

District of: British Columbia
Division No.: 03 - Vancouver
Court No.: 11-3117708
Estate No.: 11-3117708

**IN THE MATTER OF THE BANKRUPTCY OF
ACUVA TECHNOLOGIES INC.**

**OF THE CITY OF VANCOUVER
IN THE PROVINCE OF BRITISH COLUMBIA**

TRUSTEE'S REPORT TO CREDITORS ON PRELIMINARY ADMINISTRATION

September 6, 2024

BACKGROUND AND CAUSES OF INSOLVENCY

Background

1. Acuva Technologies Inc. (“**ATI**” or the “**Company**”) is a privately held company incorporated in the province of British Columbia on October 1, 2014 and has a registered office in Burnaby, British Columbia.
2. ATI designs and produces products for water purification and surface disinfection and is the 100% shareholder of three foreign subsidiaries (the “**Foreign Subsidiaries**”):
 - a) Acuva Systems India Private Limited;
 - b) Acuva Technologies Europe GmbH; and
 - c) SAS Acuva Technologies (France).
3. The Trustee understands that the Foreign Subsidiaries were largely set up to access sales in foreign markets but have limited assets and liabilities. The Trustee has been informed that the director of these entities is taking steps to liquidate and otherwise wind-down the operations and does not expect any recovery to ATI.

Causes of Insolvency

4. The Company was unable to achieve profitable operations or raise capital sufficient to address its funding requirements. ATI is now unable to meet its obligations as they became due.

APPOINTMENT OF TRUSTEE IN BANKRUPTCY

5. On August 19, 2024, ATI filed an assignment in bankruptcy pursuant to section 49(1) of the *Bankruptcy and Insolvency Act* (the “**BIA**”). A Certificate of Bankruptcy for ATI was issued on the same date by the Official Receiver appointing FTI Consulting Canada Inc. (“**FTI**”) as Trustee. A copy of the Certificate of Bankruptcy is attached hereto as Appendix “A”.

PRELIMINARY EVALUATION OF ASSETS AND SECURITY INTEREST

Preliminary Evaluation of Assets

6. The assets of ATI are as follows:
 - a) Cash on hand at the date of bankruptcy;
 - b) Intellectual Property;
 - c) Inventory;
 - d) Accounts receivable; and
 - e) Office furniture and equipment.
7. Cash on hand at the date of bankruptcy was approximately \$140,000.
8. The estimated realizable value of the intellectual property and inventory is largely dependent on whether a transaction is completed with a strategic buyer. In a liquidation scenario, the Trustee expects that these assets would have little to no value.

9. The Trustee is in the process of issuing collection notices for ATI's accounts receivable. The Trustee understands that the balance of the accounts receivable noted on the statement of affairs is dated June 30, 2024 and as a result, certain accounts were collected prior to the bankruptcy date. Further, the balance included certain intercompany amounts that given the insolvency of the wider organization, will likely be uncollectable.
10. The Trustee estimates that the office furniture and equipment would have little value in a liquidation scenario.

Security Interest

11. ATI entered into a loan and royalty agreement dated July 19, 2019, with Genome British Columbia ("**Genome BC**"), pursuant to which Genome BC agreed to provide a non-revolving loan of \$1 million (the "**Genome BC Debt**"). The outstanding amount of the Genome BC Debt, including accrued interest, as at the bankruptcy date is estimated to be approximately \$1.3 million.
12. Pursuant to a general security agreement dated July 16, 2019, the Genome BC Debt is secured by a security interest in all property, assets and undertakings excluding the intellectual property of ATI. With respect to the intellectual property, Acuva has granted a "double negative pledge" to Genome BC whereby it has agreed:
 - a) not to grant any security interest in its intellectual property to any other person (a "**Negative Pledge**"); and
 - b) not to agree to a Negative Pledge with any current or future lender, without the consent of Genome BC.
13. The Trustee has not retained independent legal counsel at this stage pending the outcome of any potential sale process or distribution.

POSSESSION OF BOOKS AND RECORDS

14. The Trustee has attended the premises of the bankrupt and has taken steps to take possession of the physical books and records. In addition, the Trustee been provided with certain electronic records.

CONSERVATORY AND PROTECTIVE MEASURES

15. The Trustee has frozen the ATI bank accounts and taken steps to take possession of the cash on hand at appointment.
16. The Trustee has retained certain key employees to assist with accounts receivable collection, as well as creditor and former employee matters. All other employee access to online systems and physical access to the premises has been removed.
17. The Trustee has contacted ATI's insurer and been added as a loss payee to all relevant policies.

PROVABLE CLAIMS AND DESCRIPTION OF CREDITORS

18. The claims disclosed in the statement of affairs of ATI are summarized as follows:
 - a) Secured claim: approximately \$1.3 million; and
 - b) Unsecured claims: approximately \$5.5 million.
19. The secured claim is the estimated amount of Genome BC.
20. The Trustee anticipates receiving certain wage earner claims and is in the process of collecting the necessary information in order to submit the required documentation to the Wage Earner Protection Program.
21. The unsecured claims primarily relate to loans from the federal government, specifically the Ministers responsible for Pacific Economic Development Canada and Western Economic Diversification Canada.

LEGAL PROCEEDINGS, TRANSFERS UNDERVALUE, PREFERENCE PAYMENTS

22. The Trustee is aware of an amended notice of civil claim filed by the former president and/or chief executive officer of ATI in respect of termination amounts owing.
23. The Trustee is not ware of any other legal proceedings commenced against or by ATI.
24. The Trustee is not aware of any potential transfers at undervalue or preference payments.

THIRD-PARTY DEPOSITS AND GUARANTEES

25. Prior to the bankruptcy date, the Trustee was provided with a \$50,000 retainer (the “**Retainer**”) that is being held in FTI’s trust account. To the extent there are sufficient realizable assets to fund the Trustee’s fees and disbursements, the Retainer will be transferred to ATI’s estate account.

ASSET REALIZATION AND PROJECTED DISTRIBUTION

26. Several parties have contacted the Trustee to express their interest in the intellectual property and other assets of ATI and one party visited the premises of ATI during the week of August 26, 2024 to review inventory and meet with former management and has since submitted a non-binding term sheet to acquire the Company’s assets.
27. The Trustee is currently unable to provide an estimated realization and projected distribution as it will depend on whether a transaction with a strategic buyer is pursued or if the assets will be liquidated. Given the limited liquidity of the estate, a formal sale process would likely require additional funding should a transaction not be consummated in the immediate near-term.

OTHER MATTERS

28. There are no other matters.

FTI Consulting Canada Inc.

In its capacity as Trustee in Bankruptcy of
Acuva Technologies Inc.
and not in its personal capacity

A handwritten signature in blue ink, appearing to read "Mike Clark".

Mike Clark, LIT
Managing Director