it is received by the Monitor by 5:00 p.m. no later than fourteen (14) calendar days after you receive such Notice of Revision or Disallowance at the following address by prepaid registered mail, courier, personal delivery, facsimile transmission or email:

Ernst & Young Inc.
Court-appointed Monitor of Laurentian University of Sudbury
Ernst & Young Tower
100 Adelaide Street West, P.O. Box 1
Toronto, Ontario M5H 0B3

Hotline: 1-888-338-1766 / 1-416-943-3057
Email: LaurentianUniversity.monitor@ca.ey.com

If you do not deliver a Dispute Notice in accordance with the Claims Process Order, the value of your Claim shall be deemed to be as set out in this Notice of Revision or Disallowance.

DATED at _____ this _____ day of _____, 20____.

SCHEDULE "E"
DISPUTE NOTICE

Court File No.: CV-21-656040-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF LAURENTIAN UNIVERSITY OF SUDBURY
("LU" or the "Applicant")

DISPUTE NOTICE

1. PARTICULARS OF CREDITOR

Full Legal Name of Creditor:	
Full Mailing Address of Creditor:	
Telephone Number of Creditor:	
E-mail Address of Creditor:	
Attention (Contact Person):	

2. PARTICULARS OF ORIGINAL CREDITOR FROM WHOM YOU ACQUIRED THE CLAIM, IF APPLICABLE:

(b) Have you acquired this Claim by assignment? Yes No
(if yes, attach documents evidencing assignment)

Full Legal Name of original creditor(s): _____

3. DISPUTE OF REVISION OR DISALLOWANCE OF CLAIM:

(Any Claims denominated in a foreign currency shall be filed in such currency and will be converted to Canadian dollars at the rate as set out in the Claims Process Order.)

We hereby disagree with the value of our Claim as set out in the Notice of Revision or Disallowance dated _____, as set out below:

Claim Type (Pre-filing Claim, Restructuring Claim)	Claim as Allowed or Revised per Notice of Revision or Disallowance	Claim amount per Creditor
	\$	\$
	\$	\$
	\$	\$
	\$	\$

(Insert particulars of your Claim per Notice of Revision or Disallowance, and the value of your Claim as asserted by you.)

4. REASONS FOR DISPUTE:

Provide full particulars of the Claim and supporting documentation, including amount, description of transaction(s) or agreement(s) giving rise to the Claim, name of any guarantor(s) which has guaranteed the Claim, and amount of Claim allocated thereto, date and number of all invoices, particulars of all credits, discounts, etc. claimed. The particulars provided must support the value of the Claim, as stated by you in item 3 above.

If you intend to dispute the Notice of Revision or Disallowance, you must notify the Monitor of such intent by delivery to the Monitor of a Dispute Notice in accordance with the Claims Process Order such that it is received by the Monitor by 5:00 p.m. no later than fourteen (14) calendar days after you receive such Notice of Revision or Disallowance at the following address by prepaid registered mail, courier, personal delivery, facsimile transmission or email:

Ernst & Young Inc.
Court-appointed Monitor of Laurentian University of Sudbury
Ernst & Young Tower
100 Adelaide Street West, P.O. Box 1
Toronto, Ontario M5H 0B3

Hotline: 1-888-338-1766 / 1-416-943-3057
Email: LaurentianUniversity.monitor@ca.ey.com

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

CLAIMS PROCESS ORDER

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D.J. Miller (LSO# 344393P)
Email: djmillier@tgf.ca

Mitchell W. Grossell (LSO# 699931)
Email: mgrossell@tgf.ca

Andrew Hanrahan (LSO# 78003K)
Email: ahanrahan@tgf.ca

Derek Harland (LSO# 79504N)
Email: dharland@tgf.ca

Tel: 416-304-1616

Lawyers for the Applicant

This is Exhibit "H" referred to in the Affidavit of Tom Fenske affirmed October 16, 2025



Commissioner for Taking Affidavits (or as may be)

SCHEDULE “A” TO PROOF OF CLAIM**CLAIM REGARDING RETIREES HEALTH BENEFIT PLAN**

1. Laurentian University Staff Union (“LUSU”) claims, on behalf all of its members (including members who are retirees, active employees and terminated employees of Laurentian University of Sudbury (“Laurentian”)) (the “Claimants”), against all current and former directors and officers of Laurentian from July 1, 1998, to date (the “Directors and Officers”) for damages arising out of the misuse of Retirees Health Benefit Plan (“RHBP”) trust funds.

A. BACKGROUND:

2. The RHBP is a retirement benefits plan available to employees of Laurentian, Huntington University, Thorneloe University, the University of Sudbury, the SNO Lab and MIRARCO research centres, and the Centre for Excellence in Mining Innovation. A copy of the RHBP Policy is enclosed at **Tab 1**. The terms of the RHBP are also summarized in an actuarial report prepared by Eckler Ltd., dated June 16, 2020 (the “Eckler Report”), at Section 9. A copy of the Eckler Report is enclosed at **Tab 2**.
3. According to University President Robert Haché (“Mr. Haché”), as of January 30, 2021, there were 866 employees contributing to the RHBP but not yet collecting benefits, and 358 retirees who were eligible to collect RHBP benefits. See the Affidavit of Robert Haché, from the Application Record of Laurentian returnable February 1, 2021 (the “Haché Affidavit”), para. 164. A copy of the Haché Affidavit (without exhibits) is enclosed at **Tab 3**.

4. The RHBP was funded by monthly premium contributions from participating employees and annual contributions from Laurentian, Huntington University, Thorneloe University and the University of Sudbury.
5. Pursuant to the terms of the RHBP Policy, Laurentian was required to establish a trust account and to deposit all RHBP contributions into the trust account.
6. As admitted by Mr. Haché, Laurentian did not establish a trust account in respect of the RHBP and deposited RHBP contributions into Laurentian's general operating bank account (Haché Affidavit, para. 169). Laurentian estimated that the RHBP accrued benefit obligation was approximately \$7.2 million as of April 30, 2020 (Haché Affidavit, para. 169). According to the Eckler Report (see **Tab 2**), the RHBP's defined benefit obligation for fiscal year ending April 30, 2020, was \$7,206,000.
7. As of February 2021, when the University commenced proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA proceedings"), the RHBP was entirely unfunded. The Third Report of the Monitor, dated April 26, 2021 (the "Third Report"), confirms that the RHBP is currently unfunded (para. 108) and provides further confirmation that Laurentian failed to establish a trust fund despite being required to do so pursuant to the terms of the RHBP Policy (paras. 134-135). A copy of the of Third Report is enclosed at **Tab 4**.
8. As a result of Laurentian's misuse of RHBP contributions, which resulted in the complete depletion of RHBP funds, the RHBP was eliminated on April 5, 2021, in connection with the CCAA proceedings.

B. CLAIM:

9. LUSU claims against the Directors and Officers, jointly and severally, for breach of fiduciary duty, breach of trust, knowing assistance of breach of trust, negligent and fraudulent misrepresentation, and breach of contract.

10. The legal grounds for LUSU's claim are as follows:

a. **Breach of Fiduciary Duty:** The Directors and Officers were responsible for overseeing and/or managing the RHBP. The Directors and Officers had the ability to, and did in fact, exercise power, discretion and control over the RHBP. They were obligated pursuant to the RHBP Policy to create a trust account for the RHBP contributions and administer that account as trustees for the benefit of the Claimants. The Directors and Officers' power, discretion and control over the RHBP affected the Claimants' legal and practical interests as participants in the RHBP. The Claimants relied on the Directors and Officers to hold the RHBP contributions in trust and administer them in accordance with the RHBP Policy. The Claimants were vulnerable to or at the mercy of the Directors and Officers with respect to the management of the RHBP and the use of their RHBP contributions. As such, the Directors and Officers owed a fiduciary duty to the Claimants *qua* RHBP participants. The Directors and Officers' fiduciary duty to the Claimants included a duty to act honestly, loyally and in good faith and to exercise prudence, care and skill in the administration of the RHBP. The Directors and Officers breached their fiduciary duty by 1) failing to establish a trust account, 2) failing to deposit RHBP contributions into a trust account, and 3) allocating RHBP funds to

Laurentian's general operating account and depleting the RHBP funds without the knowledge or consent of the Claimants. The Directors and Officers' misconduct deprived the Claimants of RHBP benefits.

- b. **Breach of Trust/Knowing Assistance:** The Directors and Officers were trustees of the RHBP. The Directors and Officers are liable to the Claimants for breach of trust by virtue of the acts and omissions outlined in paragraph 10(a) above. In the alternative, if the Directors and Officers were not trustees, the Directors and Officers knowingly assisted the trustee(s) of the RHBP in breach of trust. The Directors and Officers had knowledge of the existence of the RHBP and of the requirement to deposit RHBP funds into a trust account. The Directors and Officers had knowledge of (or were reckless or willfully blind with respect to) the failure of the trustee(s) to establish a trust. The Directors and Officers had knowledge of (or were reckless or willfully blind with respect to) the depositing of RHBP funds into the general operating account, which act exposed the RHBP participants to a risk that was not authorized under the RHBP Policy. Further, the Directors and Officers knew (or were reckless or willfully blind to) the depletion of the RHBP funds for purposes other than the provision of benefits pursuant to the RHBP Policy. The Directors and Officers participated or assisted in this dishonest scheme by, *inter alia*: 1) reviewing and approving Laurentian's financial statements; 2) reviewing and approving the improper expenditure of RHBP funds; and 3) failing to disclose and/or concealing the misuse of the RHBP funds from the Claimants.
- c. **Negligent and/or Fraudulent Misrepresentation:** The Directors and Officers disseminated false and/or misleading information about the RHBP Policy,

including but not limited to the “Memo to New Employees re RHBP” (enclosed at **Tab 5**), representing that the RHBP contributions would be deposited into a trust account, that the funds would be used for the purpose of providing benefits to eligible participants, and that the RHBP had sufficient funds to cover its benefit obligations. These representations were materially misleading because, *inter alia*:

1) the RHBP contributions were not deposited in a trust account; 2) as a result of the failure to properly segregate the RHBP contributions, the contributions were subject to an undisclosed risk of depletion for purposes other than providing the promised benefits; 3) the RHBP contributions were being used for purposes other than providing the promised benefits; and 4) the RHBP did not have sufficient funds to cover its benefit obligations. The Directors and Officers knew or should have known that the representations to the Claimants about the RHBP were materially misleading. It was reasonably foreseeable that the Claimants would rely on these representations and the Claimants’ reliance on them was reasonable in the circumstances. The Claimants relied on the Directors and Officers’ misrepresentations to their detriment by electing to participate in and contribute to the RHBP while the Directors and Officers failed to secure and properly segregate the funds and likewise depleted the funds and/or allowed the funds to be depleted for reasons other than providing the promised RHBP benefits. The Directors and Officers breached the duty of care owed to the Claimants by making the above-outlined material misrepresentations.

d. **Breach of Contract:** The terms of the RHBP Policy required Laurentian to establish a trust account and to deposit all RHBP contributions into the trust

account. The Directors and Officers breached the RHBP Policy by failing to cause Laurentian to establish a trust account and to set aside RHBP contributions, resulting in the Claimants' loss of RHBP benefits.

C. IDENTITY OF DIRECTORS AND OFFICERS:

11. The Directors and Officers include, but are not limited to, the following individuals:

- a. Floyd Laughren;
- b. Michael Atkins;
- c. Jennifer Witty;
- d. Claude Lacroix;
- e. Judith Woodsworth;
- f. Dominic Giroux;
- g. Pierre Zundel;
- h. Robert Haché;
- i. Carol McAulay; and
- j. Lorella Hayes.

D. AMOUNT CLAIMED:

12. LUSU seeks damages equivalent to 1) the present value of future benefits (for Claimants who were eligible to receive RHBP benefits as of April 30, 2021) and 2) the value of the

individual contributions made to the RHBP (for Claimants who were not eligible to receive RHBP benefits as of April 30, 2021). LUSU estimates that the total damages for all RHBP participants (including participants who are members of other employee groups) to be \$12.8 million. This estimate is based on actuarial assumptions for the population derived from the active lives grouped data in the Pension Plan actuarial valuation as of January 1, 2020 and the total number of 866 employees contributing to the RHBP. LUSU seeks the Claimants' pro-rata share of the \$12.8 million in damages.

13. In the alternative to the amount claimed in paragraph 12 above, LUSU seeks damages in an amount to be determined by a court-appointed actuary, calculated as follows:

- a. For Claimants (retired) who were eligible to receive RHBP benefits as of April 30, 2021, damages equal to the present value of future benefits based on the following assumptions:
 - i. average life expectancy for primary member is 90 years old;
 - ii. remaining benefit term assumes greater of 3 years or number of years to age 90;
 - iii. if primary member already deceased, remaining benefit term for spouse is 2 years from the date of death of primary member; and
 - iv. annual benefit: \$1,373/\$686 for family plan and single plans, respectively.
- b. For Claimants (active) who were eligible to receive RHBP benefits as of April 30, 2021, damages equal to the present value of future benefits based on the

assumptions in paragraph 13(a) above and assuming that the Claimants begin claiming future benefits at age 62.

- c. For Claimants (active, retired and terminated) who were not eligible to receive RHPB benefits as of April 30, 2021, damages based on the value of each Claimant's individual contributions to the RHPB.

14. In addition, LUSU seeks punitive damages in the amount of \$1,000,000.

CLAIM REGARDING 2020 FURLOUGH PAYMENT

1. LUSU claims, on behalf of itself and all of its members (the “Claimants”), against all current and former directors and officers of Laurentian from March 2020 to date (the “Directors and Officers”) for damages resulting from the Directors and Officers’ fraudulent and/or negligent misrepresentations which induced LUSU to make a \$450,000 payment to Laurentian in 2020.

A. BACKGROUND:

2. In spring 2020, Laurentian approached LUSU and asked it to renegotiate its collective agreement before the end of the collective agreement’s term. Laurentian advised LUSU that it needed to reopen the collective agreement early because Laurentian was experiencing financial hardship. Laurentian advised LUSU that Laurentian needed to achieve \$1.5 million in savings to ensure Laurentian’s financial stability. On the basis of Laurentian’s representations, LUSU agreed to renegotiate portions of its collective agreement. The negotiations took place in May and June 2020 (the “2020 Negotiations”).
3. LUSU achieved Laurentian’s stated target of \$1.5 million in savings through a combination of benefit and compensation reductions and by providing Laurentian with a direct, one-time payment of \$450,000 on August 10, 2020. The \$450,000 payment (the “Furlough Payment”) was equivalent to the value of six furlough days for each active LUSU member. During the 2020 Negotiations, Laurentian (and, in particular, Vice-President of Administration Lorella Hayes) repeatedly assured LUSU that the stated target of \$1.5 million was all that was necessary from LUSU to ensure Laurentian’s financial stability and that no further cuts or payments would be required for the balance of the collective

agreement's term. Laurentian (and, in particular, Ms. Hayes) also specifically told LUSU that there would be no staff redundancies for the balance of the collective agreement's term. Laurentian agreed to extend the "no redundancy" provisions for the balance of the collective agreement's term, meaning that Laurentian agreed that it could not eliminate any bargaining unit positions until June 30, 2023.

4. In February 2021, Laurentian commenced proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA proceedings"). In connection with the CCAA proceedings, Laurentian laid off and/or terminated 41 LUSU members and imposed further salary and benefit reductions.

B. CLAIM:

5. LUSU claims against the Directors and Officers, jointly and severally, for negligent and/or fraudulent misrepresentation. The legal grounds for LUSU's claim are as follows:

- a. **Negligent and/or Fraudulent Misrepresentation:** The Directors and Officers made false and/or misleading statements to the Claimants during the 2020 Negotiations regarding Laurentian's financial circumstances. In particular, the Directors and Officers represented that by providing the Furlough Payment and agreeing to various salary and compensation reductions, Laurentian's financial position would become sufficiently stable to prevent any further cuts over the life of LUSU's collective agreement. But for this representation, the Claimants would not have agreed to the Furlough Payment. The Directors and Officers' representations were materially misleading because, unbeknownst to the Claimants, Laurentian was insolvent before, during, and after the 2020 Negotiations and

Laurentian did not have sufficient funds to cover existing obligations to LUSU members at the conclusion of the 2020 Negotiations. The Directors and Officers knew or should have known that the representations to the Claimants regarding the financial outlook of Laurentian were materially misleading. It was reasonably foreseeable that the Claimants would rely on these representations and the Claimants' reliance on them was reasonable in the circumstances. The Claimants relied on the Directors and Officers' misrepresentations to their detriment by agreeing to provide Laurentian with the Furlough Payment, while the Directors and Officers knew or should have known that the payment (and related compensation reductions) would not be sufficient to ensure Laurentian's financial stability or to prevent any further cuts over the life of LUSU's collective agreement. The Directors and Officers breached the duty of care owed to the Claimants by making the above-outlined material misrepresentations.

C. IDENTITY OF DIRECTORS AND OFFICERS:

6. The Directors and Officers include, but are not limited to, the following individuals:
 - a. Robert Haché; and
 - b. Lorella Hayes.

D. AMOUNT CLAIMED:

7. LUSU seeks damages in the amount of \$450,000, being the value of the Furlough Payment.

CLAIM REGARDING LEGAL FEES

1. LUSU claims, on behalf itself and all of its members (the “Claimants”), against all current and former directors and officers of Laurentian from July 1, 1998, to date (the “Directors and Officers”) for special damages resulting from the misconduct outlined above and from the Directors and Officer’s fraudulent and/or negligent misrepresentations with respect to the financial condition of Laurentian.

A. BACKGROUND:

2. LUSU relies on the facts set out in the preceding sections.

B. CLAIM:

3. LUSU relies on the legal analysis set out in the preceding sections in support of its claim for special damages. Additional legal ground for LUSU’s claim is as follows:

a. **Negligent and/or Fraudulent Misrepresentation:** The Directors and Officers’ misrepresentation with respect to Laurentian’s financial circumstances (outlined above) caused LUSU to renegotiate its collective agreement twice: first, in spring 2020 and again in March/April 2021 in connection with the CCAA proceeding. LUSU would have avoided some or all of the legal fees incurred in the 2020 negotiation and in the CCAA proceeding but for the Directors and Officers’ misrepresentations. The Directors and Officers materially misled LUSU and other employee groups about Laurentian’s financial circumstances for a period of several years. The Directors and Officers material misrepresentations, coupled with their negligent and incompetent management of the affairs and finances of Laurentian,

prevented LUSU and other employee groups from engaging in restructuring efforts outside of the CCAA process. The Directors and Officers' misrepresentations caused LUSU to incur unnecessary legal expenses.

C. IDENTITY OF DIRECTORS AND OFFICERS:

4. The Directors and Officers include, but are not limited to, the following individuals:
 - a. Floyd Laughren;
 - b. Michael Atkins;
 - c. Jennifer Witty;
 - d. Claude Lacroix;
 - e. Judith Woodsworth;
 - f. Dominic Giroux;
 - g. Pierre Zundel;
 - h. Robert Haché;
 - i. Carol McAulay; and
 - j. Lorella Hayes.

D. AMOUNT CLAIMED:

5. LUSU seeks special damages in the amount of \$300,000, representing the legal fees incurred by LUSU as a result of the Directors and Officers' misconduct.

This is Exhibit "I" referred to in the Affidavit of Tom Fenske
affirmed October 16, 2025

A handwritten signature in black ink, appearing to read "Tom Fenske".

Commissioner for Taking Affidavits (or as may be)

Court File No. CV-21-656040-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF **LAURENTIAN UNIVERSITY OF SUDBURY**

AMENDED PLAN OF COMPROMISE AND ARRANGEMENT

September 9, 2022

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AMENDED PLAN OF COMPROMISE AND ARRANGEMENT

This is the plan of compromise and arrangement of the Applicant pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

ARTICLE I INTERPRETATION

1.1 Definitions

In this Plan, including the Schedules attached hereto, all capitalized terms and grammatical variations of such words and phrases shall have the following meanings:

Administration Charge	The charge granted in the Initial Order, up to a maximum amount of \$1,250,000 over the Applicant's property in favour of the Monitor, counsel to the Monitor, counsel to the Applicant, and advisors to the Applicant, as security for their professional fees and disbursements incurred at their respective standard rates and charges.
Administration Reserve	Has the meaning given in Section 6.2.
Affected Claims	All Claims other than Unaffected Claims.
Affected Creditor	A Creditor with an Affected Claim.
Applicable Law	Any law, statute, order, decree, judgment, rule, regulation, ordinance or other pronouncement having the effect of law, whether in Canada or any other country, or any domestic or foreign state, county, province, city or other political subdivision of any Governmental Authority.
Applicant	Laurentian University of Sudbury.
Board of Governors	Board of Governors of Laurentian University of Sudbury.
Business	The business conducted by the Applicant consisting of the ongoing operation of a bilingual and tri-cultural post-secondary university in the City of Sudbury.
Business Day	A day other than a Saturday, Sunday, statutory or civic holiday in Sudbury, Ontario.
Bylaws	Bylaws of the Board of Governors of Laurentian University of Sudbury.
CCAA	<i>Companies' Creditors Arrangement Act</i> , R.S.C. 1985, c. C-36, as amended.
CCAA Charges	Collectively, the Administration Charge, the Directors' Charge, and the DIP Lender's Charge, as each term is defined in the Initial Order or the DIP Approval Order, as applicable.

CCAA Priority Claims	Claims that are required to be paid pursuant to sections 6(3), 6(5), and 6(6) of the CCAA.
CCAA Proceeding	The proceeding commenced by the Applicant pursuant to the CCAA on the Filing Date, bearing Court File No. CV-21-656040-00CL.
Claims	Collectively, all: (a) Pre-Filing Claims, (b) Restructuring Claims, (c) D&O Claims, and (d) Compensation Claims.
Claims Bar Date	The claims bar dates as set out in the Claims Process Order or the Compensation Claims Process Order, as applicable.
Claims Process	The process to determine the validity and quantum of Claims pursuant to the Claims Process Order or the Compensation Claims Process Order, as applicable.
Claims Process Order	The Amended and Restated Claims Process Order granted by Chief Justice Morawetz dated May 31, 2021, as may be further amended.
Compensation Claim	<p>The following claims against the Applicant:</p> <p>(a) all claims in respect of the following:</p> <p>(i) claims of any Employee or Retiree for amounts owing to him or her in his or her capacity as a current or former employee of the Applicant, including without limitation, claims on account of wages, salaries, any other form of compensation (whether sales-based, incentive-based, deferred, retention-based, share-based, or otherwise), termination or severance pay, employee benefits (including, but not limited to, medical and similar benefits, disability benefits, relocation or mobility benefits, and benefits under employee assistance programs), pension and retirement benefits (including the Pension Plan, RHBP and SuRP), vacation pay, and employee expenses;</p> <p>(ii) claims of any Employee or Retiree arising from the administration, management or oversight of any of the pension plans or employee benefit plans administered or sponsored by the Applicant (including the Pension Plan, RHBP and SuRP); and</p> <p>(iii) claims by any Employee or Retiree, or the surviving spouse or other beneficiary of any Employee or Retiree, for other amounts owing to such Person in their capacity as an Employee, as plan member, surviving spouse or other beneficiary of the plan, to</p>

the extent not already captured in subparagraphs (i) or (ii) above;

- (b) claims by any Employee or Union (whether on behalf of an Employee or otherwise) in respect of grievances under any collective agreement to which the Applicant is party, whether such grievance arose prior to or after the Filing Date and is in respect of any matter that:
 - (i) is based in whole or in part on facts existing prior to the Filing Date, related to a time period prior to the Filing Date; or
 - (ii) arises as a result of the restructuring of the Applicant prior to the date of the Compensation Claims Process Order, including for greater certainty any grievance related to the Union Restructuring Agreements;
- (c) claims by any Union arising pursuant to section 33(5) of the CCAA; and
- (d) claims by any of the Third Parties, in each case made on behalf of any of their respective Third Party Employees, in each case solely in respect of any claims relating to the participation of their current or former employees in the RHBP.

For greater certainty, Compensation Claims shall not include any D&O Claims.

**Compensation
Claims Process
Order**

The Amended Compensation Claims Process Order granted by Chief Justice Morawetz dated August 17, 2021, as may be further amended.

**Conditional Real
Estate Agreement**

Has the meaning given in Section 5.1.

**Continuous
Improvement
Committee**

The committee to be created to ensure that, once service-delivery and other operational processes, procedures, and policies have been reviewed and approved as contemplated in the Nous Operational Report, constant review occurs such that the Applicant is aware of best practices within the sector. The Continuous Improvement Committee will include representation from employee groups and other stakeholders.

Court

Ontario Superior Court of Justice (Commercial List).

Creditor

A Person with a Claim, including the transferee or assignee of a transferred Claim that is recognized as a Creditor by the Monitor in accordance with the Claims Process Order or the Compensation Claims Process Order, or a trustee,

	liquidator, receiver, receiver and manager or other Person acting on behalf of such Person.
CRO	Chief Redevelopment Officer Mr. Louis (Lou) Pagnutti, appointed by Order dated May 31, 2021.
Cure Period	Has the meaning given in Section 5.4.
D&O	Any Director or Officer who is or was or may be deemed to be or have been a director or officer of the Applicant, including any <i>de facto</i> director or officer of the Applicant at any time up to the Plan Implementation Date.
D&O Claim	Any right of any Person against the Directors or Officers of the Applicant, or any of them, that relates to any claim for which they might be liable as a result of any act or omission as a Director or Officer of the Applicant.
D&O Claims Bar Date	5:00 p.m. (prevailing Eastern Time) on July 30, 2021.
D&O Indemnity Claim	Has the meaning given in Section 6.1.
Designated Real Estate Assets	The specific real estate assets that may be identified in the future as being subject to a sale by the Applicant to: (a) the Province, or (b) as directed or consented to by the Province pursuant to the process described in Article V.
DIP Approval Order	The Order granted by Chief Justice Morawetz dated January 27, 2022.
DIP Facility	The debtor-in-possession (DIP) financing in the principal amount of \$35 million provided by the DIP Lender to the Applicant to effect a refinancing of the debtor-in-possession facility originally fully advanced by Firm Capital Corporation as original DIP lender, which refinancing occurred on January 29, 2022.
DIP Lender	Her Majesty the Queen in right of Ontario, as represented by the Minister of Colleges and Universities.
DIP Lender's Charge	The third-ranking charge granted in the DIP Approval Order as security for the Applicant's indebtedness and obligations under the DIP Facility.
DIP Loan Agreement	The DIP Loan Agreement dated January 19, 2022, between the DIP Lender and the Applicant, approved by the DIP Approval Order.
Directors	All current and former directors of the Applicant, and "Director" means any one of them, and for greater certainty includes any current or former member of the Board of Governors of the Applicant.
Directors' Charge	The second-ranking charge granted in the Initial Order up to a maximum amount of \$2,000,000, and the fourth-ranking charge granted in the Initial Order up to a maximum amount of \$3,000,000, in each case as security for the

	indemnity provided by the Applicant to the directors, officers, and the Board of Governors against obligations and liabilities that may be incurred as directors or officers of the Applicant after the Filing Date, save and except to the extent that any such liability was incurred as a result of gross negligence or wilful misconduct.
Distribution Date	One or more Business Days that distributions are made by the Monitor in accordance with the provisions of the Plan, the Sanction Order, and any other applicable Order made in the CCAA Proceeding.
Distribution Pool	A cash pool from which the Monitor shall make distributions in respect of CCAA Priority Claims, Secured Claims, Vacation Pay Compensation Claims, and Affected Claims, into which shall be deposited in accordance with this Plan: (i) the amount funded by the Applicant required to satisfy the CCAA Priority Claims, Secured Claims, and Vacation Pay Compensation Claims, in full in accordance with this Plan, and (ii) the Net Sale Proceeds, not exceeding the Plan Consideration, from the disposition of the Designated Real Estate Assets, less any amounts reimbursed to the Applicant in accordance with Section 5.3. For greater certainty, the aggregate deposits into the Distribution Pool from all sources, net of amounts reimbursed to the Applicant in accordance with Section 5.3, shall not in any circumstance exceed the Plan Consideration.
Distribution Record Date	The date that is seven (7) Business Days prior to the date that any distribution is made under the Plan.
Effective Time	The time on the Plan Implementation Date that the Monitor delivers its certificate in accordance with Section 10.3 of the Plan.
EI Confirmation	In respect of a Creditor with a Compensation Claim, confirmation from Employment and Social Development Canada of the amount, if any, owing by such Creditor pursuant to section 45 of the <i>Employment Insurance Act</i> (Canada).
Employee	The current and former employees of the Applicant.
Encumbrances	Any mortgage, charge, pledge, lien (statutory or otherwise), hypothec, security interest (whether contractual, statutory or otherwise), encumbrance, statutory or possessory lien, trust or deemed trust (whether contractual, statutory, or otherwise), execution, levy, charge, interest in property, or other financial or monetary claim or lease of personal property that creates a security interest, in respect of any assets that the Applicant owns, has an interest, or to which the Applicant is entitled or that secures payment or performance of an obligation, or similar charge of any kind.
Excluded D&O Claims	The 12 D&O Claims filed in the Claims Process on or before the D&O Claims Bar Date (none of which are being determined within the Claims Process) only as such D&O Claims are particularized in the corresponding proof(s) of claim filed in the Claims Process. For the avoidance of doubt, the Excluded D&O Claims are only the 12 D&O Claims filed in the Claims Process prior to the D&O Claims Bar Date, and for each such claim, an Excluded D&O Claim is

strictly and narrowly defined to include only the specific claimant(s), specific defendant(s), specific cause(s) of action asserted, and maximum amount expressly asserted in each such proof of claim. In no way shall any part of this Plan be interpreted to define any demand of any kind by any form of entity (including any agent, successor, assign, administrator, or any other form of party) as an Excluded D&O Claim that has not been filed in the Claims Process (and not expressly particularized in the associated proof(s) of claim), such claims having been barred and extinguished by the Claims Process Order, the Compensation Claims Process Order, the Meeting Order, and/or the applicable Claims Bar Dates. Notwithstanding the above, in respect of the Excluded D&O Claim filed by each of the Unions, it does not prevent each of those two Excluded D&O Claims from being pursued by one (but not both of): (i) the named Union; or (ii) a named individual LUSU or LUFA member as authorized representative on behalf of that Union's members, pursuant to Rule 12 of the Ontario *Rules of Civil Procedure* or to the *Class Proceedings Act, 1992*, provided that such Excluded D&O Claim brought by such named individual LUFA or LUSU representative shall be advanced on the same basis (including as to costs) as if advanced by LUFA or LUSU and shall continue to be strictly and narrowly limited to only the specific claimant(s) on whose behalf such claim was expressly asserted, and the specific defendant(s), specific cause(s) of action asserted, and maximum amount expressly asserted, in the proofs of claim filed by the Unions in the Claims Process on or before the D&O Claims Bar Date.

Exit Financier

A party who provides exit financing to the Applicant in an amount sufficient to fully and permanently repay the DIP Facility.

Exit Financing

A loan to be obtained by the Applicant, the proceeds of which are in an amount sufficient to fully and permanently repay the DIP Facility.

Exit Financing Documentation

The loan agreement and related documentation entered into by the Applicant and the Exit Financier in connection with the Exit Financing.

Exit Financing Facility

The Exit Financing facility to be entered into between the Applicant and the Exit Financier.

EY

Ernst & Young Inc. in respect of services provided to the Applicant before and after the Filing Date, including in respect of services provided in its capacity as Monitor, and including any of its affiliates, partners, officers, directors, employees, agents, subcontractors and legal counsel.

Filing Date

February 1, 2021.

Governmental Authority

Any government (including the Provinces and the Federal Government), regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled or purporting to exercise any

administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.	
Guaranteed Minimum Plan Consideration Amount	Has the meaning given in Section 5.4.
Huntington Released Claims	Solely in respect of Huntington University, any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, liabilities, accounts, covenants, damages, judgments, orders (including orders for injunctive relief or specific performance and compliance orders), expenses, executions, encumbrances and recoveries on account of any liability, obligation, demand or cause of action of whatever nature that any Person has or may be entitled to assert, whether known or unknown, matured or unmatured, contingent or actual, direct, indirect or derivative, at common law, in equity or under statute, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing, matter or occurrence existing or taking place at or prior to the Effective Time, that in any way relate to or arise out of or in connection with: (a) the discontinuation of the RHBP, and (b) the discontinuation of any courses or programs previously offered by Huntington University.
Implementation Steps	Has the meaning given in Section 4.1.
Initial Order	The Initial Order granted by Chief Justice Morawetz dated February 1, 2021, as amended and restated from time to time.
Insured Claims	Those Claims listed on Schedule "A".
LUAPSA	Laurentian University Administrative and Professional Staff Association.
LUFA	Laurentian University Faculty Association.
LUSU	Laurentian University Staff Union.
Material Post-Filing Grievances	A post-filing grievance that may jeopardize the ordinary course operations of the Applicant or may jeopardize the restructuring of the Applicant in any way due to the nature of the post-filing grievance.
Meeting	The meeting of Affected Creditors held pursuant to the Meeting Order to consider and vote on the Plan.
Meeting Order	An order to be obtained from the Court directing the calling and holding of a Meeting of Affected Creditors to consider and vote on the Plan, as such order may be amended from time to time.

Monitor	Ernst & Young Inc., solely in its capacity as the Court-appointed Monitor of the Applicant.
Monitor's Plan Implementation Certificate	The certificate referred to in Section 10.3 of the Plan.
Net Sale Proceeds	The remaining proceeds of sale after deducting all costs incurred by Laurentian in completing the sale of the Designated Real Estate Assets, including without limitation, if applicable, any relocation costs that may be necessary, the cost of renovating new space to make it suitable for the transfer of facilities, programs or people including moving from other buildings or premises, capital expenses incurred prior to the sale of the Designated Real Estate Assets, holding and carrying costs, taxes, professional fees including any consultants that may be required to assist with the process, and costs incurred in connection with the sale and transfer of the Designated Real Estate Assets.
Non-Released Claims	Any and all of: <ul style="list-style-type: none"> (a) the right to enforce the Unaffected Claims against the Applicant, to the extent that such Unaffected Claims are not paid in full pursuant to the Plan; (b) the right to enforce against the Applicant any of its obligations under the Plan, under the Sanction Order, or under any document delivered by the Applicant on the Plan Implementation Date pursuant to the Plan; (c) the right to assert the Excluded D&O Claims, but only by the specific claimant(s), against the specific D&Os named in the Excluded D&O Claims, for the specific cause(s) of action asserted and for the maximum amount expressly particularized in each corresponding proof of claim; (d) claims by EY, the CRO, counsel to the Applicant, counsel to the Monitor, and independent counsel to the Board, including as secured by the CCAA Charges; or (e) any claim against a Released Party if the Released Party is adjudged by the express terms of a judgment rendered on a final determination on the merits to have committed fraud or wilful misconduct.
NOSM Endowment Funds	The amount held in the investment account of the Applicant representing amounts received in respect of scholarships, bursaries and designated donations made by third parties for the benefit of NOSM University students, plus accumulated investment income and gains or losses, less amounts

	distributed to NOSM University to fund such scholarships or bursaries, to be determined as at the Plan Implementation Date. ¹
NOSM University	Northern Ontario School of Medicine University.
Nous Governance Report	The Governance Review of Laurentian University Report dated January 2022.
Nous Operational Report	The Operational Review of Laurentian University Report dated January 2022.
Officers	All current and former officers of the Applicant, and “Officer” means any one of them.
Order	Any final order, injunction, judgment, decree, ruling, writ, assessment or arbitration award of a Governmental Authority.
Pension Plan	The Retirement Plan of Laurentian University of Sudbury, Registration No. 0267013, which is administered as a single employer pension plan under the <i>Pension Benefits Act</i> , R.S.O. 1990, c. P.8 and the regulations made thereunder, including all amendments made by the Applicant during the CCAA Proceeding.
Person	An individual, a corporation, a partnership, a limited liability company, a trust, an unincorporated association, a Governmental Authority or any agency, instrumentality or political subdivision of a Governmental Authority, or any other entity or body, which for greater certainty includes the Applicant.
Plan	This Amended Plan of Compromise and Arrangement pursuant to the CCAA concerning, affecting and involving the Applicant and its D&Os, including all Schedules listed herein.
Plan Consideration	Has the meaning given in Section 5.2.
Plan Default	Has the meaning given in Section 5.4.
Plan Implementation Conditions	Has the meaning given in Section 10.1.

¹ The amount of the NOSM Endowment Funds as of April 30, 2022, was \$14.6 million. The actual amount of the NOSM Endowment Funds that will be transferred to NOSM University will be updated to reflect further investment income and gain or losses earned on the NOSM Endowment Funds up to the month end prior to the Plan Implementation Date for which the most recently available monthly investment account statement is available. For purposes of determining investment income and gains or losses, the aggregate investment income, gains and losses in the Applicant’s investment account will be allocated proportionately as between the NOSM Endowment Funds and other Laurentian endowment funds held in the investment account.

Plan Implementation Date	The date that the Monitor delivers to the Service List in the CCAA Proceeding the Monitor's Plan Implementation Certificate.
Post-Plan Implementation Steps	Has the meaning given in Section 4.2.
Pre-Filing Claim	Any right of any Person against the Applicant, in connection with any indebtedness, liability or obligation of any kind of the Applicant whether liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise and whether or not such right is executory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity (including any claim by a Director or Officer against the Applicant for contribution and/or indemnity arising from any D&O Claim) for or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation (a) is based in whole or in part on facts existing prior to the Filing Date, (b) relates to a time period prior to the Filing Date, or (c) would have been a claim provable in bankruptcy had the Applicant become bankrupt on the Filing Date.
Pre-Filing Grievances	Grievances based in whole or in part on facts existing prior to the Filing Date or related to a time period prior to the Filing Date.
Project Management Consultant	Has the meaning given in Section 4.2.
Proof of Claim	A proof of claim filed in accordance with the Claims Process Order or the Compensation Claims Process Order, as applicable.
Proven Claim	A Claim (or the portion thereof) that has been finally determined: (a) in the case of an Affected Claim, for voting and distribution purposes, and (b) in the case of an Unaffected Claim, for the purposes of any treatment thereof contemplated by the Plan.
Province	Her Majesty the Queen in right of Ontario and all of its ministries, agencies, and other entities.
Real Estate Purchase Agreement	Has the meaning given in Section 5.2.
Released Claims	In respect of the Released Parties, any and all demands of any kind, whether in respect of any debt, obligation, or property interest of any kind, claims (including claims for contribution or indemnity), actions, causes of action, counterclaims, suits, debts, sums of money or any manner of recovery, accounts, covenants, damages, judgments, orders (including orders for injunctive relief or specific performance and compliance orders), expenses,

executions, Encumbrances, and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature, that any Person has or may be entitled to assert, whether or not asserted or filed, reduced to judgment, liquidated or unliquidated, fixed, contingent, known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, directly or by guarantee, surety or otherwise, and whether or not executory or anticipatory in nature, based in whole or in part on any right, act, omission, transaction, duty (including any legal, statutory, equitable or fiduciary duty or standard of care), responsibility, indebtedness, liability, obligation, dealing, matter or other occurrence existing or taking place at or prior to the Effective Time, or such later time as actions are taken to implement the Plan, that in any way relate to, or arise out of, or are in connection with:

- (a) any Claims;
- (b) any Claim that has been barred or extinguished by the Claims Process Order, the Compensation Claims Process Order or the Meeting Order, including for greater certainty any Claim that has not been filed with the Monitor by the applicable Claims Bar Dates;
- (c) any and all Pre-Filing Grievances, Restructuring Grievances, and Material Post-Filing Grievances by the Unions;
- (d) the assets, obligations, Business, property or affairs of the Applicant;
- (e) the administration and/or management of the Applicant (including but not limited to the Pension Plan and the RHBP);
- (f) the CCAA Proceeding or any matter or thing relating to or occurring in or in connection with the CCAA Proceeding, including but not limited to the terms of the Plan (but for greater certainty not any enforcement of the terms of the Plan against the Applicant); or
- (g) matters in respect of implementation of the Plan, either on or after the Plan Implementation Date;

but which, for greater certainty, and notwithstanding anything else contained herein, shall not include any Non-Released Claims.

Released Parties

Shall mean: (a) the Applicant (including in its capacity as administrator and sponsor of the Pension Plan), (b) the CRO, (c) EY, and (d) their respective Representatives.

Representatives

In relation to a Person, the directors, officers, partners, employees, consultants, legal counsel, actuaries, advisers, and agents, including their

respective heirs, executors, administrators and other legal representatives, successors and assigns, and each of their respective employees and partners.

Required Majority	With respect to the class of Affected Creditors, the affirmative vote of a majority in number of all voting (in person or by proxy) Affected Creditors holding Affected Claims and representing not less than 66 2/3% in value of the Affected Claims voting (in person or by proxy) at the Meeting.
Restructuring Claim	Any indebtedness, liability or obligation of any kind arising out of the restructuring, termination, repudiation or disclaimer of any lease, contract, or other agreement or obligation on or after the Filing Date and whether such restructuring, termination, repudiation or disclaimer took place or takes place before or after the date of the Claims Process Order.
Restructuring Grievances	Grievances arising as a result of the restructuring of the Applicant prior to the date of the Compensation Claims Process Order, including for greater certainty any grievance related to the Union Restructuring Agreements.
Restructuring Steps	Together, the Implementation Steps and the Post-Plan Implementation Steps.
Retiree	A former employee of the Applicant who has retired from the Applicant, with such retirement being effective prior to April 30, 2021.
RFP	Request for Proposals.
RHBP	The Retirees Health Benefit Plan administered by the Applicant, including as it relates to Employees, Retirees, and Third Party Employees.
Sanction Order	An Order under the CCAA sanctioning the Plan and other relief contemplated in the Plan, as such order may be amended by any court of competent jurisdiction, in form and content satisfactory to the Applicant.
Schedules	Has the meaning given in Section 1.5.
Secured Claims	All Proven Claims of a Creditor, to the extent that it is determined in the Claims Process that such Claims are secured by a valid Encumbrance that is duly and properly registered or otherwise perfected in accordance with Applicable Law in the appropriate jurisdiction as of the Filing Date or thereafter pursuant to an Order, to the extent of the value of such Encumbrance as at the Filing Date (having regard to the value of the assets subject to such Encumbrance and the priority of such Encumbrance) and which Claim is entitled to be proven as a secured claim pursuant to the provisions of the CCAA.
Secured Creditor	Any Creditor with a Secured Claim.
Strategic Plan	Has the meaning given in Section 4.2.

SuRP	All supplementary pension arrangements including the Laurentian University Supplemental Retirement Plan and all individual contractual supplementary pension arrangements.
Third Parties	Huntington University, Thorneloe University, University of Sudbury, Sudbury Neutrino Observatory Laboratory, Mining Innovation Rehabilitation and Applied Research Corporation, and Centre for Excellence in Mining Innovation.
Third Party Employees	Any current or former employee of a Third Party, including any retirees or surviving spouses of retirees of the Third Party, who participated in the RHBP.
Transformation Consultation Group	Has the meaning given in Section 4.1(b).
Unaffected Claim	Has the meaning given in Section 2.3.
Unaffected Creditor	A Creditor of the Applicant with an Unaffected Claim, but only as it relates to such portion of its Claim that is an Unaffected Claim, if any.
Undeliverable Distribution	Has the meaning given in Section 7.11.
Union Restructuring Agreements	<ul style="list-style-type: none"> (a) The term sheet, including its schedules (including for greater certainty, the Pension Term Sheet dated April 7, 2021, entered into between the Applicant and LUFA dated April 7, 2021; (b) the term sheet, including its schedules (including for greater certainty, the Pension Term Sheet dated April 7, 2021), entered into between the Applicant and LUSU dated April 5, 2021, and (c) the memorandum of understanding entered into between the Applicant and LUFA dated April 7, 2021.
Unions	Collectively, LUFA and LUSU.
Unresolved Claim	A Claim (or the portion thereof) in respect of which a Proof of Claim has been filed in a proper and timely manner or a notice of claim delivered by the Applicant or the Monitor, in each case prior to the applicable Claims Bar Dates in accordance with the Claims Process Order or the Compensation Claims Process Order, but which Claim has not been finally determined in accordance with the Claims Process Order or the Compensation Claims Process Order. For greater certainty, Unresolved Claims shall not include any Claims that have been disallowed in the Claims Process or the Compensation Claims Process, which disallowance constitutes a final determination of the Claim.
Unresolved Claims Reserve	Has the meaning given in Section 6.1.

Unresolved Secured Claim	An Unresolved Claim wherein the Proof of Claim asserts that such Claim (or a portion thereof) is secured by a valid Encumbrance.
Vacation Pay Compensation Claim	The Claim of a former employee for outstanding vacation pay equal to the difference, if any, between: (a) unpaid vacation pay owing to such former employee as of the last day of employment, and (b) any amounts required to be paid to the former employee pursuant to section 6(5) of the CCAA, as determined in accordance with the Compensation Claims Process Order.

1.2 Certain Rules of Interpretation

For the purposes of the Plan:

- (a) any reference in the Plan to a contract, instrument, release, indenture, or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions;
- (b) any reference in the Plan to an Order or an existing document or exhibit filed or to be filed means such Order, document or exhibit as it may have been or may be amended, modified, or supplemented;
- (c) unless otherwise specified, all references to currency are in Canadian dollars;
- (d) the division of the Plan into “articles” and “sections” and the insertion of a table of contents are for convenience of reference only and do not affect the construction or interpretation of the Plan, nor are the descriptive headings of “articles” and “sections” intended as complete or accurate descriptions of the content thereof;
- (e) the use of words in the singular or plural, or with a particular gender, including a definition, will not limit the scope or exclude the application of any provision of the Plan or a schedule hereto to such Person (or Persons) or circumstances as the context otherwise permits;
- (f) the words “includes” and “including” and similar terms of inclusion will not, unless expressly modified by the words “only” or “solely”, be construed as terms of limitation, but rather will mean “includes but is not limited to” and “including but not limited to”, so that references to included matters will be regarded as illustrative without being either characterizing or exhaustive;
- (g) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day means prior to 5:00 p.m. (Toronto time) on such Business Day;
- (h) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done will be calculated by excluding the day on which the period commences and including the day on which the period ends and by

extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;

- (i) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature or Governmental Authority includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation;
- (j) references to a specified “article” or “section” will, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specified article or section of the Plan, whereas the terms “the Plan”, “hereof”, “herein”, “hereto”, “hereunder” and similar expressions will be deemed to refer generally to the Plan and not to any particular article, section or other portion of the Plan and includes any documents supplemental hereto;
- (k) references to “Affected Creditor”, or “Unaffected Creditor” refer to Creditors of the Applicant in such capacity; and
- (l) when a capitalized term used in the Plan references a definition in an Order or any other document, the Plan shall be interpreted as if the definition in that Order or other document is included in the Plan.

1.3 Successors and Assigns

The Plan will be binding upon and enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and permitted assigns of any Person named or referred to in or subject to the Plan.

1.4 Governing Law and Jurisdiction

The Plan will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of the Plan and all proceedings taken in connection with the Plan and its provisions will be subject to the exclusive jurisdiction of the Court.

1.5 Schedule

The following Schedule to the Plan (the “**Schedule**”) is incorporated by reference into the Plan and forms a part of it:

Schedule “A” – Insured Claims

ARTICLE II

PURPOSE AND EFFECT OF THE PLAN

2.1 Purpose

The purposes of the Plan are to:

- (a) complete a restructuring of the Applicant by, among other things, implementation of the Plan, which will provide the Applicant with the opportunity to operate as a going concern bilingual and tri-cultural post-secondary university in the City of Sudbury;
- (b) provide for the compromise of all Affected Claims by providing to Affected Creditors with Proven Claims a distribution in accordance with the terms of the Plan;
- (c) effect a release and discharge of all Affected Claims, Released Claims, and the Huntington Released Claims;
- (d) provide a basis whereby the Applicant and its operations continue as a going concern, having addressed its liquidity issues, long-term financial viability issues, with recommendations to address operational and governance components, all with the expectation that the Affected Creditors will derive a greater benefit from implementation of the Plan than they would receive from a bankruptcy or liquidation of the Applicant; and
- (e) permit the Applicant to exit the CCAA Proceeding.

2.2 Affected Claims and Released Claims

The Plan provides for the compromise of all Affected Claims held by Affected Creditors and a full, final, and irrevocable release and discharge of the Released Claims and Huntington Released Claims. The Plan will become effective at the Effective Time in accordance with its terms and will be binding on and enure to the benefit of the Applicant, the Released Parties, and all other Persons named or referred to in, or who are subject to, the Plan.

2.3 Unaffected Claims

In accordance with Section 11.1, the Plan, in its entirety, is binding on Unaffected Creditors. Subject to the foregoing, the Plan does not compromise in any manner the following claims (collectively, the “**Unaffected Claims**”):

- (a) CCAA Priority Claims;
- (b) Vacation Pay Compensation Claims;
- (c) Insured Claims;

- (d) Excluded D&O Claims;
- (e) Secured Claims; and
- (f) claims by EY, the CRO, counsel to the Applicant, counsel to the Monitor, and independent counsel to the Board, including as secured by the CCAA Charges.

Nothing in the Plan will affect the Applicant's rights and defences, both legal and equitable, with respect to any Unaffected Claims including all rights or entitlements to set-offs or recoupments against such Unaffected Claims.

2.4 Plan is Without Prejudice to Excluded D&O Claims

- (a) Subject to the express provisions hereof, the Plan does not compromise or affect in any manner the Excluded D&O Claims as against the D&Os.
- (b) The Claims Process was conducted for the purpose of identifying all potential Claims and determining the validity and quantum, if any, of Affected Claims for voting and distribution purposes within the CCAA Proceeding. The Claims Process (including any steps taken within the Claims Process or any determinations made in the Claims Process) is without prejudice to any positions, rights, defences or arguments that any Creditor, the Applicant, the D&Os, their insurer(s), or the Monitor have or may have, now or in the future, in respect of any Excluded D&O Claim. A finding or determination of any issue respecting the validity or quantum of any Affected Claim against the Applicant, if any, shall not have any effect whatsoever beyond the Claims Process, and shall not be admissible in or have any effect upon, any subsequent proceeding against any D&O, including in respect of any applicable insurance policy.

ARTICLE III CLASSIFICATION AND TREATMENT OF CREDITORS AND RELATED MATTERS

3.1 Claims Process

The procedure for determining the validity and quantum of the Affected Claims for voting and/or distribution purposes under the Plan will be governed by the Claims Process Order, the Compensation Claims Process Order, the Meeting Order, the CCAA, the Plan, and any further Order of the Court. For greater certainty, the Claims Process Order and the Compensation Claims Process Order will remain in full force and effect from and after the Plan Implementation Date.

3.2 Classification of Creditors

In accordance with the Meeting Order, Affected Creditors will be placed into a single class for purposes of considering and voting on the Plan at the Meeting.

3.3 Creditors' Meeting

The Meeting will be held in accordance with the Meeting Order and any further Order of the Court. The only Persons entitled to attend the Meeting are those specified in the Meeting Order and any further Order of the Court.

3.4 Treatment of CCAA Priority Claims

Holders of CCAA Priority Claims shall not be entitled to vote on the Plan in respect of any portion of their Claim that is a CCAA Priority Claim. CCAA Priority Claims shall not be compromised under the Plan. At the Effective Time, CCAA Priority Claims will be fully, finally, irrevocably and forever released, discharged, cancelled and barred, subject only to the right of holders of CCAA Priority Claims to receive distributions pursuant to Section 7.3 of the Plan.

3.5 Treatment of Secured Claims

Secured Creditors shall not be entitled to vote on the Plan in respect of any portion of their Claim that is a Secured Claim. Secured Claims shall not be compromised under the Plan. At the Effective Time, Secured Claims will be fully, finally, irrevocably and forever released, discharged, cancelled and barred, subject only to the right of Secured Creditors to receive distributions pursuant to Section 7.4 of the Plan.

3.6 Treatment of Vacation Pay Compensation Claims

Holders of Vacation Pay Compensation Claims shall not be entitled to vote on the Plan in respect of any portion of their Claim that is a Vacation Pay Compensation Claim. Vacation Pay Compensation Claims shall not be compromised under the Plan. At the Effective Time, Vacation Pay Compensation Claims will be fully, finally, irrevocably and forever released, discharged, cancelled and barred, subject only to the right of a holder of a Vacation Pay Compensation Claim to receive distributions pursuant to Section 7.5 of the Plan.

3.7 Treatment of Affected Claims

Affected Creditors shall be entitled to vote on the Plan. Affected Claims will be compromised and released under the Plan. At the Effective Time, all Affected Claims will be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred, subject only to the right of Affected Creditors with Proven Claims to receive one or more *pro rata, pari passu* distributions from the Distribution Pool pursuant to Section 7.6 of the Plan.

3.8 Unaffected Claims

Unaffected Creditors shall not be entitled to vote on the Plan. Unaffected Claims entitled to any payment under this Plan will be dealt with in accordance with Sections 3.4 to 3.6 and Sections 7.2 to 7.5 of the Plan. For clarity, the Plan will be binding on the Unaffected Claims in accordance with Section 11.1 of the Plan.

3.9 Insured Claims

- (a) Holders of Insured Claims shall not be entitled to vote on the Plan. Notwithstanding anything to the contrary herein, Insured Claims shall be fully, finally, irrevocably and forever released, discharged, cancelled and barred as against the Released Parties by the Plan. From and after the Effective Time, any Person having an Insured Claim will irrevocably be limited to recovery in respect of such Insured Claim solely from the proceeds of any applicable insurance policies of the Applicant. Persons with an Insured Claim will have no right to, and will not, directly or indirectly, make any claim or seek any recoveries from the Released Parties, other than enforcing such Person's rights to be paid by the applicable insurer(s) from the proceeds of the applicable insurance policies.
- (b) This Section 3.9 may be relied upon by the Applicant and any other Released Party in defence or estoppel of or to enjoin any claim, action or proceeding brought in contravention of this section. Nothing in the Plan will prejudice, compromise, release or otherwise affect any right or defence of any insured or insurer in respect of an Insured Claim.

3.10 Unresolved Claims

No holder of an Unresolved Claim shall be entitled to receive any payment or distribution hereunder with respect to an Unresolved Claim or any portion thereof unless and until, and then only to the extent that, such Unresolved Claim is finally determined pursuant to the Claims Process Order or the Compensation Claims Process Order, as applicable, and becomes a Proven Claim.

3.11 Extinguishment of Claims

At the Effective Time, in accordance with the terms of the Plan and the Sanction Order, the treatment of Affected Claims (including Unresolved Claims), Released Claims, and Huntington Released Claims will be final and binding on the Applicant, the Creditors, and any Person holding a Released Claim or a Huntington Released Claim. Save and except as set out in the Plan, the Applicant and the Released Parties will have no further obligation whatsoever in respect of the Affected Claims and the Released Claims, as applicable, and Huntington University will have no further obligation whatsoever solely in respect of the Huntington Released Claims.

3.12 Guarantees and Similar Covenants

No Person who has a claim under any guarantee, surety, indemnity or similar covenant in respect of any Claim that is compromised and released under the Plan or who has any right to claim over in respect of, or to be subrogated to, the rights of any Person in respect of a Claim that is compromised under the Plan will be entitled to any greater rights as against the Applicant than the Person whose Claim is compromised under the Plan.

3.13 Set-Off

The law of set-off applies to all Claims in accordance with Applicable Law. Without limiting the generality of the foregoing, the Applicant will be entitled to set-off from any payments or distributions to be made to a Creditor hereunder any amounts due and owing to the Applicant from such Creditor.

ARTICLE IV

IMPLEMENTATION OF RESTRUCTURING

4.1 Restructuring Steps on the Plan Implementation Date

At the Effective Time, the following will occur, and be deemed to have occurred, as applicable, in the order set out below unless otherwise specified in this Section 4.1 and become effective, without any further act or formality:

- (a) the DIP Facility shall be repaid in full through the proceeds of the Exit Financing Facility in full and final satisfaction of all obligations and liabilities under the DIP Loan Agreement;
- (b) the Applicant shall transfer to NOSM University, or as NOSM University may direct, that portion of the investment account equal to the aggregate amount of the NOSM Endowment Funds. For greater certainty, the Applicant shall continue to hold all endowment funds representing amounts received in respect of scholarships, bursaries, and designated donations for the benefit of the Applicant's students, other than the NOSM Endowment Funds;
- (c) the Applicant shall deliver to the Monitor, in trust, the Administration Reserve in accordance with Section 6.2 hereof;
- (d) to the extent not already paid, the Applicant shall pay into the Distribution Pool the amount of cash required to satisfy the CCAA Priority Claims, the Secured Claims, and Vacation Pay Compensation Claims, in full, which Unaffected Claims shall be paid by the Monitor, for and on behalf of the Applicant, in accordance with Article VII. In the case of former employees of the Applicant, payment of the CCAA Priority Claims and Vacation Pay Compensation Claims shall be paid ten Business Days after the clearance from Employment and Social Development Canada;
- (e) all Affected Claims shall be fully, finally, irrevocably and forever released, discharged, cancelled and barred as against the Applicant; and
- (f) all Released Claims and Huntington Released Claims will be fully, finally, irrevocably and forever released, discharged, cancelled and barred in accordance with Article VIII, and all notes, certificates and other instruments evidencing the Released Claims (and all guarantees associated with each of the foregoing) will be deemed cancelled and extinguished and be null and void in accordance with Section 7.13 hereof.

(each, an "**Implementation Step**" and collectively, the "**Implementation Steps**"). The failure of the Plan to incorporate any provision of a document evidencing an Implementation Step will not derogate from the enforceability of such provision.

4.2 Restructuring Steps Following Plan Implementation

Following the Plan Implementation Date, the Applicant will take the following actions, all being subject to such terms and conditions as may be contained in the Exit Financing Documentation:

- (a) within 60 calendar days following the Plan Implementation Date, the Applicant will run an RFP process to engage a third party consultant or consultants to lead the comprehensive operational restructuring and transformation (the “**Project Management Consultant**”) recommended by Nous in the Nous Operational Report. The Applicant shall consult with and seek input from the Unions and LUAPSA with respect to the engagement of the Project Management Consultant through the RFP process, and will ensure that the transformational process led by the Project Management Consultant, once engaged, includes consultation and input from various constituents and stakeholders;
- (b) within 60 calendar days following the Plan Implementation Date, the Applicant will undertake a process to identify individuals to consult with the Applicant and the Project Management Consultant regarding the recommendations in the Nous Operational Report (the “**Transformation Consultation Group**”). The Transformation Consultation Group that will work with the Applicant and the Project Management Consultant will be comprised of members selected by the Unions, LUAPSA, and drawn from other key stakeholder groups;
- (c) within 120 calendar days following the engagement of the Project Management Consultant, the Applicant will work with the Project Management Consultant, in consultation with and after seeking input from the Transformation Consultation Group, to develop a detailed plan (which shall include, among other things, the identification of priorities, required steps, timing, resources, sequencing, goals and deliverables) for undertaking the comprehensive operational restructuring and transformation described in the Nous Operational Report;
- (d) following completion of the comprehensive operational restructuring and transformation led by the Project Management Consultant, a Continuous Improvement Committee will be created to periodically review service-delivery and other operational processes, procedures and policies to ensure that the operational decisions of the Applicant continue to be guided by best practices in the sector. The Continuous Improvement Committee will include representation selected by the Unions, LUAPSA, and drawn from other stakeholders of the Applicant;
- (e) following the Plan Implementation Date, the Applicant will consult with and seek input from various constituents and stakeholders in respect of the governance recommendations in the Nous Governance Report. The parties to be consulted will include members of the Unions including individuals selected by the Unions, the Senate, LUAPSA and other key stakeholder groups. In the event that a committee is struck for the purpose of making recommendations to the Board and/or Senate on the issue of academics, academic freedom or collegial governance in accordance

with the NOUS Governance Report, LUFA will have at least one representative on such committee. Nothing in this section derivates or otherwise detracts from LUFA's rights under Section 2.30 of its collective agreement;

(f) within 60 calendar days following the Plan Implementation Date, the Applicant will make the following requests (jointly with LUFA and LUSU, to the extent applicable) to the Ministry of Colleges and Universities for an amendment to the *The Laurentian University of Sudbury Act, 1960*, to permit:

- (i) representation of up to a maximum of two (2) members from LUFA as voting members of the Board of Governors, to be elected by LUFA from LUFA membership; and
- (ii) representation of a minimum of one (1) member from LUSU as voting members of the Board of Governors, to be elected by LUSU from LUSU membership.

(g) To the extent not already done and subject to any amendments required under the *The Laurentian University of Sudbury Act, 1960*, within 60 calendar days following the Plan Implementation Date, the Applicant will make amendments to the Bylaws of the Board of Governors consistent with the following principles:

- (i) establishing certain minimum requirements of the Board of Governors regarding the skillset and diversity of the Board of Governors that are consistent with best practices of other Ontario post-secondary education organizations;
- (ii) including maximum terms of appointment to the Board of Governors; and
- (iii) requiring regular ongoing training for current and future members of the Board of Governors;

(h) within 120 calendar days following the Plan Implementation Date, the Applicant shall have completed an RFP process and retained a third-party consultant to assist the Applicant and its stakeholders in the development of a new strategic plan (the "**Strategic Plan**"). The Applicant shall consult with and seek input from the Unions and LUAPSA with respect to the engagement of a third-party consultant through the RFP process and will ensure that the process led by the third-party consultant, once engaged, includes consultation and input from various constituents and stakeholders including but not limited to the Unions. The Applicant will take the appropriate steps to make any changes that are necessary to align the Applicant with the new Strategic Plan by no later than two (2) years following the Plan Implementation Date; and

- (i) with respect to funding received by the Applicant from and after December 20, 2020, that are designated for restricted purposes (for example, research grants or restricted donations), the Applicant will ensure that appropriate internal financial controls and restrictions are in place such that the funds will be available and used

only for such intended purposes as set out in the relevant research grant documentation or restricted donation agreement, as applicable. As it relates to funding received by the Applicant from and after December 20, 2020, including following the Plan Implementation Date, the Applicant will continue to honour the contractual commitments that the Applicant made to various research and granting agencies.

(collectively, the “**Post-Plan Implementation Steps**”).

4.3 Corporate Approvals

The execution, delivery, implementation and consummation of all matters contemplated under the Plan involving any actions of the Applicant, including the Restructuring Steps, will be authorized and approved under the Plan and by the Court as part of the Sanction Order or such separate Order of the Court as may be deemed advisable by the Applicant in all respects and for all purposes without any requirement of further action by any Person.

ARTICLE V **PLAN CONSIDERATION**

5.1 Conditional Real Estate Agreement of Purchase and Sale

Prior to the Plan Implementation Date, the Applicant shall use best efforts to negotiate and enter into a conditional agreement of purchase and sale (the “**Conditional Real Estate Agreement**”) with the Province consistent with the terms and conditions set out in the letter from counsel to the Province dated May 6, 2022.

5.2 Identification of Designated Real Estate Assets

- (a) The Applicant will make all of its real estate assets available for sale to the Province and will engage in discussions with the Province and make all information in its possession related to any and all of the Applicant’s real estate holdings available to assist the Province in undertaking its due diligence to identify the Designated Real Estate Assets for an aggregate purchase price of up to \$53.5 million (the “**Plan Consideration**”).
- (b) The Applicant shall negotiate and enter into one or more unconditional agreements of purchase and sale (together, the “**Real Estate Purchase Agreement**”) with the Province in respect of the Designated Real Estate Assets for aggregate consideration of up to the Plan Consideration. The terms and conditions of the Real Estate Purchase Agreement, including but not limited to the identification of the Designated Real Estate Assets, shall be satisfactory to the Province.
- (c) The Applicant and the Province will negotiate the terms of the Real Estate Purchase Agreement, including the determination of value to be attributed to the Designated Real Estate Assets and the terms for the Applicant’s continued use of the Designated Real Estate Assets and any other related issues. The Applicant will request that the Real Estate Purchase Agreement include terms that permit the

Applicant's continued use and occupation of the Designated Real Estate Assets for the same or similar purpose as such Designated Real Estate Assets are currently being used, on such terms as may be agreed with the Province. Costs in respect of relocation, renovating new space to make it suitable for the transfer of facilities, programs or people are not anticipated to be required, or, if required in respect of any particular building, not to the same extent as if the real estate assets were marketed and sold to a third party.

- (d) The Net Sale Proceeds obtained following the sale by the Applicant of the Designated Real Estate Assets up to the maximum amount of the Plan Consideration shall be transferred to the Distribution Pool as soon as reasonably practicable and shall be available for distribution in accordance with the terms of the Plan.

5.3 Credit from Distribution Pool

For greater certainty, the maximum aggregate amount available for distribution to Creditors under the Plan is the Plan Consideration. If the Applicant pays any amount into the Distribution Pool pursuant to this Plan, the Applicant shall be repaid such amount forthwith from the Net Sale Proceeds transferred to the Distribution Pool pursuant to Section 5.2. The Applicant shall be entitled to repayment in full of any amounts paid by the Applicant into the Distribution Pool prior to any distribution to Affected Creditors pursuant to Section 7.6.

5.4 Plan Default

- (a) A minimum of \$45.5 million (the "**Guaranteed Minimum Plan Consideration Amount**") shall be realized from the sale of the Designated Real Estate Assets and transferred to the Distribution Pool by no later than the third anniversary of the Plan Implementation Date. If the Guaranteed Minimum Plan Consideration Amount is not funded to the Distribution Pool by the third anniversary of the Plan Implementation Date, an event of default will have occurred under the Plan (the "**Plan Default**"). The Monitor shall provide written notice to the Applicant that a Plan Default has occurred and shall file a report with the Court.
- (b) Upon the occurrence of a Plan Default, the Applicant shall have a period of twelve (12) months from the date that it receives written notice from the Monitor of a Plan Default (the "**Cure Period**") to cure the Plan Default. A Plan Default may only be cured by the Applicant transferring to the Monitor an amount of cash equal to the difference between (a) the Guaranteed Minimum Plan Consideration Amount; and (b) the aggregate amount transferred into the Distribution Pool on or following the Plan Implementation Date.
- (c) If a Plan Default is not cured within the Cure Period and a Plan Default continues to exist, the Monitor shall file with the Court and serve on the Service List a certificate confirming that a Plan Default is continuing, and the Plan is terminated (the "**Plan Default Certificate**"). Upon the Monitor filing the Plan Default Certificate with the Court, all Affected Creditors with Proven Claims under the Plan

shall have their Proven Claims reinstated with a claim in an amount equal to the amount of their Proven Claim less any distributions received by the Affected Creditor under the Plan. Such reinstated claims shall no longer be compromised, released, discharged, or cancelled in accordance with the Plan. Notwithstanding the foregoing, the Monitor or the Applicant may bring a motion to the Court for advice and directions with respect to the Plan Default and termination of the Plan.

ARTICLE VI

UNRESOLVED CLAIMS RESERVE AND ADMINISTRATION RESERVE

6.1 Unresolved Claims Reserve

- (a) The Monitor shall hold back from any distribution from the Distribution Pool an amount sufficient to pay each holder of an Unresolved Claim the amount such holder would be entitled to receive under the Plan if such Unresolved Claim (or certain portions thereof) is determined to be a Proven Claim in accordance with the Claims Process Order or the Compensation Claims Process Order (the “**Unresolved Claims Reserve**”). Notwithstanding the foregoing, the Applicant shall not be required to pay into the Distribution Pool any amounts in respect of an Unresolved Secured Claim. Distributions with respect to Unresolved Secured Claims shall be made in accordance with Section 7.9.
- (b) The Monitor shall, in its reasonable discretion, assign a value to any Claim by a D&O against the Applicant for contribution or indemnity arising from an Excluded D&O Claim (a “**D&O Indemnity Claim**”) for purposes of calculating the Unresolved Claims Reserve. The Monitor may reduce the Unresolved Claims Reserve with respect to a D&O Indemnity Claim if the Monitor, acting reasonably, determines that any Excluded D&O Claim is resolved or statute-barred.
- (c) The Monitor shall oversee the distribution of funds from the Unresolved Claims Reserve in accordance with Article VII of the Plan.

6.2 Administration Reserve

- (a) At the Effective Time, the Applicant shall transfer to the Monitor, in trust, \$1,000,000 (the “**Administration Reserve**”), as security for the fees and expenses of counsel to the Applicant, the Monitor and its counsel, and independent counsel to the Board of Governors, with respect to the continued administration and implementation of the Plan, including the administration of the resolution of Unresolved Claims in accordance with the Claims Process Order and the Compensation Claims Process Order, negotiation with respect to the Designated Real Estate Assets, distributions by the Monitor, and to perform such other activities as may be required after the Effective Time. If the Administration Reserve is no longer required as security after the Monitor has completed its obligations as set out in the Plan, the Administration Reserve shall be released by the Monitor to the Applicant.

(b) Counsel to the Applicant, the Monitor and its counsel, and independent counsel to the Board of Governors shall be entitled to payment of their respective fees and expenses incurred in connection with the continued administration and implementation of the Plan by the Applicant in the ordinary course.

6.3 General

The Monitor will hold the Unresolved Claims Reserve and the Administration Reserve in trust for those entitled to such funds pursuant to the Plan.

ARTICLE VII PROVISIONS REGARDING DISTRIBUTIONS, PAYMENTS AND CURRENCY

7.1 Distributions Generally

All distributions and other payments to be made pursuant to the Plan will be made from the Distribution Pool pursuant to and in accordance with the priority established by this Article VII, provided that any payments pursuant to Section 7.2 in respect of Claims secured by the Administration Charge shall be paid directly by the Applicant and not from the Distribution Pool. All payments and distributions pursuant to this Article VII will be subject to satisfaction or waiver of the conditions specified in Article X hereof and the occurrence of the Effective Time. Except as otherwise expressly stated herein, the Monitor shall have the sole discretion to determine the timing for any distributions to be made under the Plan. Notwithstanding any other provision of the Plan, any distribution to a Creditor with a Compensation Claim will be subject to the Applicant and the Monitor first obtaining EI Confirmation in respect of such Creditor and resolving any issues regarding applicable withholdings in respect of such distribution to the satisfaction of the Applicant and the Monitor, acting reasonably. For clarity, no Creditor shall be entitled to any distributions with respect to a Claim for interest accruing on or after the Filing Date.

7.2 Payments of Claims secured by the Administration Charge

To the extent that such payments have not already been made, forthwith after the Plan Implementation Date, the Applicant shall pay in full all Claims secured by the Administration Charge as at the Plan Implementation Date.

7.3 Payment of CCAA Priority Claims

After the Plan Implementation Date and subject to any required clearance from Employment and Social Development Canada, the Monitor, on behalf of the Applicant, shall pay from the Distribution Pool to each holder of a CCAA Priority Claim the amounts required to satisfy such holder's CCAA Priority Claim in full.

7.4 Payment of Secured Claims

Subject to the payment in full of the amounts described in Section 7.3 of the Plan, forthwith after the Plan Implementation Date (or such later date as a portion of an Unresolved Claim becomes a Secured Claim), the Monitor, on behalf of the Applicant, shall pay from the Distribution Pool to

each Secured Creditor the amount required to satisfy each Secured Creditor's Secured Claim in full.

7.5 Payment of Vacation Pay Compensation Claims

Subject to payment in full of all amounts described in Sections 7.3 to 7.4 of the Plan, forthwith after the Plan Implementation Date, the Monitor, on behalf of the Applicant, shall pay from the Distribution Pool to each holder of a Vacation Pay Compensation Claim the amount required to satisfy each Vacation Pay Compensation Claim in full.

7.6 Payment of Affected Claims

- (a) Subject to: (i) the payment in full of all amounts described in Sections 7.3 to 7.5 of the Plan, and (ii) repayment to the Applicant of all amounts paid into the Distribution Pool by the Applicant pursuant to Section 5.3 of the Plan, the Monitor, on behalf of the Applicant, shall distribute the balance of the Distribution Pool to the Affected Creditors with Proven Claims pursuant to one or more *pro rata* distributions in full and final satisfaction of all Affected Claims. No distributions will be made where the *pro rata* distribution is less than \$10. The Applicant's liability to an Affected Creditor with a Proven Claim for any distribution in an amount less than \$10 will be forever discharged and extinguished.
- (b) The Monitor shall have no liability as to the sufficiency of funds in the Distribution Pool and shall be under no obligation to take any action or make any payments for which there are insufficient funds.

7.7 Method of Distribution

The Monitor may, in its sole discretion, make distributions by way of: (a) cheque sent by prepaid ordinary mail to the address on file with the Applicant on the Distribution Record Date; or (b) wire transfer of immediately available funds to an account designated in writing by the Creditor to the Monitor (with any wire transfer or similar fee being satisfied from the distribution amount).

7.8 Addresses for Distribution

Prior to the applicable Distribution Record Date, a Creditor may, in writing to the Applicant and the Monitor, change its address on file with the Applicant for distribution purposes.

7.9 Distributions in Respect of Unresolved Claims

- (a) Subject to Section 6.1, the Monitor will hold the Unresolved Claims Reserve in trust (as such reserve may be reduced from time to time as Unresolved Claims are ultimately disallowed in whole or in part) until the final determination of all Unresolved Claims in accordance with the Claims Process Order or the Compensation Claims Process Order, as applicable, or in the case of a D&O Indemnity Claim, the Unresolved Claims Reserve may be reduced in accordance with Section 6.1 of the Plan.

- (b) To the extent that an Unresolved Claim becomes a Proven Claim, the Monitor, on behalf of the Applicant, shall distribute to the holder thereof an amount from the Unresolved Claims Reserve that such Creditor would have been entitled to receive in respect of its Proven Claim on such preceding Distribution Date had such Unresolved Claim been a Proven Claim on the preceding Distribution Date(s). Distribution from the Unresolved Claims Reserve shall be consistent with the payments described in Sections 7.3 to 7.6 of the Plan.
- (c) To the extent that an Unresolved Secured Claim becomes a Proven Claim, the Monitor, on behalf of the Applicant, shall make a distribution from the Distribution Pool to the Secured Creditor in accordance with Section 7.4. If there are no funds in the Distribution Pool at such time, the Applicant shall pay into the Distribution Pool the amount required to satisfy an Unresolved Secured Claim that becomes a Proven Claim.
- (d) After all Unresolved Claims have been finally resolved in accordance with the Claims Process Order or the Compensation Claims Process Order, as applicable, and any required distributions have been made with respect to any Proven Claims, the Monitor, on behalf of the Applicant, will transfer the amount remaining in the Unresolved Claims Reserve into the Distribution Pool. If the Monitor is of the view that the distribution of any amounts remaining in the Unresolved Claims Reserve is not economically practical (taking into consideration any anticipated future distributions), then the Monitor will release the amounts remaining in the Unresolved Claims Reserve to the Applicant.

7.10 Allocation of Distributions

All distributions made pursuant to the Plan to Affected Creditors with Proven Claims will be allocated first towards the repayment of the amount of the Proven Claim attributable to principal and, if greater than the amount of principal, second, towards the repayment of any amount of such Claim attributable to unpaid pre-filing interest.

7.11 Treatment of Unclaimed Distributions

If any distribution under this Article VII is returned as undeliverable (an “**Undeliverable Distribution**”), then neither the Monitor nor the Applicant will be required to make further efforts to deliver the distribution to such Creditor unless and until the Monitor and the Applicant are notified in writing by the applicable Creditor of such Creditor’s current address at which time all such distributions will be made to such Creditor. If such Creditor has not notified the Monitor and the Applicant of its current address by the time of the final distribution, the Claim of any such Creditor with respect to such undelivered or unclaimed distribution shall be discharged and forever barred, notwithstanding any Applicable Law to the contrary, and any such cash allocable to the undelivered or unclaimed distribution shall be released and returned by the Monitor to the Applicant, free and clear of any claims of such Creditor or any other Creditors and their respective successors and assigns. For greater clarity, nothing contained in the Plan shall require the Monitor or the Applicant to attempt to locate any holder of any Undeliverable Distributions.

7.12 Withholding Rights

The Monitor, the Applicant and any other Person facilitating payments pursuant to the Plan will be entitled to deduct and withhold from any such payment to any Person such amounts as may be required to be deducted or withheld under any Applicable Law and to remit such amounts to the appropriate Governmental Authority or other Person entitled thereto. To the extent that amounts are so withheld or deducted and remitted to the appropriate Governmental Authority or other Person, such withheld or deducted amounts will be treated for all purposes hereof as having been paid to such Person as the remainder of the payment in respect of which such withholding or deduction was made. Without in any way limiting the generality of the foregoing, the Monitor, on behalf of the Applicant, shall deduct from any distribution to a Creditor hereunder any amounts as indicated by Employment and Social Development Canada in a Notice of Debt and remit such amounts to Employment and Social Development Canada pursuant to the *Employment Insurance Act* (Canada). Any Creditor whose address on file with the Applicant on the Distribution Record Date is not a Canadian address will be treated as a non-resident of Canada for purposes of any applicable non-resident withholding tax on all payments hereunder, subject to receipt by the Monitor or the Applicant of information satisfactory (in their sole discretion) that such Creditor is not a non-resident. No gross-up or additional amount will be paid on any payment hereunder to the extent the Monitor, the Applicant or any other Person deducts or withholds amounts pursuant to this Section 7.12. Notwithstanding any withholding or deduction, each Person receiving a payment will have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any Governmental Authority (including income and other tax obligations on account of such distribution).

7.13 Cancellation of Certificates and Notes, etc.

At the Effective Time, all debentures, notes, certificates, indentures, guarantees, agreements, invoices and other instruments evidencing Affected Claims (and all guarantees associated with each of the foregoing), will not entitle any holder thereof to any compensation or participation other than as expressly provided for in the Plan and will be deemed cancelled and extinguished and be null and void.

7.14 Calculations

All amounts to be paid by the Monitor on behalf of the Applicant pursuant to the Plan will be calculated by the Monitor. All calculations made by the Monitor will be conclusive, final and binding upon the Applicant and all other Persons entitled to distributions under the Plan, absent manifest error.

7.15 Currency Matters

Distributions to any Persons entitled to distributions under the Plan will be paid in Canadian dollars and any such Claims that are denominated in a currency other than the lawful money of Canada will be converted to the equivalent thereof in the lawful money of Canada at the noon rate of exchange as quoted by the Bank of Canada on the Filing Date, in accordance with the Claims Process Order and the Compensation Claims Process Order.

ARTICLE VIII **RELEASES**

8.1 Plan Releases

At the Effective Time, each of the Released Parties shall be fully, finally, and irrevocably released and discharged from all Released Claims, which will be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, all to the fullest extent permitted by Applicable Law. Notwithstanding the foregoing or anything else contained in this Plan, nothing in this Section 8.1 will have the effect of releasing the Non-Released Claims.

8.2 Injunctions

From and after the Effective Time as set out in Section 4.1 hereof, all Persons are permanently and forever barred, estopped, stayed and enjoined with respect to any and all Released Claims from: (a) commencing, conducting, continuing or making in any manner, directly or indirectly, any action, suit, claim, demand or other proceeding of any nature or kind whatsoever (including any proceeding in a judicial, arbitral, administrative or other forum) against any of the Released Parties; (b) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or Order against any of the Released Parties or their property; (c) commencing, conducting, continuing or making in any manner, directly or indirectly, any action, suit, claim, demand or other proceeding of any nature or kind whatsoever (including any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes a claim or might reasonably be expected to make a claim, in any manner or forum, including by way of contribution or indemnity or other relief, against one or more of the Released Parties; (d) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any Encumbrance of any kind against the Released Parties or their property; or (e) taking any actions to interfere with the implementation or consummation of the Plan. All Persons who have previously commenced a Released Claim in any court, which Released Claim has not been finally determined, dismissed or discontinued prior to the Effective Time, shall forthwith after the Effective Time take steps to discontinue and/or dismiss, without costs, such Released Claim.

8.3 Huntington Release

At the Effective Time, Huntington University will be released and discharged from all Huntington Released Claims, which will be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred against Huntington University.

ARTICLE IX **COURT SANCTION**

9.1 Application for Sanction Order

If the Plan is approved by the Required Majority of the Affected Creditors, the Applicant will apply for the Sanction Order on or before the date set for the Sanction Order hearing or such later date as the Court may set.

9.2 Sanction Order

The Sanction Order will, among other things:

- (a) declare that: (i) the Plan has been approved by the Required Majority of the Affected Creditors in conformity with the Meeting Order and the CCAA, (ii) the activities of the Applicant and the Monitor have been in compliance with the provisions of the CCAA and the Orders of the Court made in this CCAA Proceeding in all respects, (iii) neither the Applicant nor Monitor have done or purported to do anything that is not authorized by the CCAA, and (iv) the Plan and the transactions contemplated thereby are fair and reasonable;
- (b) declare that the Plan, subject to the terms and conditions of the Plan, including the Plan Implementation Conditions described in Section 10.1 and all associated steps, compromises, transactions, arrangements, releases and reorganizations effected thereby are sanctioned and approved, and at the Effective Time as set out in Section 4.1 hereof will be binding and effective upon and with respect to the Applicant, the Released Parties and all other Persons named or referred to in, or subject to, the Plan or the Sanction Order;
- (c) approve and authorize the Restructuring Steps;
- (d) as of the Effective Time and subject to Section 5.1(2) of the CCAA and Section 5.4 of the Plan, discharge and release the Applicant and its Representatives from any and all Secured Claims in accordance with the Plan, and declare that the ability of any Person to proceed against the Applicant or its Representatives in respect of, or relating to any Secured Claims, whether directly, derivatively or otherwise will be forever discharged, enjoined and restrained, and all proceedings with respect to, in connection with or relating to such Secured Claims be permanently stayed, subject only to the right of Secured Creditors to receive distributions pursuant to the Plan in respect of their Secured Claims;
- (e) as of the Effective Time and subject to Section 5.1(2) of the CCAA and Section 5.4 of the Plan, compromise, discharge and release the Applicant and its Representatives from any and all Affected Claims in accordance with the Plan, and declare that the ability of any Person to proceed against the Applicant or its Representatives in respect of or relating to any Affected Claims, whether directly, derivatively or otherwise will be forever discharged, enjoined and restrained, and all proceedings with respect to, in connection with or relating to such Affected Claims be permanently stayed, subject only to the right of Affected Creditors with Proven Claims to receive distributions pursuant to the Plan in respect of their Affected Claims;
- (f) as of the Effective Time, compromise, discharge and release the Released Parties from any and all Released Claims in accordance with the Plan, and declare that the ability of any Person to proceed against the Released Parties (or any of them) in respect of or relating to any Released Claim will be forever discharged and

restrained, and all proceedings with respect to, in connection with or relating to such Released Claims be permanently stayed;

- (g) as of the Effective Time, compromise, discharge and release Huntington University from any and all Huntington Released Claims in accordance with the Plan, and declare that the ability of any Person to proceed against Huntington University in respect of or relating to any Huntington Released Claims will be forever discharged and restrained, and all proceedings with respect to, in connection with or relating to such Huntington Released Claims be permanently stayed;
- (h) as of the Effective Time as set out in Section 4.1 hereof, bar, stop, stay and enjoin the commencing, taking, applying for or issuing or continuing of any and all steps or proceedings, including without limitation, administrative hearings and orders, declarations or assessments, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against any Released Party in respect of all Released Claims;
- (i) declare that any Affected Claim that is not a Proven Claim or Unresolved Claim is forever barred and extinguished;
- (j) authorize the Applicant and the Monitor to perform their respective obligations and functions under the Plan and to perform all such other acts and execute such documents as may be required in connection with the foregoing;
- (k) declare that under no circumstances will the Monitor have any liability under any Applicable Law or otherwise in respect of carrying out its obligations under the Plan, including making any payments required under the Plan or ordered by the Sanction Order;
- (l) declare that each of the CCAA Charges will be terminated, discharged, expunged and released upon receipt by the Applicant of an acknowledgement of payment in full and in the appropriate currency of the claims secured thereby and funding of the Administrative Reserve;
- (m) declare that, notwithstanding: (i) the pendency of the CCAA Proceeding; (ii) any applications for a bankruptcy, receivership or other Order now or hereafter issued pursuant to the BIA, the CCAA or otherwise in respect of the Applicant and any bankruptcy, receivership or other Order issued pursuant to any such applications; and (iii) any assignment in bankruptcy made or deemed to be made in respect of the Applicant, the transactions contemplated by the Plan will be binding on any trustee in bankruptcy or receiver that may be appointed in respect of the Applicant or their assets and will not be void or voidable by Creditors of the Applicant, nor will the Plan, or the payments and distributions contemplated pursuant thereto constitute nor be deemed to constitute a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the BIA, CCAA or any other applicable federal or provincial legislation, nor

will the Plan constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation;

- (n) declare that, subject to the performance by the Applicant of its obligations under the Plan, all contracts, leases, agreements and other arrangements to which the Applicant is a party and that have not been terminated or disclaimed pursuant to the applicable paragraph of the Initial Order and related provision of the CCAA will be and remain in full force and effect, unamended as of the Effective Time as set out in Section 4.1 of the Plan, and no Person who is a party to any such arrangement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set-off, dilution or other remedy) or make any demand under or in respect of any such arrangement and no automatic termination will have any validity or effect, by reason of:
 - (i) any event that occurred on or prior to the Effective Time and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults or events or default arising as a result of the insolvency of the Applicant);
 - (ii) the insolvency of the Applicant or the fact that the Applicant sought or obtained relief under the CCAA; or
 - (iii) any compromises or arrangements effected pursuant to the Plan, or any action taken or transaction effected pursuant to the Plan;
- (o) declare that the stay of proceedings under the Initial Order continues until the Effective Time;
- (p) approve all of the conduct of the CRO and EY in relation to the Applicant and bar all claims against them arising from or relating to the services provided to the Applicant up to and including the date of the Sanction Order;
- (q) declare that the Applicant and the Monitor may apply to the Court for advice and direction in respect of any matters arising from or in relation to the Plan; and
- (r) approve the Administration Reserve.

ARTICLE X PLAN CONDITIONS PRECEDENT AND IMPLEMENTATION

10.1 Conditions Precedent to Plan Implementation

The Plan is subject to the satisfaction or waiver of the following conditions (the “**Plan Implementation Conditions**”):

- (a) the Plan will have been approved by the Affected Creditors of the Applicant in accordance with the provisions of the Meeting Order and the CCAA;

- (b) the Sanction Order will have been issued by the Court, consistent with the terms of Section 9.2 hereof;
- (c) all Pre-Filing Grievances, Restructuring Grievances, and Material Post-Filing Grievances shall be fully resolved or withdrawn by the applicable Union;
- (d) the Exit Financing Documentation will have been executed, delivered and become effective in accordance with their terms, subject only to the occurrence of the Plan Implementation Date;
- (e) all indebtedness and obligations under the DIP Facility shall have been fully and permanently repaid to the DIP Lender;
- (f) the renewal of senior management of the Applicant shall become effective no later than immediately prior to the Effective Time, with any such claims arising therefrom having been calculated in accordance with the Compensation Claims Process Order and constituting an Affected Claim hereunder;
- (g) all relevant Persons will have executed, delivered and filed all documents and other instruments that, in the opinion of the Applicant, acting reasonably, are necessary to implement the provisions of the Plan or the Sanction Order;
- (h) there will have been no material adverse change to the Business or the assets of the Applicant, in the view of the Monitor;
- (i) no action or proceeding will be pending by any third party to enjoin or prohibit the transactions contemplated by the Plan; and
- (j) all applicable approvals and orders of, and all applicable submissions and filings with, Governmental Authorities having jurisdiction for the completion of the steps and transactions contemplated by the Plan (including the steps and transactions which are Plan Implementation Conditions) will have been obtained or made, as the case may be, in each case to the extent deemed necessary or advisable by the Applicant, in form and substance satisfactory to the Applicant.

10.2 Applicant's Certificate – Plan Implementation

Upon satisfaction of the Plan Implementation Conditions, the Applicant will deliver to the Monitor a copy of a certificate stating that each of the Plan Implementation Conditions has been satisfied or waived.

10.3 Monitor's Certificate – Plan Implementation

As soon as practicable following receipt of the certificate referred to in Section 10.2 of the Plan, the Monitor will serve on the service list in the CCAA Proceeding, post on the Monitor's Website and file with the Court a certificate confirming that the Plan Implementation Date has occurred.

ARTICLE XI

GENERAL

11.1 Binding Effect

At the Effective Time, the Plan will become effective and binding on and enure to the benefit of the Applicant, the Released Parties, and any other Person named or referred to in or subject to the Plan and their Representatives. Without limiting the generality of the foregoing, at the Effective Time:

- (a) the treatment of the Unaffected Claims, Affected Claims, Released Claims, and Huntington Released Claims under the Plan will be final and binding for all purposes and enure to the benefit of the Applicant, the Released Parties, and all other Persons named or referred to in, or subject to, the Plan and their respective heirs, executors, administrators and other legal representatives, successors and assigns;
- (b) all Affected Claims will be forever discharged and released, except only with respect to any distribution thereon in the manner and to the extent provided for in the Plan;
- (c) all Released Claims and Huntington Released Claims will be forever discharged, released, enjoined and barred;
- (d) subject to section 19(2) of the CCAA, each Person named or referred to in, or subject to, the Plan shall be deemed to have consented and agreed to all of the provisions of the Plan, in its entirety; and
- (e) each Person named or referred to in, or subject to, the Plan shall be deemed to have:
 - (i) subject to the terms of the DIP Loan Agreement and the Exit Financing Documentation (including any lender consents required thereunder), executed and delivered to the Applicant and to the other Released Parties, as applicable, all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety;
 - (ii) waived any default by or rescinded any demand for payment against the Applicant that has occurred on or prior to the Effective Time pursuant to, based on, or as a result of any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Person and the Applicant; and
 - (iii) agreed that, if there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Person and the Applicant, as at the moment before the Effective Time and the provisions of the Plan, then the provisions of the Plan take precedence and priority and the provisions of such agreement or other arrangement are amended accordingly.

11.2 Claims Bar Date

Nothing in this Plan extends or shall be interpreted as extending or amending the applicable Claims Bar Dates, or gives or shall be interpreted as giving any rights to any Person in respect of an Affected Claim that has been barred or extinguished pursuant to the Claims Process Order or the Compensation Claims Process Order.

11.3 Deeming Provisions

In the Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

11.4 Modification of the Plan

- (a) The Applicant reserves the right, at any time and from time to time, to amend, restate, modify and/or supplement the Plan (including to address or further address the treatment of claims subject to the Claims Process Order or the Compensation Claims Process Order), provided that any such amendment, restatement, modification or supplement must be contained in a written document that is filed with the Court and: (i) if made prior to or at the Meeting, communicated to the Affected Creditors in the manner contemplated by the Meeting Order, and (ii) if made following the Meeting, approved by the Court following notice to the Affected Creditors.
- (b) Notwithstanding Section 11.4(a), after the Meeting the Applicant may amend, restate, modify and/or supplement the Plan with the consent of the Monitor, and without the consent of the Affected Creditors or approval of the Court, provided that any such amendment, restatement, modification and/or supplement: (i) is filed with the Court, (ii) is posted on the website maintained by the Monitor and notice thereof is provided to the Affected Creditors, (iii) does not materially decrease the anticipated recovery of Affected Creditors under the Plan and is otherwise not materially adverse to the financial or economic interests of Affected Creditors, in each case as determined by the Monitor, and (iv) does not amend the Plan Implementation Conditions (including any provision of the Plan that is the subject of such conditions) without the consent of the party or parties for whose benefit the conditions exist.
- (c) Notwithstanding Section 11.4(a) and (b), any amendment, restatement, modification or supplement to the Plan may be made by the Applicant at any time and from time to time, provided that it is made with the consent of the Monitor and: (i) concerns a matter which is of an administrative nature required to better give effect to the implementation of the Plan; or (ii) is to cure any errors, omissions or ambiguities, and in either case is not materially adverse to the financial or economic interests of the Affected Creditors.
- (d) Any amended, restated, modified or supplementary Plan or Plans filed with the Court and, if required by this Section, approved by the Court, will for all purposes be and be deemed to be a part of and incorporated in the Plan.

11.5 Paramountcy

From and after the Effective Time, any conflict between:

- (a) the Plan or the Sanction Order; and
- (b) the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any contract, mortgage, security agreement, indenture, trust indenture, note, loan agreement, commitment letter, agreement for sale, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Affected Creditors and the Applicant as at the moment before the Effective Time,

will be deemed to be governed by the terms, conditions and provisions of the Plan and the Sanction Order, which will take precedence and priority.

11.6 Severability of Plan Provisions

If, prior to the Plan Implementation Date, any term or provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Applicant and with the consent of the Monitor, will have the power to either: (a) sever such term or provision from the balance of the Plan and provide the Applicant with the option to proceed with the implementation of the balance of the Plan, or (b) alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision will then be applicable as so altered or interpreted. Notwithstanding any such holding, alteration or interpretation, and provided that the Applicant proceeds with implementation of the Plan, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

11.7 Protections of the Monitor

The Monitor is acting and will continue to act in all respects in its capacity as Monitor in the CCAA Proceeding with respect to the Applicant (and not in its personal capacity). The Monitor will not be responsible or liable for any obligations of the Applicant. The Monitor will have the powers and protections granted to it by the Plan, the CCAA and any other Order made in the CCAA Proceeding. EY will incur no personal liability whatsoever whether on its own part or in respect of any failure on the part of the Applicant to observe, perform or comply with any of its obligations under the Plan. Any release, discharge or other benefit conferred upon the Monitor pursuant to the Plan will enure to the benefit of EY. The Monitor in its personal capacity will be a third-party beneficiary to the Plan entitled to enforce such releases, discharges and benefits in accordance with the terms of the Plan.

11.8 Different Capacities

Persons who are impacted by the Plan may be impacted in more than one capacity. Unless expressly provided herein to the contrary, a Person will be entitled to participate hereunder in each such capacity. Any action taken by a Person in one capacity will not impact such Person in any

other capacity, unless otherwise provided in the Meeting Order expressly agreed by the Applicant and the Person in writing or unless its Claims overlap or are otherwise duplicative.

11.9 Notices

Any notice or other communication to be delivered hereunder must be in writing and reference the Plan and may, subject as hereinafter provided, be made, or given by personal delivery, ordinary mail or by facsimile or email addressed to the respective parties as follows:

If to the Applicant:

Laurentian University of Sudbury
935 Ramsey Lake Road
Sudbury, Ontario
P3E 2C6

Attention: Dr. Robert Haché

With copies to (which will not constitute notice)

Thornton Grout Finnigan LLP
100 Wellington Street West
Suite 3200, P.O. Box 329
Toronto, Ontario Canada
M5K 1K7

Attention: D.J. Miller (djmiller@tgf.ca) and Mitch Grossell
(mgrossell@tgf.ca)

If to a Creditor: To the mailing address, facsimile number or email address provided on such Creditor's Proof of Claim or such more recent address particulars of a Creditor as noted in the files of the Applicant or the Monitor;

If to the Monitor:

Ernst & Young Inc.
EY Tower
100 Adelaide Street W
Toronto, Ontario, Canada
M5H 0B3

Attention: Sharon Hamilton (sharon.s.hamilton@parthenon.ey.com)

With copies to (which will not constitute notice)

Stikeman Elliott LLP
5300 Commerce Court West
199 Bay Street

Toronto, Ontario, Canada
M5L 1B8

Attention: Ashley Taylor (ataylor@stikeman.com) and Elizabeth Pillon (lpillon@stikeman.com)

or to such other address as any party may from time to time notify the others in accordance with this section, or, in the case of an address change for the Applicant or the Monitor, by posting notice of such address change on the Monitor's website (www.ey.com/ca/laurentian). Any such communication so given or made will be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or sending by other means of recorded electronic communication, provided that such day in either event is a Business Day and the communication is so delivered, faxed or sent before 4:00 p.m. (Toronto time) on such day. Otherwise, such communication will be deemed to have been given and made and to have been received on the next following Business Day.

11.10 Further Assurances

Each of the Persons named or referred to in, or subject to, the Plan will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Plan and to give effect to the Restructuring Steps or any other events or transactions contemplated herein, notwithstanding any provision of the Plan that deems any event or transaction to occur without further formality.

11.11 Language

This Plan, as well as any notices, schedules or other documents related thereto has been and will be prepared in the English language only. To the extent a French language or other translation is prepared, any such translation will be for informational purposes only, it being intended that the English language version will govern and prevail in all respects.

11.12 Acts to Occur on Next Business Day

If any distribution, payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such distribution, payment or the performance of such act may be completed on the next succeeding Business Day but will be deemed to have been completed as of the required date.

11.13 Non-Consummation of the Plan

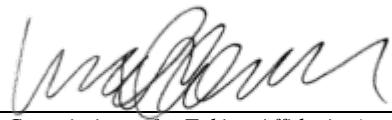
If the Plan is revoked at any time prior to the Effective Time, (a) it will be null and void in all respects, and (b) nothing contained in the Plan and no act taken in preparation for the implementation of the Plan will: (i) constitute or be deemed to constitute a waiver or release of any Claims by or against the Applicant or any other Person, (ii) prejudice the rights of the Applicant or any other Person in any further proceeding involving the Applicant, or (iii) constitute an admission of any sort by the Applicant or any Person.

DATED as of the 9th day of September, 2022.

Schedule “A”**Insured Claims**

Claimant	Claim Amount
Sarah Connell	\$45,000,000.00
Nina Kucheran and Mary Catherine Kucheran	To be determined.
Petra Spencer	\$1,000,000.00
Zhiju Zhu	\$5,000,000.00
Barbara Jean Robinson	\$5,000,000.00

This is Exhibit "J" referred to in the Affidavit of Tom Fenske
affirmed October 16, 2025



Commissioner for Taking Affidavits (or as may be)

Court File No. CV-21-656040-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **LAURENTIAN UNIVERSITY OF SUDBURY** (the "**Applicant**")

MONITOR'S CERTIFICATE

WHEREAS pursuant to the Order of this Court dated February 1, 2021, Ernst & Young Inc. was appointed as the monitor (the "**Monitor**") of the Applicant;

AND WHEREAS pursuant to the Meeting Order of this Court dated July 28, 2022, the Applicant filed the Plan of Compromise and Arrangement pursuant to the CCAA affecting and involving the Applicant dated July 21, 2022, which was amended by the Applicant on September 9, 2022 (as amended, the "**Plan**");

AND WHEREAS the Plan has been sanctioned by this Honourable Court by Order dated October 5, 2022 (the "**Sanction Order**");

AND WHEREAS the Sanction Order requires the Monitor to serve on the Service List in the CCAA Proceeding and post on the Monitor's Website a certificate, signed by the Monitor, certifying that the Plan Implementation Date has occurred;

AND WHEREAS the Monitor has received the certificate referred to in Section 10.2 of the Plan certifying that each of the Plan Implementation Conditions have been either satisfied or waived;

AND WHEREAS all capitalized terms used but not defined herein shall have the meanings given to them in the Plan;

THE MONITOR HEREBY CERTIFIES that:

1. The Plan Implementation Date has occurred.

This Certificate is delivered by the Monitor on November 28, 2022.

ERNST & YOUNG INC., solely in its capacity
as court appointed monitor of the Applicants, and
not in its personal capacity or in any other
capacity

Per: Sharon Hamilton
Name: Sharon Hamilton
Title: Senior Vice-President

IN THE MATTER OF THE COMPANIES' CREDITORS' ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF LAURENTIAN UNIVERSITY OF SUDBURY

Court File No. CV-21-6556040-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

MONITOR'S CERTIFICATE

Stikeman Elliott LLP
5300 Commerce Court West
199 Bay Street
Toronto, ON M5L 1B9

Ashley Taylor (LSO# 39932E)
Email: ataylor@stikeman.com

Elizabeth Pillon (LSO# 355638M)
Email: lpillon@stikeman.com

Ben Muller (LSO# 80842N)
Email: bmuller@stikeman.com

Lawyers for the Monitor, Ernst & Young Inc.

This is Exhibit "K" referred to in the Affidavit of Tom Fenske
affirmed October 16, 2025



Commissioner for Taking Affidavits (or as may be)



Office of the Auditor General of Ontario

Special Report on Laurentian University



November 2022



Office of the Auditor General of Ontario

To the Honourable Speaker of the Legislative Assembly

In my capacity as the Auditor General, I am pleased to transmit my *Special Report on Laurentian University* in accordance with the provisions of Section 17 of the *Auditor General Act*.

Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

November 2022
Toronto, Ontario

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Ce document est également disponible en français.

Cover photograph credit: Kristy May



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Reflections

Bonnie Lysyk
Auditor General of Ontario

There is a general expectation that public sector and broader public sector organizations that receive significant taxpayer funds operate with transparency, accountability and high standards of governance. Our review of Laurentian University's operations and decision-making over the past decade provides a striking example of what can happen when these principles are neglected.

Every organization needs appropriate checks and balances to ensure that poor decisions do not turn into larger problems. Yet a cascade of oversight failures at the Sudbury-based University let misguided management decisions go unchecked for years. As a result, Laurentian's financial health was allowed to decline to the point that academic careers were short-circuited, jobs were lost and millions of dollars were wasted. Laurentian's decline also put a strain on the local economy of Sudbury—where the University is one of the largest employers—and shook public confidence in the financial health of Ontario's universities. While the welfare of its students, professors and staff should have been the top priority, this Special Report shows how that was all too often not the case.

We found that the primary cause of Laurentian's financial decline was its pursuit of major capital projects without adequate consideration for how they would be collectively funded or ultimately used. As the University began to accumulate more than \$87 million in debt, it started to inappropriately draw on funds that were restricted for research projects or retirement

health benefits for faculty and staff. Several external factors facing all universities, including a Province-imposed tuition cut and the COVID-19 pandemic, also impacted operations at Laurentian, which is significantly taxpayer-funded.

The financial decline was allowed to continue for years because Laurentian's ineffectual Board of Governors and its committees lacked key operational and governance oversight practices and expertise. Additionally, the Board often made decisions without obtaining all pertinent facts, and frequently held deliberations and made decisions behind closed doors.

For its part, the Ministry of Colleges and Universities did not intervene in a timely manner to help Laurentian correct its financial situation. We were informed that even if the Ministry had been better aware of Laurentian's deteriorating financial condition, it would be reluctant to unilaterally intervene because the Ministry does not have the legislative authority to intervene in the operation of a publicly assisted university.

As Laurentian's financial decline became increasingly dire, senior administrators chose an imprudent course of action. Instead of transparently seeking additional provincial assistance, Laurentian accepted the advice of its external legal and financial advisors to take steps to obtain court protection from its creditors under the federal *Companies' Creditors Arrangement Act* (CCAA). However, before it formally applied for CCAA protection, the University prematurely paid off its line

of credit, disregarded a key stipulation in its faculty collective agreement that might have otherwise helped its restructuring, and neglected to work constructively with labour representatives.

In February 2021, Laurentian became the first publicly funded university in Canada to file for CCAA protection, a process used by privately held companies. The University did so even though it still had ample opportunity to work with the Ministry to set up a plan that would prevent immediate and harsh cuts to its programs and staff, minimize impact on its students, and avoid the reputational consequences of going through the CCAA process.

There is a strong argument that CCAA is an inappropriate, and perhaps damaging, remedy for public entities. Use of the federal law allowed Laurentian to bypass provisions in its collective labour agreements, clear a backlog of long-standing union grievances, and operate under even less transparency. The CCAA path also led to more than \$30 million in fees for private-sector financial advisors and lawyers as of September 2022. We suspect that many would believe that this money would have been better spent educating students.

Ontario universities need to be given a large degree of independence so they can serve as unbiased forums to challenge societal assumptions and develop the breakthroughs of the future. At the same time, the Province needs to be able to effectively monitor the financial sustainability of these recipients of substantial public support. Whatever balance is chosen, as part of the broader public sector, public universities should not be treated—or act—like private corporations. Students should not have to wonder whether their university’s programs will suddenly be eliminated while they are in the midst of pursuing a degree. Nor should professors and staff at public institutions have to worry that they will be fired without cause and have their benefits suddenly slashed.

The situation at Laurentian appears to have reached a turning point. In October 2022, Ontario’s Superior Court of Justice approved a plan that will allow Laurentian to exit the CCAA process. And thanks

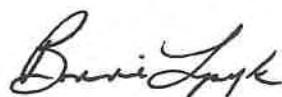
to support from many concerned parties, the precepts of transparency, accountability, high standards of governance—and now greater collegiality—have the opportunity to be fostered at the University, while leadership is being refreshed.

Hopefully, the release of this Special Report will assist Laurentian in its efforts to renew itself so it can attract more students, generate world-class research and serve as an academic, scientific and cultural focal point for Sudbury and the rest of Northern Ontario. Readers should keep this top of mind when they consider the findings and recommendations in this Special Report. Further, we hope that the Laurentian story will serve as a reminder to other universities to focus on protecting the fundamentals of good governance, transparency, and prudent financial management.

I would like to thank the Standing Committee on Public Accounts of the Legislative Assembly for its support of the work of my Office. During the course of our work, the University placed unprecedented restrictions on our access to information and set up a legal pushback that included an extraordinary challenge to the *Auditor General Act*.

In order to help us obtain information and address the pushback from Laurentian, the Committee took extensive steps to bring about more transparency to what happened at Laurentian. Subsequently, all members of the Legislative Assembly of Ontario voted unanimously to approve the issuance of rarely used Speaker’s Warrants to compel the production of the information requested by the Committee to support its efforts and my Office in the conduct of our work.

For many decades the Office of the Auditor General has been able to obtain direct, unfettered access to people and information needed to complete its work on behalf of the Legislative Assembly and the people of Ontario. It is my hope that this continues to be the case in the future.



Bonnie Lysyk
Auditor General of Ontario

Special Report on Laurentian University

1.0 Summary

In response to years of financial deterioration, Laurentian University (Laurentian or University) made an extraordinary announcement on February 1, 2021. Instead of working with the government to secure monetary assistance, the publicly funded University declared it had chosen to seek creditor protection under the *Companies' Creditors Arrangement Act* (CCAA). By doing so, the Sudbury-based university became the first public university in Canada to attempt to restructure its operations using a process designed as a last resort for private companies.

The decision had swift and harsh repercussions. Laurentian eliminated 76 of its programs—affecting the academic and career plans of an estimated 932 students—and ended long-held agreements with three federated universities in the Sudbury area. It terminated 195 staff and faculty with little notice and severance, and was able to bypass provisions in its collective labour agreements to effectively terminate more-senior employees and clear a number of long-standing union grievances. Laurentian's chosen path was also costly, leading to tens of millions of dollars in fees paid for private sector financial advisors and lawyers.

In addition, terminating its agreement with the federated universities also resulted in the University of Sudbury terminating 96 of 104 employees, Thorneloe University terminating 34 of 40 employees, and Huntington University terminating 16 of 29 of its employees.

Therefore, a total of 146 employees of the federated universities also lost their jobs.

The longer-term implications of the CCAA filing are still playing out. The loss of jobs and students will undoubtedly affect the economy of Sudbury, where Laurentian is one of the largest employers. The use of CCAA proceedings could make it more difficult for Ontario universities to acquire debt, or to hire and retain faculty. Quantifying the reputational damage to Laurentian has been more difficult, but one development was telling: as of mid-January 2022, high school student applications to Laurentian had dropped by nearly 44%.

The events at Laurentian raised some significant questions about the governance of post-secondary institutions in Ontario. Among them: How did a respected, taxpayer-funded university end up in such dire financial circumstances? And was its use of the CCAA process an appropriate response? In light of these and other questions, the Standing Committee on Public Accounts (Committee) of the Legislative Assembly unanimously passed a motion on April 28, 2021 requesting that our Office conduct a special audit on Laurentian's operations for the 2010–2020 period. During discussion on the motion, the Committee indicated that it wanted our Office to examine what led Laurentian into the CCAA process, bring transparency to the situation, and identify lessons learned to “ensure something like this does not happen in another academic institution.”

We initiated our work on May 14, 2021. Because Laurentian is a broader public sector institution that receives significant provincial government funding—about \$80 million a year, representing over 40% of its revenue—there is an expectation from the public that it provide transparency and accountability about its finances and activities. Despite that, Laurentian’s President and Board of Governors (Board), guided by external legal counsel, implemented unprecedented restrictions on our access to information.

Those restrictions, and an unprecedented legal pushback from Laurentian that included a challenge to the *Auditor General Act* (which is under appeal), significantly delayed our work.

Our Office published an interim report, *Preliminary Perspective on Laurentian University*, in April 2022 to provide the Standing Committee with a summary of our observations ahead of the dissolution of the Legislature for the June 2 general election.

This report updates and builds on the *Preliminary Perspective* by providing a robust overview of our findings to date. Among our principal conclusions:

- While Laurentian was adversely affected by external factors such as tuition freezes and the COVID-19 pandemic, we determined that the primary cause of the University’s financial deterioration from 2010 to 2020 was its pursuit of poorly considered capital investments. It proceeded with expansion projects that led to the assumption of more than \$87 million in debt without procedures in place requiring senior administrators to make a reasonable assessment of the value and viability of the plans. In the face of its growing debt, Laurentian amended its internal debt policy to allow it to incur even more debt for capital. And when its primary lender declined to provide more long-term debt, Laurentian sought short-term lines of credit to fund its capital expansion.
- As its access to traditional sources of cash dwindled, the University started to access over \$37 million that had been restricted for other purposes, such as money designated for research projects and employees’ retirement health

benefits. This improper use of restricted funds was partly obscured by the fact the administration inappropriately labelled the use of the funds “internal financing,” and because it did not follow best practices to segregate the restricted funds into separate bank accounts.

- This poor management was allowed to continue in large part because of weak oversight by Laurentian’s then Board of Governors (Board). It lacked key operational and governance practices and expertise, and allowed transparency to decline. For its part, the Ministry of Colleges and Universities (Ministry), which is the primary government body responsible for monitoring the financial health of post-secondary institutions, did not proactively intervene in a timely manner to provide guidance to help Laurentian slow—or ultimately respond to—its worsening financial deterioration.
- Laurentian’s leadership had suggested publicly that a significant cause of its financial decline was “excessive faculty costs.” But our review found that Laurentian’s overall faculty costs did not significantly surpass those of comparable universities, and that its overall academic programming had positively contributed to the University. We did, however, find that high senior administrator salaries and expenses and inappropriate human resources practices negatively impacted Laurentian’s financial picture. Further, the University’s hiring process lacked transparency and raised concerns of fairness. We also found that select senior administrators were given access to \$2.4 million in discretionary expense accounts without a policy outlining what these funds could be spent on.
- In our view, despite its circumstances, Laurentian did not have to file for CCAA creditor protection. As its financial situation grew increasingly dire, the University could have followed the broader public sector precedent by making comprehensive and clear efforts to seek financial assistance from the Ministry, such as North Bay-based Nipissing University had done

in 2014. Instead, Laurentian focused on advocating to elected officials and their staff, on the advice of external consultants. In August 2020, Laurentian raised the potential of CCAA to the Minister of Colleges and Universities but did not clearly define how much financial assistance was required from the Province to avoid a CCAA filing. An explicit request for \$100 million in funding to the Ministry was not made until December 2020, at which point the timeline for intervention was short, especially for such a significant ask. Had it sought to work earlier and more transparently with Ministry staff, had it not prematurely paid off its line of credit in 2020, and had it accepted the temporary funding assistance that the Province ultimately offered, Laurentian would have had sufficient time for its financial situation to be reviewed jointly with the Province and a go-forward plan put in place.

- In our view, despite its other options, Laurentian strategically planned and chose to take steps to file for CCAA creditor protection, first presented by external legal counsel in mid-2019. Then in March 2020, nearly a year before it filed, the University engaged these same lawyers and other consultants to explore strategic options, but the primary focus was always on filing for CCAA protection. In our view, Laurentian's actions in this regard were significantly influenced by these external parties. The costs were significant. As of September 12, 2022, the University had incurred legal and other financial consultant fees associated with its insolvency of more than \$30 million. Filing for CCAA also resulted in a breach of its debt agreements at an associated potential cost of \$24.7 million.
- The University's contract with the Laurentian University Faculty Association (LUFA) contains a financial exigency clause, designed to deal with dire financial circumstances. Triggering this clause—which is in most university faculty labour contracts in Canada—would have required senior administration to work in

partnership with LUFA to address Laurentian's financial situation. In 2020, LUFA requested that Laurentian's senior administration trigger this clause and provide it with additional information on the University's finances. Laurentian's senior administration intentionally delayed providing information and did not trigger the clause. Instead, senior administration, with Board approval, chose to use CCAA protection, starting a process that diverted more money to external advisors through professional fees, was less transparent, and likely has had, and will continue to have, a larger negative impact on students, faculty, the community of Sudbury and the University's reputation.

Overall Conclusion

Although Laurentian's operations were impacted by several external factors, the main cause of its financial decline from 2010 to 2020 was its poorly planned and costly capital expansion and modernization. As the University began to amass more than \$87 million in debt to pay for this capital expansion, the senior administration exacerbated the situation by making a series of questionable financial and operational decisions, including amending its internal policies to allow it to incur even more debt and increasing its senior administration's costs. The poor management of the University's financial affairs and operations was allowed to continue because of weak Board governance and Ministry oversight.

Laurentian did not have to file for CCAA protection in response to its financial decline. Instead of following precedent and making a robust effort to secure government assistance to build an effective go-forward plan or work transparently with its unions, Laurentian, on the advice of external counsel, chose to file for creditor protection under CCAA. That choice led to significant repercussions for the publicly funded University, including the elimination of academic programs, job reductions, substantial additional costs, and a loss of transparency.

Overall Recommendations

One objective of this Special Report is to provide guidance that Laurentian, their stakeholders and other universities can use to build and maintain a strong financial foundation going forward. With that in mind, this report contains 74 recommendations. See **Appendix 1** for recommendations for Laurentian's administration, **Appendix 2** for Laurentian's Board, and **Appendix 3** for the Ministry of Colleges and Universities and the Office of the Integrity Commissioner of Ontario.

Whatever steps are taken going forward, policy makers should keep in mind that universities are crucial institutions that promote social and economic progress in democratic societies. They thrive when they are allowed to maintain a high degree of academic independence; this is an important, centuries-old tradition that those in academia believe should be strenuously upheld in Ontario.

While, for these reasons, universities differ from other broader public sector institutions, they are also recipients of substantial financial support from the Province and have specific transparency and accountability requirements. Mechanisms need to be set up that respect universities' academic independence but also prevent them from falling so deep into financial distress that the situation negatively affects students, faculty and staff.

When a university fails to meet certain financial sustainability metrics, the Ministry should be able to proactively intervene to more thoroughly assess the institution's finances and identify opportunities where it can help. The Province should consider formalizing the Ministry's prerogative to appoint a supervisor to help a university when there are serious sustainability concerns, and to set limits on deficits, borrowings and major capital expenditures, as is done in other Canadian provinces.

Equally important, if a government or community imposes specific academic requirements or a tuition freeze on a university, public officials have a responsibility to assess whether funding continues to be sufficient for the university both to fulfil its mandates

and remain true to its core values. This is particularly true for Northern Ontario universities given the unique challenges they face and their importance to the large regions they serve.

Ontario should consider the types of legislated limits on university deficits, borrowing and major capital expenditures found in other provinces. In Nova Scotia, for instance, the government introduced the *Universities Accountability and Sustainability Act* in 2015 in response to instances of post-secondary institutions experiencing financial difficulties. This act serves to identify and correct financial difficulties before they become emergencies.

Whatever model Ontario chooses, annual funding should be dependent on each university demonstrating to the Ministry that it has fully functioning governance structures in place. For instance, the board of each institution should have and follow clear ground rules that stipulate how it oversees its university's activities. Boards have a fiduciary duty to oversee financial operations; they should use their powers transparently to challenge and guide their university's senior administrators and policies.

LAURENTIAN'S OVERALL RESPONSE

Laurentian University appreciates the opportunity to comment on the report of the Office of the Auditor General of Ontario concerning the University's decision to file for creditor protection under the *Companies' Creditors Arrangement Act*. The University is cognizant of the time and effort that the Auditor General has undertaken to understand the context that underpinned the University's decision, and the decade or more of circumstances and decisions that led to the University's financial deterioration. The University hopes the valuable lessons learned from the Auditor General's review will benefit all of the higher education sector and other public sector institutions.

The University agrees with the recommendations in the report, and it looks forward to working co-operatively with the Auditor General, the Government of Ontario, (in particular the Ministry of

Colleges and Universities), to implement and operationalize the recommendations.

THE MINISTRY'S OVERALL RESPONSE

The Ministry appreciates the Auditor General's review of Laurentian University's financial situation.

The Ministry is committed to its financial oversight of publicly assisted universities with the goal of ensuring a continued strong post-secondary system.

The Ministry will use the recommendations provided by the Auditor General to examine the risks and recommendations outlined in this report and take appropriate actions. As an immediate step, the Ministry is putting in place a new, robust process for assessing the financial health of universities and, in addition, will take appropriate measures to work with any institution that is facing financial concerns.

As part of this, the Ministry will:

- work with Laurentian to ensure strong leadership is in place to support it on its path to financial sustainability;
- obtain timely information to assess a university's financial situation, including appropriate benchmarks and thresholds for financial metrics/ratios;
- review reporting requirements and policies to determine if improvements can be made to ensure that Ministry funding is used for its intended purpose;
- consider the recommendations in this report in the development and implementation of future funding models; and
- consider future policy decisions in the context of broader financial impacts on institutions.

The Ministry continues to work with Laurentian to support it on its path to sustainable operations and its emergence from the CCAA process. As a condition of CCAA plan implementation, Laurentian is entering into a long-term exit loan agreement with the Province. This agreement includes stringent

conditions to support Laurentian's accountability, transparency, and financial discipline.

The Ministry thanks the Auditor General for her recommendations and collaboration with the Ministry throughout the course of this review.

THE OFFICE OF THE INTEGRITY COMMISSIONER OF ONTARIO'S OVERALL RESPONSE

The Office of the Integrity Commissioner will take the recommendations under advisement subject to the limitations of the *Lobbyists Registration Act, 1998*.

2.0 Background

2.1 Laurentian University

Located in Sudbury, Laurentian University (Laurentian or University) is one of 23 taxpayer-funded public universities in Ontario. Created in 1960 through the *Laurentian University of Sudbury Act, 1960* (Laurentian Act), the University is a bilingual institution offering courses in English and French, and has had a strong focus on Indigenous studies.

Laurentian is one of the primary post-secondary organizations serving Northern Ontario, and has been one of Sudbury's largest employers. As of December 30, 2020, prior to insolvency proceedings, Laurentian employed approximately 1,751 people, of which 758 were full-time employees and the rest fixed-term, part-time and student employees. As a result of the University's financial restructuring under the *Companies' Creditors Arrangement Act* (CCAA), Laurentian eliminated 195 positions at the University in April 2021: 116 faculty and 79 staff and senior administrators.

About half of Laurentian's staff members are unionized employees who support the University's operations (for example, clerical and secretarial employees, laboratory technicians, computer staff, and maintenance personnel). Laurentian's administrative

Figure 1: Number of Full-Time Equivalent Students Enrolled in French Programming Each Fall Semester, 2010–2021

Source of data: Laurentian University

	Domestic			International			Combined Total
	Undergraduate	Graduate	Domestic Total	Undergraduate	Graduate	International Total	
2010	1,048.9	37.0	1,085.9	10.8	1.0	11.8	1,097.7
2011	1,031.6	36.7	1,068.3	13.0	1.0	14.0	1,082.3
2012	993.2	37.1	1,030.3	11.9	0.0	11.9	1,042.2
2013	960.1	53.2	1,013.3	14.0	0.0	14.0	1,027.3
2014	1,031.5	67.2	1,098.7	19.9	0.0	19.9	1,118.6
2015	925.7	67.9	993.6	28.5	1.0	29.5	1,023.1
2016	1,003.9	62.9	1,066.7	33.1	2.0	35.1	1,101.9
2017	1,049.7	53.4	1,103.1	35.5	2.0	37.5	1,140.6
2018	1,084.8	52.6	1,137.4	45.9	4.0	49.9	1,187.3
2019	1,137.8	59.9	1,197.7	61.7	4.0	65.7	1,263.4
2020	1,179.5	63.5	1,243.0	77.1	3.0	80.1	1,323.1
2021	1,009.2	65.9	1,075.1	64.1	3.0	67.1	1,142.2

staff also includes non-unionized employees, such as managers and directors, and senior administrators such as Associate or Assistant Vice-Presidents, a Registrar, the University Secretary and General Counsel, and designated executives (such as the Vice-Presidents and President).

Before CCAA restructuring, Laurentian offered degrees through six faculties: Arts; Education; Health; Management; Science, Engineering and Architecture; and the Faculty of Graduate Studies. However, the number of faculties was consolidated into four through its restructuring under the CCAA: Arts; Education and Health; Management; Science, Engineering and Architecture. About 8,200 domestic and international undergraduate students (or 6,250 full-time equivalents) were enrolled in the fall of 2020, while the graduate program had approximately 1,100 domestic and international graduate students (or 830 full-time equivalents) at that time. Generally, half of Laurentian's students have been from Northern Ontario. As of the fall of 2021, 19% of its total student population studied in French (Figure 1) and approximately 5% of students were registered for Indigenous programs (Figure 2).

Universities in Ontario are increasingly relying on revenue from international students, who can be charged higher tuition than domestic students. At Laurentian, international student enrolment grew on average 3.9% annually between 2010/11 and 2020/21, averaging 550 international students and generating \$9.3 million in tuition revenue. Laurentian's fiscal year is from May 1 to April 30.

However, between 2016/17 and 2018/19 Laurentian experienced successive declines in international enrolment and a corresponding reduction in revenue. International student enrolments declined from a high of 600 and \$10.9 million in tuition revenues in 2015/16 to 434 and \$9.7 million in 2018/19. In 2018/19, Laurentian lost 130 students from Saudi Arabia. These students would have paid an estimated \$3 million in tuition revenues and ancillary fees over the full length of their degrees. In 2019/20 and 2020/21, enrolment of international students had returned to pre-2018/19 levels (see Figure 3).

Figure 2: Number of Full-Time Equivalent Students Enrolled in Indigenous Programming Each Fall Semester, 2010–2021

Source of data: Laurentian University

	Domestic			International			Combined Total
	Undergraduate	Graduate	Domestic Total	Undergraduate	Graduate	International Total	
2010	54.0	0.0	54.0	0.0	0.0	0.0	54.0
2011	64.2	0.0	64.2	0.0	0.0	0.0	64.2
2012	66.0	0.0	66.0	0.0	0.0	0.0	66.0
2013	82.8	0.0	82.8	0.0	0.0	0.0	82.8
2014	103.4	9.0	112.4	0.0	0.0	0.0	112.4
2015	136.0	10.6	146.6	0.0	0.0	0.0	146.6
2016	150.0	13.9	163.9	0.0	0.0	0.0	163.9
2017	180.9	15.9	196.8	0.0	0.0	0.0	196.8
2018	225.5	17.5	243.0	0.0	1.0	1.0	244.0
2019	264.9	17.9	282.8	0.0	1.0	1.0	283.8
2020	357.3	14.2	371.5	0.8	1.0	1.8	373.3
2021	343.7	8.5	352.2	0.8	0.0	0.8	353.0

Figure 3: Number of Full-Time Equivalent Students Enrolled Each Fall Semester, 2010–2021

Source of data: Laurentian University

	Domestic			International			Combined Total
	Undergraduate	Graduate	Domestic Total	Undergraduate	Graduate	International Total	
2010	6,326.9	425.4	6,752.3	278.4	89.9	368.3	7,120.6
2011	6,438.7	433.0	6,871.7	313.4	107.8	421.2	7,292.9
2012	6,326.3	417.9	6,744.2	350.0	113.5	463.5	7,207.7
2013	6,240.0	457.3	6,697.3	358.4	119.9	478.3	7,175.6
2014	6,241.5	474.6	6,716.1	377.4	114.8	492.2	7,208.3
2015	6,227.8	511.7	6,739.5	400.8	105.1	505.9	7,245.4
2016	6,206.9	535.2	6,742.1	392.5	87.2	479.7	7,221.9
2017	5,891.8	519.5	6,411.3	398.6	85.9	484.5	6,895.9
2018	5,818.0	569.8	6,387.8	267.5	102.3	369.8	6,757.6
2019	5,769.6	590.4	6,360.0	313.0	160.5	473.5	6,833.6
2020	5,929.9	638.4	6,568.3	329.9	191.5	521.4	7,089.7
2021	4,958.6	554.3	5,512.9	289.6	192.9	482.5	5,995.4

2.1.1 Federated Universities

Laurentian has had relationships with three independent, federated universities in Sudbury: the University of Sudbury, Thorneloe University, and Huntington University. Prior to 1960, Northern Ontario had few resources to teach students at the post-secondary level; three churches had created universities to provide education. However, because religious-affiliated universities are not eligible for direct funding from the Ontario government, the three churches agreed to establish a bilingual, non-denominational university, which would become Laurentian. In 1960, the Ontario government established Laurentian at its current campus and all three universities entered into federation agreements with Laurentian.

These federated universities were funded primarily through Laurentian. In 2019/20, for example, Laurentian transferred a net payment of \$7.7 million for their delivery of courses to Laurentian students, offset by administrative service fees paid to Laurentian. For all intents and purposes, the schools were integrated with Laurentian, though each was separately governed and managed their finances independently.

As part of the CCAA process, Laurentian terminated its agreements with the federated universities on April 1, 2021. The move, which became effective May 1, 2021, meant the federated universities were no longer able to receive funding, and no longer able to offer courses.

2.2 Ministry Oversight and Funding

2.2.1 General Oversight

The Ministry of Colleges and Universities (Ministry) is responsible for establishing policy and program direction, and for providing financial support to public post-secondary education institutions. The Ministry's general oversight activities include monitoring:

- enrolment and tuition compliance reporting;
- financial health performance indicators against internal Ministry benchmarks;
- compliance with relevant transfer payment agreements or equivalent, for individual grant programs; and
- executive compensation.

The Ministry is also supposed to tie accountability provisions to funds provided through transfer payment agreements it signs with universities. These agreements are to require the university receiving taxpayer funds to report back on their use. The information reported can vary depending on the purpose of the funds and can include expenditures used under the agreement, detailed descriptions of key activities and programs supported with the funds, and associated measurable outcomes.

2.2.2 Capital and Operating Funding

The Ministry provides two types of funding to post-secondary institutions in Ontario: capital funding and operating funding. **Figure 4** shows the capital and operating funding from the Ministry to all universities and Laurentian from 2009/10 until 2020/21.

Capital funding is used largely for equipment and facilities construction or renewal, and to support deferred maintenance. The Ministry provides this through individual funding agreements with universities.

The operating funding is adjusted based on changes in international student enrolment. From 2013/14 to 2019/20, international student enrolment increased 123% in Ontario. This resulted in the reduction of operating funding for Ontario universities increasing more than fivefold, from \$10 million to \$55 million by 2020/21.

2.3 Laurentian's Governance

Like nearly all Ontario universities, Laurentian has a Board of Governors and a Senate. **Appendix 4** shows this bicameral governance structure common in universities throughout Ontario and Canada.

2.3.1 Board of Governors

The Board is responsible for the overall governance and financial management of the University. Through the *Laurentian University of Sudbury Act* (Act), the Board can set salaries for all employee groups and appoint and dismiss the University's President and

Figure 4: Ministry of Colleges and Universities Capital and Operating Funding to Universities for the Years Ending April 30, 2009/10–2020/21 (\$ million)

Sources of data: Ministry of Colleges and Universities and Public Accounts of Ontario

Year	All Universities			Laurentian			Ministry Funding as a % of Revenues
	Operating	Capital	Total	Operating	Capital*	Total	
2009/10	3,214.2	95.1	3,309.3	69.9	3.4	73.3	49.6
2010/11	3,315.0	104.7	3,419.7	72.9	3.5	76.4	48.3
2011/12	3,410.2	83.1	3,493.3	74.8	0.9	75.7	48.1
2012/13	3,479.3	111.6	3,590.9	72.6	1.2	73.8	45.9
2013/14	3,539.0	155.2	3,694.2	73.8	6.9	80.7	47.2
2014/15	3,505.9	167.8	3,673.7	73.1	8.4	81.5	46.4
2015/16	3,517.8	223.9	3,741.7	73.5	8.2	81.7	45.6
2016/17	3,551.9	132.1	3,684.0	75.6	9.8	85.4	45.3
2017/18	3,613.9	153.6	3,767.5	75.2	10.3	85.5	43.7
2018/19	3,649.8	130.5	3,780.3	75.5	5.6	81.1	41.6
2019/20	3,733.5	53.4	3,786.9	81.0	3.1	84.1	42.6
2020/21	3,678.9	90.0	3,768.9	74.9	2.5	77.4	39.6
Average/year	3,517.5	125.1	3,631.1	74.4	5.3	79.7	45.3
Total	42,209.4	1,501.1	43,710.5	892.8	63.7	956.5	–

* Includes federal funding provided to Laurentian through the Post-Secondary Institutions Strategic Investment Fund, which is administered through the Ministry of Colleges and Universities.

Vice-Chancellor (President), Vice-Presidents, as well as the heads and associate heads of faculties, departments and colleges.

In March 2022, changes to the Act reduced the Board to 16 members. Before the change, Laurentian's Board had 25 members and its by laws allowed for additional non-voting members, of which there were 11. Members serve for terms of one to three years. The Act permits members to be re-elected or re-appointed after their term ends, and Laurentian's by laws limit them to serve a maximum of four consecutive terms (12 years), unless appointed as Board Chair or Vice-Chair.

The Act also states that five voting members are to be named to the Board through Lieutenant Governor in Council appointments for three-year terms. This

remained unchanged as a result of the March 2022 legislation. Candidates could be nominated by Laurentian, the Minister's Office, the Premier's Office, or interested members of the public could self-nominate online.

The Act requires that the Board elect one of its members to be Chair and one to be Vice-Chair. The voting members are typically external to Laurentian, with the exception of the President and two student association representatives.

The Act is silent on compensation for serving on the Board and historically all members have served without compensation, on a volunteer basis. The members, years served, and committee and other Board roles, as of March 31, 2020, are shown in **Appendix 5**.

Committees of the Board

Between 2009/10 and 2019/20, Laurentian's Board had nine Standing Committees and two Ad Hoc Committees in place at various times that were intended to do the following:

- **Executive Committee:** review matters related to Board governance; among its other roles, advise the Chair of the Board and the President, and review staff changes, health and safety matters, and legal matters.
- **Nominating Committee:** meet in camera, make recommendations for membership or renewal of term for Board members, and make recommendations for key Board positions, such as the Chair of the Board.
- **Audit Committee:** review and recommend the appointment of an external auditor, meet with the external auditor to discuss the scope of the audit and final audit report, then recommend approval of the audited financial statements. The Committee was to meet annually with the senior administrators to discuss operational risks facing the University and mitigation measures.
- **Finance Committee:** review the finances of the University and ensure that any proposals regarding University funds are founded on sound financial considerations.
- **Property Development and Planning Committee:** monitor, evaluate and make recommendations to the Board related to land and immovable property, such as buildings. Responsibilities included campus planning and development proposals related to the construction and renovation of buildings, acceptance of donations of property, disposal of properties, appointment of architects, engineers and other consultants, and the long-term planning of Laurentian's real estate portfolio.
- **Senior Management Review and Compensation Committee:** meet in camera and present recommendations to the Board about salaries for Laurentian's President and Vice-Presidents, as well as any salary adjustments or one-time performance-related payments. It also was to

conduct annual performance reviews and set and approve, on behalf of the Board, the President's performance goals for the upcoming fiscal year.

- **Staff Relations Committee:** exercise the powers of the Board on any matters related to the negotiation and administration of agreements with any group of faculty or staff. The Board is to ratify any agreements made by the Committee.
- **Research Ethics Board Liaison Committee:** govern the research activities performed at Laurentian to ensure they comply with fundamental ethical principles.
- **Joint Committee on Bilingualism:** evaluate Laurentian's progress on implementing its policy on bilingualism and promoting bilingualism.
- **Ad Hoc Governance Committee (2010–May 2011):** to bring clarity and focus to the current Board and Standing Committee practices at the time, and address longstanding governance issues. It was established by a Board resolution passed on June 18, 2010.
- **Ad Hoc In Camera Committee on Contingency Planning (2020–December 2021):** established to discuss and prepare for Laurentian's filing for CCAA protection and consider alternatives. It was established by a Board resolution on November 12, 2020.

See **Appendix 6** for the Chair and Vice-Chair positions of the Board and committees responsible for overseeing activities discussed in this report.

2.3.2 Senate

The President of Laurentian is also the Chief Executive Officer and Chairman of the Senate, supervising both the direction of academic work and the general administration of the University. Laurentian's Senate is responsible for the University's educational policy, but requires approval from the Board to spend funds and establish facilities (for example, classrooms or buildings) for academic matters. The Senate's responsibilities also include creating schools, institutes, departments, research chairs and courses of

instruction. The Senate can create regulations for admitting students, courses of study and graduation. According to current Senate bylaws, the Senate must be composed of 84 individuals made up of 33 voting and non-voting members who are ex officio (who hold the position based on their status from another position), and 51 elected student and faculty voting members.

2.3.3 Strategic Planning at Laurentian

Laurentian's strategic planning for its finances and operations are segregated into multiple areas. These plans are developed by administration and faculty, and are approved by the Board or Senate. Laurentian segregates its strategic planning in operations, budgets and long-term direction.

- The Strategic Plan provides the long-term guiding direction for the University, including financial management, operational activities and educational policy. It is the primary planning document and is considered in the preparation of financial plans. The Strategic Plan is prepared by a University employee reporting to the President and is approved by the Board.
- The Academic Plan builds upon objectives in the Strategic Plan and guides academic decision-making. It considers enrolment, importance of a program to the University's mission, and the ability to offer a program. The Academic Plan is developed by a Senate subcommittee and approved by the Senate.
- The Strategic Research Plan builds on the Strategic Plan and is intended to guide research spending and help procure research grants. It is prepared by a Senate subcommittee and approved by the Senate.

Financial Plans include the annual operating budget and multi-year financial plan. These plans outline the University's short- and long-term spending. They are prepared by the administration based on the Strategic Plan, Academic Plan and Strategic Research Plan, and are approved by the Board.

Capital Plans are meant to guide decision-making for capital projects, but are not considered in annual

budgets. The plans are prepared by Laurentian's facilities staff and are approved by the Board.

2.4 Laurentian's Senior Administrators

Laurentian's senior administrators are executive-level employees that lead the institution's operation. University senior administrative teams are generally defined by Ontario universities as positions including president, vice-president, associate/assistant vice-president, general counsel, registrar, university secretary and university librarian. Between 2009/10 and 2019/20, Laurentian had a number of senior administrator positions responsible for key areas. These included:

- **President and Vice-Chancellor (President)**—The Chief Executive Officer of the University accountable to the Board for providing overall leadership in support of the Board-approved strategic direction of the University.
- **Vice-President, Academic and Provost**—Reports to the President and is accountable for academic administration, planning and development at the University. Serves as Acting President in the President's absence. Has oversight of the Registrar and student recruitment.
- **Vice-President, Administration**—Reports to the President and is the most senior non-academic administrator at the University. Serves as Acting President in the absence of both the President and the Vice-President, Academic and Provost. Has financial, human resources, physical, and technology functions and responsibilities. Oversees the budget and financial duties, and prepares management strategies on issues of financial risk.
- **Vice-President, Research**—Serves as primary spokesperson for the University on research matters and policy, and is responsible for providing leadership for the full spectrum of research activities. Has oversight of developing and enhancing relationships with external research organizations and funding agencies, including other post-secondary institutions.

- **Registrar and Secretary of Senate**—Responsible for overseeing the University's academic operations by maintaining all students and academic records, approving curriculum, and maintaining course schedules. Also responsible for the accuracy of student and Senate records, and serving as the chief custodian of the integrity of academic programs.
- **Secretary and General Counsel**—Reports to the President and receives direction from the Chair of the Board. Responsible for overseeing the delivery of all in-house legal services, providing legal and governance advice, and engaging and overseeing the work of external legal counsel. Also, handles *Freedom of Information and Protection of Privacy Act* requests submitted to the University, and maintains the University's records, including ensuring proper minutes and records of all Board and Committee meetings.
- **Associate Vice-President, Human Resources and Organizational Development**—Responsible for overseeing the recruitment, retention and termination of non-faculty employees. Oversees all other components of staffing, including benefits, raises and promotions, workplace complaints such as harassment, and compliance with employment-related legislation. Oversees the staff responsible for maintaining working relationships and handling grievances with the University's labour unions.
- **Associate Vice-President, Financial Services**—Reports to the Vice-President, Administration, and is responsible for managing Laurentian's financial operations by supervising its finance unit and the preparation of budgets, financial statements, management of payroll and the payment of other financial obligations.
- **Associate Vice-President, Facilities Services**—Reports to the Vice-President, Administration, and is responsible for overseeing the development and maintenance of the University's land and infrastructure and capital plans, including the facilities' operating and maintenance needs.
- **Associate Vice-President, Student Life, Enrolment Management and International**—Reports to the Vice-President, Academic and Provost. Responsible for overseeing the institutional planning unit and enrolment projections, promoting enrolment growth, recruiting international students, and overseeing recreation, health and wellness-related student services.

See **Appendix 7** for the senior administration, and **Appendix 8** for the senior administrators responsible for overseeing activities discussed in this report.

2.4.1 Unions and Associations

Laurentian has two main labour unions with collective bargaining agreements: the Laurentian University Faculty Association (LUFA) and the Laurentian University Staff Union (LUSU). LUFA represents faculty and staff, and LUSU represents other employees including clerical, technical, administrative, service and security staff.

Laurentian is a member of the Council of Ontario Universities, and Laurentian staff are members of the Ontario Confederation of University Faculty Associations, which represents faculty and academic librarians.

Laurentian collects student fees on behalf of students' associations as part of its regular student billing process. Students' association fees are then distributed to the respective student associations. Laurentian's students have four students' associations:

- **Association des étudiantes et étudiants francophones**—represents the interests of francophone students on campus.
- **Graduate Students Association**—provides advocacy and student services to its graduate student members.
- **Indigenous Students Circle**—works to support the academic endeavours of its members by promoting Indigenous culture.
- **Students General Association (SGA)**—as the largest bilingual undergraduate association at Laurentian, SGA provides undergraduate

students with representation and services. It is a member of the Ontario Undergraduate Student Alliance.

Another student association is the Canadian Federation of Students, a national organization which lobbies the federal and provincial governments and represents over 350,000 student members in Ontario.

3.0 Review Objective and Scope

On April 28, 2021, the Standing Committee on Public Accounts (Committee) unanimously passed a motion requesting that the Office of the Auditor General conduct a value-for-money audit on Laurentian University's operations for the period of 2010 to 2020. During the discussion on the motion, the Committee indicated that they wanted the audit to examine what happened to lead Laurentian to enter the *Companies' Creditors Arrangement Act* (CCAA) process, to bring transparency to the situation, and to identify lessons learned. The Committee also identified that it would like the audit to look forward and "ensure something like this does not happen in another academic institution elsewhere."

Our Office accepted this assignment under section 17 of the *Auditor General Act*, which states that the Committee can request the Auditor General to perform a special assignment. Because of the historical reach of the request, coupled with the desire to be forward-looking, the Committee provided the Auditor General with discretion on the scope of the audit.

We commenced our work with the intention of providing an audit level of assurance. Unfortunately, given the extensive constraints we faced in obtaining unfettered access to all information (privileged and non-privileged), and the inability to talk freely and openly with certain present and past employees of the University, an audit level of assurance cannot be provided. However, we have conducted our work to enable a review level of assurance, and will refer to our work as a review of Laurentian University.

Our work focused on the University's operational and financial processes and decisions, and the surrounding circumstances that led to the financial

deterioration of Laurentian and its CCAA filing. Our office is a regulatory body under the CCAA and, with respect to our examination of Laurentian, not bound by the court order that stayed proceedings against the University. Guided by the Committee motion and discussions surrounding it, we identified the areas we would examine. Our work looked at financial areas such as capital expenditures, payroll, cash flow, banking, debt financing, external audit work, compliance with funding agreements and Laurentian's use of research funds. We also reviewed the areas of hiring, grievances, enrolment, academic programming and board governance. **Appendix 9** lists these areas.

Further, we assessed whether the Ministry of Colleges and Universities (Ministry) had effective oversight procedures in place to monitor the financial viability of Laurentian, and, more generally, universities in Ontario. We also reviewed what actions were taken to confirm that Laurentian was using funds in accordance with legislation, contractual agreements and Ministry policy. As part of this work, we reviewed the interactions and communication between the Ministry and Laurentian during the period leading up to Laurentian's decision to file for CCAA protection. This period was from March 2020 to February 1, 2021.

A portion of our work was conducted at Laurentian in Sudbury. We also engaged the University, the Ministry and other stakeholders through video-conferencing and other forms of electronic communication. We met with and interviewed current and past staff, faculty and Board of Governors and Senate members. We also met with stakeholders and community groups, including representatives of the:

- City of Greater Sudbury
- Council of Ontario Universities and affiliates
- Universities Canada
- Laurentian Union Faculty Association (LUFA)
- Laurentian University Staff Union (LUSU)
- Ontario Confederation of University Faculty Associations (OCUFA)
- Assemblée de la francophonie de l'Ontario (AFO); and
- the former federated universities of Laurentian: Huntington University, Thorneloe University, and the University of Sudbury.

In addition, we reviewed relevant research and best practices in university governance, oversight, operations and financial reporting from other Canadian provinces.

Our work did not consider whether the elimination of French-language programs at Laurentian contravened the *French Language Services Act*. The French Language Services Commissioner in the Ombudsman's Office conducted a review on this issue and reported in April 2022, concluding that Laurentian had contravened the *French Language Services Act*.

All facts used in this report were provided for review and approval by Laurentian University. On April 8, 2022, the President and Vice-Chancellor provided written representation that we had been provided all information they were aware of that could impact the facts used in this report. The draft report was reviewed by relevant senior management and Board members, as identified by the Chair of the Board of Governors. On November 3, 2022, the Chair provided written representation that all information that could significantly affect the findings or the conclusions in this report have been provided to us, and that Laurentian understands the conclusions reached in the report and accepts all of the recommendations that apply to the University.

As part of our value-for-money process, we do not typically engage directly with an auditee's external consultants, including external legal counsel, nor do we typically provide them with copies of draft reports for their review. We clear our reports directly with senior management and/or board members of the audited organization. However, the court appointed monitor and legal counsel under the CCAA process had extensive involvement into the months-long factual clearance process, and provided guidance to senior management throughout the course of our review.

We received written representation from the Ministry that as of October 31, 2022, they had provided us with all of the information they were aware of that could significantly affect the findings or the conclusions of this report.

3.1 Unprecedented Restrictions Limited Our Direct and Unfettered Access to Information and People

During our work, we encountered circumstances that limited our ability to obtain unfettered information about the financial and operational decisions made at Laurentian. A number of these limitations and their impacts are discussed throughout the report. We have an appeal pending before the Court of Appeal for Ontario resulting from Laurentian's refusal to provide our Office with access to documents and information Laurentian claimed was privileged.

While poor record retention and lack of institutional knowledge at the University were impediments, the central obstacle to our work was caused by the University's refusal to provide our office with direct, unfettered access to records and personnel. Laurentian refused to provide our Office information that its external legal counsel and the CCAA court monitor decided was subject to solicitor-client privilege, litigation privilege, and/or settlement privilege. In many instances, the University's external legal counsel and the legal counsel for the CCAA court monitor also declined to provide non-privileged information, saying that to review documents to determine whether they contained privileged information would be too resource-intensive. Consequently, we did not obtain direct, unfettered or timely access to information during our review. Such a pervasive restriction on our work is unprecedented.

Another hurdle we faced was that Laurentian put in place communication and documentation protocols that discouraged University staff from speaking freely with us or providing our Office with unfettered access to information without fear of reprimand. These protocols created a culture of fear surrounding interactions with our Office which hampered our work. For instance, a former employee of the University refused to meet with our Office before written permission was provided by the University. The same individual did not feel comfortable answering even rudimentary questions typical in our interviews—such as "what are areas of improvement for the University?"—for fear of breaching privilege.

In order to meet the requests of the Standing Committee on Public Accounts, our Office made numerous attempts to have Laurentian reconsider its approach and remove these significant restrictions imposed on our work. Working pursuant to a request from the Committee, we advised the Committee of our difficulty in obtaining unfettered access to information and people. The Committee took its own steps to seek co-operation from Laurentian and the disclosure of significant and relevant information; see **Appendix 10**.

On December 9, 2021, the Legislative Assembly of Ontario voted unanimously to approve the issuance of rarely used Speaker's Warrants to obtain the information requested by the Committee.

We conducted our work and reported on the results of our review in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada. We have conducted our work to enable a review level of assurance. The procedures performed in a review vary in nature and timing from an assurance engagement that obtains a reasonable level of assurance, such as an audit, and do not extend as far. As this is not an audit, we cannot provide as high a level of assurance as we could have if we had obtained unfettered access to current and former employees and information.

The Office of the Auditor General of Ontario applies the Canadian Standard on Quality Control and, as a result, maintains a comprehensive quality-control system that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

4.0 Laurentian's Capital Expansion and Modernization Main Reason for Significant Financial Decline

From 2010 to 2020, financial indicators show that Laurentian's financial situation was deteriorating, with its expenses frequently surpassing revenues (see **Section 4.1**). One of the main reasons for that decline was the University's decision to expand and upgrade its facilities and programs in an attempt to increase enrolment, donations and research grants. Laurentian made those investments even though it faced financial difficulties that were evident before 2010 (see **Section 4.2**).

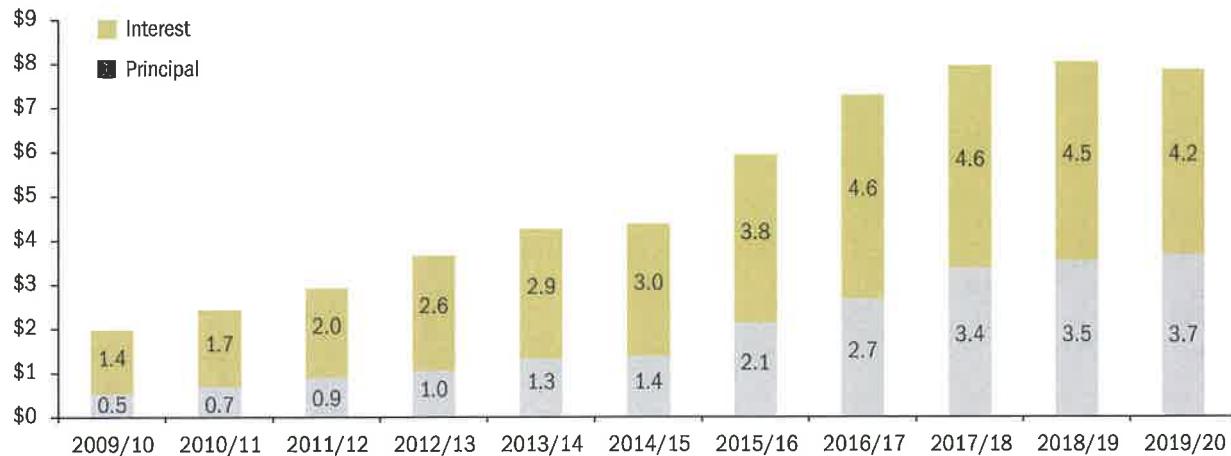
It appears Laurentian's Board and senior administration took a risky "build it and they will come" approach. We found no documentation showing the institution had a viable financial plan that addressed whether these major capital investments would be sustainable for the University, or whether each project could be reasonably expected to bring in enough revenue to cover on going operating costs, interest on debt and the paydown of the principal debt itself (see **Section 4.3**).

As its debt levels began to rise, the University amended its Capital Debt Policy in 2010 to make it less restrictive (see **Section 4.4**). Meanwhile, the significant capital investments did not effectively address the poor and deteriorating condition of Laurentian's buildings in the 2010–2020 period (see **Section 4.5**). In addition to the expansion on the main Sudbury campus, Laurentian was ultimately unsuccessful in maintaining expanded operations in the Barrie area (see **Section 4.6**).

See **Appendix 11** for the timeline of financial, operational and capital activities contributing to Laurentian's financial decline. **Figure 5** displays Laurentian's principal and interest payments between 2009/10 and 2019/20 and **Figure 6** shows the cumulative costs related to capital and operational decisions, and the external factors that negatively impacted the University's finances from 2009/10 to 2020/21.

Figure 5: Principal and Interest Payments on Debt for the Years Ending April 30, 2009/10–2019/20 (\$ million)

Source of data: Laurentian University

**Figure 6: Significant Factors Negatively Impacting Laurentian University's Financial Operations for the Years Ending April 30, 2009/10–2020/21**

Prepared by the Office of the Auditor General of Ontario

Costs Incurred	\$ million
Interest expenses and principal payments from the debt acquired to pursue its major capital expansion (Section 4.0)	56.7
Net impact of the Province's freeze on domestic tuition starting in 2019 (Section 4.1)	10.3
Salary expenses associated with the growth in its senior administration (Section 6.1)	10.1
Additional costs of hiring external legal counsel (Section 6.3)	8.5
Net estimated loss resulting from the COVID-19 pandemic (Section 4.1)	7.0*
Accumulated losses from and cancellation of Laurentian's programs being delivered in Barrie (Section 4.6)	4.6
Reduction in anticipated international tuition and ancillary revenues from Saudi students (Section 2.1)	3.0
Hiring of special advisors to the President and other senior administrators (Section 6.2)	2.4
Grievance settlements paid to faculty and staff (Section 7.3)	1.4
Salary expenses associated with the growth in human resource personnel related to its growing union grievances (Section 7.3)	1.1
Total	105.1

* Laurentian's COVID-19 impact was \$13 million. The \$7.0 million in this chart is the net impact after the assumption that the Province would provide a COVID-19 grant of \$6.0 million to Laurentian. As of October 2022, this amount has not yet been provided.

4.1 Laurentian's Financial Situation Progressively Deteriorated from 2010 to 2020

Several metrics highlighted that, without structural changes or increased revenues, Laurentian's operations were becoming increasingly unsustainable.

For example:

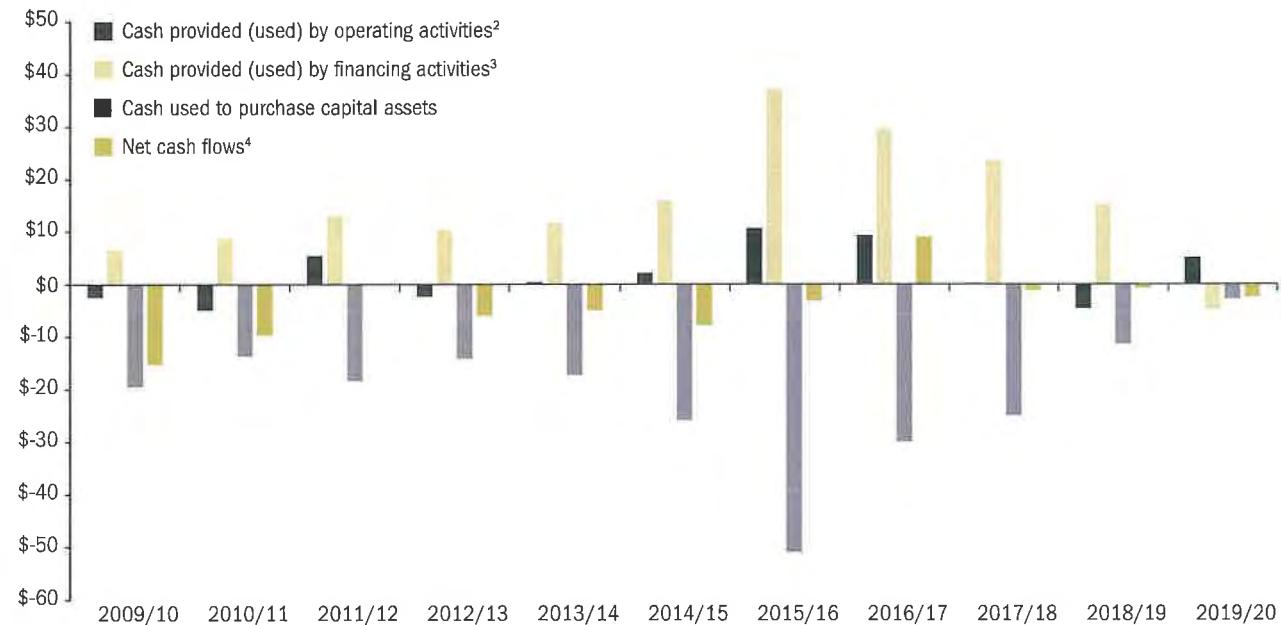
- Laurentian was consistently running an annual deficit, meaning it was unable to obtain sufficient revenue to fund its activities in the 2009/10–2019/20 period. On average, annual deficits in this period were 2.1% of its revenue.
- The University was losing its ability to meet growing debt obligations. Between 2009/10 and 2019/20, the portion of Laurentian's assets funded by debt grew from 21% to 30%.

- Ministry benchmarks identify that a university should hold enough financial assets to support one months' worth of operating expenses. At no point in the 10-year timeframe did Laurentian have enough unrestricted cash without the use of its line of credit to fund its operations for even a day.

See **Appendix 12** for a summary of the University's annual revenues, expenses and deficits from 2009/10 to 2019/20. See **Figure 7** for a depiction of the cash flows from operations, financing and capital assets purchasing activities, and **Appendix 13** for a more detailed depiction of cash flow trends from 2009/10 to 2019/20. **Appendix 14** presents an in-depth analysis of key ratios and a comparison of financial results of entities of varying sizes over the period from 2009/10 to 2019/20.

Figure 7: Cash Flow Analysis for the Years Ending April 30, 2009/10–2019/20 (\$ million)¹

Source of data: Laurentian University audited financial statements



- We prepared this figure using Laurentian's consolidated statements of cash flows as the basis. Where comparative information was reclassified to conform with the financial statement presentation adopted in a subsequent year, we used the more recent information. In addition, we made adjustments to these statements to modify the presentation of certain line items for comparability. For example, we changed the presentation of deferred contributions by reclassifying changes in this liability balance from financing activities to operating activities to be consistent with accounting standards for not-for-profit organizations and 18 other Ontario universities' financial statements. See **Appendix 13** for more details.
- Cash flows from operations are the outflows and receipt of cash resulting from the main, ongoing operating activities of the University in its delivery of academic programs and other services. This would include inflows from grants and tuition revenues, and expenses on staff and faculty salaries.
- Cash flows from financing activities includes cash contributed by external sources (e.g. government and donors) for the purposes of acquiring capital assets. Financing activities also includes the cash obtained and repayments made relating to long-term debt. For the purposes of this figure, we have excluded endowment contributions and net increases (decreases) in endowments from financing activities.
- In addition to the adjustments we made to financing activities, we have also excluded net acquisition of investments and gain on endowment investments from net cash flows for the purpose of this figure.

We have assessed the financial impacts of poor operational decisions discussed in this report on the University's financial performance, and presented what its performance could have been if not for these decisions and their resulting impacts on cash flows (Appendix 15) and profits/losses (Appendix 16).

In addition to Laurentian's poor discretionary spending decisions, there were external impacts that affected the entire university sector, such as a tuition reduction and freeze and the COVID-19 pandemic. Unlike other institutions, Laurentian had invested heavily in major capital projects and had no unrestricted financial reserves available to effectively support its operations through these external impacts. Nonetheless, until it notified its lenders of its upcoming plans to file for *Companies' Creditors Arrangement Act* (CCAA), it would have continued to have access to a line of credit up to \$26 million. As noted earlier, Laurentian had relied on a line of credit in prior years.

Province-Wide Tuition Reduction and Tuition Freeze

On January 17, 2019, the government announced a 10% reduction in tuition that would remain through 2020/21. This reduction and freeze did not apply to most international students.

Had this reduction and freeze not been imposed, Laurentian would have been able to continue increasing its tuition rates up to a maximum of 3% per year. If it had done so, the tuition revenue for domestic undergraduate students could have increased by \$6 million in 2019/20 and \$8.6 million in 2020/21.

To respond to the impacts of the tuition reduction on Northern universities, the Ministry provided Laurentian with a \$4.3 million grant in February 2020. However, this did not cover the total impact of the tuition freeze. We estimated the total revenue reduction was \$14.6 million, resulting in a net estimated loss of \$10.3 million (see Figure 6).

COVID-19 Financial Impact

In response to a request from the Ministry, Laurentian identified an estimated \$10.6 million loss in revenue due to COVID-19. This relates to an estimated decrease in ancillary revenues of \$8.9 million, reduced revenue

from international students of \$732,000, and a decline in other revenues (for example, fees related to athletic fees) of \$908,000. Laurentian projected an additional \$2.5 million in expenses related to COVID-19, such as IT expenses for remote work.

In response to this total estimated impact of \$13 million, the Ministry agreed to provide Laurentian with a COVID-19 grant of up to \$6 million (as of October 2022, this amount was not yet received by Laurentian). Adjusting for this additional revenue, Laurentian's estimated net loss from COVID-19 was \$7 million, without consideration for potential savings from COVID-19 related closures or other measures.

4.2 Laurentian Chose to Build and Expand Facilities Amid a Weak Financial Position

As noted, in the years prior to 2010, Laurentian was already facing financial difficulties. In the 2009/10 school year, for instance, the University had an unrestricted asset deficiency—the amount by which an entity's financial obligations surpass the unrestricted assets it can use to fund those obligations—of \$10 million.

Partly in response to growing net losses, in February 2009 the Board approved a "Plan to Regain Sustainability" at Laurentian. The plan forecast a return to a balanced budget within a three-year timeframe through \$7.6 million in savings from cost-cutting measures and revenue-generating initiatives aimed at increasing student enrolment. This plan stated Laurentian "must reduce and eventually eliminate the budget deficit, following which time we will need to generate surpluses for a period, in order to dig ourselves out of the hole."

In that same year, the Ministry of Training, Colleges and Universities, as it was then known, hired the consulting firm Courtyard Group to assist in developing a long-term capital planning process to inform the creation of long-term capital plans for post-secondary education in Ontario.

Courtyard's April 2009 report predicted that universities in Northern Ontario were likely to face enrolment issues for some time. This was based on the conclusion

that the decline in the region's population of 18- to 24-year-olds—the highest demographic of university attendees—was expected to persist.

The Courtyard report also advised that:

- critical deferred-maintenance needs must take priority over space modernization;
- institutions should set targets using the Facilities Condition Index, which is an industry standard used to measure the relative condition of buildings; and
- universities should ensure money is set aside to pay for future infrastructure.

Laurentian hired a new President in April 2009. From then on, the University moved to expand and upgrade its facilities and programs in an attempt to increase enrolment, donations and research grants. In the face of the Courtyard report, Laurentian decided that instead of reducing costs, its long-term strategy would be to focus on increasing revenue-generating measures. Without evidence to support this approach, Laurentian assumed that capital expansion would result in increased enrolment and associated tuition revenue.

At one Board meeting, on February 26, 2010, the then Vice-President, Administration, proposed a new long-term capital plan that had no specific dates associated with it. Although he referenced the Courtyard report during the meeting, he also said that Laurentian ought to prepare for perceived future growth in enrolment and more demand for undergraduate space. The then Chair of Laurentian's Property Development and Planning Committee (PDP Committee) affirmed the importance of the plan and the new President stated that the plan was in line with his vision. Ultimately, the Board approved this plan for capital expansion.

Despite its growing financial concerns, Laurentian did not look for additional donations to support its continued operations. In one instance, a donor had pledged \$10 million in 2011, but as of September 2022 only \$3 million has been received. In 2017, it developed another financial sustainability plan that did not consider pursuing donations to address its deteriorating financial position. Instead, its donations over the three-year period from 2017 to 2020 were \$9.9 million less (28%) than the preceding three years.

4.3 Laurentian Invested \$168 Million in Capital Projects Without Considering the University's Long-Term Financial Sustainability

From 2009/10 to 2019/20, Laurentian pursued six major capital projects that cost \$168 million. It did so without developing a long-term sustainability strategy, fully considering how these investments would impact Laurentian's revenues, or determining the risks associated with a rapid growth in debt. Refer to **Appendix 17** for a timeline of the projects and key governance and administrative leadership at the time of their approval. The costs and sources of funding for the projects are shown in **Figure 8**.

4.3.1 Laurentian Proceeded with Capital Projects Without Considering a Long-Term Capital and Maintenance Plan

Laurentian's main operational guiding documents were its strategic plans. We reviewed the University's plans for the periods of 2008–2011, 2012–2017 and 2018–2023. Although they referenced many of the major capital projects Laurentian pursued, those plans did not contain considerations for the University's long-term direction or future capital needs.

For instance, despite financial concerns and worsening conditions of its existing buildings, Laurentian did not appear to consider this information in its capital planning. Nor did it develop long-term capital plans that prioritized projects based on financial sustainability, long-term objectives, current or future market trends, and capital maintenance needs.

Laurentian's strategic plans sometimes used anecdotal evidence to support the pursuit of major capital investments. For example, the 2008–2011 Strategic Plan shows the impetus for pursuing the School of Architecture was "community responsiveness"—that is, stakeholders from the community wanted a school of architecture at Laurentian, not that architecture was assessed as an area of growing demand in alignment with Laurentian's existing core strengths or goals.

Figure 8: Source of Funding and Interest Costs for Major Capital Projects for the Years Ending April 30, 2009/10–2020/21 (\$ million)¹

Source of data: Laurentian University

Year Completed	Capital Project	Source of Funding				Total Project Costs	Interest Costs as of 2020/21
		Government	Donations	External Debt	Restricted Funds ² (Section 5.0)		
2013	East Residence	-	-	20.6	-	20.6	7.8
2016	Cardiovascular and Metabolic Research Lab	-	-	-	5.9	5.9	-
2017	School of Architecture	41.3	3.2	-	-	44.5	-
2018	Campus Modernization	-	4.3	43.0	11.6	58.9	9.2
2018	Research, Innovation and Engineering Building	26.1	2.8	-	-	28.9	-
2019	Student Centre	-	-	8.0	-	9.3 ³	0.4
Total		67.4	10.3	71.6	17.5	168.1	17.4

1. This chart assumes that all external funds for a specific project were used for that specific project. This assumption was necessary because Laurentian did not segregate its restricted funds from its cash and short-term investments for operations until December 2020 (see Section 5.0).
2. Restricted funds are those designated for specific purposes, such as for retirement benefits or research work, and are not supposed to be used for any other purpose. This was calculated this by removing known funding sources, such as donations and external debt, from the total cost of the project after completion. This amount may differ from amounts presented by Laurentian in its financial statements and therefore may not align with amounts reported in Figure 14.
3. The remainder (\$1.3 million) of the cost of the Student Centre was paid for through student fees collected by Laurentian's Students' General Association (SGA) in advance of the project. However, we have not been able to confirm this amount with Laurentian or the SGA.

What's more, some projects were approved before long-term capital plans were completed. For instance, the largest capital endeavor between 2009/10 and 2019/20, referred to as Campus Modernization, had a price tag of \$59 million. Its goals included modernizing classrooms and building a new Welcome Centre. Despite its significant cost, the Campus Modernization project was approved on June 22, 2012, prior to completing the Campus Master Plan. Had this Master Plan been completed, it would have enabled Laurentian to consider its current and future capital needs holistically, and prioritize them based on what was financially feasible considering its broader operations. According to the 2012–2017 Strategic Plan, the Campus Modernization Plan was intended to make Laurentian a university of choice, “attracting students, staff and faculty” to the University.

It wasn't until June 2012 that Laurentian selected a consultant to develop a Campus Master Plan that included a long-term planning framework to shape the

physical growth of the campus. On June 22, 2012, the Chair of the Property Development and Planning Committee said the two projects should be implemented at the same time, stating the University would “likely dovetail the Campus Modernization project with the Campus Master Plan project.”

In spite of the increasingly poor financial condition of the University, the administration continued to pursue major capital expansion instead of addressing the accumulating annual financial deficits. The then Vice-President, Administration recommended that Laurentian defer a plan to reduce its accumulated deficit when presenting the 2013/14 Operating Budget to the Finance Committee on March 25, 2013. The administration said it was important for the University to pursue its capital investments and that colleagues should “remain confident that strategic plan investments are appropriate for success.”

On April 19, 2013, the Board approved the proposal to delay elimination of the accumulated deficit

to 2027/28, instead of 2018/19. The Board motion stated “the cumulative deficit does not impact the University’s capacity to borrow for capital projects” since Laurentian’s cumulative deficit is “not owed to a third party” and the University is “not subject to a credit rating.” In October of that same year, when the Senior Management Review and Compensation Committee of the Board evaluated the performance rating of the then Vice-President, Administration, they awarded this individual an “outstanding” performance rating and issued a one-time merit payment of \$9,646. The then President and Vice-Chancellor commented that the proposal to delay deficit-reduction was “definitely a signature moment.”

4.3.2 Laurentian Did Not Consider Whether Each Capital Investment Would Result in Increased Revenue to Afford the Costs

In addition to a lack of overall long-term capital planning, there was little assessment of how much each individual capital investment would impact Laurentian’s overall revenue or justify its costs. See **Figure 8** for a list of capital projects that did not have an adequate business case and their associated capital costs and interest costs.

We asked Laurentian for all available information that would have served as a business case or financial-feasibility assessment of the six major capital projects approved between 2009/10 and 2016/17. We found that business cases and financial projections did not exist for Campus Modernization—which cost \$59 million, of which \$43 million was funded through external debt—or for the Research, Innovation and Engineering Building.

In the absence of a business case, we found evidence to suggest the projects were not expected to generate adequate increases in revenues that would justify the expenditures. For example, on September 17, 2013, a member of the Senate asked what impact the Campus Modernization project would have on revenue growth. The then Vice-President, Administration informed the Senate that the impact of the Campus Modernization project was reflected in the multi-year financial plan in the University’s budget. The 2012/13 budget projected

modest growth in revenues of about 3.7% per year from \$132 million in 2012/13 to \$158 million in 2017/18, confirming that Laurentian did not anticipate this project would have a significant impact on revenue growth.

For the other four major capital projects, we found that although a business case did exist, the assessments and projections were not supported by adequate evidence or analyses to justify the investments. For example, in the business case for the School of Architecture, Laurentian did not use reasonable enrolment projections and did not consider what would be a reasonable time frame before they began to recover operating losses.

4.4 2010 Amendments Made Laurentian’s Capital Debt Policy Less Restrictive

On April 23, 2010, the Board approved amendments to Laurentian’s Capital Debt Policy so that it could proceed with building a new residence building. This change kept the same debt limits but excluded certain types of debt from the calculations. For example, debt acquired to build a student residence would not be considered in calculating the ratios limiting debt if revenues to be generated from the residence were expected to be high enough to pay back the debt incurred to build it.

This policy change was based on a recommendation from the President, who indicated that without making the debt policy less restrictive, Laurentian would not be in a position to propose a new student residence on campus and stay in compliance with the policy. **Figure 9** shows when Laurentian would have exceeded its debt limits, had it not amended the policy. From 2009/10 to 2019/20, Laurentian’s total debt grew over 147% to \$107 million. This was primarily the result of acquiring an additional \$87 million in long-term debt. Laurentian continued to pay down \$21 million of its long-term debt during this time. We found that Laurentian’s administration did not fully understand or consider the risks associated with this rapid growth in debt.

Figure 9: Capital Debt Policy¹ Ratios for the Years Ending April 30, 2009/10–2019/20

Source of data: Laurentian University

Year	Debt to Revenue (%) ²	Debt per FTE Student (\$) ³	Debt Servicing Cost Ratio (%) ⁴
2009/10	29	7,277	3.6
2010/11	29	5,241	4.2
2011/12	36	6,421	3.8
2012/13	38	7,038	4.5
2013/14	37	7,421	4.8
2014/15	38	7,741	4.4
2015/16	52	10,559	3.4
2016/17	55	11,482	4.8
2017/18	56	12,895	4.8
2018/19	59	13,602	4.7
2019/20	54	12,793	4.7



Indicates that Laurentian would have been in violation of its own internal debt limits if its Capital Debt Policy had not been weakened in 2010.

1. The Capital Debt Policy was weakened in 2010, when it was amended to exclude certain types of debt, including for major capital projects, from being considered within its debt ratio.
2. The pre-2010 policy stated that debt should not exceed 45% of annual revenue in a given year.
3. The pre-2010 policy stated that debt should not exceed \$7,500 per full-time equivalent (FTE) student.
4. The pre-2010 policy stated that debt servicing costs should not exceed 4.5% of revenue. The debt servicing cost ratio measures the percentage of Laurentian's total revenue that is allocated to debt principal and interest payments, as well as any associated fees.

See **Figure 10** for the growth in Laurentian's total debt from 2009/10 to 2020/21. Once Laurentian filed for CCAA protection, its level of debt increased to about \$141 million as of April 30, 2021. This increase was significantly due to a \$25 million debtor-in-possession loan and because CCAA filing had triggered a termination liability of \$24.7 million related to the University's loan agreements with banks, net of payments made on its debt of \$15.7 million.

4.5 Focus on Capital Spending Left a \$135 Million Backlog of Required Maintenance and Repairs

The significant investment in new buildings and infrastructure did not take into consideration or effectively address the poor and deteriorating condition of Laurentian's existing buildings in the 2010–2020 period. This was despite the acknowledged and growing

concern about the condition of Laurentian's infrastructure at the time. In 2009, in its "Plan to Regain Sustainability," Laurentian identified that its deferred maintenance needs were at least \$24 million.

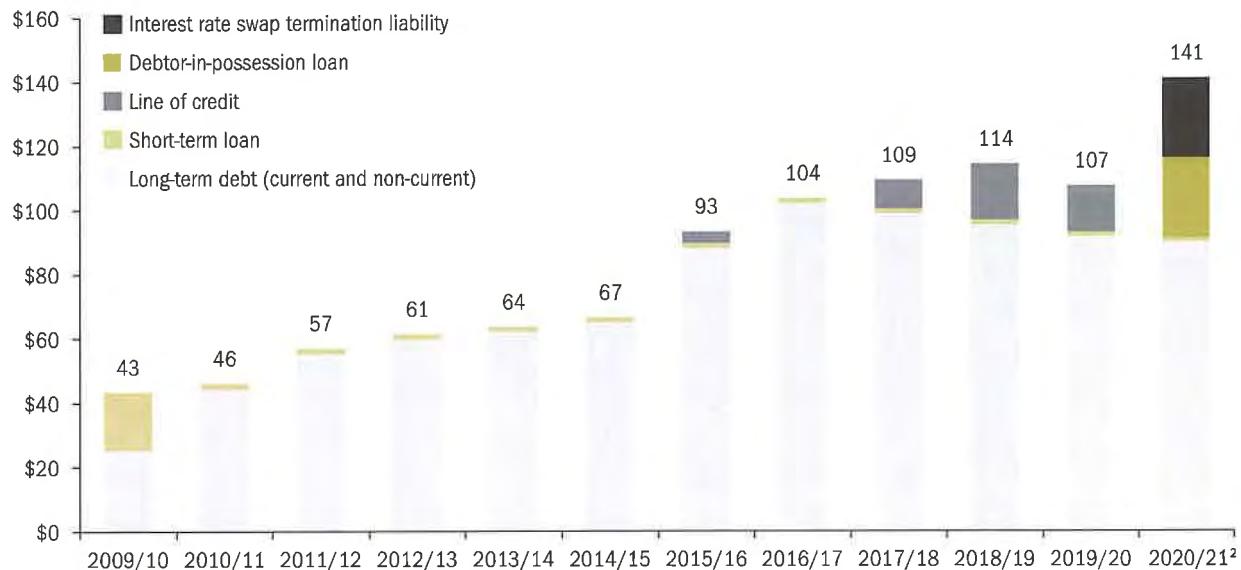
The deteriorating financial situation put a strain on the availability of funds, and needed repairs and upgrades were continually deferred. As of September 2020, Laurentian estimated that it had \$135 million in required repairs, or deferred maintenance, that had not been addressed.

Deferred maintenance can have an impact on operations. For example, a roof might have an estimated 20-year lifespan, after which it should be replaced. The longer this replacement is deferred past the estimated lifespan, the greater the possibility of water damage and health risks such as mould.

The University's period of capital expansion made the situation worse. Between 2009/10 and 2019/20, Laurentian increased the square footage on campus by

Figure 10: Total Debt for the Years Ending April 30, 2009/10–2020/21 (\$ million)¹

Source of data: Laurentian University audited financial statements



1. This figure does not include liabilities other than debt.

2. Total debt in 2020/21 includes the following:

- Items reclassified and recorded as a component of liabilities subject to compromise, which is a current liability:
 - \$89.9 million (2019/20 – \$91.7 million) of long-term debt;
 - \$1.3 million (2019/20 – \$1.4 million) of short-term loan with TD Canada Trust;
- \$25.0 million (2019/20 – \$nil) in short-term loans owed to the debtor-in-possession lender as part of the *Companies' Creditors Arrangement Act* (CCAA) process, which increased to \$35.0 million on May 2, 2021 after the end of the 2020/21 fiscal year; and
- \$24.7 million (2019/20 – \$nil) of obligations for the termination of seven interest rate swaps triggered by the CCAA filing.

15% (300,775 square feet). This growth would have led to an increase in required operations and maintenance costs. However, Laurentian did not increase its budgeted or actual expenses in this area at the same pace, so there was proportionally less maintenance performed than required. See **Figure 11**, which compares the growth in the square footage of campus properties to budgeted day-to-day maintenance and actual maintenance.

On November 26, 2012, the then Vice-President, Administration asked the Finance Committee to recommend that the Board rescind its policy of spending 1.5% of the operating budget on deferred maintenance. She said this long-standing policy (introduced June 3, 1983) had never been followed in practice, and that given the ongoing Campus Modernization project, it should be rescinded. The Board accepted the recommendation and rescinded this policy on December 14, 2012.

In 2015, in its annual risk assessments presented to the Audit Committee, Laurentian first identified major

building/infrastructure failure as a high risk due to the deferred maintenance. By 2016, this risk level had been upgraded to extreme, the highest ranking. It remained at this level until Laurentian's CCAA filing in 2021.

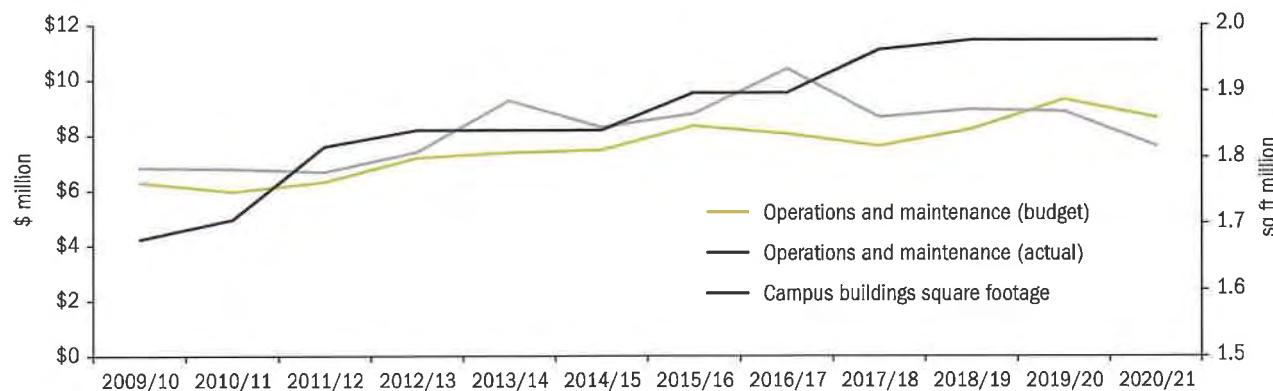
As of March 2022, Laurentian owned 34 buildings with square footage of nearly 2 million.

4.6 Ultimate Closure of Barrie Campus Cost Laurentian \$4.6 Million

In partnership with Georgian College, Laurentian University opened a satellite campus in Barrie in 2001. Until 2010/11, enrolment grew steadily to 989 full-time equivalent students. However, enrolment then began to decline, dropping to 729 full-time equivalent students by 2013/14. Even as enrolment slipped, staffing increased, from 5.5 full-time equivalent faculty and staff in 2008/09 to 26 by 2013/14. This contributed to a \$2.2 million growth in Laurentian's accumulated deficit by 2014/15.

Figure 11: Growth in Square Footage of Campus Buildings and Budgeted and Actual Operating and Maintenance Costs for the Years Ending April 30, 2009/10–2020/21

Source of data: Laurentian University



After the partnership with Georgian College was abandoned, Laurentian's senior administration considered establishing its own campus in Barrie. The University spent \$577,000 (included in accumulated deficit of \$2.2 million mentioned below) in anticipation of receiving \$40 million in funding from the Province, ahead of the Province's assessment and decision. But the Province ultimately decided not to fund the Barrie campus.

On February 12, 2016, Laurentian's Board approved the closure of the Barrie campus. Full-time faculty at Barrie were offered jobs at Laurentian's main campus in Sudbury, and 17 of the 26 were relocated. The University also took on costs to support Barrie students affected by the closure to enable them to continue their studies in Sudbury. Although initially budgeted at just over \$500,000, this relocation offer ultimately cost the University \$2.4 million, bringing the net costs of the Barrie closure to \$4.6 million (\$2.2 million in accumulated deficit plus \$2.4 million in closure costs).

5.0 Shortfall in External Funding for Major Capital Projects Met Through Inappropriate Use of Restricted Assets

Laurentian University approved significant capital projects in the period 2009/10 to 2019/20, even after

maximizing the amount of long-term debt its primary lender would provide. That led to a situation where the funds it had available to use—known as unrestricted funds—were dwindling.

When Laurentian reached the point where it was unable to fully fund its capital projects, the University inappropriately dipped into funds restricted for other purposes, such as employee health benefits (see **Section 5.1**) and academic research projects (see **Section 5.2**). Senior administration informed the Laurentian Board that this activity was “internal financing.” It is unclear whether adequate information was provided to the members of the Board to enable them to understand that this “internal financing” was coming from restricted assets.

Internal financing commonly refers to an entity using surpluses that have accumulated from operations to fund projects, with the intention of earning back the money through future operating surpluses. This strategy essentially allows an organization to use excess cash to provide itself the equivalent of a loan. But Laurentian did not have excess unrestricted cash to loan itself. Instead, it drew on money that was restricted for other specific purposes.

Our analysis found Laurentian had been using restricted funds on capital projects since at least 2007. As of April 30 that year, the University had used \$2.6 million for the “internal financing” of capital projects, such as energy retrofits and heating plant improvements. But as of that date, the University only

had \$1.4 million in unrestricted net assets, meaning \$1.2 million of those capital projects were being funded by its restricted assets.

What's more, by commingling the restricted funds with its cash and short-term investments for operations, Laurentian did not follow best practices, and in some cases contractual obligations. Instead, the University used a simple cash-management system with one primary operating bank account, where it deposited almost all funds received. Not segregating funds meant it was difficult for anyone, including Board members, to spot their inappropriate use. It seemed unusual to us that, after operating like this for many years, Laurentian's administration only began segregating research grants and restricted donations on a go-forward basis in December 2020 (see **Sections 5.2 and 5.3**).

By 2012/13, the University no longer had sufficient cash and investments on hand to cover its deferred contributions, primarily research grants. (See **Figure 12** for a trend in Laurentian's cash and short-term investments compared with its deferred contributions.) Deferred contributions are financial obligations that relate to money received for specific purposes. The obligations remain deferred until the money is spent for the intended purpose.

As displayed in **Figure 13**, although Laurentian's operating activities from 2009/10 to 2019/20 had a

modest deficit of \$1.3 million, its cash position was greatly reduced due to the \$228.6 million used to pay for capital assets. This would have resulted in a cash shortfall of \$17.3 million, if it weren't for the funds related to the deferred contributions it accessed to cover these costs.

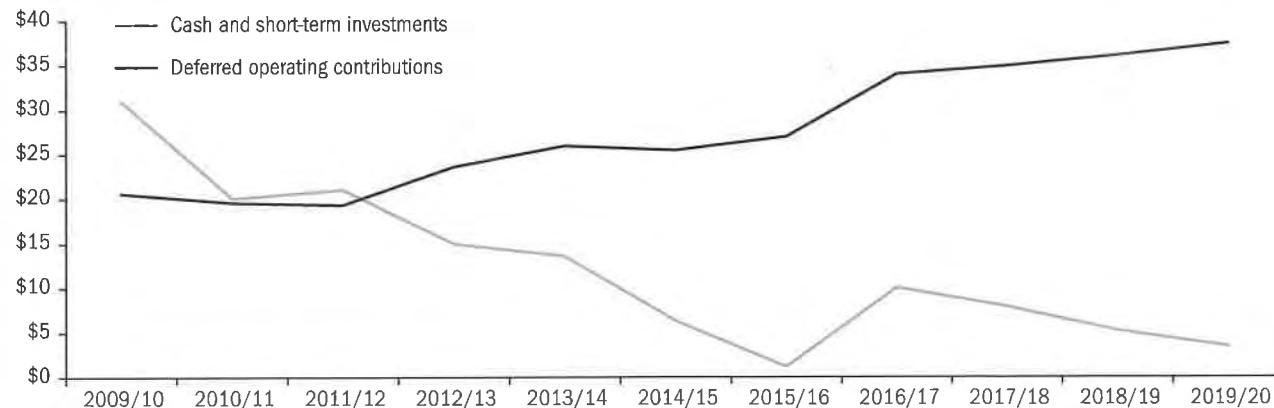
By April 30, 2016, the University's cash and short-term investments had fallen to as low as \$1.1 million. That same year, as Laurentian's financial condition continued to deteriorate, Royal Bank of Canada (RBC), the University's primary lender, refused to issue Laurentian more debt. RBC's credit-risk assessment had identified that Laurentian reached its maximum debt exposure with the bank.

Despite the risk associated with its increased debt, Laurentian continued to expand its buildings and infrastructure. In response to RBC's refusal, the University sought a line of credit from another lender, Desjardins Group. A new line of credit was recommended by the then Vice-President, Administration for \$20 million based on a calculation that the costs incurred for projects had surpassed Laurentian's financial means by \$19 million. In 2016, Laurentian signed a line of credit agreement with Desjardins. In 2019, Laurentian increased this line of credit to \$26 million.

By April 30, 2020, Laurentian reported in its financial statements that "internal financing" for its capital

Figure 12: Cash and Short-Term Investments versus Deferred Operating Contributions* for the Years Ending April 30, 2009/10-2019/20 (\$ million)

Source of data: Laurentian University audited financial statements



* Deferred operating contributions are financial obligations that relate to money received for specific purposes, such as a multi-year research grant for a specific research project. These funds remain deferred and a financial obligation until they are spent on their intended purpose.

Figure 13: Cumulative Sources and (Uses) of Cash Flows, May 1, 2009–April 30, 2020¹ (\$ million)

Prepared by the Office of the Auditor General of Ontario

Cash and short-term investments balance as of May 1, 2009	48.9
Cash used by endowments, net of contributions	(3.4)
Cash used in operations, excluding changes in deferred operating contributions	(1.3)
Cash used to pay for building construction and other capital assets	(228.6)
Sources of external financing, net:	
Deferred capital contributions	103.6
Long-term debt obtained, net of repayments	66.0
Net draw on Desjardins line of credit	14.4
Repayment of short-term bank loan	(16.9)
Total sources of external financing	167.2
Cash shortfall before considering deferred operating contributions	(17.3)
Cash received from deferred operating contributions, net of payments	20.8
Cash and short-term investments balance as of April 30, 2020²	3.4

1. The sources and uses of cash are listed in an assumed order of priority: endowments (investments that are externally required to be permanently maintained to generate operating income), operations excluding changes in deferred contributions, capital investments and external financing. This assumption was necessary because Laurentian did not segregate its restricted funds from its cash and short-term investments for operations until December 2020 (see Section 5.0).
2. This amount reflects the balance of cash and short-term investments as of April 30, 2020, which was restated in Laurentian's 2020/21 audited financial statements to reclassify \$1.1 million to long-term investments.

assets was \$27.2 million. (Figure 14 details a breakdown of the internal financing as presented in the 2019/20 financial statement notes.) The University had \$37.4 million in deferred contributions for research grants, restricted donations and other funds received on behalf of third parties, but only had cash and short-term investments of \$3.4 million available to meet those future spending obligations.

5.1 Laurentian Spent Employees' Retirement Health Benefit Funds on Capital Projects

Laurentian employees had the ability to contribute to the Retirees Health Benefit Plan (RHBP) starting in 1998. The plan was designed to allow contributors to access a fixed amount of funds for health expenses after they retired. This plan is in addition to benefits available through the employees' pension plan and is a supplementary health benefit administered by Laurentian. Since its inception, Laurentian had contributed \$1.1 million and employees had contributed

Figure 14: Internal Financing¹ for Capital Projects as Shown in Laurentian University's 2019/20 Financial Statements (\$ million)

Source of data: Laurentian University

Project	Amount ²
Campus Modernization	16.9
Cardiovascular and Metabolic Research Lab	5.3
Great Hall Renovations	1.4
Ancillaries	1.1
Parking Lot 4	0.8
Research, Innovation and Engineering Building	0.7
School of Education Building	0.6
DNA Lab	0.2
Other small projects	0.2
Total	27.2

1. Internal financing commonly refers to the practice of an entity using surplus funds from operations to fund projects, with the intention of repaying the funds with future operating surpluses. These amounts represent the amount of internal funds used by Laurentian to finance its capital projects, rather than those projects being financed by external debt.
2. Amounts represent those reported in Laurentian's 2019/20 financial statements and therefore may differ from those reported in Figure 8.

\$2.3 million to the RHBP, while retirees had claimed \$3.1 million in medical expenses through this fund.

We found Laurentian failed to comply with provisions of its agreement for retirement health benefits. First, it deducted \$73,305 more than allowed from its faculty salaries. Second, it did not meet its obligations to contribute \$25,000 annually, failing to make any contributions in 2007/08, 2018/19, 2019/20 and 2020/21. Lastly, the University failed to keep the RHBP funds protected in a distinct trust and instead commingled these funds with Laurentian's general funds.

Following the CCAA process, current and former employees who paid into the retirement benefits plan for years, or even decades, may not get back their contributions or over-contributions, or have access to these health benefits. As of February 2021, there were 360 eligible retirees and their spouses and families who no longer had access to these medical benefits and more than 1,750 contributing employees who may not have access to these medical benefits upon retirement.

5.2 Funding for Research Projects Spent on Capital Projects

To pay for capital projects, Laurentian used some of the research funding its researchers had acquired that was supposed to be restricted to support designated research.

To conduct research activities, University faculty and graduate students pursue and receive grants from public and private sources. Research grants are meant to be used—as budgeted and approved by the research fund provider—to achieve specific research goals, including, for example, to contribute to scientific discoveries and the development of new technologies.

Though these funds are held by the University, they belong to the faculty and graduate students who acquired them, or to the funder, until the funds are used. When a researcher needs to access grant money to pay for goods or services associated with their research, they submit a request to the University to access the funds being held on their behalf.

Although Laurentian spent some of the research money on capital projects, it retains a financial

Figure 15: Research Funds Received from Third-Party Funders for Research Activities Not Yet Performed as of December 31, 2021

Source of data: Laurentian University

Third-Party Funder	Amount (\$ million)
Canada First Research Excellence Fund ¹	5.3
Natural Sciences and Engineering Research Council of Canada (NSERC)	4.6
Social Sciences and Humanities Research Council (SSHRC) Fund	1.6
Canada Institutes of Health Research (CIHR)	0.9
Canada Research Continuity Emergency Fund	0.7
Other ²	23.4
Total Deferred Operating Contributions	36.5

1. These research funds are from the tri-agencies (SSHRC, NSERC and CIHR).

2. Other research funding organizations were not listed independently due to their individual small dollar amount.

obligation to cover the research costs for which the funding was provided. As of April 30, 2021, this financial obligation amounted to \$36.5 million.

Several third-party funders filed claims against Laurentian through the CCAA process to try to reclaim the funding owed to them. (See Figure 15 for the primary sources of these funds.)

5.3 Laurentian Did Not Ensure Donations Were Segregated Until December 2020

Between January 2010 and March 2022, Laurentian received \$73 million in donations. The University did not segregate the donation monies it received. Money that was received with specific restrictions may therefore have been inappropriately accessed for use in capital projects or for other purposes. It wasn't until December 21, 2020 that the University began segregating its donor funds.

Laurentian continued to accept and receive donations leading up to and throughout its CCAA planning timeline. From March 1, 2020 until its CCAA filing on February 1, 2021, it received \$3.4 million. By March 3,

2022, Laurentian had received another \$1.6 million in donations. Donations of \$2.0 million, made after December 21, 2020, were segregated.

6.0 Inappropriate and Significantly Increasing Compensation for Senior Administration and Special Advisors

Unusually high costs associated with the senior administration at Laurentian further contributed to the financial difficulties of the University. Between 2010 and 2020, Laurentian's senior administrator costs grew by about 75%, increasing between 2010 and 2018 and declining thereafter. In 2018, the cost for senior administrator salaries at the University peaked, at over \$4 million. The relative size of its senior administration had been consistently larger than most other Ontario universities (see **Section 6.1**). As well, the University made expensive hiring decisions, without documented justification, to hire special advisors for the President and senior administrators; this cost over \$2.4 million from April 2010 to December 2021 (see **Section 6.2**). Senior administration made extensive use of external legal counsel (see **Section 6.3**).

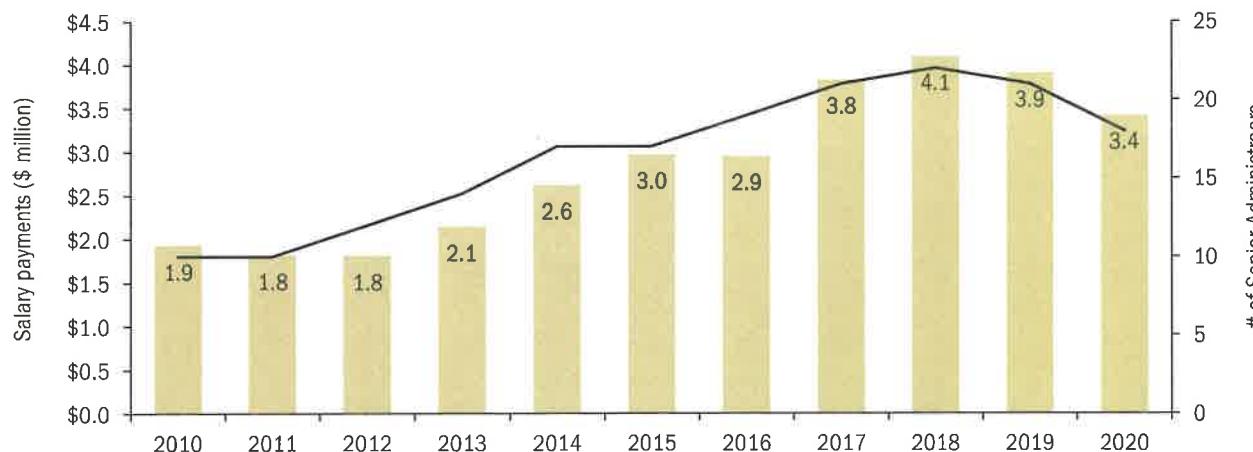
We found, further, that some staff received discretionary expense accounts from Laurentian who normally would not receive such funds in a university (see **Section 6.4**), and that some salaries exceeded legislated limits (see **Section 6.5**). Laurentian did not maintain the required human resources documentation and, from the information made available to us, we found insufficient documentation to demonstrate rationale or fairness in Laurentian's hiring practices for some positions (see **Section 6.6**).

6.1 Senior Administrator Salary and Benefit Costs Grew by About 75% Between 2009/10 and 2019/20

We noted the relative size of senior administration at Laurentian has been consistently above that of most universities in Ontario. From 2010 to 2020, Laurentian went from 10 to 18 senior administration positions, peaking at 22 in 2018. The salary expenses for its senior administration grew correspondingly by about 75% to \$3.4 million annually, as seen in **Figure 16**. The total cumulative financial growth for these salary expenses between 2010 and 2020 cost an additional \$10.1 million.

Figure 16: Size of Senior Administration* and Related Salary Expenses, January 1, 2010–December 31, 2020

Source of data: Laurentian University



* Senior administration includes those employees at the following levels: president, vice-president, associate/assistant vice-president, general counsel, registrar, university secretary and university librarian.

A university's senior administration generally includes the core positions of President, Vice-President (VP), Associate or Assistant Vice-President (AVP), General Counsel, Registrar, University Secretary and University Librarian. While a university with sustained growth in revenue and/or enrolment may choose to increase its senior administration to better manage that growth, this was not the situation Laurentian faced. In fact, as the University experienced a 4.4% decline in enrolment between 2010 and 2018, the senior administration increased its size by 120%.

From 2018 to 2020, under the tenure of a new President, the size and costs of Laurentian's senior administration decreased slightly, due to the elimination of several AVP and VP-level positions. The number of senior administrators was reduced from a high of 22 in 2018 to 18 in 2020, with corresponding costs decreasing from \$4.1 million to \$3.4 million. However, as of December 31, 2021, the number of senior administrators was still 40% higher than in 2010, while enrolment was 14% lower.

6.2 Laurentian Spent \$2.4 Million on Special Advisors to the President and Other Senior Administrators

From April 2010 to December 2021, Laurentian paid over \$2.4 million to special advisors. Despite the cost, no formal business cases were developed to justify the need for these positions.

Special advisor positions at universities are typically created as short-term appointments to facilitate the undertaking of a special study or to transfer special knowledge or expertise. At Laurentian, there was no formal recruitment process undertaken for the appointment of special advisors. Advisors' compensation and terms of employment were set by the President and/or the senior administrator to whom the advisor reported.

From 2009/10 to 2019/20, Laurentian appointed 10 special advisors at an average annual salary of \$155,000, with some compensation as high as \$175,000. For example, in 2020, Laurentian created two special advisor positions: one was a financial advisor to the Associate Vice-President, Financial Services and the other was to advise the President

on government relations. As of December 31, 2021, these two positions cost \$238,820 and \$161,876, respectively.

Our analysis indicates that from 2010 to 2020 Laurentian appointed 160% more special advisors than the average Ontario university (10 appointments by Laurentian compared with an average of 3.8 for other universities). Only the much larger University of Toronto appointed more special advisors than Laurentian during this 10-year period.

An 11th special advisor was appointed in 2021 at Laurentian, an executive financial advisor to the President, at a daily salary rate of \$1,040 up to a weekly maximum of \$6,240. The scope of the work as per the individual's contract included advising the President on the financial sustainability and restructuring of the administration of the University. As of December 31, 2021, this special advisor had been paid \$157,981. Laurentian informed us that this person also temporarily assumed the work usually performed by the Vice-President, Finance when this position was vacant.

6.3 Laurentian Spent \$8.5 Million Hiring External Legal Counsel for Work for the 11-Year Period up to April 30, 2021

Despite having in-house legal counsel, Laurentian relied heavily on external legal counsel for CCAA and non-CCAA work. It spent \$5.5 million on external counsel for non-CCAA work in the 11-year period up to April 30, 2021, for an average of about \$500,576 annually. It spent an additional \$3.0 million for CCAA work in the same time period. Figure 17 displays all legal expenses incurred by type over this 11-year period. Most of these costs were incurred for labour relations issues, though legal expenses were also incurred for non-labour situations. Laurentian noted that in many cases, hiring of external legal counsel was done at the direction of the Board and management at the time. Some examples of the latter are illustrated below.

One example involves a property dispute. In 2016, a couple purchased a house adjacent to Laurentian and discovered that an area equal to 295 square meters of their property was encroaching on undeveloped

Figure 17: Legal Fees Incurred by Laurentian University by Issue Category for the Years Ending April 30, 2009/10-2020/21 (\$ 000)

Source of data: Laurentian University

Category	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Category Total
Human Resources/Labour Relations	-	151.6	226.2	339.3	265.4	271.4	228.5	370.3	429.8	438.5	734.6	3,455.6
Pension	-	-	-	-	-	-	-	6.6	14.5	25.2	673.2	719.4
Arbitration/Mediation	7.6	38.3	37.7	54.1	44.7	24.9	19.0	66.7	54.6	64.3	55.1	467.1
Donor Litigation	-	-	-	-	-	-	-	8.2	55.7	80.9	61.3	206.1
Real Estate	17.2	112.5	20.6	13.7	3.7	6.6	4.4	2.5	-	-	0.1	181.3
Title Searches	-	22.0	9.2	51.5	31.6	23.3	19.6	0.0	-	-	-	157.3
General - Barrie Campus	-	-	3.2	-	25.1	9.1	61.8	5.0	14.9	7.8	-	126.9
General	-	-	-	-	3.5	-	11.8	-	44.4	59.7	-	119.5
Not specified	-	0.1	-	0.8	2.3	1.3	6.4	4.4	18.4	3.1	-	36.9
Privacy	-	-	-	-	-	-	-	-	-	-	26.2	26.2
Litigation	-	-	-	-	-	-	-	-	-	6.1	3.7	9.8
Annual Subtotal	24.8	324.6	297.0	459.4	376.3	336.6	351.5	463.8	632.3	685.7	1,374.2	5,506.1
Companies' Creditors Arrangement Act (CCAA)	-	-	-	-	-	-	-	-	-	-	0.7	2,982.5 ² 2,983.2
Annual Total	24.8	324.6	297.0	459.4	376.3	336.6	351.5	463.8	632.3	686.4	4,536.7	8,489.5¹

1. The total is rounded.

2. Costs incurred before declaring CCAA February 1, 2021 and up to April 30, 2021.

Laurentian campus land. In response, the homeowners disclosed this to Laurentian and offered Laurentian \$12,268, including all costs to sever and transfer the property.

Even though Laurentian had settled a similar property encroachment that year, the Board's Property Development and Planning Committee (PDP Committee) rejected the offer at a meeting in 2017 after one PDP Committee member expressed concern that accepting it would create a bad precedent. That same year, the Board directed the University's general counsel to seek external counsel to advise on the encroachment.

After multiple conversations and letters between Laurentian and the couple, Laurentian's Board decided in October 2018 to commence legal action for encroachment against the couple. Although it can be reasonable to obtain specialized legal support where needed, in this instance Laurentian spent over five years fighting a small property dispute that could have been easily settled internally at minimal cost to the University. The way this matter was handled resulted in more than \$220,000 in legal costs for Laurentian as of September 28, 2021, negative publicity for the University, and costs and angst for the Sudbury couple.

In a second example, instead of relying on its own internal legal counsel, Laurentian paid three external legal firms over \$42,000 to review and interpret the University's obligations to the outgoing President upon his departure in 2017. The former President had an unusually advantageous 2014 employment contract. It afforded him one year of paid administrative leave at full salary for each full five-year term completed and the right to eventually return to Laurentian as a full professor at the 90th percentile or higher of a full professor's salary, despite having never worked as a professor.

One year of administrative leave at full salary, totaling \$286,970, was paid to the former President following his departure in 2017. The amount was paid out over a period of three years, at less than \$100,000 per year, which meant it was not required to be publicly reported in accordance with the *Public Sector Salary Disclosure Act, 1996*, for any of the three years (\$95,605 in 2018; \$95,681 in 2019; and \$95,684 in 2020).

A further example, from 2014, highlights that Laurentian spent nearly \$25,000 for an external legal opinion on whether the University should commence legal proceedings against the then Ministry of Training, Colleges and Universities, its primary funder. As the claims were related to decisions the Ministry made four years prior, we would have expected internal legal counsel to have immediately flagged the *Limitations Act, 2002*, which requires proceedings to be commenced within two years.

6.4 Laurentian Paid \$1.4 Million in Discretionary Expense Funds to Senior Administration from 2010 to 2021

From 2010 to 2021, Laurentian provided its senior administrators and staff access to \$2.4 million in discretionary expense funds. Of this amount, \$1.4 million was used during this period: \$1 million by senior administration and staff and \$400,000 by faculty deans and heads of academic programs.

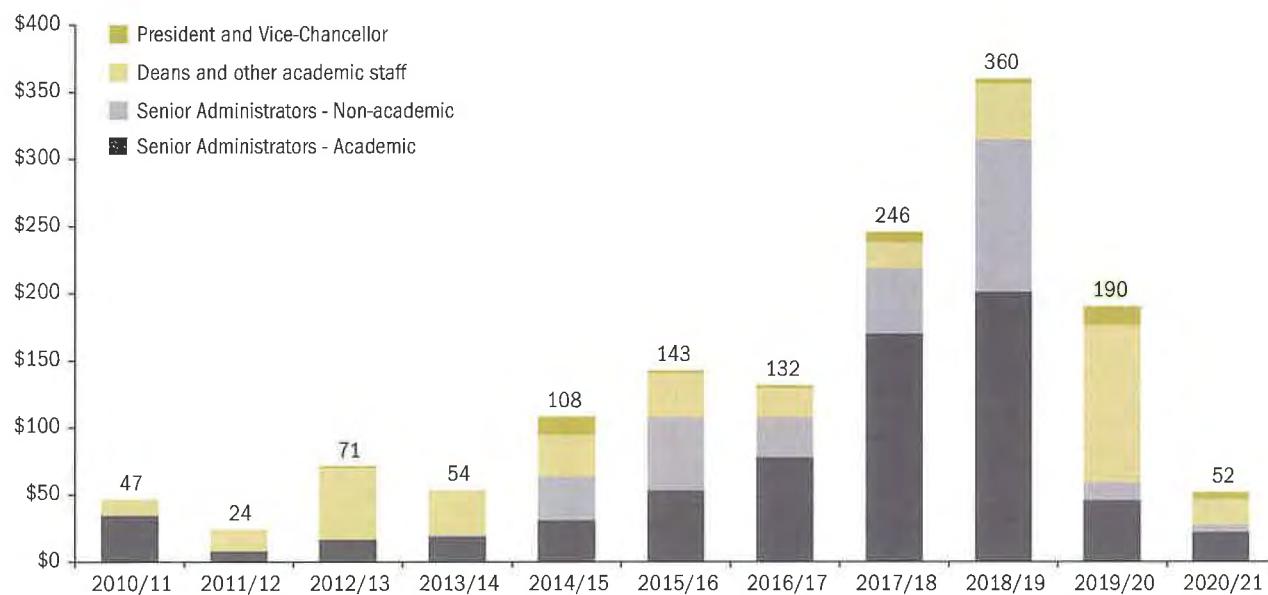
Laurentian does not have a policy specifying how these funds can be spent. Based on our review of employment contracts and discussions with staff at the University, these funds were originally intended to support research-related activities. However, it was subsequently provided to senior administrators and other administrative staff who do not perform research activities.

In 2010/11, the then President began providing access to the discretionary expense account for research-related expenses to those academic administrators, such as deans or academic associate vice-presidents, who would have reduced access to research funds by taking an administrator position. These funds are commonly provided to faculty members to help them maintain their research activities during periods in which they perform an administrator role (for example, faculty deans). However, not all academic senior administrators had active research programs before or during their appointment.

By 2013, Laurentian had extended this expense account to the President and nearly all non-academic senior administrators, who do not perform research

Figure 18: Discretionary Expense Account* Expenditures by Employment Position Category for the Years Ending April 30, 2010/11-2020/21 (\$ 000)

Source of data: Laurentian University



* The Discretionary Expense Account was established in 2010.

activities, including: the Vice-President, Administration; the Chief of Staff to the President; the Associate Vice-President Human Resources and Organizational Development; the Associate Vice-President of Student Life, Enrolment Management and International; the Assistant Vice-President of Equity, Diversity and Human Rights; the Chief Advancement Officer and the Director of University Advancement.

As seen in Figure 18, the annual amount of the discretionary expenses reimbursed to employees increased significantly in 2017/18 and 2018/19, by over 425% and 650%, respectively, in comparison to 2010/11 when it was introduced.

Our Office was informed that discretionary expenditures must be approved by an individual's supervisor before being forwarded to the finance department for reimbursement. However, the University does not have a policy to provide guidance on what constitutes an appropriate research-related expense under this funding.

Discretionary expense accounts can be considered perquisites. Perquisites are privileges provided to individuals or groups of individuals that provide personal

benefit and are not generally available to others. These benefits must still be business-related.

Since August 2011, the *Broader Public Sector Accountability Act, 2010* and the Province's Broader Public Sector Perquisites Directive (Directive) require Laurentian to have an institutional perquisites policy that prescribes appropriate governance and good record-keeping practices for verification and audit purposes, and to publicly report summary information annually on the issuance of perquisites to employees. The Directive states that perquisites can only be provided, directly or through an expense reimbursement, if they are required for the effective performance of an individual's job. Laurentian does not have an internal perquisites policy, nor has it publicly reported annually on perquisites offered to its employees as part of their compensation packages.

Our review of discretionary fund expense reimbursements noted examples of reimbursements for personal electronics (for example, smartwatches, high-end tablets and laptops, and wireless headphones and speakers), Spanish lessons, home Internet services, professional services (for example, personal coaching),

tuition for an overseas master's degree that was offered by Laurentian to a former employee, and conference travel and attendance that was unrelated to employee positions. The nature of these expenses raised concerns about the appropriateness of these reimbursements, namely, whether they were indeed research-related and/or required for the effective performance of the individuals' jobs.

6.5 Laurentian Exceeded Legislated Compensation Limits for Senior Administrators and Modified Titles to Circumvent Constraints

Since 2010, provincial legislation has limited base salaries, salary ranges, as well as compensation elements above base salary (e.g. performance bonus, merit pay, etc.) for broader public sector (BPS) employees. We reviewed compensation provided at the senior administrative level at Laurentian for the 10 years beginning in 2010 and found that this employee group was compensated a total of \$389,000 more than legislation permitted at the time.

For example, since August 13, 2018, a salary freeze for designated executives was re-imposed and remains in effect; it freezes base salaries and salary ranges to their August 2018 level. Despite the salary freeze, Laurentian increased the base salary for two of its designated executives by a total of \$36,602 in 2020 and 2021. Appendix 18 provides a breakdown of the legislation limiting BPS compensation, the associated requirements, and the instances and amounts by which Laurentian exceeded limits.

Additionally, legislation constraining BPS executive compensation, introduced in 2014, prohibited salary increases for "designated executives" as defined in the legislation. The law required university boards to develop an executive compensation program based on selected comparator institutions after identifying their "designated executives" whose salaries would be constrained under this cap, and have this list approved by the Ministry. Laurentian modified executive employment titles (to Associate Vice-President) for seven employees who would have fallen under the

definition of "designated executives." For example, the Chief Information Officer was re-named Associate Vice-President, Information Technology. Under the legislation constraining BPS compensation, the position of Chief Information Officer is specifically named as a position that would be considered a designated executive. These seven employees continued to perform the same roles and to be part of the executive team. Collectively, between 2015 and 2020 these employees' salaries increased by a total of \$410,000 after their titles were modified.

6.6 Recruitment of Senior Administrators Lacked Demonstrable Fairness or Rationale

Of the 71 hiring decisions of senior administrators between 2010 and 2020 that we reviewed, 23 were for interim or acting appointments for which no formal recruitment process occurred. We reviewed the recruitment files for the remaining 48 hiring decisions for permanent senior administrators and found that the rationale for creating the new positions in each case was unclear, and that support for the selection of successful candidates was insufficient. For instance:

- there was no business case justification for all 16 new positions created within senior administration;
- there was no documentation of a formal recruitment process taking place for 32 (71%) of the hiring decisions (for example, job postings, applications received, and documentation from interviews); and
- while some documentation of the recruitment process existed for 13 (29%) hiring decisions, that documentation was sparse, minimal or incomplete (for example, no shortlist of candidates, no scoring of candidates, missing documentation of reference checks).

The Ontario Human Rights Commission recommends that employers take the necessary steps to ensure that recruitment and hiring processes are fair, including developing objective criteria, interview questions and marking schemes for selecting candidates.

Without objective selection criteria and proper documentation of the recruitment process to support hiring decisions, an employer could be vulnerable to claims of discrimination and preferential treatment.

In addition, under Ontario's *Employment Standards Act*, all employers are required to keep certain written records about employees and ensure those records are readily available for inspection. Laurentian informed our Office that personnel files for five individuals did not exist, including for one individual who was employed in a senior administrative role as recently as 2016. Moreover, the human resource files we requested to review were either incomplete or missing documentation, such as employment contracts, information related to employees' start and end dates, and documentation related to employment leaves.

Beyond this overall lack of documentation, we noted two instances between 2015 and 2019 that particularly call into question the fairness of hiring processes.

- When recruiting for a Vice-President position, a formal evaluation and selection committee was struck that accepted applications, evaluated candidates and selected five finalists. After interviews and the selection of finalists was completed, and after the selection committee approved a motion to not invite any additional candidates for interviews, the then President recommended that the selection committee interview another candidate, someone who did not initially apply. This candidate was then interviewed and ultimately selected as the successful candidate.
- When recruiting for an Associate Vice-President position, a formal evaluation and selection committee was struck. It accepted and evaluated applications from 11 external candidates. The committee concluded that six of the candidates fulfilled the position requirements, including the majority of them being bilingual. The then Vice-President, to whom this position would report, instead appointed an internal candidate who did not participate in any formal recruitment or evaluation process.

7.0 Faculty Salaries and Academic Programs Were Not the Cause of Laurentian's Financial Deterioration

Throughout its CCAA process, Laurentian's leadership has publicly maintained that high-paid faculty employees were a principal cause of the University's financial decline. In 2021, University executives called the terms of the faculty collective agreement "above market in several aspects," after previously citing "excessive faculty costs" as a contributing factor in the school's insolvency.

Contrary to Laurentian administration's public messaging, our review found that faculty salaries were lower than those of comparable universities (see **Section 7.1**) and that, collectively, its academic programs had positively contributed to the University, helping to pay the growing costs of debt, senior administration and special advisors (see **Section 7.2**).

The administration was also slow to address costly union grievances (see **Section 7.3**), including those involving discrimination and harassment (see **Section 7.4**). Meanwhile, as its debt accumulated, Laurentian's administration chose not to work transparently with faculty and staff unions to manage the University's growing financial problems (see **Section 7.5**).

7.1 Faculty Salaries Reasonably in Line with Comparable Universities; Lower Student-to-Faculty Ratio

We found that Laurentian paid lower-than-average full-time faculty salaries compared with other Northern Ontario universities. However, there were additional costs associated with Laurentian's comparatively lower ratio of students to full-time faculty members.

In 2018/19, the most recent year information is available from the Council of Ontario Universities (COU), Laurentian's average salary for full-time faculty was \$147,940. This was less than both Lakehead University and Nipissing University, comparable institutions,

which averaged \$152,705 and \$172,806, respectively. (Salary information was not available for Algoma because it did not report this information to COU that year.) Given Laurentian had 403 full-time faculty in 2018/19, it had lower relative estimated costs of \$1.9 million compared with Lakehead's average faculty salaries, and \$10 million in lower relative estimated costs compared with Nipissing's average faculty salaries.

While Laurentian's salaries were lower, the ratio of students to full-time faculty was also lower than other Northern Ontario universities. At Laurentian, there were on average 22 students per faculty member in 2018/19, compared to an average at the other three Northern universities of 25 students per faculty member. Had Laurentian had the same student-to-faculty ratio as the average of the other universities in Northern Ontario, its costs could have been an estimated \$6.4 million lower in 2018/19.

In 2019/20, faculty at Laurentian University accounted for 49.7% of the University's salaries and benefits expenses, at around \$59 million, which was down from 52.8% 10 years earlier. The remaining \$59.6 million in salaries and benefits expenses were

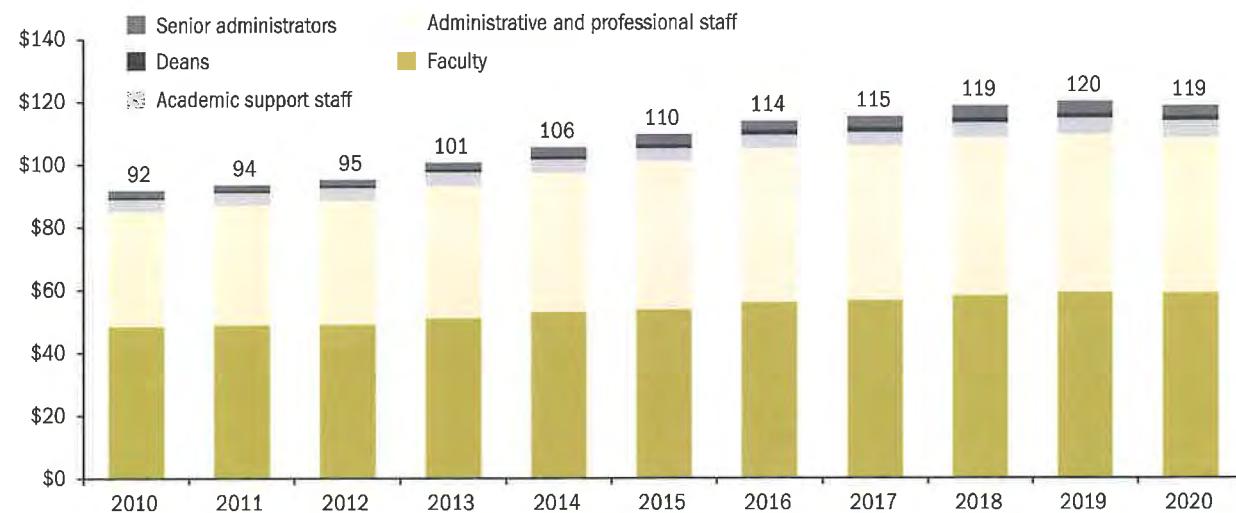
paid to non-faculty employees: \$3.3 million for senior administrators; \$49.5 million for other administrative and professional staff (such as human resource personnel, executive assistants); \$1.5 million for faculty deans; and \$5.3 million for academic support staff (such as teaching assistants). See **Figure 19** for a 10-year trend in salary expenses by employment group.

7.2 Academic Program Revenue Exceeded Associated Faculty Costs, and Supported Administrative Overhead

We found that although some Laurentian courses generated losses, overall the University's academic programming provided a positive financial contribution during the 10-year period of our review. The University had balanced operating costs between 2009/10 and 2019/20, meaning that its salary costs for delivering academic programs were equal to or less than the revenue generated from them. What this means is that overall, Laurentian's academic programs were helping to cover the schools' overall operating and fixed administrative overhead costs.

Figure 19: Salary Expenses by Employment Group, January 1, 2010 – December 31, 2020 (\$ million)

Source of data: Laurentian University



Note: Laurentian informed us that between 2010 and 2020, an annual average of \$828,000 in external research funds was used to pay faculty salaries, as opposed to Laurentian's operating funds.

Specifically, from 2009/10 to 2019/20, the revenue Laurentian generated from tuition and government grants related to enrolment (\$1.36 billion) exceeded the cost of salaries and benefits paid to faculty teaching these courses (\$641 million), by \$717.7 million. Annual revenues were on average \$65.2 million higher than annual faculty salary and benefits costs.

Figure 20 depicts the financial contributions from Laurentian's academic programs. Over this decade, program contributions helped Laurentian cover some of the growing costs of its major capital investments, rising senior administrator salaries and the increasing costs for special advisor positions.

There are reasons beyond profitability to offer academic courses at a university. It is understood that although some courses will not necessarily be profitable, they may remain essential to the overall academic experience.

7.3 Laurentian Incurred \$9.7 Million Between 2010 and 2020 in Costs Related to Labour Relations

Contributing to Laurentian's financial deterioration were costs associated with union grievances, which are formal complaints from employees who feel that their job rights have been violated. Between 2010 and 2021, Laurentian spent \$2.9 million on legal fees for mediation and arbitration services and \$1.4 million in settlement costs relating to 432 faculty and staff union grievances against the University. An additional \$5.4 million was spent on salaries for human resources, faculty and staff relations personnel who Laurentian said were involved in labour relations, including union grievances, bringing the total cost to \$9.7 million. The annual costs associated with legal fees, settlements and awards for union grievances are shown in Figure 21.

On an annual basis, there were more grievances filed against Laurentian than any other Ontario university. A typical medium-sized university in the province has on average 12 to 15 faculty grievances per year. Between 2010 and 2020, Laurentian averaged 35 grievances annually. See Figure 22 for a trend in grievances by category.

From 2014/15 to 2019/20, Laurentian's annual costs for legal fees and settlement and arbitration awards related to union grievances increased by 111% and 3,082%, respectively, to a total of \$779,071 in 2019/20. Laurentian did not provide us with a reason for this drastic increase in grievance costs. Our discussions with the unions indicated that senior administration did not respect unionized faculty members and did not treat the union as a collaborative partner.

In addition to its legal costs and settlement and arbitration awards, Laurentian spent increasingly more money on administrative staff to address the growing grievances. In 2010, annual costs for human resources and staff relations personnel involved in handling union grievances were approximately \$370,000. By 2020, this annual cost nearly doubled to \$676,000. This growth in human resources and personnel cost the University an additional \$1.1 million over the 10-year time period.

Increased costs included the creation of three new dedicated positions: a director, an associate director and a manager to oversee faculty and staff relations in 2017, at an average annual cost of \$320,000. Laurentian informed our office that these roles were established specifically to "support proactive faculty labour relations and grievance management."

Despite the extra money spent to resolve grievances, the number of unresolved grievances grew, as shown in Figure 23.

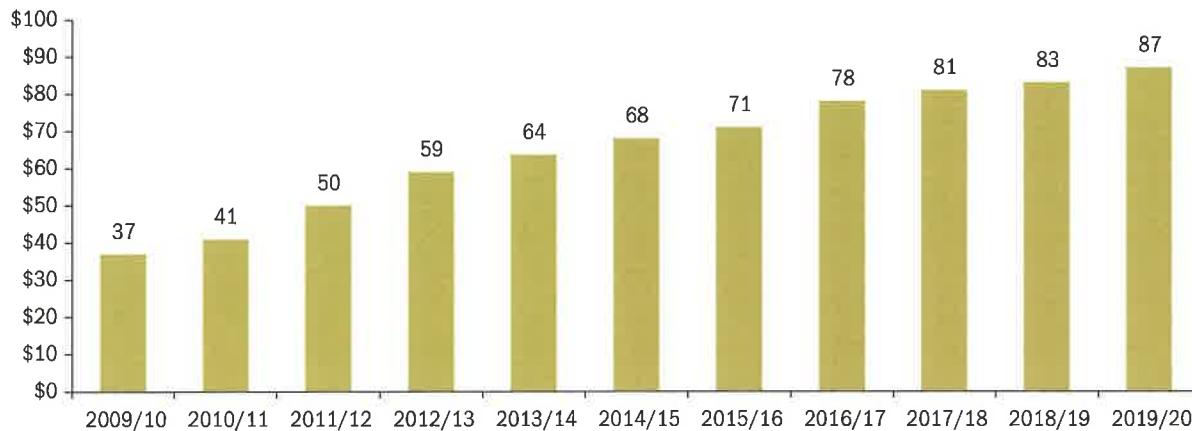
7.4 Laurentian Did Not Act to Resolve Discrimination and Harassment Grievances in a Timely Manner

From 2010 to 2021, 48 (or 11%) of the union grievances were related to alleged harassment or discrimination. These grievances were among the slowest to be resolved by the University, with an average resolution time of nearly a year and a half (548 days). Moreover, more than a third of cases (17) took longer than 700 days to be resolved.

According to the Ministry of Labour's Code of Practice to Address Workplace Harassment, investigation,

Figure 20: Net Contribution from Academic Courses for the Years Ending April 30, 2009/10–2019/20 (\$ million)

Source of data: Laurentian University

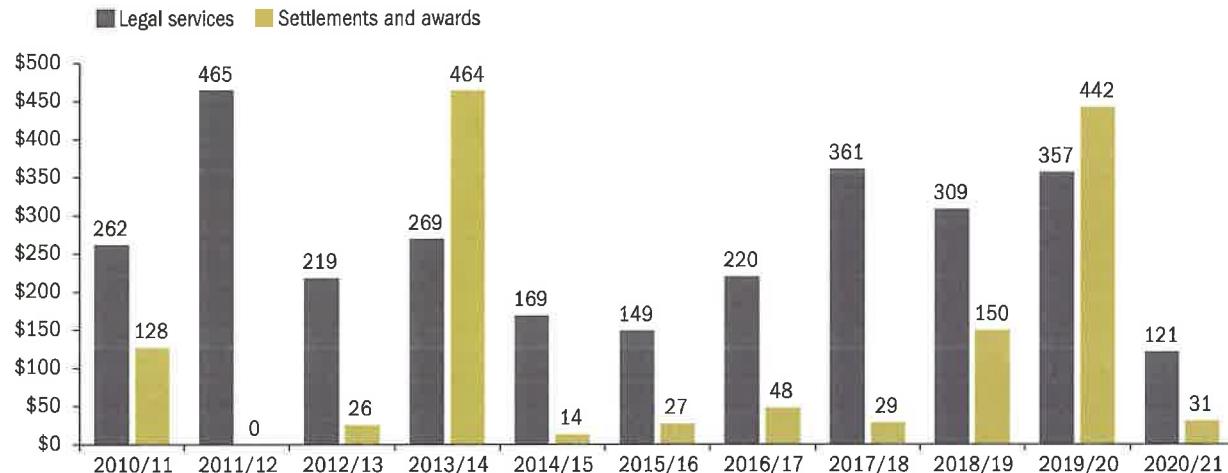


Note: The estimated revenue generated by the academic course mix was determined from the amounts reported in Laurentian's audited financial statements for operating grants and contracts and tuition.

- The estimated aggregate cost of the academic courses was determined from the amounts reported in Laurentian's annual payroll records for faculty salaries and benefits.
- We then determined estimated net contribution from the academic course mix for each year by subtracting the estimated aggregate cost of courses from the revenue generated.

Figure 21: Annual Legal Services, Settlements and Awards¹ Costs for Union Grievances for the Years Ending April 30, 2010/11–2020/21² (\$ 000)

Source of data: Laurentian University



1. Settlement and award costs include all union grievance-related financial settlements and awards Laurentian was required to pay through reaching a settlement with the grievor, or through a mediation or arbitration ruling.

2. For the fiscal year 2020/21, amounts displayed are for the nine months leading up to February 1, 2021, when Laurentian filed under the Companies' Creditors Arrangement Act.

Figure 22: Nature of Grievances Filed by Laurentian University Faculty Association and Staff Union, January 1, 2010–December 31, 2021

Source of data: Laurentian University

Issue Category	Count	%
Laurentian University Faculty Association (LUFA)		
Appointment and Renewal	60	14.8
Workload	46	11.3
Discrimination or Harassment	40	9.9
Assessment and Promotion	38	9.4
Salary and Benefits	35	8.6
Management Rights	34	8.4
Sessional Instructors	32	7.9
Academic Freedom	26	6.4
Breach of Privacy	21	5.2
Discipline	17	4.2
Other	17	4.2
Working Conditions	16	3.9
Faculty Resourcing	13	3.2
Vacation and Leaves	5	1.2
Financial Exigency	3	0.7
Information Items	3	0.7
Subtotal	406	100
Laurentian University Staff Union (LUSU)		
Discrimination or Harassment	8	30.8
Job Duties	3	11.5
Recognition	3	11.5
Disciplinary	2	7.7
Job Posting	2	7.7
Wages	2	7.7
Information Item	1	3.8
Job Evaluation	1	3.8
Request for Leave	1	3.8
Sick Leave	1	3.8
Student Workers	1	3.8
Vacation	1	3.8
Subtotal	26	100
Total	432	-



Indicates grievances alleging discrimination or harassment, which combined comprised 11.1% (48) of 432 grievances filed between Jan 2010 and Dec 2021.

resolution and implementation of corrective action for any allegations of harassment or discrimination should not take more than 100 calendar days. Laurentian's policy fails to meet this standard.

Laurentian's own policy requires investigation and resolution for allegations of discrimination or harassment to be limited to 133 calendar days for a formal resolution. Our analysis of union grievances alleging discrimination or harassment found that Laurentian failed to meet its own internal resolution time standard 91% of the time for formal resolution, and failed to meet the Ministry of Labour's resolution time standard 93% of the time.

7.5 Senior Administration Could Have Worked Transparently with Laurentian Union Faculty Association to Reduce Costs

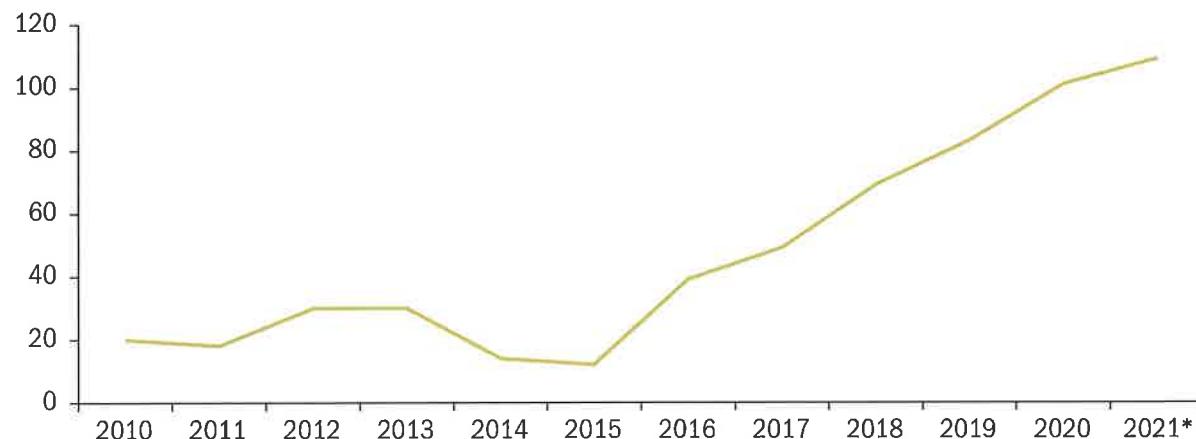
To reduce faculty costs in a time of financial hardship, Laurentian's senior administration could have activated a process called financial exigency—a procedure built into the faculty's collective agreement for this express purpose. Laurentian's senior administration chose not to do so.

The financial exigency process, also referred to as financial emergency, financial stringency, or financial necessity, is a common provision within university faculty collective agreements across Canada. Its purpose is to ensure that the integrity of the collegial decision-making system of a university remains intact when it's facing dire financial circumstances. Its use is to help ensure that job termination is done collegially and transparently, and is a last resort explored during a financial crisis.

From our analysis, Laurentian's financial conditions may have met the requirements to invoke this clause as early as 2015/16. Indeed, since 2016, in discussions with the Laurentian Union Faculty Association (LUFA), senior administration made repeated assertions of financial difficulties. As a result, three separate faculty grievances were filed by LUFA (in 2016, 2017 and 2020), objecting to the University not initiating the financial exigency process. These grievances were not completely addressed by administration.

Figure 23: Unresolved Number of Union Grievances as of December 31, 2010–2020 and as of February 1, 2021

Source of data: Laurentian University



* To February 1, 2021, when Laurentian filed under *Companies' Creditors Arrangement Act*.

In 2016, Nova Scotia's Cape Breton University invoked the financial exigency process under its faculty collective agreement after projecting a \$5 million annual budget shortfall for the year. The university administration invoked the process in order to work proactively and collegially with its faculty association; they first examined all means of reducing the budgeted shortfall while avoiding faculty layoffs, such as identifying faculty members interested in taking early retirement. In contrast to Laurentian's use of the CCAA process, Cape Breton University's intention to lay off up to 13% of its faculty (20 faculty members) was pursued transparently and co-operatively through the financial exigency process, directly involving its faculty association.

However, we found that the Board and its committees were not effective in this role. For instance, the Board did not receive, or ensure it received, sufficient and relevant information about the University's finances, plans and operations, and consequently approved capital spending proposals that led to increasing debt without adequately assessing those proposals (see **Section 8.1**).

Further still, the Board's committees often did not have the expertise, training or resourcefulness required to effectively oversee Laurentian's financial operations. We determined that:

- the Audit Committee failed to provide effective financial oversight (**Section 8.2**);
- the Audit Committee did not ensure the severity of the University's financial situation was conveyed in the audited financial statements (see **Section 8.3**);
- the Property Development and Planning Committee did not challenge management proposals on major capital projects or consider their financial sustainability (**Section 8.4**);
- the Finance Committee did not ensure sound financial considerations for the use of Laurentian's resources (**Section 8.5**); and

8.0 Oversight by Laurentian's Board of Governors Was Weak and Sometimes Misdirected

Laurentian's Board of Governors (Board) has a fiduciary duty to oversee the University's financial operations, and has the powers to challenge and guide the University's senior administrators and policies.

- the Staff Relations Committee was not proactive in addressing issues as it was not provided with regular reports summarizing the status of staff and faculty relations issues (**Section 8.6**).

We also found the Senior Management Review and Compensation Committee used metrics to measure the President's performance between 2010/11 and 2016/17 that financially rewarded the President for the pursuit of the capital projects that significantly contributed to Laurentian's financial decline (see **Section 8.7**).

Exacerbating the situation, the Board did not follow best governance practices. It was increasingly less transparent, discussing a high number of meeting items behind closed doors, did not regularly evaluate its own performance, and did not strictly avoid practices that would create a perception of conflict of interest in decision-making (see **Section 8.8**).

8.1 Board Did Not Require Sufficient and Relevant Information about the Impact of Capital Spending on the University's Finances

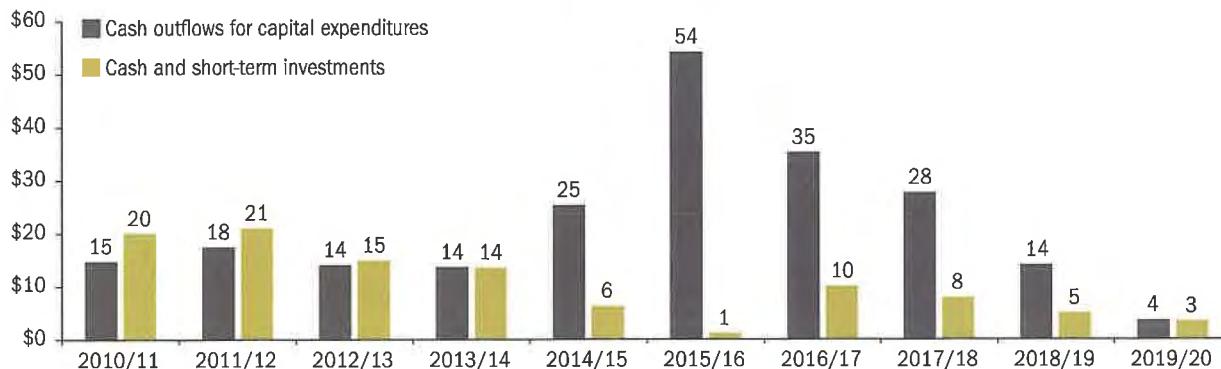
According to our analysis, of the 10 budgets presented to the Board from academic years 2010/11 to 2019/20, eight displayed projected balanced operating budgets. However, in all but two of these years, Laurentian incurred deficits.

This discrepancy existed because the budgets provided to the Board and the Finance Committee were "limited-scope" budgets that did not include capital expenditures or research grant revenue and expenses. Simply put, the Board did not receive a clear picture of the University's total projected cash flows and projections at any point between 2009/10 and 2019/20. The effectiveness of a board is correlated with the quality and timeliness of the information it receives about the organization it governs. At no point between 2009/10 and 2019/20 was Laurentian's Board presented with sufficient information on the current and projected costs and financing obligations of major capital projects within the context of the University's financial position. Without this information, the Board was unable to effectively gauge the cumulative financial impacts of proposed capital projects, and to prioritize, approve or deny them with consideration for the University's overall operational needs and long-term financial sustainability.

Historically, Laurentian had been able to manage its cash flow using these limited-scope budgets because it did not have significant financial obligations associated with major capital projects. However, as mentioned in **Section 4.1**, between 2014/15 and 2018/19 the University completed several capital projects, which put a severe strain on its finances because of required interest and principle payments on its debt. **Figure 24** depicts the cash flows associated with capital projects

Figure 24: Cash Outflows for Capital Expenditures versus Cash and Short-Term Investments for the Years Ending April 30, 2010/11–2019/20 (\$ million)

Source of data: Laurentian University audited financial statements



compared to cash and short-term investments between 2010/11 and 2019/20.

On June 15, 2017, during a Finance Committee meeting, a committee member requested that Laurentian's administration include capital expenditures in the budget, to give the committee a better understanding of the full financial picture. The Vice-President, Administration responded that management would look into providing a separate capital budget for the Board's review. But no change was made, and the Board continued to approve limited-scope operating budgets without inclusion of capital expenditures and interest and debt repayments throughout 2018/19 and 2019/20.

Laurentian senior administration's use of limited-scope budgets was unusual. We reviewed the websites of 19 other Ontario universities and found, by contrast, that the boards for 16 of these universities approved annual capital budgets in 2021/22, and that capital budgets were being published annually as far back as 2005/06.

Laurentian's annual financial statements also did not contain information related to capital expenditures that would have enabled the Board to reasonably understand Laurentian's overall financial position. For example, the financial statements did not clearly disclose the significant and growing interest expenses incurred annually for short- and long-term debt. Between 2009/10 and 2019/20, this interest expense grew by 189% to \$4.2 million, costing the University \$35.5 million over this period. Laurentian disclosed interest expenses in their statement of cash flows until 2012/13, discontinuing this practice immediately before it began to see a significant increase in annual interest expenses associated with its debt for major capital projects.

Again, we reviewed the 2019/20 audited financial statements for 19 other Ontario universities and found that all disclosed interest expenses in its financial statements, as required under Canadian accounting standards for not-for-profit organizations.

Laurentian's Board periodically reviewed and approved the administration's broad strategic capital plans. However, these aspirational plans did not

regularly include detailed information related to costs or associated increases in revenues.

8.2 The Board's Audit Committee Did Not Provide Effective Financial Oversight

Audit committees play a crucial role in the financial oversight of an organization. They are responsible for overseeing the preparation and external audit of a university's financial statements and can help improve the quality of financial reporting, ensure key financial risks are identified and managed, and recommend improved internal controls. They also oversee the appointment and work of the external auditor. In Laurentian's case, however, the members of the Audit Committee often did not have the necessary skills and experience to critically assess the information provided by management and the external auditors.

For most of the period between 2009/10 and 2019/20, we found that Laurentian's Audit Committee did not have a financial expert as its chair. Nor did the Audit Committee receive regular training on financial literacy. Further, some of the Committee members we interviewed did not know or understand the University's accounting framework. This lack of knowledge may have prevented the Committee from having a clear understanding of the worsening financial condition of the University (see **Section 4.1**) and from appreciating the risks of its significantly increasing debt (see **Section 4.3**).

From a review of the Audit Committee minutes, we saw that on two occasions questions were raised as early as September 2015 about the University's use of "internal financing". However, the questions were not about the associated risks or impacts of this practice. A committee member asked whether there was a policy for approval of "internal financing," and another committee member asked why the repayment timelines had such a large range. When such questions were inadequately addressed by senior administration, the Audit Committee failed to push for further information. We would have expected knowledgeable and informed members of an Audit Committee to ask for a fuller explanation.

Likewise, given knowledge of the University's significant financial struggles and ongoing discussions regarding the possibility of filing for CCAA as early as March 2020, it is alarming that Audit Committee members did not mention anything about including a "going concern" note in the financial statements prepared by Laurentian for the year ended April 30, 2020. A similar note may have also been warranted in prior years. It is likely that it was never conceived that a publicly funded university would be permitted by the Province to declare insolvency or bankruptcy because of the impact on students and other stakeholders.

The going-concern concept refers to the financial assumption that an organization will be able to meet its financial obligations (for example, pay its debt obligations and operating expenses) and continue operating for the foreseeable future. If there is a risk that an organization will not be able to meet these obligations, it needs to be highlighted in its financial statements and may impact the type of accounting treatment used. However, our Office found no discussion around the absence of a going-concern note in the financial statements when we reviewed Finance Committee and Audit Committee meeting minutes between April 2019 and October 2020.

8.3 Audit Committee and Senior Administration Did Not Clearly Convey the Severity of Laurentian's Financial Situation in its Audited Financial Statements

Canadian Auditing Standards provide a non-exhaustive list of 11 financial indicators that may cast significant doubt on an entity's ability to continue as a going concern. By April 30, 2020, Laurentian exhibited eight of these financial indicators (see Appendix 19).

The University's status in relation to these factors was known, or ought to have been known, by the senior administrators overseeing financial operations. Indeed, they and members of the Audit Committee were

actively working with external counsel and financial advisors in preparing for its CCAA filing at the time the financial statements for the fiscal year ending April 30, 2020 were being prepared and audited. Yet, in the audit results document presented to the Audit Committee on September 21, 2020, Laurentian's senior administration provided its external auditor with confirmation that the University was a going concern.

The external auditor directed the Audit Committee's attention to an unusual introductory note to those 2019/20 financial statements. In the note, senior administration acknowledged the University's \$100 million debt burden, said the pandemic was expected to have a negative effect on ancillary revenues, indicated that Laurentian had "a level of reliance" on the Ministry of Colleges and Universities to help it meet its obligations, and stated that the University had a requirement to meet sustainability targets. But at no point does management point out, or the Audit Committee call into question Laurentian's ability to continue to operate as a going concern.

For its part, the external auditor issued an unqualified opinion on Laurentian's 2019/20 financial statements, meaning that it concluded that the financial statements fairly presented the consolidated financial position of the University for the year ending April 30, 2020. The independent auditor's report, dated October 30, 2020, did not include a paragraph drawing the reader's attention to any going concern issues or disclosures in the financial statements.

The same international accounting firm has been Laurentian's external auditor since 1973. Laurentian received unqualified audit opinions on its financial statements every year for the previous decade before filing under CCAA on February 1, 2021.

From our work, we determined that Laurentian's Administration did not disclose to its external auditors that the University was actively preparing to file an application for CCAA protection within a few months of when the financial statements for the year ended April 30, 2020 were finalized.

8.4 Property Development and Planning Committee Did Not Challenge the Pursuit of Major Capital Projects

The Board's Property Development and Planning Committee (PDP Committee) had the primary role of overseeing the University's major capital projects and was responsible for monitoring, evaluating and making recommendations to the Board related to land and buildings. This included campus planning and development proposals relating to the construction and renovation of buildings, acceptance of donations of property and the long-term planning of Laurentian's real estate portfolio. This committee had nine voting members, including the Board's Chair and Vice-Chair and the University President.

Historically, the PDP Committee did not effectively oversee the long-term financial sustainability and maintenance of the University's land and buildings. As discussed in **Section 4.2**, the increase in debt resulting from capital expansion has been the most significant contributor to Laurentian's financial deterioration.

Members of the PDP Committee were in a prime position to raise concerns related to pursuing these projects. Instead, all major capital projects presented to the Committee by the Vice-Presidents of Administration were approved. There were no instances when the PDP Committee revised the scope of capital projects to reduce costs.

Our review found that committee members were never trained to perform their roles. There is no evidence that they considered the financial viability of the major capital projects proposed, or whether they aligned with the sustainable growth of the University. Further, despite the poor and worsening condition of Laurentian's infrastructure at the time new capital projects were being undertaken (see **Section 4.5**), the PDP Committee did not review information related to the deferred maintenance of existing buildings.

8.5 Finance Committee Did Not Ensure the Financial Viability or Sustainability of Major Capital Projects

The Finance Committee is responsible for overseeing and approving the use of the University's financial resources. Given those responsibilities, we would have expected it to scrutinize the major capital projects proposed to the Board. In particular, Finance Committee members should have considered the University's ability to pay back the debt, associated interest costs, and future operating costs resulting from these projects.

In its own terms of reference, the Finance Committee is responsible for ensuring that "any proposals regarding University funds are founded on sound financial consideration." However, after a review of all meeting materials available for Finance Committee deliberations between 2009/10 and 2019/20, we found there were no discussions about the financial viability or sustainability of any of the major capital projects.

8.6 Staff Relations Committee of the Board Provided Weak Oversight of Labour Grievances

Despite the high number and cost of union grievances at Laurentian (see **Section 7.3**), neither the Board or any of its committees were provided with regular reports summarizing the status of staff and faculty relations issues, or the financial implications they held for the University. And, although there was a Staff Relations Committee of the Board, we learned it did not meet at all in 2018 and that it met on a quarterly basis, or less, in 2012, 2013, 2014, 2015, 2016 and 2019, even though the University was involved in active labour negotiations during some of these years.

The Staff Relations Committee was only informed of two of the 49 discrimination and harassment grievances filed by its unions, despite the potential

seriousness of these grievances. When senior administration informed the committee of the two grievances, important details were omitted. For example, the committee was not informed of the subject matter, status of investigation and resolution, or financial implications of the cases.

As a consequence, this committee would not have had the information it needed to perform its duties and keep the Board informed on matters related to Laurentian's collective agreements. It was important to have effective oversight, given the large number of union grievances and the delays in addressing them. Of particular concern are the many grievances alleging discrimination and harassment, which can have both reputational and financial consequences for the University if not handled appropriately.

8.7 President's Performance Pay Tied to Capital Spending Projects

Laurentian's President and Vice-Chancellor (President) from 2009 to 2017 was given merit pay awards tied to pursuing the very capital projects that became significant contributing factors to the University's financial difficulties. Following the protocols of the Senior Management Review and Compensation Committee (SMRC Committee), this shift in performance priorities was something proposed by the then President, and approved by the Board.

Between 2010/11 and 2016/17, the President had annual performance metrics related to the timely completion of the following major capital projects:

- Campus Modernization (2012/13 to 2016/17)
- Barrie Campus (2010/11, 2012/13, 2013/14, 2015/16)
- School of Architecture (2012/13, 2014/15, 2015/16, 2016/17)
- Rehabilitation of Single-Student Residence (2014/15, 2015/16)
- Great Hall (2014/15)
- Cardiovascular and Metabolic Research Unit (2015/16)

Even though the President was unable to meet some of the timelines for these projects set by the Board,

the SMRC Committee continued to award him the maximum merit pay. For instance, on May 26, 2015, the Board awarded the President the maximum 5% merit award on his base salary of \$286,815, which equated to \$14,341. The amount was awarded despite the fact he did not meet capital project completion timelines for either the School of Architecture or Campus Modernization in 2015 and 2016, respectively.

8.8 Laurentian Board's Did Not Follow Governance Best Practices

Just as the oversight by many of the Boards' Committees was weak, the Board of Governors did not consistently follow governance best practices.

8.8.1 Board Meetings Lacked Transparency

The Board's extensive use of in camera meetings and meeting items made it difficult for the public to understand the University's finances and operations. In camera discussions were limited to voting Board members and the minutes of these discussions are not made available to stakeholders and non-voting members. Without any policy on the appropriate use of in camera meetings and items, the Board relied on these meetings to an unnecessary extent.

There are reasons why a Board might want to discuss some matters in camera. Confidential matters, the public disclosure of which could negatively impact the organization (for example, discussions about legal or staffing issues) may necessitate in camera meetings. However, it is best practice to ensure maximum transparency with the public and stakeholders with respect to any decision of the Board and the rationale for that decision.

Our review of meeting minutes indicated that the average annual proportion of in camera agenda items at Laurentian Board meetings doubled between 2010 and 2021 (from an average of 43% of agenda items in 2010 to 86% in 2021). These in camera items excluded broader University community members (such as faculty and staff representatives) and the public from the discussion and decision-making processes.

In our view, Laurentian failed to meet standard best practices related to transparency for a university institution. For example, unlike other Ontario universities, Laurentian did not publicly post live streams or recordings of Board meetings or their associated minutes. Further, despite requirements to do so, Laurentian has also not made key annual business documents publicly available as required under the *Broader Public Sector Accountability Act*. These include its annual business plan, budget and forecast, which are important documents that help stakeholders assess the operations and financial stability of the University. Our review found that Laurentian is one of only two universities in Ontario that does not make these annual plans public.

Laurentian made its annual reports publicly available. However, the content did not meet the minimum information and content requirements under the *Broader Public Sector Accountability Act* and it did not have enough detail for stakeholders to use to understand the University's financial performance and potential financial and operational risks. For example, we looked at annual reports between 2015/16 and 2019/20 and found that they did not contain a discussion of operational performance targets.

8.8.2 Board Did Not Evaluate Its Own and Members' Effectiveness

A board should continuously monitor and annually evaluate its performance to ensure it is operating effectively to fulfil its duties and achieve its objectives. Laurentian's Board did not perform this kind of assessment, despite its 2011 Ad Hoc Governance Committee's recommendation that members evaluate their performance.

Regular evaluations present an opportunity to get input from the Board and committee members on how well meetings are being chaired, and ultimately how that enables or negatively impacts effective oversight of the organization. This feedback can be used to inform voting on chair and vice-chair positions and improve board performance.

8.8.3 Board Did Not Fully Follow Standard Conflict of Interest Practices

The best practice in board governance is for board members to declare their professional and community involvements, both paid and voluntary, at least once a year, and to identify any actual or potential conflicts of interest.

Laurentian does not have a code of conduct at the board level that outlines the principles and standards board members must adhere to. Generally, board codes of conduct reduce the risk of fraud, conflicts of interest and other ethical lapses. The five Board members appointed by the Lieutenant Governor in Council (LGIC) are subject to a general code of conduct policy for all provincial board members, but this code is not specific to their role on the Laurentian Board, and of the five LGIC positions on the Board, three positions remained vacant for a year or more. One position remained vacant for nearly three years, from June 2014 to February 2017.

There is no formal Code of Conduct policy for the other voting members. The Board possesses a Conflict of Interest Guideline, but it hasn't been updated since 1985. Further, Board members were not required to annually identify any potential conflicts of interests, such as professional or personal relationships, that may actually, potentially or be perceived to impact decisions made by the individual on the Board.

At the commencement of Board meetings, members were given the opportunity to raise any conflicts of interest. However, by this point they would have already received a board package and would have been privy to information they potentially should not have reviewed.

Since Laurentian did not record or track how Board members voted on different matters, we could not tell whether Board members voted in favour of matters that presented an actual, potential or perceived conflict of interest. However, through our review of Board and committee materials, we found instances where members voted on matters that presented potential

or perceived conflicts of interest. For example, one Board member who served as Chair and Vice-Chair of the Board and on multiple committees, voted on 34 occasions on matters related to the employee group in which his spouse belonged—including on decisions affecting the setting of compensation and awarding of performance bonuses.

Our analysis found that this Board member inappropriately handled conflict of interest situations in 44.1% of the 34 instances, by not declaring the conflict at the outset of the meeting and/or not recusing himself from the discussion and vote. In another 23.5% of the instances, it is unclear whether this member appropriately identified his conflict of interest and recused himself. In the remaining 32.4% of the cases, there is evidence he declared a conflict.

We also noted that one member of the PDP Committee worked as a senior employee for a local municipality. In his role, he would have overseen the department primarily responsible for the municipality's involvement in this project, which included providing a \$10 million loan to Laurentian for a capital project pursued in 2016 and procuring the architecture firm used for this project. This individual recused himself when voting on the decision to approve the purchase of the land associated with the capital project, but did not recuse himself from voting on other aspects associated with the capital project, such as its design.

9.0 Stronger Bridging Needed Between Board and Senate

Laurentian University uses a bicameral governing model. The Board of Governors is accountable for the overall operation of the University, while the Senate is responsible for the University's academic performance and teaching quality. The financial sustainability of a university is strongly dependant on the effective relationship between these two governing bodies. Currently, the President is responsible for ensuring

that both governing bodies receive appropriate information so that the academic programming offered by the University is financially sustainable. From our work, we found that the senior administration was not preparing the necessary financial analysis to facilitate this.

9.1 Senate Did Not Consider Longer-Term Financial Sustainability of Programs in its Academic Planning

The Senate is responsible for academic matters such as the composition of degrees and programs offered by the University. Between 2009/10 and 2019/20, Laurentian's Senate, chaired by the President of Laurentian University, did not routinely assess the financial sustainability of its individual program offerings. This is despite the fact that if a university cannot operate in a financially sustainable manner, it may eventually be unable to continue to offer academic services. Moreover, as Chair of the Senate and a voting member of the Board, the President should provide strategic leadership and direction to both of the University's governing bodies in order to unite academic priorities with long-term financial sustainability.

We found that the Senate had started working on evaluating the financial sustainability of academic programs in 2016, but the process stalled before any meaningful changes could be implemented due to a disagreement within the Senate over the scope of the Senate's powers. On April 18, 2017, senators voted to discontinue the program sustainability review, arguing that the review process was in fact a "review of the financial viability of academic programs and Senate has no authority to initiate such a review."

The Senate had no further discussions of program or departmental closures until April 21, 2020, when it was informed by the President of financial hardships due to COVID-19. Pandemic-related discussions continued at the May 19 and June 16, 2020 Senate meetings, though no decisions about program closures were made.

10.0 Ministry Not Effectively Overseeing Financial Sustainability of the University Sector

The Ministry of Colleges and Universities did not start tracking the financial condition of Ontario universities until 2014/15 (see **Section 10.1**). At that point it was already apparent that Laurentian's financial situation was progressively worsening. However, the Ministry did not attempt to intervene to understand the problem and the impact it could have on the university sector in Ontario, including students. In fact, under current legislation, the Ministry does not have the specific authority to require universities to operate sustainably, and believes that it could not have prevented Laurentian from choosing to file under CCAA for creditor protection (see **Section 10.2**).

For example, there are no legislated restrictions on a university's activities that could protect its financial sustainability, such as setting borrowing and capital-expenditure limits (see **Section 10.3**). As well, existing funding agreements between the Ministry and universities do not require universities to demonstrate their operations are financially sustainable in order to receive taxpayer funds (see **Section 10.4**).

10.1 Ministry Financial Metrics Noted Concerns at Laurentian in 2014/15

The Ministry began tracking financial sustainability indicators at Ontario universities in 2014/15. It measures financial sustainability using the following metrics:

- **Net Income/Loss Ratio:** Percent of revenue that contributes to net assets.
- **Net Operating Revenue Ratio:** Cash flow from operations as a portion of total revenues.
- **Primary Reserve (days):** Number of days the university could function using only its unrestricted reserves.
- **Interest Burden Ratio:** Percent of total expenses used to pay interest.
- **Viability Ratio:** Expendable resources (net assets) that can be used to cover debt obligations.
- **In-year Surplus:** Amount by which revenues exceeded expenses in a fiscal year.
- **Net Expendable Assets:** Assets that are not restricted and are available to support operating costs.

Since the Ministry began tracking the metrics in 2014/15, Laurentian has failed to meet nearly all of the financial sustainability targets (see **Figure 25**). However, no actions were taken as a result of this information.

Figure 25: Laurentian University's Performance Against Ministry Financial Indicators for the Years Ending April 30, 2014/15-2019/20

Source of data: Ministry of Colleges and Universities

Ministry Benchmarks	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Net income/loss ratio (%)	=>1.5	(1.0)	(1.1)	(1.0)	1.1	(2.1)
Net operating revenue ratio (%)	=>5	1.5	5.2	(1.2)	(0.4)	(2.9)
Primary reserve (days)	=>30	(7)	(14)	(17)	(12)	(22)
Interest burden ratio (%)	=<3	1.6	2.3	2.4	2.4	2.7
Viability ratio (%)	=>30	(5.7)	(8.1)	(8.9)	(6.6)	(12.9)
In-year surplus (deficit) (\$ million)	=>0	(1.7)	(2.0)	(1.8)	2.1	(4.1)
Expendable net assets (\$ million)	=>50	(3.6)	(6.9)	(8.8)	(6.3)	(11.8)



Indicates when Laurentian did not meet the Ministry of Colleges and Universities' benchmark for an indicator. This figure relies on the Ministry's estimate of Laurentian's interest costs, as Laurentian does not separately disclose interest expenses in its audited financial statements.

Figure 26: Laurentian University's Performance Against Ministry Financial Indicators for the Years Ending April 30, 2009/10-2013/14

Prepared by the Office of the Auditor General of Ontario

	Ministry Benchmarks	2009/10	2010/11	2011/12	2012/13	2013/14
Net income/loss ratio (%)	=>1.5	(4.0)	(4.1)	(2.7)	0.1	(0.8)
Net operating revenue ratio (%)	=>5	(2.5)	(2.9)	3.6	(4.1)	(1.0)
Primary reserve (days)	=>30	(2)	(1)	(11)	(10)	(12)
Interest burden ratio (%)	=<3	1.0	1.1	1.3	1.7	1.8
Viability ratio (%)	=>30	(4.1)	(1.2)	(8.9)	(7.3)	(9.6)
In-year surplus (deficit) (\$ million)	=>0	(5.8)	(6.5)	(4.2)	0.2	(1.4)
Expendable net assets (\$ million)	=>50	(1.0)	(0.5)	(4.8)	(4.3)	(5.8)



Indicates when Laurentian did not meet the Ministry of Colleges and Universities' benchmark for an indicator.

Had the Ministry put performance metrics and targets in place sooner, it also could have been aware of Laurentian's financial problems as far back as 2009/10. See **Figure 26** for a detailed analysis where we have applied these metrics to prior years, beginning in 2009/10.

10.2 Ministry Does Not Have Legislative Authority to Intervene in the Operation of Publicly Funded Universities

Although the Ministry was aware of Laurentian's poor and worsening financial condition as early as 2014/15, funding continued without Ministry officials obtaining a complete understanding of Laurentian's financial situation. As the case of Laurentian has shown, not addressing financial issues earlier can impact students, communities, and the overall post-secondary sector.

It is clear from existing legislation that the Ministry is not expected to be involved in the day to day operations of any university. However, in our view, the public would expect that there is sufficient oversight to identify if a university has strong governance and financial sustainability to continue to deliver programs to students when it receives substantial taxpayer funding.

In practice, while the Ministry typically has not been proactive in addressing financial problems at

universities, it has offered its assistance when asked for help. This occurred in 2014, when North Bay-based Nipissing University reached out to the Ministry following consecutive Board-approved deficit budgets.

Nipissing was failing to meet six out of the seven financial sustainability metrics used by the Ministry. Its 2014/15 performance on three of the metrics was even worse than Laurentian's was in 2019/20, preceding its CCAA filing. Nipissing had a worse Loss Ratio, Net Operating Revenue Ratio, and Interest Burden Ratio.

Ministry officials met with Nipissing's senior administration and requested that a third-party external financial review be conducted to obtain a truly independent evaluation of the university's finances and operating processes, as well as to provide a detailed financial plan. The Ministry commissioned a \$508,500 review, which was issued September 2015. The review identified strategies for financial sustainability and savings consistent with Nipissing's strategic mandate and core values. These included:

- refinancing its debt to reduce annual interest costs;
- selling its campuses outside of North Bay to raise funds and reduce losses; and
- reducing management and support staff.

The Ministry further provided \$4.5 million to support the implementation of the measures that were recommended. For example, it bore the upfront costs

of early retirement initiatives. In return for the Ministry's financial support, Nipissing agreed to provide unrestricted access to all the data and documents required for a robust financial and operational analysis.

We reviewed all of the Ministry's financial sustainability metrics for Nipissing and found that the university's performance had improved in all measures following this support.

In August 2020, when Laurentian's senior administration approached the Ministry with concerns about the University's finances, the Ministry similarly offered to jointly fund a third-party, independent financial review. Laurentian initially agreed, and identified its preferred consultant, Ernst & Young (EY). Soon after, though, the University asked that the terms of the engagement be changed to not produce a report in order to enable the external consultant to act as a court-appointed monitor in a CCAA restructuring process as needed. The Ministry did not agree to this change, knowing it would not be provided with an independent and fulsome understanding of Laurentian's situation or a detailed financial plan for Laurentian's improvement. Laurentian then hired EY on its own. Based on our work we found that, guided by external legal counsel, Laurentian's senior administration was by this time well on its way to preparing to file for CCAA protection.

Even though Laurentian is a broader public sector educational institution, without amending legislation the Ministry did not have the authority to intervene directly in Laurentian's operations or restrict it from pursuing a restructuring through CCAA. In contrast, the Province of Ontario is already empowered to step in and rectify financial and/or operational mismanagement at other kinds of broader public sector organizations. For example:

- The Minister of Health can appoint a supervisor to take over the board and administration of a hospital. This has occurred six times in the last 10 years.
- The Minister of Education can appoint a supervisor to oversee the operations of a school board. This has occurred twice in the last 10 years.

When it comes to public colleges, the Ministry employs specific directives and mandatory requirements that

colleges must comply with (for example, in terms of investment and borrowing), and has the power to intervene in a college's operations should the Ministry deem it necessary. Public colleges also submit their annual budgets to the Ministry. If a college projects an accumulated deficit, they must submit a Deficit Recovery Plan for review. If the college cannot fulfil the commitments in this plan, the Minister can intervene. For example, in 2002 Collège des Grands Lacs was closed by the Ministry because of lack of enrolment sustainability.

10.3 Universities in Ontario Do Not Have Legislated Requirements to Operate Sustainably and Prevent Insolvency

In all provinces except Ontario, New Brunswick, Nova Scotia and Quebec, there are legislated limits on university deficits, borrowing and/or major capital expenditures. **Appendix 20** compares the requirements for universities in other provinces. In our analysis, we noted that had the requirements in these other jurisdictions applied, Laurentian would have been prevented from acquiring significant debt and may have avoided its financial deterioration.

As well, Ontario does not have a legislated process for universities to address financial difficulties. In comparison, in 2015 Nova Scotia introduced the *Universities Accountability and Sustainability Act* in response to instances of post-secondary institutions experiencing financial difficulties. The act serves to identify and correct financial difficulties before they become emergencies. It allows universities to restructure themselves through a "revitalization planning process" intended to be used as a last resort. Unlike the CCAA process, revitalization planning requires universities to:

- consult with their students, employees, unions and any other stakeholders;
- prepare a long-term strategy for financial sustainability;
- assess the potential impact of the plan on students and employees; and
- set goals and objectives for contributing to social and economic development in the province.

10.4 Ministry Funding Agreements Do Not Motivate or Require Financial Sustainability or Spending Accountability

Public universities receive billions of dollars in funding from the Ministry of Colleges and Universities, and the agreements associated with that funding do not require universities to operate in a sustainable manner. In fact, in order to obtain annual funding, there are no specific requirements except that the university continue to operate. Strategic Mandate Agreements (SMAs) outline each institution's intended activities and goals for the period they cover. But failure to accomplish activities and goals has not historically had any consequences on funding.

Core funding is provided to universities based on the number of full-time equivalent students and the relative cost of delivering a university's programs. In 2020/21, Laurentian received \$74.9 million in operating funding and \$1.0 million in capital funding. Laurentian submits audited enrolment numbers to the Ministry to confirm the funds provided in the upcoming year.

Some Ontario universities, including Laurentian, also receive French-language funding from both federal and provincial governments. The funding is provided at a set core amount, with some additional project-specific funds. Universities are required to report how they use some of the core funding, but there are no consequences for failing to report. There are no restrictions on how the funding can be used, except that it is not to be available for capital projects or faculty salaries. Since 2010, Laurentian has received a core amount of \$10.2 million annually with project-specific funding fluctuating as high as an additional \$1.5 million (in 2019/20). The core funding has not been affected by the cuts to French language programs during CCAA restructuring. In March 2022, the French Language Services Commissioner reported that Laurentian violated the requirements of the *French Language Services Act* by ceasing to offer two designated degrees without following any of the mandated procedural steps. This included failing to consult with the Ministry of Francophone Affairs or the Ministry of Colleges

and Universities prior to eliminating French language programs.

Although the Ministry is in the process of shifting to a new, performance-based funding model, the new model does not involve any financial performance metrics, such as debt to revenue ratios, that might motivate and require financial sustainability or spending accountability at universities.

11.0 Laurentian Strategically Planned and Pursued Restructuring Through the *Companies' Creditors Arrangement Act*

Our review of Laurentian found that its financial condition had been in decline for many years as a result of poor financial management paired with weak Board oversight.

To remedy the long-standing financial situation, senior administrators and the Board, guided by external legal counsel, strategically planned and pursued restructuring under the *Companies' Creditors Arrangement Act* (CCAA). Rather than continue to operate under its collective agreement with the faculty union and employ the financial exigency clause, and rather than conduct a joint financial review with the Province while receiving additional short-term funding, Laurentian's senior administration, with Board approval, chose to initiate court proceedings on February 1, 2021. The CCAA process is normally used by private companies to keep struggling businesses operating while under court supervision. Until Laurentian's filing, CCAA had never been used by a public university in Canada, which would typically seek and obtain government assistance if in financial trouble.

But Laurentian did not pursue assistance from the Ministry of Colleges and Universities in a fully transparent and timely manner. Instead, it paid back a crucial line of credit that for many years had provided the cash flow assistance it needed each year (see **Section 11.1**), rejected an offer of government assistance, and filed for CCAA protection (see **Section 11.2**).

Aside from the added costs of preparing for and pursuing CCAA, (which also resulted in costs for breaking agreements associated with its debt, as discussed in **Section 11.9**), Laurentian's approach held extraordinary consequences for stakeholders. By triggering CCAA, the University administration circumvented contractual obligations to employees; and it was permitted to terminate more-senior, fully-tenured professors and avoid paying them full severance entitlements in cases where they were terminated before their retirement (see **Section 11.4**). Choosing CCAA also quickly cleared a large number of union grievances that had accumulated unaddressed, some for as long as five years. In addition, by opting for CCAA, Laurentian was able to be less transparent—reducing the financial and operational information it would need to disclose to the public and its labour unions (see **Section 11.5**), including its rationale for any restructuring decisions made through its CCAA process (see **Section 11.7**).

Appendix 21 provides a timeline of Laurentian's progress toward and through its CCAA restructuring, and **Appendix 22** provides a timeline of Laurentian's interactions with the Ministry regarding its financial condition and the CCAA process, all up to January 31, 2022.

11.1 Laurentian Reduced its Cash Availability Knowing It Would be Facing Increasing Cash Flow Pressures

In April 2020, Laurentian's administration told its faculty union that there was a significant risk the University could run out of cash as early as fall 2020. At that time, it had only \$3.4 million of cash on hand. However, this comment ignored the fact that Laurentian had ongoing access to a line of credit that it had in place and actively used for many years.

Despite its cash flow problem, in August 2020 Laurentian used \$14 million of the revenue it had received from fall 2020 tuition fees to start to pay down its line of credit, which was with Desjardins Bank. On September 8, 2020, the University paid down a further \$2.5 million on the same flexible loan, in essence paying off its available line of credit from Desjardins.

Laurentian was not required to make these payments. Had it not done so, there would have been more time for the Ministry to assess the University's situation and explore ways to address Laurentian's cash flow difficulties, outside of a CCAA restructuring. We learned that as late as December 2020, Laurentian still had access to this line of credit, which could likely have supported its cash flows until spring 2022. On February 12, 2021, Desjardins reached out to Laurentian to cancel the line of credit after becoming aware of its CCAA filing.

In November 2020, external legal and financial consultants told senior administration not to access this resource.

11.2 Laurentian Did Not Engage the Ministry in a Timely and Transparent Manner to Allow It to Offer Informed Assistance to Avoid CCAA

As late as February 28, 2020, Laurentian was still telling Ministry officials that it was undertaking a sustainability plan, and requested it continue to receive special purpose grant funding into 2020/21. There was no mention of a necessity to file for CCAA protection.

In March 2020, Laurentian began to consult with external counsel specializing in insolvency litigation who had raised the concept of CCAA with the University a year earlier, while providing other services. Senior administration began planning for and initiating steps toward a CCAA filing, with its external legal counsel selecting the accounting firm of Ernst & Young (EY) to support that process.

In the time leading up to the CCAA filing, senior administration at Laurentian described their legal counsel as giving them the "hard sell" for CCAA; they noted that CCAA was counsel's business and so everything was viewed through that lens. Similarly, one Board member informed us they felt pressured into the CCAA process by external legal counsel.

It wasn't until August 2020, five months later, that Laurentian first directly informed Ministry staff it was considering a CCAA filing. In response, the Ministry proposed a third-party financial review to determine a way forward. This independent review

was intended to provide the Ministry with a clearer picture of the University's financial position and potential actions needed.

At first, Laurentian suggested that EY conduct the third-party financial review. However, soon after, EY removed itself as a potential author of a report as part of the third-party financial review. According to Ministry staff, EY proposed this "because the firm need[ed] to retain neutrality in the event that Laurentian proceed[ed] with creditor protection action. [EY] would be assisting Laurentian with that process."

When the Ministry did not agree to EY's change in terms, the third-party financial review fell through. Laurentian continued to engage EY directly, and EY later became the court-appointed monitor in Laurentian's CCAA proceedings. Neither the Ministry nor Laurentian proposed an alternative financial advisor to fill this role.

As late as the end of November 2020, Board members were voicing concern that Laurentian's leadership had not made reasonable efforts to pursue options outside of CCAA, such as negotiations with the faculty union or seeking financial support from the government. They described Laurentian's insolvency lawyers as "giddy with excitement to try something new."

On December 12, 2020, Laurentian's senior administration approached the Ministry of Finance, indicated the University was insolvent, and requested \$100 million in financial aid: \$50 million to fund its continued operations over three years and \$50 million for termination and severance payments. In its communication, Laurentian's senior administration requested a response by the first week of January 2021 or else it would commence CCAA proceedings at the end of that month. This gave the Ministry minimal time over the holidays to review the proposal, and it didn't have the benefit of an independent consultant report that could have provided verified information about Laurentian's financial situation.

Provincial officials told us this funding request was unusual for two reasons. First, it was presented right before the holidays with a tight timeline to respond. Second, the funding request did not contain adequate analysis given the sizeable \$100 million request. Officials told us that based on the amount of external

support Laurentian had gathered—which included insolvency lawyers, financial advisors and government-relations services from a former Deputy Minister—it was unreasonable for Laurentian to expect the government to accept this proposal without a chance for its own, independent review.

On January 19, 2021, the Ontario government approved a Ministry of Colleges and Universities' proposal for the appointment of a special advisor who could provide advice and recommendations to the Ministry regarding the long-term financial sustainability of Laurentian. In the proposal, Ministry officials questioned how open the University's administration would be to exploring options. "Given Laurentian's belief that a CCAA filing is a crucial element of its labour negotiations, the institution might proceed in spite of any government intervention."

Appendix 23 summarizes the four reports the special advisor has provided to the Ministry.

11.3 Laurentian May Not Have Complied with its Legal Requirements Related to Lobbying

Historically, troubled universities and other broader public sector entities have transparently and proactively sought guidance and financial support from their funding ministry. Laurentian's leaders instead decided to engage politicians (for example, federal and provincial ministers) while not sharing key information about the University's financial position with the Ministry's Deputy Minister, the Assistant Deputy Minister and their staff.

Starting in 2020, Laurentian's senior administration began engaging internal staff and external consultants for assistance in communicating with the federal and provincial governments about financial restructuring and funding needs. We found that some of these activities may fall within the definition of lobbying under provincial legislation.

Lobbying occurs when an individual or group is paid to communicate with a public office holder (e.g. minister, ministry staff, minister's office staff, deputy minister, assistant deputy minister) in an attempt to influence their decision-making, the awarding of public

funds, or the arrangement of meetings between a public office holder and any other person. The *Lobbyists Registration Act, 1998* imposes legal requirements on individuals and firms to register and report their lobbying activities through the Lobbyists Registry, managed by the Office of the Integrity Commissioner of Ontario.

According to the *Lobbyists Registration Act, 1998* every external consultant, such as government-relations advisors, lawyers and other professionals, must register all lobbying activities, including arranging or directing the arrangement of a meeting with a public office holder. The act also imposes requirements on non-profit organizations, including universities, to track, register and report lobbying activities of all employees who engage in lobbying activities that collectively amount to 50 or more hours per calendar year. According to the act, Laurentian's President, as its most senior executive, is responsible for tracking the lobbying activities of all employees and registering staff, including the President, if they reach the reporting threshold.

Further, under both the *Lobbyists Registration Act, 1998* and the *Broader Public Sector Accountability Act, 2010*, broader public sector organizations such as universities are prohibited from spending public funds on consultant lobbyists. These organizations can only engage consultant lobbyists if the senior executive at the organization and the consultant file a signed attestation with the Integrity Commissioner confirming that public funds are not being used for lobbying activities.

Neither Laurentian nor any of its external consultants reported the following activities through the Lobbyists Registry:

- Both Laurentian's insolvency counsel and its financial advisor (later court-appointed monitor) participated directly in meetings with public office holders alongside Laurentian officials during the time the University was attempting to persuade politicians and political staff to provide it with financial assistance and/or to serve as its debtor-in-possession lender in the CCAA process. This included meetings with staff in ministries and the minister's office where the discussions focused on general and later more specific requests for government support. Moreover,

Laurentian's financial advisor met with ministry staff to discuss Laurentian's requests for financial support and suggested modifications to a proposed funding agreement with the Ministry that would have directly benefited Laurentian.

- During 2020 and 2021 a number of Laurentian employees frequently met with staff from the ministries or ministers' offices, where the intent was to influence government decision-making or obtain financial support. To support these efforts, Laurentian hired three in-house government-relations advisors that reported a cumulative total of 616 and 580.5 hours worked in 2020 and 2021, respectively. The University paid about \$200,000 in salaries for these three in-house advisors.

Laurentian has not filed any lobbying registrations since 2010, whereas 13 other Ontario universities have reported their use of both in-house and consultant lobbyist services, with 10 filing in-house lobbying records and three filing consultant lobbying records.

11.4 Laurentian Rejected Financial Support from the Ministry Intended to Help Avoid CCAA

Although in January 2021 the Ministry of Colleges and Universities rejected Laurentian's unusual \$100 million demand, it continued to consider Laurentian's cash flow needs. In that same month, the Ministry informed the government that it would ensure there was sufficient funding to keep Laurentian operational until a special advisor could complete his review.

We noted that on January 18, 2021 the Ministry received a forecast of Laurentian's future cash flows from EY. Based on this forecast, the Ministry offered Laurentian a grant to support its cash flows through the end of March 2021, on the express condition that the University not pursue CCAA. A second condition was that Laurentian co-operate with a government-appointed special advisor who would, according to the Ministry, provide the government "timely insight into the extent of the situation at Laurentian and give the government the required information, analysis and

advice to support decision-making for the government and institution on a plan to return to sustainability.”

Laurentian declined this offer and filed for CCAA shortly thereafter.

At the time, the Ministry viewed Laurentian’s response as a clear indication it believed CCAA would help it secure more favourable terms in labour negotiations with academic staff. Laurentian had cited reducing faculty costs as a key to becoming financially sustainable.

11.5 Laurentian Administration Withheld Significant Financial Information from Unions

Until the eve of its CCAA filing, Laurentian’s senior administration withheld financial information that was requested by the Laurentian Union Faculty Association (LUFA). We found that during its collective agreement negotiations with labour unions during 2020 and in January 2021, the University administration did not communicate materially relevant information about its plans and preparations for a CCAA filing.

Collective agreement negotiations in Ontario are governed by the *Labour Relations Act, 1995*. Under this act, parties to the negotiations have a legal duty to bargain “in good faith” and must “make every reasonable effort” to reach a collective agreement. This legal duty imposes a number of obligations on the parties, including the duty:

- not to keep material facts from the other side or to misrepresent the facts;
- not to adopt a deliberate strategy to prevent concluding an agreement;
- to disclose plans and decisions that could have a material effect on union members; and
- to consider the other side’s proposals and requests, and to respond to them.

In April 2020, in response to Laurentian identifying financial challenges, the Laurentian University Staff Union (LUSU), notified the University it was willing to renegotiate its collective agreement early. As part of these negotiations, the staff union accepted a salary cut that saved Laurentian \$1.8 million between 2020 and 2023. Additionally, the staff union made a \$450,000

payment to the University to prevent members from having to take furlough days (unpaid days off).

In April 2020, LUFA also began negotiations for a collective agreement. The University’s initial bargaining offer included demands for significant financial concessions, amounting to a salary rollback ranging from 5.2% to 9.4% of faculty salaries. The administration also indicated it wanted to discuss options for terminating faculty. The union requested financial information to support Laurentian’s claim of significant financial challenges (for example, documents and financial records that supported the University’s position that it was in an immediate financial crisis, and how certain expenditures presented to the union were calculated or projected).

Although some financial information was provided, the faculty union reached out again on at least four occasions requesting further details, saying they were unable to independently validate the financial situation given the information provided. Laurentian remained unresponsive to these requests from August 26, 2020 until 4:09 p.m. on January 29, 2021, the Friday before its CCAA filing on Monday, February 1, 2021.

11.6 Pursuing CCAA Enabled Laurentian to Avoid Requirements under its Labour Agreements

On April 12, 2020, Laurentian laid off 195 of its full-time employees, mostly tenured professors. The lay-offs included:

- 116 full-time faculty members (LUFA members)
- 42 unionized staff members (LUSU members); and
- 37 non-unionized employees (including 24 in management and executive positions).

In Laurentian’s 2020/21 financial statements, the total employee restructuring and termination liability resulting from the CCAA filing action, which includes all employees terminated, is estimated to be \$44.7 million.

As discussed in **Section 7.3**, Laurentian’s collective agreement with LUFA had a specific clause designed to be used in times of financial emergencies. Known as the financial exigency process, it is designed to reduce

faculty costs in times of financial hardship while offering a fair and transparent method for terminating employees. The process includes applying specific criteria, such as length of employment and tenure status, for determining which faculty members are to be terminated. It is a common provision within faculty collective agreements in Ontario and other provinces and is considered best practice.

By filing for CCAA, Laurentian did not have to follow contractual and labour-law stipulations, which would have required the University to:

- disclose financial information to LUFA;
- retain senior faculty members over newer faculty;
- address grievances through regular channels;
- consider other means of achieving cost savings and make every effort to get financial assistance from the Province before terminating faculty; and
- pay full severance to terminated employees.

Laurentian specifically wanted to avoid using the financial exigency process. Its senior administrators voiced concerns about:

- the requirement that the process would need to be fully transparent, with an independent commission into Laurentian's finances covering the prior two years;
- the administration's loss of unilateral control over decision-making;
- the significant severance costs that would be required to be paid for terminated faculty; and
- the public nature of the process that may damage the University's reputation.

Restructuring under the CCAA process meant the administration was not required to consider, before terminating faculty, whether all reasonable means of achieving cost-savings in other areas of the University budget had been exhausted, or whether every effort had been made to secure further assistance from the provincial government.

Laurentian informed us that the 109 faculty members terminated through the CCAA process averaged 21 years of University service and had an average annual salary of \$155,000. That is, the majority (76%) of the terminated professors were from the two highest

seniority ranks (associate and full professor) and 50% of the terminated professors had exceeded their corresponding salary cap for "progression-through-the-ranks" compensation adjustments. This indicates that faculty terminations through the CCAA process disproportionately targeted longer-serving, higher-ranked, and higher-compensated professors, something which is contrary to the protocol prescribed under the financial exigency process.

Further, using the CCAA process enabled Laurentian to reduce the severance payments it would have been required to pay terminated faculty. Through the CCAA process, the monitor and Laurentian developed a methodology for calculating severance for terminated faculty. It was noted that this methodology governs the calculation of claims regardless of any potential differences between it and guiding documents (for example, the collective agreement). Laurentian informed us that the faculty members terminated through the CCAA process were calculated to have a severance of \$32.8 million owing because they were terminated, or more than \$301,000 per person.

However, as noted in the Monitor's 14th report, terminated faculty are only expected to receive 14.1% to 24.2% of this severance, or \$42,000 to \$72,000 per person. For example, a professor who worked at Laurentian for over 30 years and was just over 60 years old would have received over \$630,000. However, due to being terminated through the CCAA process, they are instead expected to receive around \$90,000 to \$150,000. The proceeds to pay this amount are anticipated to come from the Ministry agreeing to purchase some of Laurentian's real estate assets.

Choosing CCAA proceedings also enabled Laurentian's administration to resolve outstanding union grievances through an expedited court-mediated arbitration process. At the time of its CCAA filing, Laurentian had amassed 109 unresolved union grievances, some outstanding for as long as five years. As discussed in **Sections 7.3 and 7.4**, the administration had not addressed those grievances in a timely manner, including those related to harassment and discrimination. This had resulted in an abnormally high and potentially costly accumulation of unresolved grievances.

Court-mediated arbitration was faster and less costly for the University administration than the normal processes agreed to under the collective bargaining agreements. This was because, under CCAA, the vast majority of grievances were withdrawn by the union and remaining grievances could be dealt with collectively in an expedited fashion. Of 109 unresolved faculty grievances at the time of the CCAA filing, 72 were withdrawn to avoid the forced arbitration process and may be re-grieved at a later time. The remainder were resolved through an arbitration award (30) or settlement (6).

Laurentian Unilaterally Terminated Its Agreement with Federated Universities

The federated universities were predominantly funded through Laurentian. On April 1, 2021, two months after Laurentian initiated the CCAA process, each federated university received a notice of unilateral dissolution of the federation agreement, which meant they lost the revenues needed to sustain their operations. Thorneloe and the University of Sudbury challenged the decision in court, but on May 2, 2021, the Ontario Superior Court of Justice confirmed the dissolution of the 1960 federation agreement. Terminating the agreement was also a condition to secure an additional \$10 million under the Debtor-in-Possession (DIP) loan—which is financing unique to insolvent companies in a restructuring—that Laurentian required to move forward with CCAA. This DIP lender was approached by the lawyers handling the CCAA process that had previously been involved in earlier Laurentian matters relating to agreements with the federated universities.

According to the federated universities, the University of Sudbury terminated 96 of 104 employees, Thorneloe terminated 34 of 40, and Huntington terminated 16 of 29, meaning a total of 146 employees at the federated universities lost their jobs. One of these universities paid its full-time faculty severance. These terminations are in addition to the staff terminated by Laurentian.

While each federated university remains open, they are operating independently from Laurentian and therefore receive no operating funding or tuition revenue through it. As of September 2022, they have

limited ability to generate revenue from investment and rental income. Each school is pursuing a different path forward. The University of Sudbury is in the process of pursuing a transition to a French-language university. If this process fails, the school may close. The closure of the University of Sudbury would have significant additional financial consequences, estimated at over \$8 million, including returning the school's grounds to their original state. Huntington is attempting to develop a new path forward by refocusing its academic programs and developing strategic partnerships with academia, industry and government. Thorneloe continues to operate its small School of Theology, which was never part of the Laurentian federation.

Students who were taking courses hosted at the federated universities continue to be students of Laurentian, although the programs they were enrolled in may no longer be available at Laurentian.

11.7 Laurentian Cancelled 76 Degree Programs without Offering Rationale

The University's program offerings were reduced on April 6, 2021, when Laurentian's Senate passed a resolution proposing program closures and faculty and departmental restructuring as part of the University's financial restructuring under the CCAA.

Laurentian cancelled 76 degree programs, 65 of which were undergraduate programs (see [Appendix 24](#)). That impacted an estimated 932 students, or 7.5% of Laurentian's undergraduate students, and 3.7% of its graduate students.

For some of the degrees that remained, the cuts meant that certain specializations within those degrees were no longer available. An academic degree is granted for an area of study (for example, Bachelor of Science), and degrees can also have program specializations within that area of study (for example, Environmental Science).

On April 12, 2021, Laurentian notified students of the restructuring plan and gave third-year students the option of completing their degree in their original discipline; however, new students would not be accepted into

cancelled programs. First- and second-year students in programs that were being cancelled were encouraged to switch their degree or specialization. Where there was no comparable degree, students were directed to transition to other universities.

From interviews, we learned that Laurentian's approach to cutting programs during restructuring was not strategic, well-informed or transparent. Administrators did not use a rigorous process that documented an evaluation of the costs, revenues, forward-looking projections or any other considerations, such as the core values and future sustainability of the University. Instead, guided by external advisors, Laurentian used rough financial information to create and apply a universal cut-off threshold. (We did not have access to sufficient information to be able to interpret the method used to arrive at the cut-off threshold.) Programs under the threshold were deemed likely to be unprofitable for the University and were eliminated.

We were further informed that considerations about which programs to cut were based on very narrow criteria and were potentially misguided. For example, cuts did not consider a program's ability to secure future research funds, recruit students, meet community needs or provincial priorities. A case in point is Laurentian's Environmental Science program, which was featured as an area of strength in the University's most recent Strategic Plan (2018–2023) and Strategic Research Plan (2019–2023). This program was terminated, along with the prominent research chairs who taught its courses, mentored its students, and received funding to do research to improve knowledge, strengthen Ontario's and Canada's international competitiveness, and help train the next generation of highly skilled people.

Another example was Laurentian's midwifery degree, the only midwifery program taught in French in Ontario and the only midwifery program in Northern Ontario. With 118 French and English students registered in Laurentian's midwifery program as of fall 2020, many may be unable to complete this program if they are unable to study in English and/or move to southern Ontario to study at either McMaster

University in Hamilton or Ryerson University, which has been renamed Toronto Metropolitan University. According to information Laurentian provided to the Ministry, Laurentian's midwifery program had operating surpluses from 2009/10 to 2020/21 ranging from \$126,000 to \$531,000.

11.8 CCAA Allowed Laurentian to Restructure Without Being Fully Transparent

Choosing to pursue the CCAA process meant that Laurentian would have to disclose much less internal financial and operating information than if it had accepted the Ministry's assistance. For instance, Nipissing University needed to provide full co-operation and financial transparency in 2015, when it received financial support from the Ministry. The independent third-party financial review of Laurentian that would have formed the basis of a Ministry intervention would also have brought to light the factors and decisions that significantly contributed to the University's financial deterioration.

Ordinarily, a university is subject to freedom of information requests under the *Freedom of Information and Protection of Privacy Act*, like other broader public sector entities. Under the CCAA, Laurentian was granted a stay on all such requests. On January 27, 2022, close to one year after it formally announced CCAA, Ontario's Information and Privacy Commissioner requested the court lift the stay on freedom of information requests, calling the stay "unprecedented." This stay was lifted effective May 1, 2022.

While the court-appointed Monitor (EY) periodically reports on "restructuring costs" as part of its reports, the details of what these costs relate to are not provided. Laurentian's staff union, LUSU, has asked for more information about restructuring costs and legal fees to be included in the Monitor reports so that parties can raise potential concerns about fees sooner rather than later.

11.9 Laurentian Paid \$30.1 Million to Legal Counsel and External Consultants to Plan and Execute CCAA

Laurentian receives more than 40% of its revenue from the Province each year. That means the costs of the University's CCAA proceedings are also being funded, in part, through provincial taxes.

From March 1, 2020 to September 12, 2022, the restructuring process, which was recommended and facilitated by external legal and financial consultants, had cost Laurentian over \$30.1 million (\$17.1 million for financial advice and monitoring and \$13.0 million for legal fees). This is nearly equivalent to the amount of full severance of \$32.8 million the 109 faculty members terminated through the CCAA process were entitled to, as determined by Laurentian (see Section 11.6).

Laurentian also paid \$2.8 million in fees for financial advice and another \$2.5 million for legal expenses prior to filing for CCAA in January 2021. Another \$24.8 million in expenses was incurred during the CCAA process. In addition to this, Laurentian incurred legal fees in preventing our office from accessing information; the legal invoices to determine this amount were unavailable to us and had not been provided to the Standing Committee on Public Accounts under the Speaker's Warrant at the time this report was being finalized.

We also became aware that a procurement for a real estate review during the CCAA process, led by the external legal and financial consultants, may have breached legal and public sector procurement requirements. These included failing to develop evaluation criteria to assess bidders prior to issuing a request for proposal.

To fund its participation in the CCAA process, Laurentian had to acquire Debtor-in-Possession (DIP) financing, which enabled it to continue operating. DIP financing takes priority over all other debt. Laurentian secured up to \$35 million from a private mortgage investment corporation to support operations until August 31, 2021, which cost it \$2.2 million in interest

expenses prior to the Province taking over the DIP loan at a lower interest rate.

Recognizing that if the Province took over as Laurentian's DIP lender stakeholders would have greater confidence in the University to emerge from the CCAA process, the Ministry sought provincial approval on December 14, 2021 for a funding package to Laurentian that included:

- \$35 million to become the DIP financer for Laurentian;
- a COVID-19 grant not to exceed \$6 million;
- a promise that grant funding of up to \$12 million will not be clawed back if enrolment drops in the years 2021/22 to 2025/26; and
- a promise that grant funding of up to \$10 million will not be clawed back if Laurentian fails to meet performance targets for the years 2021/22 to 2025/26.

A condition of the funding package was that all Board members be replaced and that Laurentian bring in expertise to develop a long-term strategic plan.

On December 15, 2021, 11 members of Laurentian's Board stepped down, including the Board Chair. On December 21, 2021, the Ministry appointed new Lieutenant Governor in Council members to Laurentian's Board. Then, on January 27, 2022, the Ministry took over the \$35 million DIP loan and became the DIP financer for Laurentian.

11.10 What Is the Impact of Laurentian, a Public Institution, Entering into the CCAA Process?

On January 15, 2022, data from the Ontario Universities Application Centre (OUAC) showed that high school applications at Laurentian were down 43.5% in 2022. President Robert Hache commented to the University's Senate that the reduction was expected, in light of the insolvency and restructuring. As of September 8, 2022, data from OUAC showed that 1,049 new undergraduate students were enrolled in Laurentian for the fall 2022 semester. That is about 48% fewer new students compared with the 2,032 new students in fall 2020, prior to Laurentian's CCAA filing. A

continued reduction in applications will impact Laurentian's future revenues and its future financial viability.

In its reporting to the Ministry in July 2021, Laurentian had identified that it anticipated lingering negative impacts on enrolment from CCAA. These impacts were anticipated to last five to seven years.

Laurentian faculty were also hard hit by the CCAA filing. Not only did 116 full-time faculty members lose their jobs, but the CCAA process allowed Laurentian to reduce the severance they would have been expected to receive. As noted in **Section 11.6**, some long-tenured professors terminated through the CCAA process may receive less than 15% of their severance.

Laurentian's filing for CCAA had an immediate financial impact, a debt termination liability cost of \$24.7 million because it needed to break its prior debt agreements. University donor interest has also been affected, at least in the short-term. Since filing for CCAA, Laurentian has identified that it is facing difficulties in obtaining donations and instances of donors retracting their gifts. In the 14 months after filing for CCAA, the University received \$1.6 million in donations compared with the \$3.4 million it received over the same time period prior to filing.

The longer-term implications of the CCAA filing are still playing out. Whereas those who lost their jobs or had their program of study cancelled were impacted immediately, others in the University and in the Greater City of Sudbury, where Laurentian is one of the largest employers, may yet feel ripple effects.

The assumption that the Province will support entities in the broader public sector in meeting their financial obligations has now been challenged. Credit rating agencies had historically expected the government to support universities and therefore rated their credit relative to that of the Province. This assumption has been questioned. For example, Moody's Investors Service Inc., a prominent credit-rating agency, said it sees an increased risk that the Province will allow universities to interrupt payments to creditors. This may result in higher interest costs and difficulties for other Ontario universities looking to acquire debt.

Besides the financial impacts, Laurentian's CCAA filing has had and will have broader consequences. Board members recognized this in November 2020

when they raised concerns about how the CCAA process would negatively impact the local community, noting that the effects will be "seen and felt in Sudbury for a long time after [the lawyers] get the balance of their retainer."

Likewise, the Ministry of Colleges and Universities recognized in internal documents that "the prospect of a publicly assisted university undertaking a CCAA process is unprecedented in Canada, and the risks for students, to the long-term reputation of Laurentian, to the broader post-secondary sector and to the government are significant."

Confidence in union collective agreements may well have been shaken. As noted in **Sections 7.3** and **11.6**, invoking CCAA enabled senior administration to avoid the financial exigency clause that was a part of its collective agreement with its Faculty Association. The clause was specifically designed to protect employees and offer a fair and transparent method for terminations in times of financial hardship. Tenured academics and unionized staff at other Ontario universities may now view their own collective agreements as offering scant protection, should their administrations decide to take the approach Laurentian took.

The choice to pursue CCAA has meant that a publicly funded institution has been emboldened to operate without transparency. For example, as noted in **Section 11.8**, under CCAA, Laurentian was granted a stay on all requests under the *Freedom of Information and Protection of Privacy Act*, prompting Ontario's Information and Privacy Commissioner to request that the court lift the "unprecedented" stay. The stay was ultimately lifted, effective May 1, 2022. Further, during CCAA, Laurentian obtained a sealing order on certain documents at the time of filing. The court also issued an order requiring confidentiality over information, documents and communications used in mediation under CCAA.

This lack of transparency extended to our own work process, as we faced unprecedented restrictions to our access to information at Laurentian. Transparency, which is closely tied to accountability, is a core value of Canadian democracy. When a public institution is less than transparent, the public's trust in that institution may be eroded.

Lastly, it is difficult to quantify the damage that may have been done to Laurentian's reputation, given the stigma associated with filing for CCAA protection from insolvency. The University's brand, for now, has been tarnished. The University's alumni, as much as its current students and employees, may be understandably distressed by the association of their credentials and their scholarship with the mismanagement, weak oversight, legal battles, and political gamesmanship of their university.

So far, the Ministry has provided financial assistance to some students who were directly affected by program cuts. In May 2021, the Ministry received approval for up to \$5.5 million to be made available for a projected 776 students. As of January 31, 2022, a total of \$233,000 had been distributed to the 69 students who applied for support.

While the focus now should be on rebuilding Laurentian University, it is important to draw lessons from the experience that could help avoid a similar situation from occurring elsewhere. In **Appendices 1, 2 and 3** of this report we provide recommendations for Laurentian University, its Board and Senate, and the Ministry of Colleges and Universities.

Appendix 1: Recommendations to Laurentian University

Prepared by the Office of the Auditor General of Ontario

The recommendations in this appendix are directed at Laurentian University; however, other universities in Ontario should also review and implement these recommendations where appropriate. We recommend that Laurentian University:

STRATEGIC PLANNING

- Establish goals and actions in a new strategic plan that are evidence-based and practicable given its current financial condition and academic sustainability.
- Include key performance indicators that clearly measure the achievement of intended outcomes in the University's strategic plan.
- At least annually review these indicators and make adjustments necessary to the University's strategic plan to support continued progress toward its goals.

CAPITAL PLANNING

- Prepare a long-term capital plan with annual updates consistent with the University's long-term academic objectives and current and future capital needs. The capital plan should:
 - be consistent with the University's strategic plan;
 - include an assessment of the long-term financial sustainability of new projects that considers all relevant revenues expected to be generated by the projects and all operating costs and costs of servicing any associated debt required to build the projects;
 - set standards for the condition of buildings; and
 - ensure current repair and maintenance needs are prioritized to achieve capital life cycle best practices.
- Limit new capital projects to those that are prioritized in the long-term capital plan, upon its approval by the Board of Governors.
- Capital debt policy should require the University to maintain sufficient liquidity to support it through potential financial emergencies.
- Set debt limit ratios in its capital debt policy that include all debt and are based on best practices for universities to ensure borrowings do not exceed limits.
- Ensure that procurements for all contracts associated with capital projects comply with provincial procurement requirements for the broader public sector.

FINANCIAL OPERATIONS

- Prepare all budgets presented to the Board on the same basis as the University's consolidated financial statements.
- To ensure the effectiveness of the finance function, reassess the level of resources within the function and fill positions, especially supervisory positions, with individuals with professional accounting designations, such as the Chartered Professional Accountant designation.
- Develop standard automated reports (e.g., accounts receivable aging, listing of deferred contributions, financing cash flows) that provide University administration with detailed, accurate and timely information.
- Streamline the general ledger chart of accounts to reflect updates in accounting policies, recent changes to external financial statement presentation, and the reporting needs of administration.
- Increase the use of digital record-keeping for source documents, such as major agreements, vendor invoices and employee expense claims.

RESTRICTED FUNDS

- Classify deferred contributions (consisting of research grants, restricted donations and other funds received on behalf of third parties) as current liabilities in the University's consolidated statement of financial position to better reflect the nature of the liabilities, and present changes in the balance of deferred contributions as a change in non-cash working capital (cash flows from operating activities) in its consolidated statement of cash flows.
- Segregate externally restricted funds in separate bank accounts and independently track these funds to ensure their use is in accordance with the restrictions.
- Fulfill its research commitments in accordance with applicable obligations as set out in funding agreements.

ACADEMIC PROGRAM SUSTAINABILITY

- Regularly assess the financial sustainability of its suite of programs and courses by comparing the revenues generated by the programs and courses with their associated costs.
- Based on financial assessment and other qualitative considerations, such as the mandate and core values of the University, regularly make recommendations to the Senate and Board on adjustments to programs and courses to ensure that they continue to contribute to the University's long-term academic focuses.

HUMAN RESOURCES

- If creating new senior administrator and leadership team positions, hiring special advisors or engaging other consultants, develop business cases that justify the need for the roles. The business cases should clearly indicate whether the University has the budget and essential operational need for the positions.
- Consistently use a fair and transparent process for the recruitment and hiring of all employees that includes objective selection criteria, interview questions and marking schemes for selecting candidates.
- Clearly document the rationale for hiring selected candidates.
- Retain all required human resource documentation, including documents involving hiring, promotion, retention and termination in accordance with applicable legislation and best practices.
- Ensure salaries of senior administrators do not exceed legislated requirements related to broader public sector executive compensation.
- Develop policy guidance on what constitutes an appropriate expense under discretionary expense funds and all other types of reimbursements.
- Require and retain approved invoices and expense claims documentation for all forms of expenses claimed by senior administrators and other employees.
- Develop and follow a perquisites policy that complies with prescribed content requirements in the Broader Public Sector Perquisites Directive.

LOBBYING

- Track lobbying activities of all employees who engage in such activities, and register names with, and report to, the Office of the Integrity Commissioner when employees collectively spend 50 hours or more per calendar year, as required under the *Lobbyists Registration Act, 1998*.
- Formally assess the cost and benefit of using external consultants to provide government relations advisory services.
- Ensure external consultants, including external legal counsel, register as lobbyists with the Office of the Integrity Commissioner of Ontario, in accordance with legislative requirements.

LABOUR RELATIONS

- Address the root causes of why proportionately more grievances are filed against Laurentian University than any other Ontario university and realistically assess what actions can be taken to reduce the future number of grievances.
- Establish standards for the resolution of grievances related to alleged harassment or discrimination in accordance with the Ministry of Labour's Code of Practice to Address Workplace Harassment and resolve grievances in accordance with the established standards.
- Develop criteria with the respective unions for the conditions under which the financial exigency clause would be triggered.

LEGAL COUNSEL

- Formally assess the costs and benefits of engaging external legal counsel and, based on the results of the assessment, procure external legal counsel using a fair and transparent process.
- So that external legal fees are minimized by reducing reliance on external counsel, hire an in-house counsel who is able to address the more frequent legal matters faced by the University through its normal operations.

EXTERNAL AUDIT

- Tender the performance of the external audit every five years.
- Ensure all information is proactively provided to an external auditor as part of the audit of the University's financial statement audit.
- Ensure meetings of the Board and of the Audit Committee take place regularly with external auditors, and that the Board and the Audit Committee approve of: the selection of the external auditor; re-appointment of the external auditor; approval of the annual audit plan; approval of the audit findings report; and any other related matters as they arise.

MINISTRY OF COLLEGES AND UNIVERSITIES AND OFFICE OF THE AUDITOR GENERAL OF ONTARIO

- Gain an understanding of the roles and responsibilities of the Ministry of Colleges and Universities and the Office of the Auditor General of Ontario, particularly as they relate to Ontario universities and the broader public sector.

Appendix 2: Recommendations to Laurentian University's Board of Governors and Senate

Prepared by the Office of the Auditor General of Ontario

The recommendations in this appendix are directed at Laurentian University's Board of Governors and Senate; however, governing bodies of other universities in Ontario should also review and implement these recommendations where appropriate. We recommend that the Laurentian University Board of Governors:

INFORMATION PROVIDED TO THE BOARD

- Require the administration to present the annual budget for approval that includes all relevant revenues and expenditures including capital expenditures and cost of servicing debt.
- Require an annual capital life cycle maintenance report that clearly shows significant areas where such maintenance is being deferred.
- Prior to approving major capital projects, require from the administration all relevant information, such as current and projected costs and financing obligations associated with the projects and anticipated revenue streams resulting from the projects.
- Require monthly formal reporting to include: operational year-to-date and monthly actuals to budgets and formal projections to year end; monthly, year-to-date projected cash flows for the current year and the next two years at a minimum; capital spending compared to budgeted amount; details on availability and use of restricted funds; staff levels by category with average salary information; and human resource statistics on employee grievances, sickness leaves and vacation.

WORK PLANS

- Set clear direction for how to oversee Laurentian's activities, including annual Board and committee workplans, to ensure its governance functions and responsibilities are fulfilled throughout the year.

PUBLIC TRANSPARENCY

- Develop and make public guidance on the appropriate use of in camera meetings and prepare minutes for all in camera meetings.
- Document all final decisions made during in camera meetings in the public minutes, in a manner consistent with retaining confidentiality where only absolutely necessary.
- Publicly post all key business documents on a timely basis and consistent with the Broader Public Sector Business Documents Directive, including budgets and annual business plans and reports.
- Publicly post on a timely basis all minutes of public Board and Committee meetings.

BOARD PERFORMANCE

- Develop a skills and competency matrix that outlines the specific skills and experiences that members collectively should have and use this matrix as a guide for filling vacancies.
- Continuously monitor and annually evaluate the Board's performance to ensure that it is effectively fulfilling its duty.
- Renew the terms of Board members within established term limits based on performance.
- Annually review Board insurance and Board member indemnification policies.

CODE OF CONDUCT AND CONFLICT OF INTEREST GUIDELINE

- Implement and adhere to a code of conduct that outlines the principles and standards for Board members.
- Update the Conflict of Interest Guideline and require all members to declare and document all potential, actual or perceived conflicts of interest annually and as new ones arise.
- Record all members' votes individually, including in camera votes, and use this record to verify that they did not vote on matters later determined to be a potential conflict of interest.

COMMITTEES

- Ensure members of the Audit Committee have the necessary skills and ability and receive regular training on financial literacy to be able to critically assess financial information presented by the administration and the external auditors.
- Ensure members of the Property Development and Planning Committee have the appropriate skills and training to effectively evaluate all major capital projects proposed by the administration, including the acceptance of donated property, on the basis of need and financial viability.
- Ensure the Property Development and Planning Committee comprehensively evaluates all proposed major capital projects on the basis of need and financial viability. The Committee should also effectively oversee the long-term sustainability and maintenance of the University's existing buildings and address any significant deferred maintenance on a timely basis.
- Ensure the Finance Committee receives complete and accurate information on the sources and uses of cash in order to comply with appropriate restrictions and align expenditures with the best interests of the University.
- In accordance with its own terms of reference, ensure the Finance Committee's evaluation of proposals regarding University funds put forth by the administration are founded on sound financial consideration.
- Require the administration to provide the Staff Relations Committee with regular reports summarizing the status of staff and faculty grievances, including any financial implications for the University.

We recommend that the Senate of Laurentian University:

- Use strengthened financial analysis provided by the Vice-President, Administration to the Senate and regularly evaluate the long-term financial sustainability of the University's academic programming and make recommendations to the Board on changes to those programs identified as being at risk for long-term sustainability.

Appendix 3: Recommendations to the Ministry of Colleges and Universities and to the Office of the Integrity Commissioner of Ontario

Prepared by the Office of the Auditor General of Ontario

We recommend that the Ministry of Colleges and Universities:

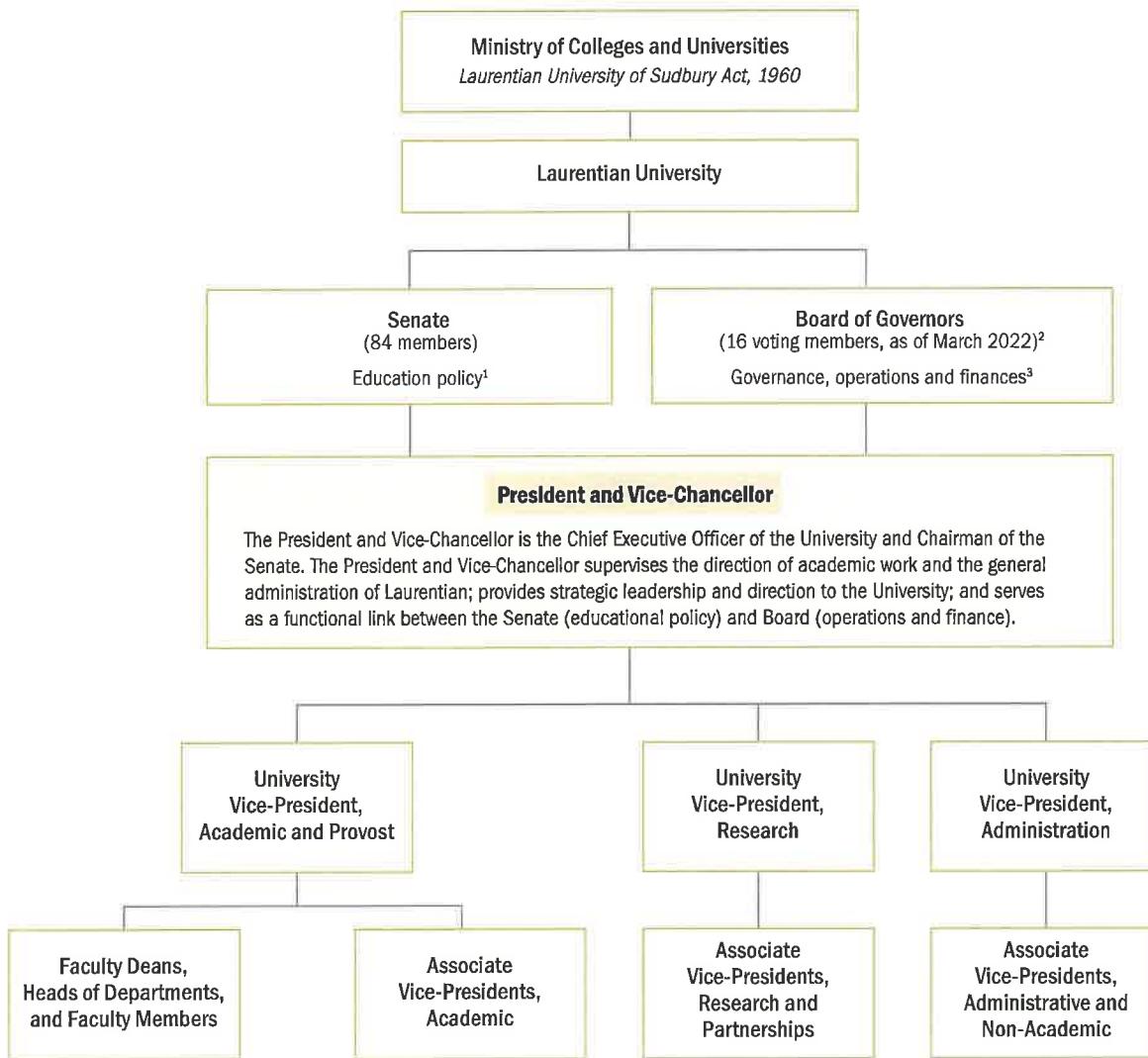
- Proactively intervene to obtain complete information to assess a university's finances when a university fails to meet financial sustainability metrics used by the Ministry and, as a condition of funding, require universities to work with the Ministry to institute a path to financial sustainability.
- Formally evaluate for government the benefits of introducing legislation:
 - allowing the Ministry to set limits on university deficits, borrowings and major capital expenditures;
 - allowing the Ministry to appoint a supervisor to take control of a university's operations when there are serious financial sustainability concerns; and
 - preventing universities from restructuring under the *Companies' Creditors Arrangement Act*.
- Determine to what extent universities are spending funds as intended for specific priorities (such as the bilingualism grant for French-language services), follow up with universities to understand any reasons for discrepancies and better align funding with actual needs.
- Develop guidelines that university boards must have in place to ensure they have fully functioning and effective governance structures, and incorporate these requirements as part of their funding agreements.
- Hold universities accountable for accomplishing their intended activities and goals outlined in current and future funding agreements with the Ministry by making funding contingent on meeting these activities and goals.
- Incorporate financial performance metrics, such as the debt to revenue ratio with set thresholds, and make funding contingent on meeting these thresholds, in the new performance-based funding model.
- Institute processes to validate that funding provided to universities is used for the purposes intended and claw back funding that is not used for intended purposes.
- Require universities to regularly report absences in Lieutenant Governor in Council appointments, monitor the absences and work to fill them in a timely manner.
- As the Debtor-in-Possession lender and the primary funder of Laurentian, seek an expeditious process to end the CCAA proceedings within the next six months with the approval of the Chief Justice of the Superior Court through a plan of compromise and/or arrangement.
- Work with the Board of Laurentian to ensure that strong leadership is in place as Laurentian exits the CCAA process.
- Provide the government with thorough analysis of the impact of tuition reductions and freezes on all universities prior to their implementation to determine if universities can sustain the impacts of these policy decisions.

We recommend that the Office of the Integrity Commissioner:

- Review interactions between Laurentian staff, their external consultants and public office holders to determine compliance with the *Lobbyists Registration Act, 1998* and the *Broader Public Sector Accountability Act, 2010*.
- Clarify and promote requirements for universities and other broader public sector organizations under the *Lobbyists Registration Act, 1998* and the *Broader Public Sector Accountability Act, 2010*.

Appendix 4: Organizational and Governance Structure of Laurentian University

Prepared by the Office of the Auditor General of Ontario



1. Senate powers under the Act include establishing faculties, departments, chairs and courses. The Senate can create regulations for the admission of students, courses and requirements for graduation. The educational policies are subject to the Board's approval regarding funds and establishing facilities.
2. The *Laurentian University of Sudbury Act, 1960* (Act) established the Board membership as 25 voting members. As of March 3, 2022, the Board membership has been reduced to 16 voting members through an amendment to the Act.
3. The Board's powers under the Act include entering into federation agreements with other colleges; purchasing, mortgaging, leasing and conveying property; borrowing money; and commencing proceedings in its own name. The Board also can make bylaws, resolutions and regulations.

Appendix 5: Membership of Board of Governors* as of March 31, 2020

Source of data: Laurentian University

Last Name, First Name	Years on Board	Board Position (2019/20)	Committee or Other Board Positions (2019/20)	Nomination Body
Bayer, Martin	3.8		Board Representative, Laurentian University Native Education Council	University of Sudbury
Chappell, Eric	0.6		Board Representative, Academic Planning Committee	Student Association (yearly appointment)
Corbeil, Suzanne	2.3		Chair, Nominating Committee; Vice-Chair, Executive Committee	Laurentian University
Del Missier, Sonia	7.9	Vice-Chair of the Board	Chair, Nominating Committee; Vice-Chair, Staff Relations Committee	Lieutenant Governor in Council
Deni, Nancy	0.4			Lieutenant Governor in Council
Dokis, Kathy	2.1		Vice-Chair, Audit Committee	Laurentian University
Faggioni, Peter	7.9		Chair, Property Development and Planning Committee; Vice-Chair, Nominating Committee	Lieutenant Governor in Council
Garcia, Fabiola	4.1			Lieutenant Governor in Council
Gaynor, Khari	1.4		Board Representative, Alumni Association	Laurentian University Alumni Association
Grimbeek, Ricus	1.4			Huntington University
Haché, Robert	0.8			Ex-officio member, President and Vice-Chancellor
Harshaw, Stuart	4.4		Vice-Chair, Finance Committee	Huntington University
Jean-Louis, Maxim	2.1		Vice-Chair, Joint Committee on Bilingualism	Laurentian University
Jocko, Jennifer	0.3		Vice-Chair, Research Ethics Board Committee	Laurentian University
Labine, Guy	5.9		Chair, Executive Committee	Thorneloe University
Lacroix, Claude	13.8	Chair of the Board	Chair, Senior Management Review and Compensation Committee	University of Sudbury
Modesto, Cathy	5.8		Chair, Finance Committee; Former External Community Member of the Audit Committee (Sep 23, 2013-Jun 20, 2014)	University of Sudbury
Montgomery, Brian	4.8		Chair, Research Ethics Board Committee; Chair, Staff Relations Committee; Board Representative, Pension Committee	Thorneloe University

Last Name, First Name	Years on Board	Board Position (2019/20)	Committee or Other Board Positions (2019/20)	Nomination Body
Otranto, Dino	0.3			Huntington University
Sartoretto, Tina	4.8		Chair, Joint Committee on Bilingualism; Board Representative, Senate	Lieutenant Governor in Council
St. Pierre, Aaron	0.6			Student Association (rotation, yearly appointment)
Toulouse, Nelson	1.4			Laurentian University
Witty, Jennifer	14.8			Laurentian University
Wood, Ian	10.8		Chair, Audit Committee	Huntington University
Xavler, Peter	2.8			Thorneloe University

* The *Laurentian University of Sudbury Act, 1960* (Act) established the Board membership as 25 voting members. As of March 3, 2022, the Board membership has been reduced to 16 voting members through an amendment to the Act.

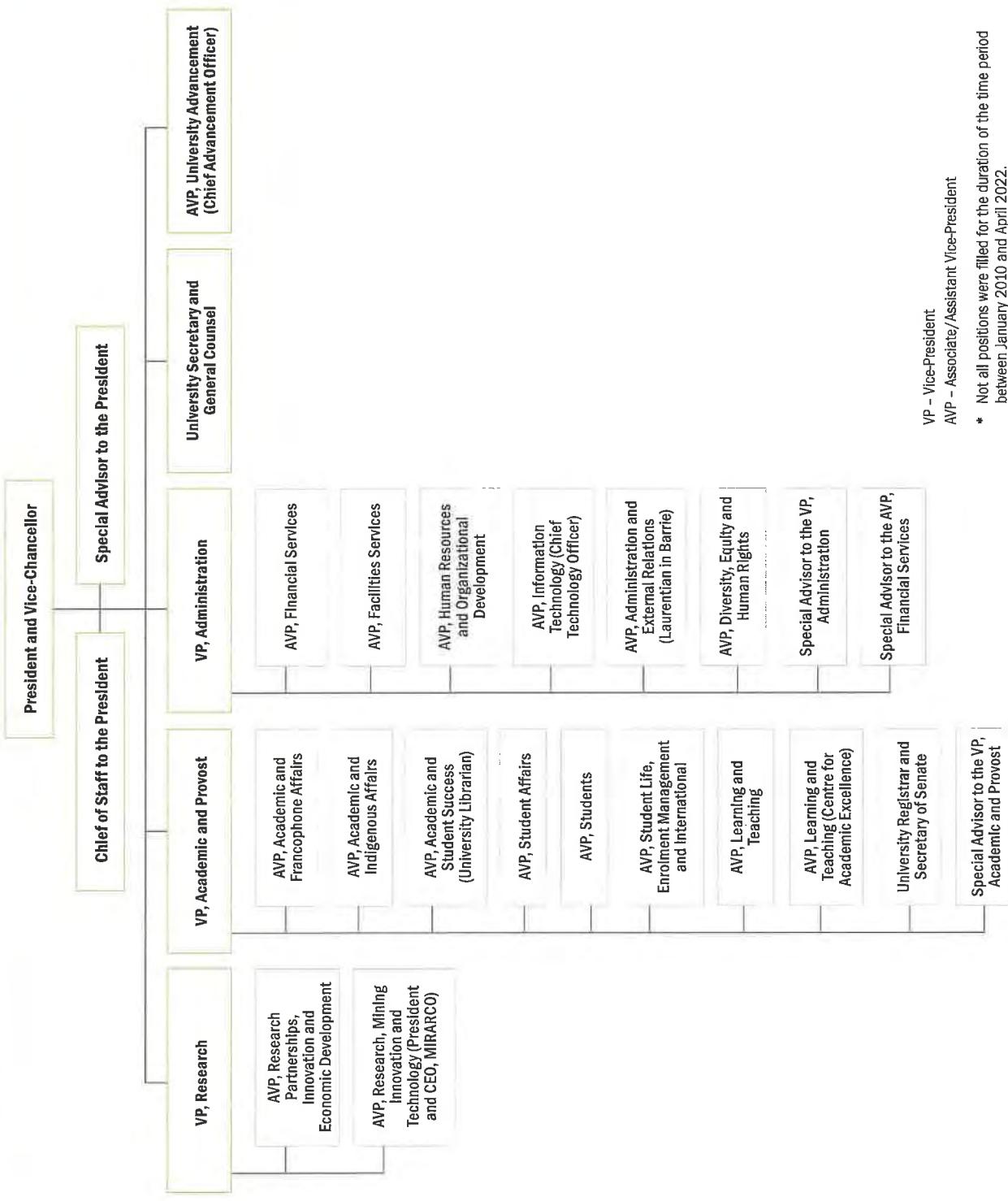
Appendix 6: Selected Board and Committee Chairs and Vice-Chairs, 2010-2021

Source of data: Laurentian University

	Jun 2010	Jun 2011	Jun 2012	Jun 2013	Jun 2014	Jun 2015	Jun 2016	Jun 2017	Jun 2018	Jun 2019	Jun 2020	Jun 2021	Dec 2021
Chair Board of Governors	Floyd Laughren				Michael Atkins			Jennifer Witty			Claude Lacroix		
Vice-Chair Board of Governors	Michael Atkins				Jennifer Witty			Claude Lacroix			Sonia Del Missier		
Chair Executive Committee	Jennifer Witty				Claude Lacroix			Sonia Del Missier			Guy Labine		Fabiola Garcia
Vice-Chair Executive Committee	No appointee				Andrew Battistoni	John Pollesel	Claudette Paquin	Peter Faggioni	Cathy Modesto	No appointee	Suzanne Corbeil	Maxim Jean-Louis	No appointee
Chair Audit Committee	No committee	John Pollesel	Claude Lacroix	Andrew Battistoni	Ian Wood							Kathy Dokis	
Vice-Chair Audit Committee	No appointee			John Pollesel	John Pollesel	Claudette Paquin	Jean-Marc Spencer	Claudette Paquin	Martin Bayer	No appointee	Kathy Dokis	Martin Bayer	No appointee
Chair Finance Committee	Stan Pawlowicz					Cathy Modesto							No appointee
Vice-Chair Finance Committee	No appointee					Sonia Del Missier	Cathy Modesto	Guy Labine	David White	No appointee	Stuart Harshaw	Peter Xavier	No appointee
Chair Property Development and Planning Committee	Claude Lacroix				Ian Wood		Peter Faggioni						Cathy Modesto
Vice-Chair Property Development and Planning Committee	No appointee					Peter Faggioni	Karen Hansen	Lorella Hayes	Fabiola Garcia	No appointee			No appointee
Chair Senior Management Review and Compensation Committee	No appointee				Floyd Laughren	Michael Atkins	Jennifer Witty						Claude Lacroix
Vice-Chair Senior Management Review and Compensation Committee	No appointee					Jennifer Witty		No appointee					
Chair Staff Relations Committee	Marc Boissonneault												Brian Montgomery
Vice-Chair Staff Relations Committee	No appointee												
Chair Ad Hoc Governance Committee	Jennifer Witty												Sonia Del Missier
Chair Ad Hoc Committee on Contingency Planning	No committee												Sonia Del Missier

Appendix 7: Senior Administration, 2010 - 2021 *

Prepared by the Office of the Auditor General of Ontario



VP – Vice-President
 AVP – Associate/Assistant Vice-President
 * Not all positions were filled for the duration of the time period between January 2010 and April 2022.

VP – Vice-President
 AVP – Associate/Assistant Vice-President

Appendix 8: Selected Senior Administrator Positions, January 2010–February 2022

Source of data: Laurentian University

	Jan 2010	Jan 2011	Jan 2012	Jan 2013	Jan 2014	Jan 2015	Jan 2016	Jan 2017	Jan 2018	Jan 2019	Jan 2020	Jan 2021	Jan 2022
President	Dominic Giroux							Pierre Zundel ¹		Robert Haché			
VP Administration	Robert Bourgeois	Carol McAulay						Craig Fowler ¹	Lorella Hayes			Michel Piché ¹	
VP Academic and Provost	Robert Kerr						Pierre Zundel	Serge Demers ³				Marie-Josée Berger	
VP Research ²	Patrice Sawyer					Anne-Marie Mawhinney ¹	Rui Wang		Rizwan Haq ¹			Tammy Eger ³	
Chief of Staff	Chris Mercer					Gisele Regimbal	Alex Freedman			No appointee		Serge Demers	
Registrar	Ronald Smith					Serge Demers			Diane Roy ¹				Celeste Boyer ¹
University Secretary and General Counsel	Sara Kunto					Shauna Lehtimaki		No appointee					Heather McPherson
Acting University Secretary	No appointee					Therese Klotz			Sara Kunto ¹	Cindy Cacciotti			
AVP Human Resources	Bernard Beaulieu						Brad Parkes		Noel Badiou				
AVP Facilities Services	No appointee									No appointee			
AVP Diversity, Equity and Human Rights	No appointee										No appointee		
AVP Laurentian in Barrie	No appointee												
AVP Student Life and Environment	No appointee												
AVP Financial Services	Normand Lavallee												

AVP – Associate/Assistant Vice-President (Some AVP positions were previously at the Executive Director level until 2016),
 VP – Vice-President

1. Intern or Acting.
2. Prior to 2015 it was known as VP Francophone Affairs, Research and Graduate Studies.
3. Tammy Eger was Interim Jan 2020 to Jul 2020; full position Jul 2020 to present.

Appendix 9: Review Criteria

Prepared by the Office of the Auditor General of Ontario

Review Criteria – Laurentian

Strategic Planning

1. Strategic plans are evidence based and contain measurable targets and consider Laurentian's short-, medium-, and long-term goals and objectives, including the financial sustainability of the University. Progress in achieving intended outcomes is monitored and publicly reported on.

Academic Programs

2. Laurentian's suite of graduate and undergraduate programs are planned with due regard for economy and efficiency and in compliance with relevant legislation, regulation, agreements, policies, and Laurentian's mandate to achieve intended outcomes for the students and the Province.

Financial Operations

3. Laurentian has a robust financial planning and budgeting process that is regularly evaluated against actual results to inform decision-making.
4. Significant capital and operating expenditures are approved following a robust cost benefit analysis and are procured in accordance with policies and best practices to ensure value for money.
5. There are effective policies and procedures concerning the management and handling of unrestricted and restricted cash.
6. Laurentian's financial statements disclose sufficient and appropriate information about transactions, circumstances, or events of such size, nature, or incidence that their disclosure is necessary to understand their financial position and operating results.
7. Use of debt and other credit facilities is critically assessed to ensure that their service costs can be met in a financially sustainable manner and, where concerns are identified, the University takes timely corrective actions.
8. University operations are regularly assessed to ensure effectiveness and financial sustainability.
9. Best practices in cash management, including the segregation of externally-restricted funds such as those related to research grants and donations, are followed.

Governance

10. Laurentian's Board collectively has the skills and knowledge to effectively oversee Laurentian's operations.
11. The Board has policies and processes in place to identify and prevent conflicts of interest to ensure the Board operates objectively.
12. The Board and Senate receive information necessary to oversee Laurentian's operations.
13. Expenses incurred by the Board and Senate are reasonable and necessary to operate effectively.

Human Resources

14. Hiring, promotion and termination practices ensure fairness and accountability, compliance with best practices and legal requirements, and are documented.
15. The number, cost and ratio of staff and external contractors is regularly assessed and adjusted to ensure effective operations and financial sustainability.
16. Labour relations are effectively and collegially managed to support the University's operations and to minimize costs related to disputes, and union grievances are addressed in accordance with best practices and legal obligations.

Effectiveness and Public Reporting

17. Timely, accurate and complete data on the effectiveness of Laurentian's programs and services, including financial and operational data, is regularly collected, analyzed and used by management, the Board and Senate for decision-making and program improvements.
18. Performance measures and targets are established, monitored and compared against actual results and publicly reported such that the intended outcomes are achieved and corrective actions are taken on a timely basis when issues are identified.

Audit Criteria – Ministry of Colleges and Universities**Funding and Financial Oversight**

1. The Ministry regularly assesses the financial operations of universities to ensure sustainable operations and intervenes when necessary to correct identified concerns.
2. Funding provided to universities supports sustainable operations and aligns with the government's objectives and the Ministry ensures that it is used for the purposes intended.

Operational Support and Oversight

3. The Ministry has agreements in place with universities to ensure their effective and efficient operations that align with provincial interests and provides operating guidance and support to promote best practices in universities.

Appendix 10: Timeline of Steps Taken by the Standing Committee on Public Accounts to Address Scope Restrictions Imposed by Laurentian

Prepared by the Office of the Auditor General of Ontario

Date	Action Taken	Description
2021		
Apr 28	Motion for value-for-money audit of Laurentian passed	<ul style="list-style-type: none"> Standing Committee on Public Accounts (Committee) passed a motion requesting that the Office of the Auditor General of Ontario conduct a value-for-money audit on Laurentian's operations for the period of 2010 to 2020. Discussion on the motion indicated that the Committee wanted the audit to examine what happened to lead Laurentian to enter the <i>Companies' Creditors Arrangement Act</i> (CCAA) process, to bring transparency to the situation, and to identify lessons learned. The Committee also identified that it would like the audit to look forward and "ensure something like this does not happen in another academic institution."
Oct 15	Formal request to Laurentian University	<ul style="list-style-type: none"> As a result of our Office informing the Committee of the restrictions Laurentian was placing on our work, the Committee formally requested information from Laurentian University in conjunction with the Committee's motion. The <i>Legislative Assembly Act</i>, Standing Orders and Parliamentary Privilege provide the Committee the authority to command the production of papers or things that the Committee considers necessary for its work.
Oct 22	Committee follow up to formal request	<ul style="list-style-type: none"> On Oct 19, 2021, external legal counsel for Laurentian sent the Committee a letter indicating that Laurentian could not meet the requested timeline and would not provide privileged information or information relating to the CCAA process. In response, the Committee sent a letter to Laurentian stating that the Committee had the power to command the production of these documents. The Committee's letter stated that the documents would not be made public by the Committee and therefore would have no negative impacts. The Committee provided a list of documents the Auditor General informed the Committee would be readily available to Laurentian and could be provided by the University with minimal time and effort. The Committee offered an extension to the time to provide all other materials.
Nov 3	Second Committee follow up to formal request	<ul style="list-style-type: none"> On Oct 29, 2021, external legal counsel for Laurentian sent the Committee a letter stating that Laurentian is only at liberty to provide documents that do not contain privileged information and are not subject to confidentiality pursuant to court orders. The legal counsel also did not believe Laurentian could make the extended deadline set by the Committee in its Oct 22 letter to Laurentian. In response, the Committee sent a letter to Laurentian pointing out that no progress on the initial request had been made, as Laurentian had not yet provided any documents to it. It further noted that it may have to seek a Speaker's Warrant to enforce its demand. The letter also contained a number of questions for Laurentian to answer regarding its refusal to provide documentation under the claims of privilege and court-ordered confidentiality.
Nov 18	Third Committee follow up to formal request	<ul style="list-style-type: none"> On Nov 10, 2021, external legal counsel for Laurentian sent the Committee a letter responding to the Committee's questions. This included stating that it did not believe the Committee had the right to compel production of privileged documents. Laurentian's external counsel also wanted to know the Committee's confidentiality measures to mitigate the risk of disclosure. In response, the Committee sent a letter to Laurentian inviting the President and Chair of the Board for a closed session meeting. The Committee informed them that if the President and Chair of the Board chose not to appear before the Committee, the issue would be reported to the House with a request that the Speaker issue a warrant for the appearance.

Date	Action Taken	Description
Nov 30	Laurentian offered deal to Committee and Auditor General with restrictions	<ul style="list-style-type: none"> Laurentian's external legal counsel informed the Committee and Auditor General that if they were to stop pursuing privileged information related to the University's restructuring, Laurentian would provide the Auditor General and the Committee all documents (including those subject to privilege) created before the University began to consult with external insolvency counsel in March 2020; and some non-CCAA privileged documents created after that date. For the proposal with the above restrictions to be accepted, it would have to constitute a full and final resolution of both the request for documents by the Committee, and the privilege issue that had arisen with respect to the Auditor General's value-for-money audit. The Committee's request was to conduct a value-for-money audit for the period of 2010 to 2020 and to conclude on what led to Laurentian's worsening financial condition and file for CCAA on Feb 1, 2021. Therefore, the 10 months between Mar 2020 and Dec 2020 would be key to answering that question. As such, both the Committee and the Auditor General declined Laurentian's offer.
Dec 1	Laurentian President and Chair appear before the Committee in closed session	<ul style="list-style-type: none"> In camera meeting of the Committee took place.
Dec 8	Committee issues request for Speaker's Warrant	<ul style="list-style-type: none"> Due to the Committee finding that Laurentian offered to produce only documents subject to "wholly unacceptable conditions challenging the rights and privileges of Parliament," the Committee adopted a motion requesting that the House authorize the Speaker to issue a Speaker's Warrant to command and compel the production of the documents requested.
Dec 9	House unanimously votes in favour of historic Speaker's Warrant	<ul style="list-style-type: none"> The Chair of the Standing Committee on Public Accounts tabled a Committee report recommending that the House command and compel the President and Board Chair of Laurentian to produce the materials requested by the Committee by Feb 1, 2022. After a debate where all parties spoke in favour of the Speaker issuing a warrant to compel the production of documents from Laurentian, the House voted unanimously to approve issuing the Speaker's Warrant to the President and Chair. A Speaker's Warrant is a tool rarely used by Parliament. Such a warrant has been issued in Ontario only two other times since the early 1990s.
Dec 15	Laurentian requests a stay of the Speaker's Warrant	<ul style="list-style-type: none"> Laurentian's external legal counsel filed documentation requesting the court to stay (a court ruling that halts further legal processes) the Speaker's Warrant and set a later date to determine whether the Legislative Assembly of Ontario has the power to compel the documents it had requested.
2022		
Jan 18	Speaker, Attorney General and Auditor General defend Speaker's Warrant in Ontario Superior Court hearing	<ul style="list-style-type: none"> Legal representatives for the Speaker of the Ontario Legislature, the Ministry of the Attorney General of Ontario, the Office of the Auditor General of Ontario, Laurentian University, the Laurentian University Faculty Association, and the Canadian Association of University Teachers presented arguments before the Chief Justice of the Ontario Superior Court of Justice.
Jan 26	Ontario Superior Court decision on Laurentian's request for a stay	<ul style="list-style-type: none"> The Ontario Superior Court ruled that the stay applies only to documents and materials covered under the sealing order and mediation order within Laurentian's CCAA proceedings. As a result, Laurentian is required to provide all other materials requested by the Committee, including all other privileged materials.

Date	Action Taken	Description
Jan 28	Laurentian writes to the Committee with a proposal in response to the Chief Justice's Jan 26 decision	<ul style="list-style-type: none"> Laurentian wrote to the Committee indicating it could not produce all documents by Feb 1, 2022. Laurentian proposed it would give two hard drives to the Committee. The first drive would contain information up to the Committee's request of Oct 15, 2021 for personnel and departments that were not involved in work related to the CCAA mediation or the sealed exhibits, and information up to Jan or Feb 2021 for those involved in work related to the CCAA mediation or the sealed exhibits. The second hard drive would contain the remainder of material after Jan 2021, but would be encrypted and Laurentian would provide the password to the hard drive only if the courts decide that Laurentian must produce all documents.
Jan 30	Committee indicates it is not satisfied and still wants all requested materials from Jan 2021 to Oct 2021 that are not sealed or subject to the judicial confidentiality orders	<ul style="list-style-type: none"> The Committee indicated it would accept the hard drives but requested that Laurentian should work in good faith to diligently review and separate its records on the second drive that are not subject to the judicial confidentiality orders so that this Committee can be provided with those records as soon as practicable.
Feb 1	Laurentian provides two hard drives to the Committee	<ul style="list-style-type: none"> Laurentian provided the two hard drives to the Committee as indicated in their Feb 28, 2022 letter. The second hard drive is encrypted and the Committee has not been provided the password.
Feb 23	Committee asks Laurentian for weekly status updates	<ul style="list-style-type: none"> Committee wrote to Laurentian asking for weekly updates summarizing Laurentian University's progress in relation to the outstanding documents that Laurentian University has left to provide.
Feb 23	Laurentian continues to periodically provide batches of emails and documents to the Committee with no clear date for when all materials will be provided	<ul style="list-style-type: none"> Laurentian hired Deloitte to review emails and documents withheld from the Committee. Laurentian began providing batches of additional documents to the Committee. The order and logic of materials provided was unclear.
Mar 14	Committee identifies additional information that has not been provided from their initial Oct 2021 request	<ul style="list-style-type: none"> The Committee wrote to Laurentian and identified a number of missing materials not provided by Laurentian University, including legal invoices, board materials, grievances, work by external consultants, and international travel expenses.
Mar 29	Laurentian responds and provides some additional material	<ul style="list-style-type: none"> In response to the Mar 14 Committee follow up on missing materials, Laurentian responded and provided some legal invoices with many requested items outstanding.
Apr 29	Laurentian concluded providing documents to the Committee	<ul style="list-style-type: none"> Laurentian wrote to the Committee and indicated that the documents provided "concludes our commitment to produce all remaining documents save and except for those that still remain subject to Chief Justice Morawetz's order."
May 3	Ontario calls election	<ul style="list-style-type: none"> Writs of election drawn up, dissolving the legislature and causing the Speaker's Warrant to expire. The Committee did not receive all materials compelled by the Speaker's Warrant.

Appendix 11: Timeline of Financial and Operational Activities During Laurentian University's Financial Decline, February 2009–February 2020

Prepared by the Office of the Auditor General of Ontario

2009	<p>Feb 20 Board approves 2009 Plan to Regain Sustainability to address financial difficulties</p> <p>Apr 1 New President (hired Apr 1, 2009–Aug 20, 2017)</p> <p>Apr 30 Laurentian's unrestricted assets fall below \$0. Laurentian reports an operating deficit of \$15.3 million for the 2008/09 fiscal year (restated in 2009/10 to a \$14.6 million deficit)</p> <p>Jun 19 Board approves capital project School of Architecture (final cost \$44.5 million)</p> <p>Aug 31 Laurentian establishes a new Chief of Staff to the President position and an Office of the Chief of Staff, which together cost \$200,000 annually on average between 2009 and 2019, when the position was eliminated</p>
2010	<p>Feb 1 The President begins providing access to a discretionary expense account for research-related expenses to those academic administrators, such as deans or academic associate vice-presidents, who would have reduced access to research funds by taking an administrator position</p> <p>Feb 26 Board approves East Residence capital project (final cost \$20.6 million)</p> <p>Apr 23 Board approves amendments to Laurentian's Capital Debt Policy to make it less restrictive by excluding certain types of debt from the calculations (e.g., student residence)</p> <p>Apr 23 New Chair, Board of Governors appointed (effective Jun 18, 2010)</p> <p>Apr 30 Laurentian reports an operating deficit of \$5.8 million for the 2009/10 fiscal year</p> <p>Jul 1 A new senior administration position of Vice-Provost, Laurentian in Barrie is established</p>
2011	<p>Apr 30 Laurentian reports an operating deficit of \$6.8 million for the 2010/11 fiscal year (restated in 2011/12 to a \$6.5 million deficit)</p> <p>Nov 28 Property Development and Planning Committee member does not declare conflict and votes to hire firm they formerly worked with to be the Student Residence architect</p>
2012	<p>Apr 30 Laurentian reports an operating deficit of \$13.3 million for the 2011/12 fiscal year (restated in 2012/13 to a \$4.2 million deficit)</p> <p>Jun 22 Board approves Campus Modernization capital project (final cost \$58.9 million)</p>

(continued on page 88)

- Aug 7
A new senior administration position of Associate Vice-President, Administration and External Relationships for its Barrie campus is established
- Dec 14
Board rescinds its policy of requiring spending of 1.5% operating budget on deferred maintenance, with then Vice-President, Administration indicating that it had never been followed
- 2013**
 - Apr 19
Board approves a delay in the elimination of its accumulated deficit from 2018/19 to 2027/28
 - Apr 19
New Chair, Board of Governors appointed (effective Jun 21, 2013)
 - Apr 30
Laurentian no longer has sufficient restricted cash and investments on hand to fund deferred financial obligations including research grants. Laurentian reports an operating deficit of \$6.7 million for the 2012/13 fiscal year (restated in 2013/14 to a \$0.2 million surplus)
 - Jul 1
Laurentian begins extending access to the discretionary expense account for research-related expenses to the President and nearly all non-academic senior administrators, who do not perform research activities
- 2014**
 - Mar 3
A new senior administration position of Chief Advancement Officer is established
 - Apr 1
Ministry begins to track certain performance metrics of universities starting with 2014/15 school year
 - Apr 30
Laurentian reports an operating deficit of \$1.4 million for the 2013/14 fiscal year
 - Jun 20
Board approves Student Centre capital project (final cost \$9.3 million)
 - Jul 1
A new senior administration position is added when the single position of Vice-President, Academic (Research and Francophone Affairs) is split into two positions, a Vice-President, Research and an Associate Vice-President, Francophone Affairs
 - Oct 16
Board approves Research, Innovation and Engineering Building capital project (final cost \$28.9 million)
- 2015**
 - Feb 13
Board approves Cardiovascular and Metabolic Research Lab capital project (final cost \$5.9 million)
 - Apr 30
Laurentian reports an operating deficit of \$1.7 million for the 2014/15 fiscal year
 - Nov 1
A new senior administration position of Associate Vice-President, Research, Mining Innovation and Technology is established
- 2016**
 - Feb 12
Board approves closure of Barrie campus, effective May 2019
 - Feb 24
Laurentian University Faculty Association (LUFA) files first grievance request for the University to invoke the financial exigency clause under its collective agreement
 - Mar 3
A new senior administration position of Associate Vice-President, Research Partnerships, Innovation and Economic Development is established

- Apr 1**
A new senior administration position of Assistant Vice-President, Diversity, Equity and Human Rights is established
- Apr 15**
New Chair, Board of Governors appointed (effective Jun 17, 2016)
- Apr 15**
Board learns that Royal Bank of Canada refuses to provide additional financing. Board approves establishing a new operating line of credit for \$20 million (a line of credit agreement was later signed with Desjardins for \$20 million)
- Apr 30**
Laurentian's current assets fall below current liabilities. Laurentian reports an operating deficit of \$2.0 million for the 2015/16 fiscal year

2017

- Jan 1**
A new senior administration position of Associate-Vice President, Learning and Teaching is established
- Jan 23**
In its annual risk assessment, Laurentian identifies major building/infrastructure failure due to deferred maintenance as extreme, the highest ranking
- Feb 6**
LUFA files second grievance request for the University to invoke the financial exigency clause under its collective agreement
- Feb 10**
Board approves 2017 Long-Term Sustainability Plan to address financial difficulties
- Apr 30**
Laurentian reports an operating deficit of \$1.8 million for the 2016/17 fiscal year
- May 1**
Four executive director level positions at the University are elevated to Associate Vice-President, including for Human Resources and Organizational Development; Financial Services; Facilities Services; and Student Life, Enrollment Management and International. After this title reassignment, annual salaries for these four positions increased by more than \$16,000 on average
- Jul 1**
Faculty association (LUFA) members receive 1.5% pay increase
Staff union (LUSU) members receive 1.5% pay increase. A new senior administration position of Associate Vice-President, Learning and Teaching (Centre for Academic Excellence) is established
- Aug 21**
Interim President appointed after the resignation of the President to assume a new position at another organization (Aug 21, 2017-Jun 30, 2019)
- Oct 10**
Collective agreement for 2017-2020 is reached following faculty association members (LUFA) strike
- Dec 15**
Board approves three-year annual compensation increase for its administrative and professional staff, including senior administrators, retroactive to Jul 1, 2017 (1.7%), and for Jul 1, 2018 (2.3%) and Jul 1, 2019 (1.5%)

2018

- Apr 30**
Internal financing (use of restricted funds) grows to \$29 million. Laurentian reports an operating surplus of \$2.1 million for the 2017/18 fiscal year

(continued on page 90)

	Jul 1	Administrative and professional staff, including senior administrators, receive 2.3% pay increase Faculty association (LUFA) members receive 1.6% pay increase Staff union (LUSU) members receive 1.5% pay increase
	Aug 6	130 Saudi Arabian international students withdraw from Laurentian, which the University estimates will cost it \$3 million in lost tuition revenues and ancillary fees
2019	Jan 17	Ministry announces 10% domestic tuition cut for the 2019/20 academic year and freeze in domestic tuition at that reduced level for the subsequent academic year (2020/21)
	Apr 26	New Chair, Board of Governors appointed (effective Jun 21, 2019)
	Apr 30	Use of line of credit grows to \$18 million. Laurentian reports an operating deficit of \$4.1 million for the 2018/19 fiscal year
	Jun 21	Board approves increase to Desjardins line of credit to \$26 million
	Jul 1	New President hired Faculty association (LUFA) members receive 1.7% pay increase Staff union (LUSU) members receive 1.5% pay increase Administrative and professional staff, including senior administrators, receive 1.5% pay increase
	Oct 28	Last major capital project, Laurentian's Student Centre, is completed
	Dec 13	Board approves 1% pay increase effective Jul 1, 2020 and a new performance bonus framework awarding performance bonuses of up to 2% for all administrative and professional staff retroactive to Jul 1, 2019
2020	Feb 12	Laurentian receives an additional \$4.3 million in funding through a Northern Ontario Sustainability Grant provided by the Ministry to all Northern Ontario universities to offset the Province's tuition cut. Laurentian's grant amount was the largest payout of all qualifying institutions
	Feb 28	Laurentian's report on sustainability to the Ministry of Colleges and Universities indicates achievement of over \$20 million in savings since 2018 and stresses the importance of continued funding levels from the Ministry, such as through additional one-time support grants
	Apr 30	Laurentian reports an operating deficit of \$3.1 million for the 2019/20 fiscal year (restated in 2020/21 to a \$3.4-million deficit)

Note: For a timeline covering the period from Mar 2020 to Jan 2022, see Appendix 21.

Appendix 12: Operating Revenues and Expenses for the Years Ending April 30, 2009/10–2020/21 (\$ million)

Source of data: Laurentian University's audited financial statements

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Revenue												
Operating grants and contracts	69.7	70.3	73.3	74.9	76.8	75.1	75.7	78.3	78.8	80.1	86.2	79.3
Tuition fees	31.3	35.5	38.8	44.7	47.2	50.6	52.0	55.5	54.9	55.6	53.2	58.3
Research grants and contracts	19.0	18.5	15.6	14.3	16.5	18.8	21.7	20.8	30.1	24.7	24.2	22.4
Other fees and income	12.6	15.5	14.0	11.2	13.8	14.8	15.6	15.1	13.5	14.9	16.7	22.2
Sales and services	10.8	12.1	11.9	9.3	9.4	10.5	11.1	11.3	12.5	11.6	5.6	5.6
Amortization of deferred capital contributions	3.1	3.6	3.4	3.3	3.3	3.2	3.2	3.9	4.6	4.7	5.6	5.6
Investment income ¹	1.2	2.8	0.2	3.0	4.0	2.5	-	3.9	1.0	2.7	(1.0)	-
Total Revenue	147.7	158.2	157.4	160.7	171.0	175.4	179.2	188.7	195.4	195.2	197.6	193.4
Expenses												
Salaries and benefits	105.7	111.7	111.5	112.0	119.1	122.0	125.5	134.3	126.8	134.9	134.8	128.4
Operating and research	23.1	23.8	20.9	20.3	22.8	25.3	24.5	24.1	33.4	27.9	28.3	17.7
Occupancy	7.1	7.6	8.9	11.3	12.4	11.7	12.3	13.2	12.4	15.2	15.3	12.0
Scholarships and bursaries	10.5	12.4	10.6	10.6	11.0	11.5	11.7	11.3	11.5	11.4	12.1	12.6
Amortization of capital assets	6.5	6.2	6.4	6.3	7.1	6.7	6.7	7.7	9.3	9.9	10.4	10.5
Other ²	0.7	3.0	3.2	-	-	-	0.5	-	-	-	-	78.9
Restructuring costs ³	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	153.5	164.7	161.6	160.5	172.4	177.1	181.2	190.6	193.3	199.3	200.9	260.1
Surplus (Deficit)	(5.8)	(6.5)	(4.2)	0.2	(1.4)	(1.7)	(2.0)	(1.8)	2.1	(4.1)	(3.4)	(66.7)

1. In 2020/21, Laurentian identified errors in the allocation of investment earnings to endowment funds and in the distribution of amounts from endowments in prior years. Laurentian corrected this error by restating 2019/20 to remove investment losses and changing its accounting policy to record net investment from externally restricted endowments (net of administration fees, expenses, and distributions to deferred contributions) as direct increases (decreases) in endowment net assets.

2. Other includes the net amount for the following items from the financial statements for a given fiscal year: change in value of interest rate swap; cost of ancillary sales and services; investment losses; and employee future benefits expense.

3. In 2020/21, Laurentian reported \$78.9 million for restructuring costs in connection with its restructuring plan and CCAA proceedings that includes the following items: termination of interest rate swaps; employee future benefits and termination costs, accounts payable and accrued liabilities; legal fees; monitor fees; consulting fees; and interest and finance costs.

Appendix 13: Consolidated Statement of Cash Flows for the Years Ending April 30, 2009/10-2020/21 (\$ million)¹

Source of data: Laurentian University's audited financial statements

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Cash Flows from Operating Activities												
Excess (deficiency) of revenue over expenses	(5.8)	(6.5)	(4.2)	0.2	(1.4)	(1.7)	(2.0)	(1.8)	2.1	(4.1)	(3.4)	(66.7) ²
Non-Cash Items:												
Amortization of capital assets	6.5	6.2	6.4	6.3	7.1	6.7	6.7	7.7	9.3	9.9	10.4	10.5
Amortization of deferred capital contributions	(3.1)	(3.6)	(3.4)	(3.3)	(3.3)	(3.2)	(3.2)	(3.9)	(4.6)	(4.9)	(5.6)	(5.6)
Change in accrued early retirement program costs	(0.7)	0.3	0.3	(0.6)	(0.7)	(0.5)	(0.2)	(0.1)	0.0	0.0	0.0	-
Unrealized loss (gain) on investments	-	-	-	(1.3)	(3.3)	(0.8)	3.8	0.2	1.0	(0.3)	-	-
Excess of employer contributions over employee future benefits net benefit costs ^{3,4}	2.3	4.5	1.7	(0.2)	(1.1)	(0.6)	(1.6)	(0.6)	(1.8)	(0.8)	(1.1)	1.7
Interest rate swaps	(1.8)	1.3	-	-	-	-	-	-	-	-	-	-
Interest rate swaps termination obligation ⁴	-	-	-	-	-	-	-	-	-	-	-	24.7
Employee restructuring and termination costs ⁴	-	-	-	-	-	-	-	-	-	-	-	44.7
Change in non-cash working capital ⁴	(1.1)	(6.9)	4.9	(7.7)	1.0	2.9	5.8	0.8	(6.6)	(5.6)	1.5	15.0
Increase (decrease) in deferred contributions ⁵	1.3	(0.3)	(0.2)	4.3	2.3	(0.5)	1.5	7.0	0.9	1.2	3.3	(1.1)
Cash provided (used) by operating activities	(2.4)	(4.9)	5.5	(2.3)	0.5	2.2	10.7	9.3	0.2	(4.5)	5.1	23.1
Cash Flows from Financing Activities												
Endowment contributions ⁶	2.4	1.5	1.0	1.5	1.1	2.9	1.2	5.1	1.7	3.0	1.2	0.2
Net increase (decrease) in endowment ⁷	-	-	-	-	-	-	-	-	-	-	(0.6)	7.0
Deferred capital contributions received	7.2	6.0	2.2	6.1	9.5	13.0	10.4	19.3	18.0	10.1	2.0	4.0
Repayment of long-term debt ⁴	(0.5)	(0.6)	(0.8)	(1.0)	(1.3)	(1.3)	(2.1)	(2.6)	(3.3)	(3.5)	(3.6)	(1.8)
Long-term debt obtained	-	19.8	11.7	5.4	3.6	4.3	25.2	16.7	-	-	-	-
Increase (decrease) in line of credit	-	-	-	-	-	-	3.6	(3.6)	9.0	8.6	(3.2)	(14.4)
Increase (decrease) in short-term loan ⁴	(0.0)	(16.4)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	24.9 ⁸
Cash provided (used) by financing activities	9.1	10.3	14.0	11.9	12.9	18.8	38.2	34.8	25.3	18.2	(4.3)	20.0

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Cash Flows from Investing Activities												
Purchases of capital assets ⁹	(19.4)	(13.6)	(18.4)	(14.1)	(17.2)	(25.9)	(50.9)	(30.0)	(25.0)	(11.4)	(2.8)	(1.4)
Net acquisition of investments ^{10,11}	(9.1)	(3.3)	(0.2)	(1.6)	2.5	(2.4)	(3.2)	(5.3)	(2.7)	(5.0)	0.2	(8.2)
Gain on endowment investments	3.9	0.7	-	-	-	-	-	-	-	-	-	-
Cash provided (used) by investing activities	(24.6)	(16.3)	(18.6)	(15.6)	(14.8)	(28.3)	(54.1)	(35.2)	(27.7)	(16.4)	(2.6)	(9.6)
Net increase (decrease) in cash and short-term investments	(17.9)	(10.9)	1.0	(6.1)	(1.4)	(7.3)	(5.2)	8.9	(2.1)	(2.7)	(1.8)	33.5
Cash and short-term investments, beginning of year	48.9	31.0	20.1	21.0	15.0	13.6	6.3	1.1	10.0	7.9	5.2	3.4
Cash and short-term investments, end of year	31.0	20.1	21.0	15.0	13.6	6.3	1.1	10.0	7.9	5.2	3.4	37.0

1. This appendix was prepared using Laurentian's consolidated statements of cash flows as the basis. Where comparative information was reclassified to conform with the financial statement presentation adopted in a subsequent year, the we used the more recent information. In addition, we made adjustments to these statements to modify the presentation of certain line items for comparability, as noted.
2. This deficiency of revenue over expenses includes \$78.9 million in restructuring costs relating to Laurentian's CCAA filing, which primarily consists of \$44.7 million in employee restructuring and termination costs; \$24.7 million from terminating interest rate swap agreements; and \$8.8 million in legal, monitor, consulting, interest and finance costs.
3. For 2009/10 and 2012/13, we combined the amounts reported under "change in deferred pension asset/liability" and "increase in employee future benefit obligations" to arrive at the excess of employer contributions over employee benefits net benefit costs.
4. In 2020/21, due to the CCAA filing, Laurentian University reclassified several financial statement line items under a single line called "liabilities subject to compromise". This significant change in presentation reduces the comparability of the consolidated statement of cash flows. For the purposes of this appendix, in order to maintain consistency and facilitate comparison to fiscal years preceding the CCAA process, we have made the following adjustments in presentation:
 - \$186.8 million subtracted from elimination of change in liabilities subject to compromise line item (line deleted);
 - \$44.7 million added to employee restructuring and termination costs (new line under non-cash items);
 - \$24.7 million added to interest rate swap termination obligation (new line under non-cash items);
 - \$14.9 million added to excess of employee contributions over employee future benefit costs net benefit costs (non-cash item); and
 - \$11.3 million added to change in non-cash working capital.
 Cash flows from financing activities increased by \$91.2 million as follows:
 - \$89.9 million added to repayment of long-term debt; and
 - \$1.3 million added to increase in short-term loan.
5. We modified the presentation of deferred contributions by reclassifying changes in this liability balance from financing activities to operating activities to be consistent with accounting standards for not-for-profit organizations and 18 other Ontario universities' financial statements.
6. Beginning in 2016/17, Laurentian University reported endowment contributions under financing activities. We have restated the prior fiscal years to be consistent with this presentation.
7. Correction of a prior period error disclosed in note 25 to the 2020/21 Laurentian University audited financial statements.
8. This amount represents \$25 million in cash provided by Laurentian's Debtor-in-Processing loan that it secured before the end of the 2020/21 fiscal year from a private-sector lender, Firm Capital Corporation, to fund its restructuring process under the CCAA.
9. Beginning in 2016/17, Laurentian University reported purchases of capital assets under financing activities. We have restated the prior fiscal years to be consistent with this presentation.
10. For 2013/14 and 2014/15, we included the amounts reported under "liquid investments reclassified to short-term investments" in the "net acquisition of investments" line item, consistent with its presentation in the 2015/16 audited financial statements.
11. In 2020/21, Laurentian University identified investments relating to endowments in the amount of \$2.3 million that were included in cash and short-term investments that should have been included in long-term investments. As a result, Laurentian University corrected this amount by reclassifying from cash and short-term investments to investments in the 2019/20 comparative amounts. We included the entire amount of this correction in the "net acquisition of investments" line item.

Appendix 14: Analysis of Laurentian University's Financial Ratios for the Years Ending April 30, 2009/10–2019/20

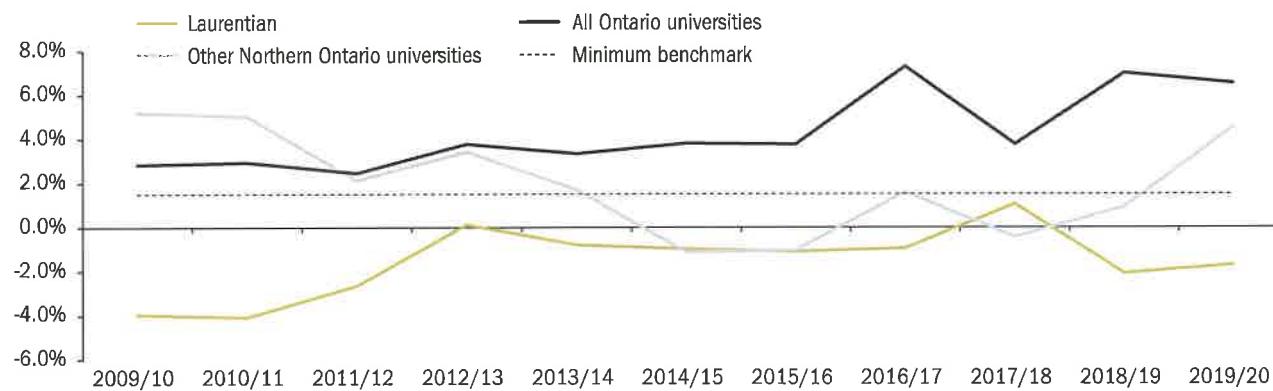
Source of data: Laurentian University's audited financial statements

Significant Net Losses

The **net income/loss ratio** is a measure of the portion of an entity's revenues that translates into a net profit. Between 2009/10 and 2019/20, Laurentian University, on average, ran a loss of 1.6% of its revenues, ranging from a loss of 4.1% of its revenues to a gain of 1.1% in one of only two profitable years. This indicates that during this time period, Laurentian was consistently unable to obtain adequate revenue to fund its total operations by a notable margin. More concerning is that Laurentian was consistently underperforming Ontario universities as a whole, and other Northern Ontario universities (Algoma, Nipissing and Lakehead). Further, Laurentian had not met the Ministry of Colleges and Universities, (Ministry) 1.5% benchmark for net income/loss as a percentage of revenue in any year for the past decade. **Exhibit 14a** shows a trend comparison of the net income/loss ratio of Laurentian University, Ontario universities as a whole, and other Northern Ontario universities.

Exhibit 14a: Net Income/Loss Ratios Comparison for the Years Ending April 30, 2009/10–2019/20

Source of data: University audited financial statements and Ministry of Colleges and Universities



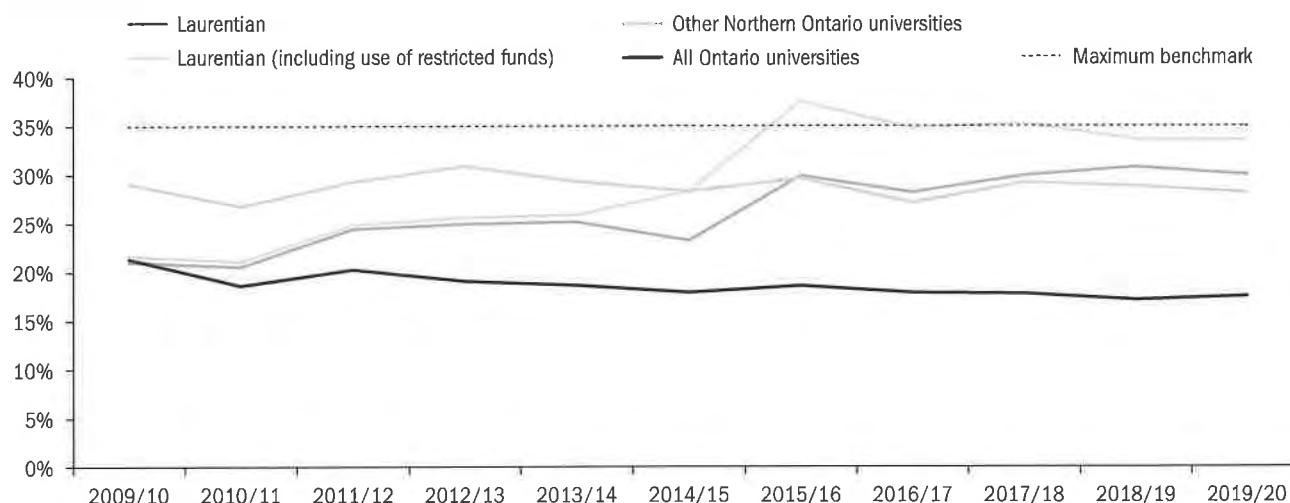
Note: The formula for the net income/loss ratio is surplus (deficit)/total revenue.

Debt Ratio Worsened

The **debt ratio** is a measure of the portion of a university's total assets funded by debt. Between 2009/10 and 2019/20, Laurentian's debt ratio grew by over 40%, from 21% of its assets being funded by debt to 30% of its assets being funded by debt. However, when considering the amount of capital spending that was funded through restricted assets—resulting in a need for external financing through a line of credit (**Section 5.0**)—Laurentian's debt went from 22% of its assets being funded by debt in 2009/10 to 34% of its assets being funded by debt in 2019/20. A peak of 38% was reached in 2015/16, surpassing the Ministry's threshold of 35%. Despite starting 2009/10 in a better position than other Northern Ontario universities (Algoma, Nipissing and Lakehead), Laurentian's debt ratio worsened to become more leveraged by 2019/20. Overall, during this same time period, the debt ratios of Ontario universities as a whole improved. See **Exhibit 14b** for Laurentian University's debt ratios compared with Ontario universities and other Northern Ontario universities.

Exhibit 14b: Debt Ratios Comparison for the Years Ending April 30, 2009/10–2019/20

Source of data: University audited financial statements and Ministry of Colleges and Universities



Note: The formula for the debt ratio is total debt/total assets.

Current Ratio Deteriorated

Even more concerning was Laurentian's **current ratio**. This is a measure of a university's ability to pay its debt obligations in the short term. It is a key indicator of the likelihood of defaulting on debt obligations. Guidance from the Ministry indicates that this ratio should not fall below 1.0, meaning a university should not have more short-term (less than one-year) liabilities than short-term assets.

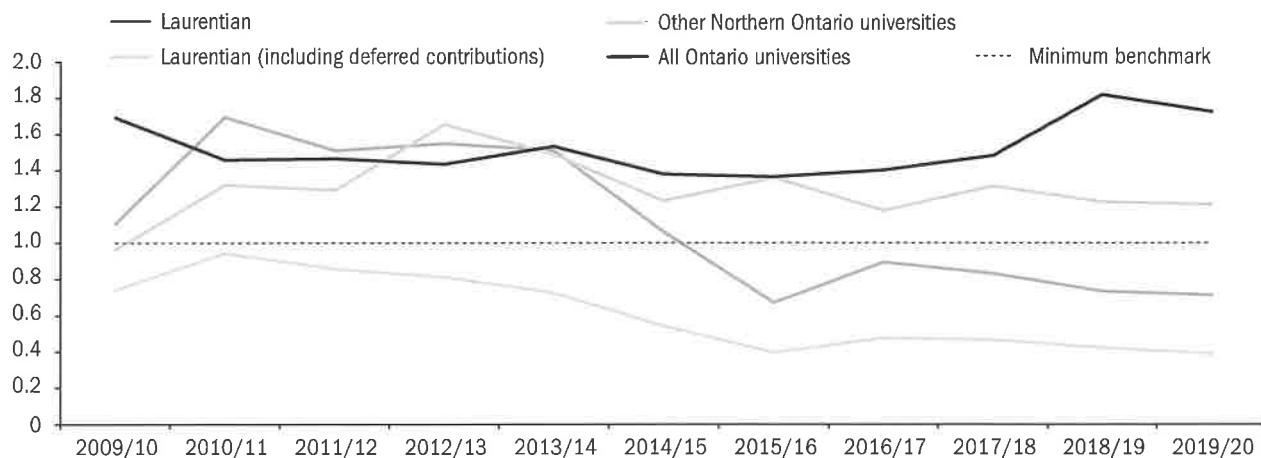
In 2009/10, Laurentian was above the Ministry's benchmark of 1.0 and rose to a peak of 1.69 in 2010/11. However, this ratio deteriorated after 2013/14, dropping to a low of 0.67 in 2015/16. This meant that for every dollar of liabilities due within one year, the University had only 67 cents available to pay the liabilities using its current assets such as cash and short-term investments.

Notably, Laurentian changed the classification of deferred contributions (consisting of research grants, restricted donations and other funds received on behalf of third parties) from long-term obligations to current liabilities in its audited consolidated statement of financial position for the year ended April 30, 2021. This change in presentation is consistent with the classification of deferred contributions on the 2020/21 financial statements of 13 other Ontario universities and with our recommendations to Laurentian related to the financial reporting of restricted funds (see **Appendix 1**). If Laurentian had consistently classified deferred contributions as current liabilities in its past consolidated financial statements, its current ratio would have been almost halved each year from 2010/11 to 2019/20, ranging from a high of 0.94 in 2010/11 to a low of 0.39 in both 2015/16 and 2019/20.

This growing liquidity risk was not similarly seen across Ontario universities. See **Exhibit 14c** for a comparison of the trend in Laurentian's current ratios with other Northern Ontario universities (Algoma, Nipissing and Lakehead) and Ontario universities as a whole.

Exhibit 14c: Laurentian University Current Ratios Comparison for the Years Ending April 30, 2009/10–2019/20

Source of data: University audited financial statements and Ministry of Colleges and Universities



Note: The formula for the current ratio is current assets/current liabilities.

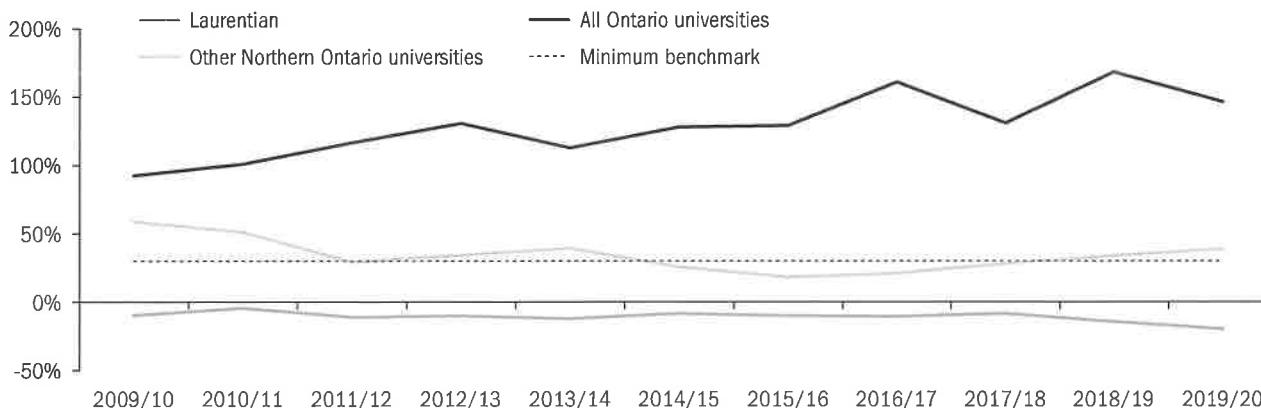
Viability Ratio Below Benchmark

The **viability ratio** measures the assets available to pay a university's long-term debt obligations. It is used to assess the ability of an organization to pay off its debt and to ensure an organization has not become overburdened by debt. Ministry guidance indicates that a university should not have a viability ratio below 30%, meaning it should have at least enough unrestricted assets to pay 30% of its long-term debt obligations.

In 2009/10, Laurentian was already well below the Ministry benchmark at minus 9%. This was significantly worse than the averages of other universities in Ontario. For the most part, on average, Ontario universities held more unrestricted assets than they had in long-term debt. See **Exhibit 14d** for a comparison of the trend in Laurentian's viability ratio with other Northern Ontario universities (Algoma, Nipissing and Lakehead) and Ontario universities as a whole.

Exhibit 14d: Viability Ratios Comparison for the Years Ending April 30, 2009/10–2019/20

Source of data: University audited financial statements and Ministry of Colleges and Universities



Note: The formula for the viability ratio is expendable net assets/long-term debt. A negative viability ratio results from overall negative expendable net assets. In calculating expendable net assets, we included all components of net assets other than endowments, capital assets and employee future benefits. In calculating long-term debt, we included the current portion of long-term debt.

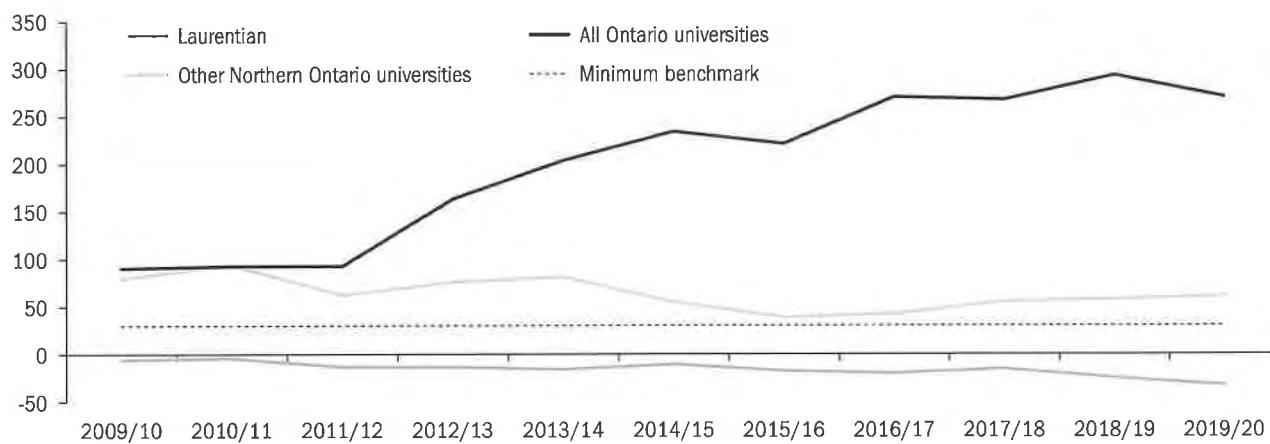
No Financial Reserves Available to Sustain Operations

The **primary reserve ratio** measures how long a university could sustain its operations should it be unable to obtain further assets. In other words, should Laurentian all of a sudden not have access to any additional revenues, this ratio represents the number of days it could continue to operate and pay its expenses. In 2009/10, Laurentian was already in a concerning position. This ratio was negative six days, significantly worse than the Ministry's benchmark of holding 30 days' worth of reserves, which indicates that no money was available to fund continued operations. Due to the lack of accumulated reserves, management relied on lines of credit to supplement Laurentian's cash flows during times in the year when lump sum tuition payments had yet to be received. This left Laurentian vulnerable to external factors, such as financial shocks, that could limit or reduce its revenues.

Laurentian's primary reserve ratio continued to worsen up until 2019/20 when it reached negative 36 days. In contrast, Ontario universities as a whole saw a significant growth in their ability to withstand an impact on revenues and continue operating. See **Exhibit 14e** for a comparison of Laurentian's primary reserve ratio.

Exhibit 14e: Primary Reserve Ratios Comparison for the Years Ending April 30, 2009/10-2019/20, (Days)

Source of data: University audited financial statements and Ministry of Colleges and Universities



Note: The formula for the primary reserve ratio is $\text{expendable net assets} / \text{total expenses} \times 365 \text{ days}$. A negative primary reserve ratio results from overall negative expendable net assets. In calculating expendable net assets, we included all components of net assets other than endowments, capital assets and employee future benefits.

Appendix 15: Cash Flows Provided (Used) by Operations Adjusted for Areas of Discretionary Spending Concern for the Years Ending April 30, 2010/11-2019/20 (\$ million)

Prepared by the Office of the Auditor General of Ontario

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Cash provided (used) by operations¹	(4.9)	5.5	(2.3)	0.5	2.2	10.7	9.3	0.2	(4.5)	5.1
Add back areas of discretionary spending concern. ²										
Legal and professional fees ²	1.6	1.4	1.3	1.4	2.0	2.4	1.8	3.3	2.3	2.3
Special advisors ³	0.1	0.2	0.1	0.2	0.3	0.2	0.1	0.3	0.2	0.1
Labour relations staff ⁴	0.4	0.5	0.4	0.5	0.6	0.5	0.5	0.8	0.7	0.8
Interest expense on capital projects	1.7	2.0	2.6	2.9	3.0	3.8	4.6	4.6	4.5	4.2
Adjusted cash provided (used) by operations	(1.0)	9.5	2.2	5.6	8.1	17.5	16.4	9.2	3.2	12.5

1. We prepared this figure using Laurentian's consolidated statements of cash flows as the basis. Where comparative information was restated or reclassified to conform with the financial statements in a subsequent year (e.g., 2019/20 comparatives were restated in Laurentian University's 2020/21 audited financial statements), we used the more recent information. In addition, we changed the presentation of deferred contributions by reclassifying changes in this liability balance from financing activities to operating activities to be consistent with accounting standards for not-for-profit organizations and 18 other Ontario universities' financial statements. See Appendix 13 for details.

2. For the purposes of this figure, we have made the simple assumption that these amounts (reported on an accrual basis) would approximate their cash-basis amounts.

3. Special advisors are appointed to assist the president and/or other senior administrators on a term-limited basis in order to undertake a special study or to transfer special knowledge or expertise such as Special Advisor to the President on Government Relations; Special Advisor to the Vice-President Academic and Provost on Reconciliation.

4. Labour relations staff include employees of the University involved in the overall handling of faculty and staff relations and the resolution of union grievances; for example, Director and Associate Director of Faculty and Staff Relations; Director, and Manager of Staff Relations.

Appendix 16: Excess (Deficiency) of Revenues over Expenses Adjusted for Areas of Discretionary Spending Concern for the Years Ending April 30, 2010/11-2019/20 (\$ million)

Prepared by the Office of the Auditor General of Ontario

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Total Revenues	158.2	157.4	160.7	171.0	175.4	179.2	188.7	195.4	195.2	197.6
Total Expenses	164.7	161.6	160.5	172.4	177.1	181.2	190.6	193.3	199.3	200.9
Excess (deficiency) of revenue over expenses¹	(6.5)	(4.2)	0.2	(1.4)	(1.7)	(2.0)	(1.8)	2.1	(4.1)	(3.4)
Add back areas of discretionary spending concern. ²										
Legal and professional fees	1.6	1.4	1.3	1.4	2.0	2.4	1.8	3.3	2.3	2.3
Special advisors ³	0.1	0.2	0.1	0.2	0.3	0.2	0.1	0.3	0.2	0.1
Labour relations staff ⁴	0.4	0.5	0.4	0.5	0.6	0.5	0.5	0.8	0.7	0.7
Interest expense on capital projects	1.7	2.0	2.6	2.9	3.0	3.8	4.6	4.6	4.5	4.2
Adjusted excess (deficiency) of revenue over expenses	(2.5)	(0.1)	4.7	3.7	4.1	4.8	5.2	11.0	3.7	4.0

1. We prepared this figure using Laurentian's consolidated statements of cash flows as the basis. Where comparative information was restated or reclassified to conform with the financial statements in a subsequent year (e.g., 2019/20 comparatives were restated in Laurentian University's 2020/21 audited financial statements), we used the more recent information. In addition, we changed the presentation of deferred contributions by reclassifying changes in this liability balance from financing activities to operating activities to be consistent with accounting standards for not-for-profit organizations and 18 other Ontario universities' financial statements. See Appendix 13 for details.

2. For the purposes of this figure, we have made the simple assumption that these amounts (reported on an accrual basis) would approximate their cash-basis amounts.

3. Special advisors are appointed to assist the president and/or other senior administrators on a term-limited basis in order to undertake a special study or to transfer special knowledge or expertise such as Special Advisor to the President on Government Relations; Special Advisor to the Vice-President Academic and Provost on Reconciliation.

4. Labour relations staff include employees of the University involved in the overall handling of faculty and staff relations and the resolution of union grievances; for example, Director and Associate Director of Faculty and Staff Relations Director; and Manager of Staff Relations.

Appendix 17: Board Approval of Capital Projects, between June 2009–February 2015

Source of data: Laurentian University

Date of Board Approval	Jun 19, 2009	Jun 17, 2010	Jun 12, 2012	Jun 17, 2014	Oct 16, 2014	Feb 13, 2015
Capital Decision	School of Architecture	East Residence	Campus Modernization	Student Centre	Research, Innovation and Engineering Centre	Cardiovascular and Metabolic Lab
Total Cost	\$44.5 million	\$20.6 million	\$58.9 million	\$9.3 million	\$28.9 million	\$5.9 million
President	Dominic Giroux					
Vice-President Administration	Robert Bourgeois					
Board of Governors Chair and Vice-Chair	Carolyn Sinclair and Floyd Laughren	Floyd Laughren and Michael Atkins		Michael Atkins and Jennifer Witty		
PDP Committee* Chair and Vice-Chair	No appointees	Claude Lacroix and No appointee		Ian Wood and Peter Faggioni		

Note: These are the major capital projects within the time period June 2009 to December 2021. "No appointee" means there was no appointee in a position for the applicable time period.

* The Property Development and Planning Committee (PDP Committee) was established in September 2010 and had no Vice-Chair appointee until September 2013.

Appendix 18: Provincially Mandated Compensation Restrictions for the Broader Public Sector, March 2010–Present

Prepared by the Office of the Auditor General of Ontario

	<i>Public Sector Compensation Restraint to Protect Public Service Act (PSCRPPSA)</i>	<i>Broader Public Sector Accountability Act (BPSAA, Part II.1)</i>	<i>Broader Public Sector Executive Compensation Act (BPSECA)¹</i>	
			O. Reg. 304/16 ²	O. Reg. 406/18
Dates in force	Mar 2010 – Mar 2012	Mar 2012 – Sep 2016	Sep 2016 – Aug 2018	Aug 2018 – Present
Base salary restrictions	Frozen for all non-unionized employees, which includes executives and senior employees, at the amount paid for their position immediately prior to the law coming into effect.	Frozen for only designated executive employees who received at least \$100,000 in salary per year, with freeze lifted for all other non-unionized employees that were previously frozen under PSCRPPSA.	Continued to be frozen for designated executive employees until an Executive Compensation Program (ECP) ¹ was finalized. Once an ECP was finalized by an organization for its designated executives, base salaries could be increased for those designated executives as of the date the program was finalized, provided the total sum of all base salaries and performance pay paid to designated executives was within the annual cap set in their ECP.	Frozen for only designated executive employees who receive at least \$100,000 in salary per year, at the amount paid for their position on Aug 13, 2018.
Salary range (or grid) restrictions	Prohibited from being increased for all non-unionized employees and frozen at 2010 levels. Salaries could still increase within an applicable salary range to that position, provided that salary range was already in place for that position at the time the law came into effect. If an individual did not have a salary range (or grid) already prescribed for their position at the time the law came into force, then their base salary was frozen at 2010 levels.	Prohibited from being increased for designated executive employees who received at least \$100,000 in salary per year and salary ranges were frozen at 2010 levels. Base salaries were no longer permitted to increase within an applicable salary range for that position.	Prohibited from being increased for all designated executives. Salaries were not permitted to increase within a salary range until an ECP was finalized.	Frozen for only designated executive employees that receive at least \$100,000 per year, at the range effective for their position on Aug 13, 2018. Base salaries are no longer permitted to increase within an applicable salary for that position.

	<i>Public Sector Compensation Restraint to Protect Public Service Act (PSCRPPSA)</i>	<i>Broader Public Sector Accountability Act (BPSAA, Part II.1)</i>	<i>Broader Public Sector Executive Compensation Act (BPSECA)¹</i>	
			O. Reg. 304/16 ²	O. Reg. 406/18
Dates in force	Mar 2010 – Mar 2012	Mar 2012 – Sep 2016	Sep 2016 – Aug 2018	Aug 2018 – Present
Compensation above base salary restrictions (e.g., performance bonus and merit pay)	Could be provided, as long as it was in accordance with the compensation plan that was in effect for an employee at the time the law came into effect.	Could be provided, as long as it was within a set total cap equal to what was given out to an organization's designated executive employees in the prior performance pay cycle before the law came into effect.	Could be provided to designated executives as of the date the ECP was finalized, provided the total sum of all base salaries and performance pay paid to designated executives was within the annual cap set in their ECP for the sum of both base salary and performance pay. The annual envelope cap was set specifically for an institution and was permitted to increase by an annual rate of 5%.	Can be provided to designated executives, provided it is within a set total cap for the sum of both base salary and performance pay and equal to what was given out to designated executives in the prior performance pay cycle before the law came into effect.
Laurentian's non-compliance	Provided \$41,002 more in compensation above base salary (performance pay) to six members of its senior administration than was permitted under the compensation plans in place for these employees at the time the law came into effect.	Provided \$65,303 more in compensation above base salary (performance pay) to its four designated executives than was permitted under the legislation, by exceeding the amount paid to these employees in 2011 in each year between 2012 and 2016.	Laurentian was one of only four Ontario universities to finalize an ECP. ³ However, it exceeded its annual cap set in its ECP by a combined total of \$245,996 in 2017 and 2018. Additionally, during a June 2018 in camera session, Laurentian's Board provided \$9,751 in performance pay retroactively to two former designated executives who left their positions in 2017, which was not permitted.	Increased the base salary for two of its designated executives by a total of \$36,602 in 2020 and 2021, despite base salaries being frozen at Aug 13, 2018 levels and an increase to base salaries within any salary range applicable to that position being prohibited.

1. Under the BPSECA, designated broader public sector (BPS) organizations (including universities) were required to develop an executive compensation program (ECP) for their organization and have it approved by their overseeing ministry. The ECP was an organization-specific compensation restraint framework for its senior employees that fell within the definition of "designated executive" under the BPSAA/BPSECA. For universities, ECPs were approved by the Ministry of Colleges and Universities.
2. The Regulation became effective for a designated BPS organization on the date the employer finalized their executive compensation program. All compensation measures applicable to the BPS organization under the BPSAA, Part II.1 continued to apply until this date.
3. Laurentian's Board approved its finalized ECP on Dec 15, 2017 and the Ministry of Colleges and Universities subsequently communicated its approval on Feb 27, 2018. Laurentian established four of its senior administrators as "designated executives" subject to the compensation restraints in its ECP (the President and Vice-Chancellor and three Vice-Presidents). Laurentian also set its annual cap for executive compensation and performance pay for its four designated executives at the total amount paid to these positions between Jul 1, 2016 and Jun 30, 2017 (\$943,683), which was permitted to increase by a maximum of 5% annually.

Appendix 19: Evaluation of Laurentian University Against Going Concern* Financial Indicators

Prepared by the Office of the Auditor General of Ontario

Canadian Auditing Standard Going Concern Indicator	Financial Event or Condition	Date of Financial Event or Condition
1. Net liability or net current liability position	Net liabilities were \$19.5 million, excluding the endowment fund	As of Apr 30, 2020
2. Excessive reliance on short-term borrowings to finance long-term assets	Was using a line of credit to finance capital projects Had \$14.4 million drawn from the line of credit Consistently drew on its line of credit each spring and paid it down with tuition cash flows in the fall	As of Apr 30, 2020 Between 2015/16 and 2019/20
3. Indications of withdrawal of financial support by creditors	One of the University's primary lenders, RBC, determined that it had reached its maximum debt exposure limit with Laurentian and refused to provide any additional financing, as communicated to the Board of Governors in a memo Reported \$66.3 million of long-term debt with RBC for projects including the School of Education, Single Student Residence and Campus Modernization Had long-term debt of \$21.7 million outstanding with other lenders	Apr 15, 2016 As of Apr 30, 2016
4. Negative operating cash flows indicated by historical or prospective financial statements	Experienced negative cash flows from operations of \$1.3 million (excluding fluctuations from deferred contributions) Was not generating unrestricted sufficient cash flow from operating activities to repay external loans used to fund capital projects	Between 2009/10 and 2019/20
5. Adverse key financial ratios	Viability ratio—measuring the portion of long-term debt that could be settled using unrestricted assets—had been negative for more than a decade Current ratio (including deferred contributions) was below 1.0, meaning that Laurentian was unable to meet its short-term obligations using its current, more liquid assets such as cash and investments See Appendix 14 for further discussion of Laurentian's financial ratios	Between 2009/10 and 2019/20
6. Substantial operating losses or significant deterioration in the value of assets used to generate cash flows	Reported operating losses of \$4.1 million Reported operating losses of \$3.4 million A \$7.4-million operating loss was forecast in preliminary 2020/21 budget materials approved by the Board of Governors	2018/19 2019/20 Jun 2020

Canadian Auditing Standard Going Concern Indicator	Financial Event or Condition	Date of Financial Event or Condition
7. Inability to pay creditors on due dates	Laurentian informed its Faculty Association that there was a material risk that Laurentian could run out of money as early as fall 2020 or as late as spring 2021.	Apr 27, 2020
	Had less than \$4 million in cash on hand and current accounts receivable of \$27 million against current liabilities of \$45 million	As of Apr 30, 2020
8. Inability to obtain financing for essential new product development or other essential investments	Laurentian's primary lender, RBC, refused to issue it more long-term debt	Spring 2016
	Had a backlog of deferred maintenance costs of approximately \$135 million as a result of building condition assessments	As of Dec 2020

* Going concern exists when it is reasonable to assume that a business will be able to meet its financial obligations and continue operations in the near term.

Appendix 20: Provincial Comparison of Universities' Debt, Deficit and Major Capital Legislated Restrictions

Prepared by the Office of the Auditor General of Ontario

Province	Debt, Deficit and Major Capital Legislated Restrictions
British Columbia	<ul style="list-style-type: none"> • Limited to borrowing funds that can be repaid out of current revenues • Ministerial approval required for borrowing money for the purpose of acquiring land or erecting, repairing, adding to, furnishing or equipping any building or structure for the use of the university • Ministerial approval required to run a financial deficit in any fiscal year
Alberta	<ul style="list-style-type: none"> • Limited to borrowing funds that can be repaid out of current revenues and prohibiting the use of high interest borrowing (for example, lines of credit) • Ministerial approval required for long-term borrowing • May not run a deficit unless the Board has written approval from the Minister
Saskatchewan	<ul style="list-style-type: none"> • Lieutenant Governor in Council consent required to borrow money to meet current expenditures until revenues for the current year are available to repay the borrowed funds • Minister approval required for borrowing or expenditures over \$100,000 on purchasing lands or constructing buildings; Lieutenant Governor in Council approval required for expenditures over \$500,000 on purchasing lands or constructing buildings • Minister approval required for any liabilities or expenditures that would, in the opinion of the Minister, impair the financial status of the university • Appointment of a university controller to serve as the chief accounting and business officer of the university
Manitoba	<ul style="list-style-type: none"> • Limited to borrowing funds that can be repaid out of current revenues • Lieutenant Governor in Council approval required to borrow money for any purposes other than ordinary expenditures of the university
Prince Edward Island	<ul style="list-style-type: none"> • Lieutenant Governor in Council consent required to borrow money to meet current expenditures until revenues for the current year are available to repay the borrowed funds • Lieutenant Governor in Council approval required for all borrowing for or expenditures on lands and buildings
Newfoundland and Labrador	<ul style="list-style-type: none"> • Lieutenant Governor in Council consent required to borrow money to meet current expenditures until revenues for the current year are available to repay the borrowed funds • Lieutenant Governor in Council approval required for all expenditures on lands and buildings • Approval required to run an annual deficit beyond 0.25% of total government grants and estimated revenues from other sources • Limiting expenditures to avoid annual deficit

Note: Legislation governing universities in the provinces of New Brunswick, Nova Scotia, and Quebec do not impose restrictions with respect to universities' debt, deficit and major capital.

Appendix 21: Timeline of Laurentian University's Progress Toward and Through Its CCAA Restructuring, March 2020–April 2022

Prepared by the Office of the Auditor General of Ontario

2020	
	Mar Laurentian initiates work with respect to a potential filing under the <i>Companies' Creditors Arrangement Act</i> (CCAA)
	Mar 30 Laurentian receives \$793,000 from the Ministry of Colleges and Universities (Ministry) to mitigate the costs associated with its COVID-19 response
	Apr Laurentian initiates bargaining with both its faculty and staff unions on new collective agreements. The Laurentian University Faculty Association's (LUFA's) collective agreement was expiring on Jul 1, 2020. The Laurentian University Staff Union (LUSU) agreed to negotiate its collective agreement more than a year before its expiry
	Apr 27 Laurentian advises LUFA during collective bargaining of the risk that Laurentian could run out of available funds between fall 2020 and spring 2021
	Jun 16 LUSU signs a new three-year collective agreement, accepting \$1.8 million in concessions over the life of the agreement and paying Laurentian \$450,000 to avoid its union members from taking unpaid days off
	Jul 1 Administrative and professional staff, senior leaders and non-unionized employees receive salary cuts Laurentian's 2017–2020 collective agreement with LUFA expires without new agreement
	Jul 9 Laurentian informs Ministry of a net shortfall of \$6 million due to the COVID-19 pandemic and requests a meeting
	Aug 4 Laurentian briefs Minister on financial situation and indicates it is considering formal restructuring through court proceedings; a specific financial request was not made at that time
	Aug 5 Laurentian pays down Desjardins Bank (Desjardins) line of credit (\$4.0 million of \$16.5 million)
	Aug 7 Laurentian gives Ministry a financial update, indicates significant financial challenges and potential insolvency; Ministry discusses a third-party review with Laurentian
	Aug 11 Laurentian pays down Desjardins line of credit (\$10.0 million of \$12.5 million)
	Aug 12 Laurentian's Vice-President, Academic and Provost suspends admissions to 17 programs with low enrolment without involving the University's Senate
	Aug 13 Laurentian provides Ministry with Apr 30, 2020 draft unaudited financial statements
	Aug 27 The Minister internally approves in principle to cost-share a third-party financial review of Laurentian's finances; Laurentian selects Ernst & Young

(continued on page 107)

- Aug 28 Laurentian Board of Governors approves Ernst & Young to review its financial situation
- Sep 8 Laurentian pays off remaining Desjardins line of credit (\$2.5 million final payment)
- Oct 5 Laurentian meets with Ministry over financial challenges but does not flag scale of needed support or imminent possibility of *Companies' Creditors Arrangement Act* (CCAA) filing
- Oct 23 The Ministry rejects Laurentian's proposed changes to the joint funding agreement. The joint funding agreement was to cover 50% of Laurentian's costs of an independent review of its financial condition. The Province was to receive a report on the review. Laurentian indicated that E&Y would not produce the report, therefore, no agreement was signed.
- Oct 30 LUFA files third grievance in the last four years asking Laurentian to invoke the financial exigency process under its collective agreement
- Nov 23 In response to a Ministry request for universities to provide the financial impacts of COVID-19, Laurentian reports to the Ministry a projected deficit of \$5.5 million for the fiscal year ending Apr 30, 2021 due to the COVID-19 pandemic
- Dec 12 Laurentian approaches the Ministry of Finance announcing its insolvency and requests \$100 million in financial support: \$50 million to fund its continued operations and \$50 million for termination and severance payments. The University states that it needs a response by the first week of January or it will commence CCAA proceedings Jan 31, 2021
- Dec 23 Ministry studies Laurentian's request and asks Laurentian for answers to 30 detailed follow-up questions for information not included in its presentation to the Ministry
- Dec 29 Laurentian responds to Ministry questions regarding the request for \$100 million

2021

- Jan 18 Ministry requests and receives updated information on Laurentian's cash flow analysis from Ernst & Young
- Jan 21 Ministry offers support funding for Laurentian up to \$12 million on the conditions that the University work with a Ministry Special Advisor to produce a report on Laurentian's finances and not enter into CCAA
- Jan 22 Alan Harrison appointed as a Ministry Special Advisor, through the Lieutenant Governor in Council and on the advice of the Ministry, to provide advice and recommendations to the Ministry on the long-term financial sustainability of Laurentian
- Jan 25 Laurentian declines Ministry offer of \$12 million
- Jan 29 Ministry Special Advisor provides the Ministry with a first report titled The Sustainability of Laurentian University: A Preliminary Report. See **Appendix 23** for more detail
- Feb 1 Laurentian files for creditor protection under CCAA

(continued on page 108)

- Feb 5
Court appoints Ernst & Young as monitor for CCAA proceedings
- Feb 11
Court extends stay of proceedings to Apr 30, 2021. Debtor-in-Possession* (DIP) financing of \$25 million provided by private lender Firm Capital Corporation is approved
- Mar 1
Ministry Special Advisor provides the Ministry with a second report titled The Sustainability of Laurentian University. See **Appendix 23** for more detail
- Mar 26
Ministry allots Laurentian \$75,000 in one-time COVID-19 funding to support shifting student services to virtual platforms
- Apr 1
Laurentian terminates federated agreements with Huntington University, Thorneloe University and University of Sudbury
- Apr 7
Ministry Special Advisor provides the Ministry with a third report titled Laurentian University's Financial Situation: Policy Responses. See **Appendix 23** for more detail
- Apr 12
Laurentian notifies students of program cancellations under CCAA and terminates 195 positions at the University, including 116 faculty and 79 staff and senior administrators
- Apr 15
Ministry introduces legislation to establish Northern Ontario School of Medicine and Université de Hearst as independent, standalone degree-granting institutions
- Apr 28
Standing Committee on Public Accounts passes a motion requesting our Office to conduct a value-for-money audit (see **Appendix 10**)
- May 1
Ministry extends Ministry Special Advisor appointment to Jun 30, 2021
- May 2
Court extends stay of proceedings to Aug 31, 2021 and approves a \$10 million increase to the DIP loan to \$35 million
- May 5
Ministry Special Advisor provides the Ministry with a fourth report titled Financial Sustainability and Government Oversight. See **Appendix 23** for more detail
- Jun 16
French Language Services Commissioner launches investigation into the reduction in French-language programs
- Jul 9
In consideration of finalizing its plan of arrangement with creditors, Laurentian requests Ministry support of up to \$180 million, including \$35 million to assume the DIP loan
- Jul 16
Ministry extends Ministry Special Advisor appointment to Dec 31, 2021

(continued on page 109)

- Aug 13
Laurentian requests \$40.5 million in financial support from federal government to enhance Francophone, Indigenous and online programming and to endow a student scholarship and award program
- Aug 27
Court extends stay of proceedings, and approves an extension of the DIP maturity date from Aug 31, 2021 to Jan 31, 2022
- Nov 2
Ministry receives approval to provide financial support package to Laurentian, including \$35 million to take over DIP loan from DIP lender Firm Capital Corporation, subject to several conditions including: a change in Laurentian's Board membership; engagement of third-party assistance to create a detailed, long-term strategic plan; and regular reporting to the Ministry and the public on financial health and other metrics
- Dec 15
Ministry approves takeover of DIP loan to provide loan to Laurentian up to Sep 30, 2022
- Dec 16
11 members of Laurentian's Board step down, including Board Chair
Ministry appoints five new Lieutenant Governor in Council members to Laurentian's Board for a one-year term

2022

- Jan 1
Ministry extends Ministry Special Advisor appointment to Sep 30, 2022
- Jan 27
Ministry pays \$35 million to DIP lender Firm Capital Mortgage Fund to take over Laurentian's \$35 million DIP loan. Court extends stay of proceedings to May 31, 2022
- Jan 28
Court Monitor signs certificate confirming Ministry funds were received by the original DIP lender
- Feb 25
Ministry announces that it will further delay activating performance-based funding for universities in Ontario for an additional year to 2023/24
- Mar 31
French Language Services Commissioner issues report on Laurentian's elimination of French-language programs through the CCAA process and compliance with the *French Language Services Act*
- Apr 1
Court grants an order, effective May 1, 2022, terminating the stay of *Freedom of Information and Protection of Privacy Act* (FIPPA) requests, which reinstates Laurentian's obligations to respond to requests for information made under FIPPA
- Sep 14
Creditors of Laurentian University vote in favour of Plan of Arrangement which sets out the terms between Laurentian and its creditors for Laurentian to exit the CCAA process. Creditors who voted in favour of the plan represent 87.4% of creditors (over 50% needed) and 68.9% of the value of the total claims Laurentian owed (over 66.6% needed).
The plan involves creditors receiving 14.1% to 24.2% of the amounts owed to them over a three year period. The funds to pay these creditors are to come from the Ministry agreeing to purchase some of Laurentian's real estate assets
- Oct 5
Ontario Superior Court of Justice approves the University's Plan of Arrangement

* Debtor-in-Possession (DIP) is financing unique to insolvent companies in a restructuring that enables them to continue operating.

Appendix 22: Timeline of Ministry of Colleges and Universities' Interaction Regarding Laurentian University's Financial Sustainability Concerns and CCAA Process, January 2020–January 2022

Prepared by the Office of the Auditor General of Ontario

Date	Event
2020	
Jan 9	Laurentian meets with Assistant Deputy Minister and former Deputy Minister of the Ministry of Colleges and Universities (Ministry). The University's presentation flags financial sustainability issues and outlines its plan to return to sustainability. It requests consideration for additional funding, including maintaining stable enrolment funding (not being penalized for the drop in enrolment from the Barrie campus closure), and continuing to receive funding for unmet graduate spaces and unfilled teachers' education spaces.
Feb 12	Laurentian receives an additional \$4.3 million in funding through a Northern Ontario Sustainability Grant provided by the Ministry to all Northern Ontario universities to offset the Province's tuition cut. Laurentian's grant amount was the largest payout of all qualifying institutions.
Feb 28	Laurentian's report on sustainability to the Ministry indicates achievement of over \$20 million in savings since 2018 and stresses the importance of continued funding levels from the Ministry, such as through additional one-time support grants.
Mar 30	Laurentian receives \$793,000 in funding from the Ministry to mitigate the costs associated with its COVID-19 pandemic response.
Apr 29	Laurentian issues a news release indicating "COVID-19 and other pre-existing financial pressures require the University to amend and accelerate its sustainability plan to address a shortfall of approximately \$15 million in fiscal year 2020/21."
Jul 9	Laurentian President writes a letter to the Minister, stating, "On June 30th, 2020, the collective agreement between Laurentian and our faculty union expired. We anticipate working closely with the faculty association in the coming months to achieve a collective agreement that better reflects the current financial situation of the University and is commensurate with the contributions made by other employee groups. However, this is not guaranteed."
Jul 24	Laurentian meets with the Assistant Deputy Minister and outlines its financial position including challenges that could leave it with a \$16 million deficit for the 2020/21 fiscal year, but through internal measures Laurentian has managed to reduce this to a projected deficit of \$6 million. In its presentation to the Ministry, Laurentian further states that it has an accumulated deficit of \$19.5 million with limited internal reserves and that, if revenue challenges materialize, it could be within 25% of its maximum line of credit by fall 2020 or April 2021. The Ministry indicates that it has limited resources to provide sustainability support and suggests that Laurentian explore programs in other areas (such as Infrastructure Ontario loans) that may be available to it.
Aug 4	In advance of a meeting between the Laurentian President and then Board Chair and the Minister, the President sends a briefing document detailing Laurentian's financial challenges and notes the possibility of a formal restructuring through court proceedings being pursued. A specific financial request was not made at that time.
Aug 6	The Ministry raises concern internally that Laurentian may reach its credit limit by fall if it continues down this path. The Ministry suggests that Ministry staff verify Laurentian's financial circumstances and identify a plan to deal with the financial situation.
Aug 27	The Minister internally approves in principle a cost-sharing agreement for a third-party review of Laurentian's finances; Laurentian selects Ernst & Young.
Oct 1	Laurentian informs the Ministry that it has made its faculty union aware of hiring Ernst & Young to conduct a financial review, but that Laurentian would not disclose anything else to the union, including the Ministry's involvement.

Date	Event
Oct 2	The Ernst & Young partner, who would later become the monitor for the CCAA process, proposes changes to the agreement with the Ministry for a third-party review of Laurentian's finances. Specifically, the partner proposes that Ernst & Young would not prepare an external report for the Ministry in order to remain neutral in the event that Ernst & Young supports CCAA proceedings.
Oct 23	The Ministry rejects Laurentian's proposed changes to the joint funding agreement. The joint funding agreement was to cover 50% of Laurentian's costs of an independent review of its financial condition. The Province was to receive a report on the review. Laurentian indicated that E&Y would not produce the report, therefore, no agreement was signed.
Dec 12	Laurentian approaches the Ministry of Finance announcing its insolvency and requests \$100 million in financial support: \$50 million to fund its continued operations and \$50 million for termination and severance payments. The University states that it needs a response by the first week of January or it will commence CCAA proceedings Jan 31, 2021.
Dec 23	The Laurentian President informs the Deputy Minister of Colleges and Universities that if Laurentian receives \$11 million in tuition at the beginning of January, it will be able to make payroll until Jan 25. He tells the Deputy Minister that he raised this issue at a high level as early as June, but it was not critical until Ernst & Young (financial advisors) and Thornton Grout Finnigan (CCAA counsel) did their assessment in fall 2020 and determined that Laurentian was in a dire financial situation.
Dec 23	The Ministry studies Laurentian's request and asks Laurentian for answers to 30 detailed follow-up questions for information not included in its presentation to the Ministry.
2021	
Jan 8	The Ministry reviews Laurentian's response to its detailed follow up questions and asks Laurentian for answers to seven additional questions for items not addressed in its response to the Ministry's prior questions.
Jan 18	The Ministry requests and receives updated cash flow analysis from Ernst & Young.
Jan 21	The Ministry offers support funding for Laurentian of up to \$12 million on the condition that the University work with a Ministry Special Advisor to produce a report on Laurentian's finances and not enter into CCAA.
Jan 22	Individual appointed as a Ministry Special Advisor, through the Lieutenant Governor in Council and on the advice of the Ministry, to provide advice and recommendations to the Ministry on the long-term financial sustainability of Laurentian. The Special Advisor is to be paid \$1,350 per day up to a maximum of \$100,000. The Advisor will also provide a report on the financial health of the university sector overall.
Jan 25	Laurentian declines Ministry offer of \$12 million.
Jan 29	Ministry Special Advisor provides the Ministry with a first report titled The Sustainability of Laurentian University: A Preliminary Report. See Appendix 23 for more detail.
Feb 1	Laurentian files for creditor protection under CCAA.
Mar 1	Ministry Special Advisor provides the Ministry with a second report titled The Sustainability of Laurentian University. See Appendix 23 for more detail.
Apr 7	Ministry Special Advisor provides the Ministry with a third report titled Laurentian University's Financial Situation: Policy Responses. See Appendix 23 for more detail.
May 5	Ministry Special Advisor provides the Ministry with a fourth report titled Financial Sustainability and Government Oversight. This report focuses on discussing the long-term financial sustainability of Laurentian and the university sector in general. See Appendix 23 for more detail.

Date	Event
Jul 9	In consideration of finalizing its Plan of Arrangement with creditors, Laurentian requests Ministry support of up to \$180 million, including \$35 million to assume its Debtor-in-Possession (DIP) loan that it had secured from a private-sector lender, Firm Capital Mortgage Fund, to fund its restructuring process under the CCAA.
Dec 15	Ministry agrees to provide a financial support package to Laurentian, including \$35 million to cover the DIP loan up to Sep 30, 2022, subject to several conditions including a change in Laurentian's Board membership; engagement of third-party assistance to create a detailed, long-term strategic plan; and regular reporting to the Ministry and the public on financial health and other metrics.
2022	
Jan 27	Weeks after 11 members resign from Laurentian's Board, the Ministry assumes Laurentian's \$35 million DIP loan from its private-sector lender, Firm Capital Mortgage Fund.

Appendix 23: Summary of Special Advisor's Reports to the Ministry of Colleges and Universities

Source of data: Ministry of Colleges and Universities

Date	Details
2021	
Jan 29	<p>The Special Advisor provides the Ministry of Colleges and Universities with a first report titled The Sustainability of Laurentian University: A Preliminary Report. The report highlights the following from a preliminary review:</p> <ul style="list-style-type: none"> • The University was likely in the "zone of insolvency" since at least 2014/15. However, deficits may have been going back farther. • The faculty association has been without a collective agreement since Jun 30, 2020 and was planning on going to the Labour Board on Jan 29, 2021. • Filing for CCAA resulted in the court appointing a mediator who will work with the faculty association to seek a solution to reduce faculty costs. • During this time, there will be no concern of a strike because further action by the faculty association is stayed. • The Board and senior positions on the financial side at Laurentian require a drastic overhaul.
Mar 1	<p>The Special Advisor provides the Ministry with a second report titled The Sustainability of Laurentian University. The report highlights the following around the causes of Laurentian's insolvency:</p> <ul style="list-style-type: none"> • Cash and short-term investments had not exceeded deferred contributions since 2011/12. (Deferred contributions relate to external contributions restricted for research.) • Deferred contributions exceeded cash and short-term investments by \$8.7 million in 2012/13 and grew to reach \$34 million by 2019/20. • 2011/12 was the first time Laurentian inappropriately used its restricted funds. • In 2015/16, Laurentian drew "internal financing" of \$13 million from restricted funds. • The concept of internal financing at Laurentian began in a Board meeting on Dec 13, 2013 when the Board approved a Campus Modernization project with anticipated borrowings of \$43 million. • Laurentian used cash and short-term investments and funds restricted for research as "internal financing" for capital projects. By 2019/20, with the additional use of its line of credit, Laurentian's internal financing was up to \$27 million. • The closure of the Barrie campus reduced revenues but Laurentian retained the cost of 17 faculty. • The Ministry ignored the results of the financial indicators for years. • "Going concern" issues with respect to Laurentian should have been flagged by its external auditor (the assumption that a business will be able to meet its financial obligations in the near term). <p>The report also makes the following recommendations:</p> <ul style="list-style-type: none"> • Selection of a new external auditor by Laurentian. • Laurentian should complete its Plan of Arrangement by April 30, 2021, to avoid prospective students from being discouraged from attending due to financial concerns. • The Ministry should have minimum and maximum financial indicators in its agreements with universities. • Board membership should be assessed to ensure appropriate skills and competencies exist, such as backgrounds in governance, finance, audit, executive, real property and capital planning as well as diversity.

Date	Details
Apr 7	<p>The Special Advisor provides the Ministry with a third report titled Laurentian University's Financial Situation – Policy Responses. The report highlights the following:</p> <ul style="list-style-type: none"> • Laurentian's annual deficits going back to 2014/15 were not reflected in its public communications over the years. • The Ministry should not wait to act until a university expresses concerns about its financial wellbeing. • Financial health indicators serve a very useful purpose by providing an early warning of a university's financial problems. • The Ministry can use credit reports to better understand the concerns flagged through financial health indicators. <p>The report makes the following recommendations:</p> <ul style="list-style-type: none"> • Credit ratings for universities should be mandatory. • The Ministry should routinely conduct its own analysis of the financial health indicators and consider the weighting or importance of each indicator. • For universities that the Ministry feels may be encountering financial sustainability concerns, request an explanation and written assurance from its Board that they support the universities' actions.
May 5	<p>The Special Advisor provides the Ministry with a fourth report titled Financial Sustainability and Government Oversight. The report highlights the following around long-term financial sustainability of Laurentian and the university sector in general:</p> <ul style="list-style-type: none"> • Laurentian will likely pursue two routes to pay down debt: liquidate assets and many years of surplus operating budgets. • It will be challenging for Laurentian to pay down its debts following restructuring. • A strong restructuring plan could be undermined with failures of administration. <p>The report makes the following recommendations:</p> <ul style="list-style-type: none"> • The Ministry pay in part for external consultants to guide Laurentian's operations over the coming years. • Assistance of hired external consultants may not even be enough to sustain Laurentian in the long term.

Appendix 24: Laurentian University's Academic Programs Eliminated Under CCAA Proceedings*

Source of data: Laurentian University

Program Name	Language	Level
Actuarial Science	English	Undergraduate
Anthropology	English	Undergraduate
Archaeology	English	Undergraduate
BA 4 years Concurrent education (Primary-Junior)	English	Undergraduate
BComm	English	Undergraduate
BComm online	English	Undergraduate
BSc 4 years Concurrent education (Primary-Junior)	English	Undergraduate
BFA – Music	English	Undergraduate
BFA – Music Performance	English	Undergraduate
Biomedical Physics	English	Undergraduate
Civil Engineering (first 2 years)	English	Undergraduate
Concurrent Education – Pro year (Primary-Junior)	English	Undergraduate
Italian	English	Undergraduate
Labour Studies	English	Undergraduate
Liberal Science	English	Undergraduate
Major Restoration Ecology	English	Undergraduate
Mathematics	English	Undergraduate
Midwifery	English	Undergraduate
Modern Languages	English	Undergraduate
Music	English	Undergraduate
Music Studies	English	Undergraduate
Operations	English	Undergraduate
Philosophy	English	Undergraduate
Ecology	English	Undergraduate
Entrepreneurship	English	Undergraduate
Environmental Geoscience	English	Undergraduate
Environmental Science	English	Undergraduate
Environmental Studies	English	Undergraduate
Geography	English	Undergraduate
International Management	English	Undergraduate
Physics	English	Undergraduate
Political Science	English	Undergraduate
Radiation Therapy – Michener	English	Undergraduate
Restoration Biology	English	Undergraduate
Rhetoric and Media Studies	English	Undergraduate
Spanish	English	Undergraduate
Web Data Management	English	Undergraduate
Workplace and Labour Studies	English	Undergraduate

Program Name	Language	Level
Masters - Experimental Psychology	English	Graduate
Masters - History - essay	English	Graduate
Masters - History - Thesis	English	Graduate
Masters - Humanities	English	Graduate
Masters - Physics	English	Graduate
Masters - Sociology - essay	English	Graduate
Masters - Sociology - thesis	English	Graduate
Bcomm (FR)	French	Undergraduate
Droit et politique	French	Undergraduate
Éducation - intermédiaire/supérieur	French	Undergraduate
Études de la santé	French	Undergraduate
Études de l'environnement	French	Undergraduate
Études françaises	French	Undergraduate
Génie chimique	French	Undergraduate
Génie mécanique	French	Undergraduate
Génie minier	French	Undergraduate
Géographie	French	Undergraduate
Histoire	French	Undergraduate
Littérature et culture francophone	French	Undergraduate
Marketing (FR)	French	Undergraduate
Mathématiques	French	Undergraduate
Nursing - Boreal	French	Undergraduate
Outdoor Adventure Leadership (FR)	French	Undergraduate
Philosophie	French	Undergraduate
Planification financière	French	Undergraduate
Promotion de la santé	French	Undergraduate
Resources humaines	French	Undergraduate
Sage femme (Midwifery)	French	Undergraduate
Science du langage	French	Undergraduate
Science économique	French	Undergraduate
Science libérale	French	Undergraduate
Science politique	French	Undergraduate
Théâtre	French	Undergraduate
Zoologie	French	Undergraduate
Maîtrise - Histoire - essai	French	Graduate
Maîtrise - Histoire - thèse	French	Graduate
Maîtrise - Sociologie - essai	French	Graduate
Maîtrise - Sociologie - thèse	French	Graduate

* Of these 76 programs, 69 were eliminated as part of the CCAA mediation process in April 2021, while seven were eliminated by the Laurentian University Senate prior to this, in March 2021.



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FABRICE COLIN, et al.
Plaintiffs

-and- FLOYD LAUGHREN, et al.
Defendants

Court File No.
<p><i>ONTARIO</i> SUPERIOR COURT OF JUSTICE</p> <p>PROCEEDING COMMENCED AT SUDBURY</p>
<p>AFFIDAVIT OF TOM FENSKE</p>
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FABRICE COLIN, et al.
Plaintiffs

-and-
FLOYD LAUGHREN, et al.
Defendants

Court File No. CL-25-00753536-0000

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