

IN THE MATTER OF THE BANKRUPTCY OF  
Blutip Power Technologies Inc.  
of the City of Mississauga in the Province of Ontario

**TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS  
ON PRELIMINARY ADMINISTRATION**

**BACKGROUND**

Blutip Power Technologies Inc. (“**Blutip**” or the “**Company**”) was a privately held corporation incorporated on April 24, 2012, under the *Business Corporations Act* (New Brunswick).

Blutip was a leader in smart fuel management solutions and data analytic services for operators of high-horsepower engine applications primarily in the mining industry. The Company was focused on improving engine fuel economy and reducing fuel particulates through the use of certain proprietary, patented and patent-pending fuel optimization and emissions control systems as well as extracting more accurate sensor data for smarter operational decision making.

The Company’s registered office and principal place of business was leased premises located at 6705 Millcreek Drive, Unit #4, Mississauga, Ontario (the “**Leased Premises**”).

As a result of Blutip’s poor financial performance and an imminent liquidity crisis, on May 30, 2018, Blutip filed an assignment in bankruptcy pursuant to the *Bankruptcy and Insolvency Act* (Canada) (“**BIA**”). Richter Advisory Group Inc. (“**Richter**”) was appointed trustee (the “**Trustee**”) of Blutip’s bankrupt estate by the Office of the Superintendent of Bankruptcy, subject to affirmation by the creditors at the first meeting of creditors.

**CAUSES OF BANKRUPTCY**

Blutip had experienced declining financial performance and sustained losses over the last several years. For the years ended December 31, 2016 and 2017, the Company incurred losses of approximately \$0.7 million and \$2.1 million, respectively. In addition, the Company reported a loss of \$0.8 million for the 4-month period ending April 30, 2018.

By May 2018, the Company’s losses had consumed a significant portion of Blutip’s working capital and with the loss of the Company’s two largest customers (July 2017 and May 2018) Blutip was no longer able to pay its obligations as they became due.

## FINANCIAL POSITION/ASSETS

As detailed in Blutip's Statement of Affairs, the estimated realizations from the Company's assets, as at the date of bankruptcy, are not expected to satisfy the amounts owed to Blutip's principal secured lenders Royal Bank of Canada ("**RBC**") and Fulmar Fund, Ltd. ("**Fulmar**").

In addition to limited cash, inventory and accounts receivable, the Company's assets include intellectual property – primarily its fuel optimization and emissions control systems patents (Australia, Chile, Columbia and Peru) and patents pending (Australia, Canada, Mexico and the United States).

The Company is also the sole shareholder of its foreign subsidiaries – Blutip Australia PTY Ltd. ("**Blutip Australia**") and Blutip USA Ltd. ("**Blutip USA**"). The Trustee understands that Blutip Australia has virtually no assets/limited operations and Blutip USA has no assets/no business activity.

## SECURED CREDITORS

According to the Company's Statement of Affairs, as at the date of bankruptcy, the amounts owed to the Company's secured creditors are estimated as follows:

Secured Creditor	(in \$000s) Amount
Royal Bank of Canada	26
Fulmar Fund, Ltd. (as agent)	700
<b>Total</b>	<b>726</b>

The amounts owing to RBC represent the estimated balance owing under the Company's corporate credit card facility. The Trustee understands that RBC is holding collateral (in the form of Guaranteed Investment Certificates) to secure the Company's obligations to RBC.

The amounts owing to Fulmar are in respect of two promissory notes issued by Blutip: the first in favour of Fulmar in the amount of \$610,000 (the "**Fulmar Note**"), and the second in favour of Coghill Capital Management, LLC in the amount of \$90,000 (the "**Coghill Note**" and together with the Fulmar Note, the "**Promissory Notes**"). Fulmar is the administrative agent for the Promissory Notes.

As at the date of this report, the Trustee has not obtained a legal opinion concerning the validity and enforceability of the security granted by the Company in favour of RBC and Fulmar (the "**Security Review**"). It is the intention of the Trustee to discuss the Security Review with the Inspectors to be appointed at the first meeting of creditors.

In addition to RBC and Fulmar, the Trustee is aware that Her Majesty in Right of Ontario Represented by the Ministry of Finance (the "**Ministry**") has also registered a security interest against Blutip under the *Personal Property Security Act* (Ontario).

## SECURITY FOR UNPAID WAGES – S.81.3 CLAIMS

The Trustee is in the process of reviewing the Company's records to determine what, if any, amounts are owed to the Company's former employees for wages and vacation pay that would qualify as claims pursuant to section 81.3 of the BIA. It is not anticipated that such claims will exceed \$10,000.

The Trustee, where applicable, will comply with the requirements of the *Wage Earner Protection Program Act*.

## PREFERRED CREDITORS

The Company's Statement of Affairs indicates that, as at the date of bankruptcy, there were no known preferred creditors.

## UNSECURED CREDITORS

The Company's Statement of Affairs indicates that there are approximately 14 unsecured creditors with claims totalling approximately \$177,392.25 (excluding any amounts owing to the Company's former landlord in respect of the Leased Premises and the Company's former employees in respect of termination and severance pay).

## CLAIMS FILED

As at 10:00 a.m. on the date of this report, the Trustee has recorded Proof of Claims filed, as follows:

	Claims Filed (#)	Amount (CAD)	Proxies in Favour of Trustee (#)	Amount (CAD)
Secured	5	37,385.16	1	2,000.00
Preferred	1	50,457.37	Nil	Nil
Unsecured	10	208,333.44	4	47,424.72
<b>TOTAL</b>	<b>5</b>	<b>\$ 296,175.97</b>	<b>1</b>	<b>\$ 49,424.72</b>

## CONSERVATORY AND PROTECTIVE MEASURES

In an effort to determine whether there is any third party interest in the Company's assets, including its intellectual property, the Trustee has commenced a process to market the Blutip assets to prospective interested parties (the "Sales Process"). It is the intention of the Trustee to further discuss the Sales Process with the Inspectors.

The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the BIA.

## **PREFERENCE PAYMENTS AND TRANSFERS UNDER VALUE**

The Trustee has not performed a review of the Company's books and records with respect to potential fraudulent preferences, settlements or transfers at undervalue, as defined in the BIA. It is the intention of the Trustee to discuss the scope of its review with the Inspectors.

## **TRUSTEE'S FEES**

In consideration for consenting to act in these proceedings, Fulmar has guaranteed payment of the Trustee's fees and disbursements, including the fees and disbursements of its legal counsel, to the maximum amount of \$100,000 should insufficient funds be available from Blutip's estate (the "**Guarantee**"). In support of the Guarantee, Fulmar has provided a deposit to the Trustee in the amount of \$50,000.

## **OTHER**

Further information relating to the Company's bankruptcy proceedings may be obtained from Richter's website at: <http://www.richter.ca/Folder/Insolvency-Cases/B/Blutip-Power-Technologies-Inc>

Dated at Toronto, Ontario, this 18<sup>th</sup> day of June, 2018.

## **RICHTER ADVISORY GROUP INC.**

in its capacity as Trustee of the estate of  
Blutip Power Technologies Inc.  
and not in its personal or corporate capacity



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Adam Sherman, MBA, CIRP, LIT