

Division N°: 01-Montréal  
Court N° : 500-11-060913-221  
Estate N° : 41-2819669

IN THE MATTER OF THE BANKRUPTCY OF:

EFFENCO DEVELOPMENT INC.

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TRUSTEE'S REPORT ON PRELIMINARY ADMINISTRATION

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**SECTION A - History**

1. Effenco Development Inc. (the « Debtor » or the « Company ») was founded in May 2006 and began its operations in energy solutions for heavy trucks in the city of Montreal, province of Quebec.
  2. On the 6<sup>th</sup> day of April 2022, the Debtor filed an assignment under the *Bankruptcy and Insolvency Act* ("BIA").
  3. The Debtor's management attributes its financial difficulties to significant development costs, operational difficulties, and insufficient sales, which led to a liquidity problem. Unfortunately, the management was unable to put in place the necessary funding to continue its operations.
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**SECTION B - Assets**

4. The assets are as follows:

(Unaudited – in thousands of \$)

	Value as per the Statement of Affairs	Realized value to date	Notes
Short-term assets	1 728	195	1
Equipment	195	0	2
Intellectual property	4 675	0	3
	<b>6 598</b>	<b>195</b>	4

Notes:

1. Short-term assets are mainly composed of inventories and cash.
2. The equipment is mainly composed of trucks and tools.
3. Intellectual property is mainly composed of about thirty patents, processes, software and databases.
4. All assets are encumbered in favor of creditors, details in section F, paragraph 14.

### SECTION C – Books and records, conservatory and protection measures and Company's operations

5. The Trustee took possession of the Company's books and records.
6. The Trustee took possession of the assets and made an inventory. The premises are secured.
7. The Trustee redirected the mail.
8. Letters have been sent to various subcontractors who have in their possession inventories of the Debtor.
9. Collection letters were sent to customers.
10. The Trustee opened a trust account at the Bank of Montreal.
11. There were no business operations carried out by the Trustee.

### SECTION D – Legal proceedings

12. To the Trustee's knowledge, currently there is only one ongoing legal procedure relating to the employment contract of a former employee. The Trustee will ensure that a notice of stay is sent in respect to this case.

### SECTION E – Provable claims

13. The provable claims are detailed as follows:

(Unaudited – in thousands of \$)

	As per Company's books and records	Received to date	Note
Preferred Creditors	0	262	1
Secured Creditors	9 058	8 399	2
Convertible debentures – secured	4 500	5 295	3
Ordinary Creditors	<u>3 981</u>	<u>3 356</u>	
	<b><u>17 539</u></b>	<b><u>17 312</u></b>	

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Notes :

- 1- The Debtor laid off its staff prior to the bankruptcy date. Unpaid wages and accumulated vacation was paid to former employees. Termination notices have not been paid and may be subject to the Wage Earner Protection Program.
- 2- Creditors are detailed in below section F.
- 3- The Company financed its development partially through the issuance of convertible debentures, which also benefit from security on the universality of the Company's assets.

## SECTION F – Secured claims

14. Secured creditors are as follows:

Nature of claim	Creditors	As per books and records (note 1) (Thousands \$)	Nature of security (note 2)
Operating Line of Credit	Bank of Montréal	2 880	Universality of movable property
Term loans	Bank of Montréal	162	Research and Development Tax Credits
	Business Development Bank of Canada	500	Universality of movable property
	BDC – Capital	2 983	Intellectual property
	Investissement Québec	2 533	Intellectual property
		<b>9 058</b>	
Debentures	BDC – Capital	2 125	Universality of movable property
	Investissement Québec	2 125	Universality of movable property
	GML	100	Universality of movable property
	FR Capital	65	Universality of movable property
	C3E	50	Universality of movable property
	8777527 Canada inc.	25	Universality of movable property
	Bryan Wallis	5	Universality of movable property
	David Arsenaault	5	Universality of movable property
		<b>4 500</b>	
		<b>13 558</b>	

Note 1 : Based on internal financial statements (unaudited) as at March 31, 2022.

Note 2 : The Trustee has not yet obtained an independent legal opinion on the validity of the security rights nor on the ranking of creditors.

## SECTION G - Anticipated realization and projected dividend

15. Considering that the estimated value of the assets (\$6.6 million) would be lower than the total secured claims (\$13.5 million), the Trustee does not anticipate any distribution to ordinary creditors.

## **SECTION H - Reviewable transactions and preferential payments**

16. The Trustee will review the books and records and report to the inspectors, if necessary.

## **SECTION I - Other subjects**

17. A company related to the Trustee (MNP LLP) acted as auditor of the Company during the past two years. The Trustee consulted with the major secured creditors and informed them of this situation, and they did not object to the Trustee acting in the file. The Trustee disclosed this conflict to the Office of the Superintendent of Bankruptcy and obtained a court order allowing him to act in this matter.
18. The Trustee proceeded to a call for tenders for the sale of the assets. The deadline to submit a tender offer is May 27, 2022, at 12:00 p.m. (noon).
19. The Trustee published the notice of bankruptcy in the Journal de Montréal, on April 23, 2022.
20. The Trustee will ensure that eligible employees are registered in the Wage Earner Protection Program for unpaid wages, vacations, and termination pay, if any.
21. The costs of this bankruptcy will be paid out from the realization of the assets. The Trustee received 25,000\$ from the Company prior to the filing of the bankruptcy.

DONE IN MONTREAL, this 6th day of May 2022

### **MNP LTD.**

In its capacity as Trustee in the bankruptcy of  
Effenco Development Inc.



Pierre Marchand, M.Sc., CPA, CMA, CIRP, LIT  
Senior Vice President