

June 22, 2011

Ministry of Advanced Education, Employment and Immigration
1945 Hamilton Street
Regina, SK S4P 2C8

Carlton Trail Regional College – Report of the Administrator Pursuant to the Regional Colleges Act

The Ministry of Advanced Education, Employment and Immigration (the “Ministry”) appointed Graham Pearson CA, CIRP, a Partner of Deloitte & Touche LLP as administrator (the “Administrator”) under the Regional Colleges Act (“RCA”) for Carlton Trail Regional College (“CTRC”) pursuant to an Order in Council issued on March 22, 2011.

This Report will provide an executive overview of the role of the Administrator for the period of March 22, 2011 to June 22, 2011.

The information in this Report has been derived from discussions with management, and documentation viewed by the Administrator in conducting and managing the affairs and business of CTRC as required under the RCA (the “Administrator’s mandate”) since the date of appointment on March 22, 2011. This information, and more specifically the financial internal controls over disbursements, has not been audited or otherwise verified by us, and accordingly we do not express an audit opinion on the accuracy of this information or the adequacy of the financial internal controls over disbursements.

This Report is intended to fulfill the public reporting requirements of the Administrator to the Ministry and is not to be used for any other purpose without our prior express written consent in each specific instance. Deloitte accepts no responsibility or liability for any losses suffered by any unauthorized user as a result of the circulation, publication, reproduction, or other uses of this Report contrary to the provisions of this clause.

Scope of Engagement:

The Administrator draws its powers from Section 28 of the RCA which is paraphrased below:

ADMINISTRATOR –

Appointment, duties, etc.

28(1) Where:

- (a) an order has been made pursuant to section 27 to wind up a regional college;*
- (b) a college has contravened subsection 15(4);*
- (c) in the opinion of the minister, financial or significant operational problems exist in connection with a regional college; or*
- (d) in the opinion of the minister, it is otherwise in the public interest to do so;*
the Lieutenant Governor in Council may, on the recommendation of the minister, appoint a person as administrator of the regional college.

REGIONAL COLLEGES c. R-8.1

(2) An administrator appointed pursuant to subsection (1) shall:

(a) conduct and manage the affairs and business of the college;

(b) be the sole member of the board; and

(c) in the name of the board, perform all of the duties and exercise all of the powers otherwise vested in the board.

(3) The administrator shall act in accordance with any instructions or directions given by the minister or his designate.

Administrator's Mandate

The Administrator undertook the following activities in conducting the Administrator's mandate:

- Attendances at the CTRC Humboldt head office including meetings and communications with staff regarding:
 - Operations;
 - Staffing;
 - Program planning;
 - Preparation of the 2012 Business Plan and Budget; and
 - Auditor information requests;
- Ongoing review and approval process of operating disbursements including examination of supporting documentation, enquiries of staff and cheque signing;
- Assessing on-going status reports regarding future office and class room relocation to the new Humboldt Education Center ("HEC");
- Ongoing communications with and instructions to CTRC staff; and
- Communicating with the Ministry at regular intervals including verbal and written status reports.

Summary Observations regarding Specific Areas of Assessment

During the course of the Administrator's mandate and in addition to the regular duties of the Administrator as required under the RCA, the Administrator was directed by the Ministry to assess the following specific areas and offers the following commentary in this report:

- Financial Internal Controls over Disbursements;
- Status of HEC – Future CTRC Office and Classroom Space;
- Financial Support to Saint Peters College ("SPC") by CTRC;
- Market Study – \$75,000 Contribution Funded by CTRC to SPC; and
- \$273,000 Internally Restricted Funds – Facilities.

Financial Internal Controls over Disbursements

Based on our discussions and assessment with management of the existing financial internal controls over disbursements including cheque and purchase order issuance and payroll disbursements, and considering the administrative approval process changes necessitated by the appointment of the Administrator, our conclusion is that the existing financial internal controls over disbursements at CTRC are currently adequate for the intended purposes of the Administrator's mandate.

A Board of Trustees (the “Board”) and a permanent Chief Executive Officer (“CEO”) are integral components of effective internal controls, and accordingly at present these components are temporarily not in place at CTRC under its current circumstances. Once these positions have been re-established at CTRC, the financial internal controls over disbursements should be further enhanced with this extended level of oversight.

CTRC does maintain documented Board policies and procedures that also form a component of effective internal controls, including requirements for regular financial reporting to the Board. We recommend that going forward CTRC ensure its adherence to its Board policies once a new Board and CEO are in place.

Status of HEC - Future CTRC Office and Classroom Space

Enquiries of senior management and examinations of documents were made disclosing the following:

- CTRC is in process of preparing to relocate its Humboldt head office and its current Humboldt classroom space to the HEC in or about January 2012;
- HEC is an addition to an existing modern Humboldt high school which includes pool and ice rink facilities available to the students;
- HEC, which will be LEED environmentally certified, is to accommodate City of Humboldt offices, Horizon School Division (“Horizon”) High School facilities, CTRC classrooms and the CTRC Head Office;
- Original funding for the new CTRC classroom and office facilities at HEC was received by CTRC from the Federal Knowledge Infrastructure Project program and the Provincial government in the amount of approximately \$4 Million in or about April 2010, representing a portion of the total HEC build costs of approximately \$20.6 Million;
- Of the approximately \$4 million funding received by CTRC, approximately \$3.64 Million was forwarded by CTRC to Horizon as the designated funds manager for the project in April 2010. The balance of approximately \$360,000 is being used primarily for architect’s fees by CTRC. We note that at present CTRC has not been provided with an executed agreement stipulating the obligations of the appointed HEC project manager, a representative of the Greater Catholic School Division which is a partner of Horizon;
- The project manager has reported to the CTRC that build costs and timetables are on schedule; and
- The CTRC Director of Finance has demonstrated active engagement with the architect, contractors and Ministry officials in overseeing the components of the HEC construction relevant to CTRC.

Subject to any unforeseen build cost overruns, we conclude that from a financial perspective, following CTRC’s move to the HEC, its cost of occupancy should be limited to utilities, insurance and normal occupancy and administration costs. As it will be vacating its current Humboldt head office space, it will be eliminating future rent expense for its head office.

Furthermore we conclude that existing CTRC funding appears sufficient to fund its portion of the projected HEC build costs and moving costs, barring future construction cost overruns which cannot be predicted. We recommend that CTRC continue closely monitoring the build costs and change orders to mitigate the need for additional financing to fund cost overruns should they arise.

We understand that a draft long term CTRC occupancy agreement is presently under review by Horizon and other HEC stakeholders. We recommend that CTRC move to finalize completion of this agreement such that its long term occupancy rights at the HEC are contractually established and registered on title. We further recommend that the HEC project manager provide CTRC with an executed agreement stipulating the obligations of the HEC project manager.

Financial Support to SPC by CTRC

Enquiries of senior management and examinations of documents were made disclosing the following:

- Legacy arrangements have existed for a number of years wherein CTRC has provided varying levels of financial support to SPC;
- The financial support was reportedly originally designed to compensate SPC in providing university course offerings to the marketplace such that CTRC would not offer competing university courses;
- In 2010 the financial support was increased to \$100,000, up from the \$40,000 amount previously budgeted for in fiscal 2010, and which had been based on the \$40,000 of financial support paid in the preceding year;
- SPC would infrequently report enrolment statistics to CTRC reportedly as evidence of how the financial support was used; the last statistics reporting CTRC advises receiving was from 2002;
- The minutes of the September 14, 2010 combined board meetings of CTRC and SPC, indicate that after an in-camera meeting, a motion was passed to increase the financial support from \$40,000 to \$100,000; no explanation for the increase in financial support was reflected in the board minutes;
- The minutes of the November 12, 2010 combined board meetings of CTRC and SPC, reflect that SPC was to invoice CTRC for the "...Market Research expense as well as the increased grant..." in reference to the increased financial support; and
- Following receipt of a single line invoice from SPC, payment of the \$60,000 in increased financial support was made by CTRC to SPC on November 16, 2010.

We conclude that the \$60,000 increase in financial support paid to SPC by CTRC requires further support documentation and recommend that CTRC request that SPC provide it enrolment data and other substantiating documentation to properly support the payment of \$60,000 on November 16, 2010.

Market Study-\$75,000 Contribution Funded by CTRC to SPC

Enquiries of senior management and examinations of documents were made disclosing the following:

- The Board minutes of September 14, 2010 for the combined Boards of CTRC and SPC reflect a motion being passed, following an in-camera meeting, approving a \$75,000 contribution by CTRC to SPC towards a market study; no further explanation of the board decision was documented in the Board minute;
- The market study was reportedly to be coordinated by SPC with input from CTRC staff;
- Following receipt of a single line invoice from SPC, payment of the \$75,000 contribution towards the Market Study was made by CTRC to SPC on November 16, 2010; and
- The raw market study data results, but with limited analysis, has now been received by CTRC.

We conclude that the \$75,000 contribution paid by CTRC to SPC towards the market study requires further support documentation. We recommend CTRC request that SPC provide it with substantiating documentation necessary to properly support the payment of \$75,000 by CTRC to SPC on November 16, 2010. We also recommend that CTRC request of SPC any further available analysis of the raw market study data contained in the material provided to date.

\$273,000 Internally Restricted Funds –Facilities

Enquiries of senior management and examinations of documents were made disclosing the following:

- CTRC confirmed in correspondence to the Ministry dated March 28, 2011 that \$273,000 of funds entitled “Internally Restricted Funds – Facilities” disclosed in the June 30, 2010 year-end financial statements were intact and segregated in the CTRC general ledger.

We were able to validate the above assertion by CTRC. We have also recommended that CTRC establish a separate, distinct trust bank account and that it transfer the \$273,000 of Internally Restricted Funds from the operating bank account where it presently resides, into a new separate trust account to improve transparency and accountability. Based on this recommendation CTRC is in process of establishing such a trust account.

Conclusion

Based upon our overall observations of the CTRC organization during the course of the Administrator’s mandate to date, we make the following conclusions:

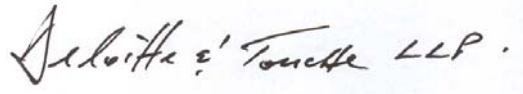
1. CTRC has been a provider of skills training, trade school accreditation and adult basic education to the communities it serves for approximately 38 years since its inception in or about 1973. In the past five years CTRC reports having delivered programs to approximately 9400 students from its class facilities in the communities of Humboldt, Watrous, Southey, Davidson and Wynyard, augmented by satellite delivery programs in other smaller communities;
2. CTRC delivers unique programming in adult basic education and skills training to First Nations communities such as One Arrow, Fishing Lake, George Gordon, Day Star and Muskowekan, and has been recognized for its proficiency in this area;
3. CTRC has expanded its course offerings on a remote, itinerant basis to communities such as Wakaw, Punnichy, Lannigan and Wadena;
4. The CTRC programs such as those for welding, electrical, plumbing, industrial mechanics, and carpentry, as well as practical nursing, continuing care aide, early childhood education, business and industry training and English as a second language, appear well aligned with the future needs of the Province of Saskatchewan given the developments in the mining sector, general economic growth and demographic trends; and
5. With the economic growth anticipated in the surrounding region, CTRC along with its head office community of Humboldt both stand to benefit from the expected demand for skilled talent, services and the anticipated economic spin-off.

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Going forward, we conclude that as CTRC re-establishes its board governance and CEO position, it should continue to be well positioned to serve its student body and supply trained talent to its chosen marketplaces.

Yours truly,

A handwritten signature in black ink that reads "Deloitte & Touche LLP." The signature is written in a cursive, flowing style.

DELOITTE & TOUCHE LLP

in its capacity as

Administrator of Carlton Trail Regional College

and not in its personal capacity

Graham Pearson CA, CIRP

Partner

Financial Advisory

Deloitte & Touche LLP