

No. B-230306
Vancouver Registry
Estate No. 11-2959889



IN THE SUPREME COURT OF BRITISH COLUMBIA

IN BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE PROPOSAL OF
LA BICICLETTA BICYCLES INC.**

PETITIONER

SECOND REPORT OF THE PROPOSAL TRUSTEE

August 29, 2023

SECOND REPORT OF THE PROPOSAL TRUSTEE

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INTRODUCTION

1. On June 27, 2023, La Bicicletta Bicycles Inc. (“**Bicicletta**” or the “**Debtor**”), a private corporation formed under the laws of British Columbia, filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (“**BIA**”). FTI Consulting Canada Inc. (“**FTI**”) was appointed as the proposal trustee (the “**Proposal Trustee**”) in the NOI proceedings.
2. On July 25, 2023, an order (the “**Stay Extension Order**”) was granted by this Honourable Court extending the stay of proceedings to August 31, 2023 (the “**Stay Extension**”).
3. As described in the First Report of the Proposal Trustee dated July 19, 2023, the Debtor has undertaken an expedited sales process (the “**Sales Process**”) to solicit bids for the assets of the Debtor.
4. On August 29, 2023, the Debtor entered into an asset purchase agreement (the “**Sale Agreement**”) between Bicicletta and the CSL Sports Ltd. (“**CSL**” or the “**Purchaser**”), subject to approval of this Honourable Court. A copy of the Sale Agreement is attached hereto as Appendix “A”.
5. On August 29, 2023, the Debtor filed an application for an order (the “**Approval and Vesting Order**”), among other things:
 - a. approving the sale transaction (the “**Transaction**”) contemplated by the Sale Agreement and vesting the Debtor’s assets in the Purchaser, free and clear of any encumbrances;
 - b. directing the Proposal Trustee to retain such amounts as are required to pay obligations having priority to Royal Bank of Canada (“**RBC**”) and BDC Capital Inc. (“**BDC**”) and together with RBC, the “**Secured Creditors**”) and pay the

balance to BDC and RBC in such proportions as advised by the Secured Creditors; and

- c. declaring that the Debtor's former employees are eligible for payment pursuant to Section 5(5) of *Wage Earner Protection Program Act*, SC 2005, c 47 ("WEPPA"), as the Debtor meets the criteria prescribed by the *Wage Earner Protection Program Regulations*, SOR/2008-222.

PURPOSE

6. The purpose of this Second Report is to provide this Honourable Court and the Debtor's stakeholders with information with respect to:
 - a. the outcome of the Sales Process;
 - b. the key terms of the Sale Agreement;
 - c. the results of an independent review of the validity and enforceability of the security held by the Secured Creditors;
 - d. the WEPPA claims of certain former employees;
 - e. the proposed sources and uses of cash resulting from the Sale Agreement; and
 - f. the Proposal Trustee's conclusions and recommendations.

TERMS OF REFERENCE

7. In preparing this report, the Proposal Trustee has relied upon certain information (the "**Information**") including the Debtor's unaudited financial information, books and records and discussions with senior management of the Debtor ("**Management**").

8. Except as described in this report, the Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook.
9. The Proposal Trustee has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
10. Future-oriented financial information reported to be relied on in preparing this report is based on Management's assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
11. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

SALES PROCESS

12. As described in the First Report of the Proposal Trustee, the Debtor, in consultation with the Proposal Trustee, developed the Sales Process to solicit interest in the assets of Bicioletta on an expedited basis within the Debtor's available liquidity runway.
13. The Sales Process proceeded as follows:
 - a. on July 7, 2023 the Debtor sent an invitation for offers to approximately 43 potential investor groups, including approximately 14 strategic investors and 29 financial investors, which outlined a brief history of the Debtor, financial highlights, and the Sales Process timelines;
 - b. interested parties were admitted to a secure electronic data room;
 - c. potential purchasers were provided with a standard form of offer (each a "LOI");

- d. two LOIs and one expression of interest were received on or around the bid deadline of July 26, 2023. A summary of the LOIs is attached as Appendix “B”;
- e. the Debtor, in consultation with the Proposal Trustee and the Secured Creditors, evaluated the LOIs that were received and identified the LOI from CSL as superior to the others; and
- f. following negotiations with CSL, the Debtor, in consultation with the Secured Creditors and the Proposal Trustee, entered into the Sale Agreement as described in further detail below.

SALE AGREEMENT

14. The key commercial terms of the Sale Agreement are summarized as follows:

- a. the purchase price for the assets is \$500,000 (the “**Purchase Price**”), including \$485,000 to be paid to the Proposal Trustee in trust, in addition to \$15,000 previously paid by the Purchaser as a deposit, which is currently held in trust by the Proposal Trustee;
- b. the purchased assets (the “**Purchased Assets**”) include all of the assets relating to the Debtor’s business, excluding any cash and cash equivalents, contracts that are not being expressly assumed, and any assets that are identified to be subject to a valid purchase money security interests (“**PMSI**”) claim having priority over the security held by RBC;
- c. the Purchased Assets are being sold to the Purchaser on an “as-is, where-is” basis;
- d. the Purchaser shall not assume and shall not be liable for any debts, liabilities or other obligations of the Debtor;
- e. the outside closing date is August 31, 2023 (the “**Closing Date**);

- f. the Sale Agreement is subject to the following conditions being satisfied prior to the Closing Date:
 - i. receipt of the Approval and Vesting Order;
 - ii. the Purchaser having entered into employment or contractor agreements with each of Jon Bula and Graham Fox (the “**Founders**”), in a form and substance satisfactory to the Purchaser; and
 - iii. the Purchaser having received evidence in a form and substance satisfactory to the Purchaser, acting reasonably, of the full and final release of any and all guarantees granted by the Founders in connection with the business, including, without limitation, those to BDC and RBC (collectively, the “**Founders’ Releases**”).

15. The Secured Creditors support the Transaction and have agreed to provide the Founders’ Releases, subject to the following conditions being met:

- a. the Founders shall each provide the Secured Creditors with an updated personal statement of affairs accompanied with a statutory declaration confirming that the contents of each personal statement of affairs are complete and true. The Proposal Trustee has been advised that these have been provided to the Secured Creditors by the Founders;
- b. the Founders’ Releases shall be held in escrow by the Secured Lenders’ counsel, only to be released upon the occurrence of either (i) the net distribution of proceeds from the Transaction to the Secured Creditors pursuant to the Approval and Vesting Order is equal to or greater than \$530,000 (the “**Minimum Net Proceeds**”); or (ii) if the net distribution to the Secured Creditors is less than the Minimum Net Proceeds, any one or more of the Purchaser, the Debtors, or the Founders shall contribute additional amounts to the Purchase Price, such that the net distribution to the Secured Creditors is equal to or greater than the Minimum

Net Proceeds. In the event that the Secured Creditors do not receive the Minimum Net Proceeds, the Founders' Releases shall not be released from escrow and the Secured Creditors shall be entitled to commence or continue to enforce its security under the respective guarantees; and

- c. the Secured Creditors shall come to an agreement with respect to their respective share of the net proceeds of the Transaction.

16. The Proposal Trustee's high-level comments with respect to the Sales Process and the Sale Agreement are as follows:

- a. the Debtor, in consultation with the Proposal Trustee, developed the Sales Process;
- b. the Sales Process was fair and transparent and provided all participants with equal access to information and opportunity to submit an offer;
- c. the Debtor's assets were broadly marketed to a wide range of potential purchasers before and during the Sales Process;
- d. the Purchase Price represents the highest and best offer made to the Debtor and is superior to what would be achieved in a bankruptcy or forced liquidation of Bicicletta's assets;
- e. the Debtor does not have available liquidity to conduct any further marketing efforts in respect of its assets;
- f. the Sale Agreement is contingent on the on-going retention of the Founders and preserves the opportunity for the Purchasers to utilise Bicicletta's assets in a going-concern enterprise;
- g. the Sale Agreement is supported by the Secured Creditors;

- h. the Sale Agreement includes all of the Debtor's assets with the exception of the PMSI collateral (as set out in Schedule B to the Sale Agreement) and Excluded Contracts and Excluded Assets (as each is defined in the Sale Agreement); and
- i. if the Debtor is not able to complete the transaction contemplated by the Sale Agreement, it does not have sufficient liquidity to continue to operate as a going concern.

SECURITY REVIEW

17. As at August 29, 2023, the Debtor owes the Secured Creditors the following:

- a. approximately \$1.75 million to RBC, secured by a charge over all present and after-acquired personal property of the Debtor; and
- b. approximately \$2.0 million to BDC, secured by a charge over all present and after-acquired personal property of the Debtor.

18. RBC, BDC and the Debtor have entered a priority agreement dated May 17, 2022, governing priorities between RBC and BDC (the "**RBC and BDC Priority Agreement**").

19. Pursuant to the RBC and BDC Priority Agreement, up to certain principal limits, RBC has priority over BDC to all of the Debtor's personal property, other than with respect to the Debtor's intellectual property ("**IP**") and certain life insurance policies assigned to BDC as security (collectively, the "**BDC Priority Collateral**"). BDC in turn holds priority over RBC with respect to the BDC Priority Collateral.

20. The Proposal Trustee retained Dentons Canada LLP ("**Dentons**") as independent legal counsel to perform an independent review of the security held by each of RBC and BDC. Subject to the standard assumptions and qualifications outlined in each review, Dentons has opined that the security agreements granted by Bicicletta in favour of each of the

Secured Creditors constitute valid and binding obligations of the Debtor, enforceable against the Debtor in accordance with the terms thereof.

21. As set out in detail in the second affidavit of Graham Fox filed in these proceedings (the “**Second Fox Affidavit**”), RBC has registered its security interest as against all of the Debtor’s present and after acquired personal property first-in-time at the British Columbia personal property registry. BDC has registered its security interest as against all of the Debtor’s present and after acquired personal property at the British Columbia personal property registry as of May 16, 2022. The Second Fox Affidavit sets out detail of certain intervening registrations, and states that those registrations relate to assets that have been excluded from the Sale Agreement or returned to the secured parties, or to secured parties that have agreed to postpone their claims by way of priority agreement or agreement negotiated in connection with the Sale Agreement.

WEPPA

22. Seventeen former employees were identified by the Proposal Trustee as eligible for a claim under WEPPA. The eligible employees have all been paid their salaries up to the date of their termination, but are owed unpaid vacation and severance totalling approximately \$14,220 and \$45,106, respectively.
23. WEPPA claims form a super-priority charge over the Debtor’s current assets in respect of claims for unpaid wages and vacation up to a maximum of \$2,000 per claim. The Proposal Trustee is assisting the former employees and Service Canada with administering the WEPPA claims and anticipates receiving a priority claim from Service Canada for \$9,780.

SOURCES AND USES OF CASH

24. As described above, the Approval and Vesting Order provides for the Proposal Trustee to retain such amounts from the sales proceeds as is required to pay obligations having priority to the Secured Creditors and distribute the balance to BDC and RBC in such proportions as the Secured Creditors advise.

25. The only obligation having priority to BDC and RBC is the priority amount for WEPPA claims. All PMSI claims are in respect of assets that are excluded from the Transaction.
26. The sources and uses of cash resulting from the Transaction are summarized as follows:

Sources and Uses of Cash	
<i>(\$ thousands)</i>	
Sources	
Cash to Close	\$ 485
Deposit	15
Founders' Contributions	40
Total Sources	540
Uses	
WEPPA Priority Amount	10
Distributions to Secured Creditors	530
Total Uses	540

27. The Transaction is anticipated to result in full payment of the priority amounts owing in respect of WEPPA and the Secured Creditors will receive distributions totaling \$530,000.

CONCLUSIONS AND RECOMMENDATIONS

28. Overall, the assets of the Debtor have been broadly marketed in a fair and transparent manner and the Sale Agreement represents the highest and best recoveries available and will result in higher realizations to the Secured Creditors than would be realized in a forced liquidation.
29. Based on the forgoing, the Trustee respectfully recommends that this Honourable Court grant the Approval and Vesting Order.

All of which is respectfully submitted this August 29, 2023.

FTI Consulting Canada Inc.
in its capacity as Proposal Trustee of
La Bicicletta Bicycles Inc. and
not in its personal or corporate capacity



For: Tom Powell
Senior Managing Director



Mike Clark
Senior Director

Appendix A

Sale Agreement dated August 29, 2023

ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made as of August 29, 2023.

BETWEEN:

LA BICICLETTA BICYCLES INC., a corporation incorporated under the laws of British Columbia

(the “Vendor”)

AND:

CSL SPORTS LTD., a corporation incorporated under the laws of British Columbia

(the “Purchaser”)

BACKGROUND

- A. The Vendor carries on the business of selling bicycles and related clothing and accessories in both retail and online marketplaces (the “**Business**”).
- B. On June 27, 2023, the Vendor filed a Notice of Intention to Make a Proposal pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), and FTI Consulting Canada Inc. was appointed as the proposal trustee (in such capacity, the “**Proposal Trustee**”).
- C. On July 25, 2023, the Supreme Court of British Columbia in Bankruptcy and Insolvency (the “**Court**”) granted an order in Action No. B-230306, Vancouver Registry (the “**NOI Proceedings**”), among other things, extending the time within which the Vendor may file a proposal to its creditors up to and including August 31, 2023.
- D. The Vendor has agreed to sell, and the Purchaser has agreed to purchase, subject to certain exceptions listed in this Agreement, all the property, assets and undertaking of the Business, as a going concern, on the terms and subject to the conditions provided in this Agreement.

NOW THEREFORE in consideration of the premises and the covenants, agreements, representations, warranties and payments contained in this Agreement, the parties agree with the others as follows:

**ARTICLE I
PURCHASE AND SALE OF PURCHASED ASSETS**

1.01 Description of Purchased Assets

Upon the terms and subject to the conditions of this Agreement, the Vendor agrees to sell, assign and transfer to the Purchaser, and the Purchaser agrees to purchase from the Vendor, as a going concern at Closing, free and clear of all security interests, trusts, liens, mortgages, charges and encumbrances and claims of secured creditors, statutory or otherwise, in favour of any individual, body corporate, sole

proprietorship, partnership or trust or unincorporated association, unincorporated syndicate, unincorporated organization, or another entity, and a natural person, acting in his or her individual capacity or in his or her capacity as executor, trustee, administrator or legal representative, and any governmental authority (collectively, “**Encumbrances**”), the undertaking and all the property and assets of the Business of every kind and description wherever situate (collectively the “**Purchased Assets**”), including without limitation the following:

- (a) all furniture, fixtures, equipment, machinery, tools, vehicles, office equipment, supplies, computers, telephones and other tangible personal property;
- (b) all inventory, finished goods, raw materials, work in progress, packaging, supplies, parts and other inventories;
- (c) the accounts receivable, trade accounts, notes receivable and other debts owing to the Vendor in connection with the Business, and any security, claim, remedy or other right related to any of the foregoing;
- (d) all contracts, if any, set forth in Schedule “A” attached hereto (collectively, the “**Assigned Contracts**”);
- (e) all permits which are held by the Vendor and required for the conduct of the Business as currently conducted or for the ownership and use of the Purchased Assets;
- (f) all rights to any claim, action, suit, proceeding or governmental investigation (each, an “**Action**”) of any nature available to or being pursued by the Vendor to the extent related to the Business or the Purchased Assets, whether arising by way of counterclaim or otherwise;
- (g) all right and interest of the Vendor to all registered and unregistered trademarks, trade or brand names, copyrights, designs, restrictive covenants and other industrial or intellectual property used in connection with the Business, including, without limitation: (i) all software and other technology utilized in the business, including all web based platforms, configurations and data, (ii) the “LA BICICLETTA” Canadian trademark (registration number TMA470957) and (iii) all domain names owned by the company, including the “biciletta.cc” and “overthebars.cc” domain names;
- (h) all prepaid expenses, credits, advance payments, claims, security, refunds, rights of recovery, rights of set-off, rights of recoupment, deposits, charges, sums and fees;
- (i) all of the Vendor’s rights under warranties, indemnities and all similar rights against third parties to the extent related to any Purchased Assets; and
- (j) the goodwill of the Business including, but not limited to: (i) all books and records, including books of account, ledgers and general, financial and accounting records, machinery and equipment maintenance files, customer lists, email lists, customer purchasing histories, price lists, distribution lists, supplier lists, production data, quality control records and procedures, customer complaints and inquiry files, research and development files, records and data, sales material and records (including pricing history, total sales, terms and conditions of sale, sales and pricing policies and

practices), strategic plans, internal financial statements, marketing and promotional surveys, material and research and files, emails, data (including any and all information related to the Business on local hard drives and cloud based storage (including G-suite and Google drive)), and (ii) the right of the Purchaser to represent itself as carrying on the Business in continuation of and in succession to the Vendor and the right to use the name “*La Bicicletta*” or any variation thereof as part of or in connection with the Business.

1.02 Exclusions

Notwithstanding Section 1.01, the Purchased Assets shall not include the following assets (collectively, the “**Excluded Assets**”):

- (a) cash and cash equivalents;
- (b) contracts that are not Assigned Contracts (the “**Excluded Contracts**”);
- (c) the corporate seals, organizational documents, minute books, share certificate books, corporate tax returns or other records having to do with the corporate organization of the Vendor;
- (d) any goods and inventory of the Business in the Vendor’s possession that are subject to a “purchase money security interest” within the meaning of the *Personal Property Security Act*, R.S.B.C. 1996, c. 359, specifically the goods and inventory enumerated in Schedule “B” attached hereto to the extent such purchase money security interest has priority over the security held by the Royal Bank of Canada in the Vendor’s assets; and
- (e) the rights which accrue or will accrue to the Vendor under this Agreement.

ARTICLE II PURCHASE PRICE AND ALLOCATION

2.01 Purchase Price

The aggregate purchase price for the Purchased Assets shall be CAD \$[500,000] (the “**Purchase Price**”). The Purchaser has paid prior to the date hereof a CAD \$15,000 deposit towards the Purchase Price to the Proposal Trustee (the “**Deposit**”). The Purchaser shall pay the remainder of the Purchase Price to the Proposal Trustee in trust for the Vendor at Closing by wire transfer of immediately available funds in accordance with the wire transfer instructions provided by the Proposal Trustee.

The Deposit will be held in trust by the Proposal Trustee pending the Closing. If the Closing is not completed prior to the termination of this Agreement, upon termination of this Agreement the Vendor shall cause the Deposit to be forthwith refunded in full to the Purchaser by the Proposal Trustee. If the Closing is completed, the Deposit shall remain in trust with the Proposal Trustee (as a credit towards payment of the Purchase Price) to be released to the Vendor on the Closing.

2.02 Allocation of Purchase Price

Vendor and Purchaser agree to allocate the Purchase Price among the Purchased Assets for all purposes (including tax and financial accounting) in accordance with the allocation set forth in Schedule "C", with such changes as may be reasonably requested by the Purchaser and agreed to by the Vendor, such consent not to be unreasonably withheld or delayed. Purchaser and Vendor shall file all tax returns (including amended returns and claims for refunds) and elections required or desirable under the Income Tax Act (Canada) (the "Tax Act") in a manner consistent with such allocation.

2.03 GST

Purchaser and Vendor shall jointly make the elections provided for under section 167(1.1) of the *Excise Tax Act* (Canada) (the "GST Act") so that no goods and services tax ("GST") will be payable in respect of the transactions contemplated by this Agreement. Purchaser and Vendor shall complete the election forms (more particularly described as GST 44 GST Election Concerning Acquisition of a Business or Part of a Business) in respect of such elections. Purchaser shall file such elections no later than the due date for Purchaser's GST return for the first reporting period in which the GST would, in the absence of filing such elections, become payable in connection with the transactions contemplated by this Agreement.

2.04 Withholding Tax

Purchaser shall be entitled to deduct and withhold from the Purchase Price all taxes that Purchaser may be required to deduct and withhold under any applicable tax law. All such withheld amounts shall be treated as delivered to Vendor hereunder.

ARTICLE III NO LIABILITIES

3.01 No Liabilities

The Purchaser shall not assume and shall not be liable for any debts, liabilities or other obligations of the Vendor of any kind, whether known or unknown, contingent, matured or otherwise, whether currently existing or hereinafter created, including in respect of the employees of the Vendor.

ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE VENDOR

The Vendor represents and warrants to the Purchaser as follows as of the date hereof and as of Closing, with the intent that the Purchaser will rely on these representations and warranties in entering into this Agreement, and in concluding the purchase and sale contemplated by this Agreement.

4.01 Incorporation and Authorization of Vendor; Enforceability

Vendor is a corporation incorporated and validly existing under the laws of the province of British Columbia and has not been discontinued or dissolved under such law. Vendor has the corporate power and capacity to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance and the documents to be delivered hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the

part of Vendor. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by the Vendor. Subject to obtaining the Approval and Vesting Order (as defined below), this Agreement will constitute a legal, valid and binding obligation of the Vendor, enforceable against it in accordance with its terms except: (a) as limited by laws of general application relating to bankruptcy, insolvency and the relief of debtors; (b) as limited by rules of law governing specific performance, injunctive relief or other equitable remedies; and (c) as limited by general principles of equity.

4.02 No Conflicts; Consents

The execution, delivery and performance by Vendor of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions contemplated hereby, do not and will not: (a) violate or conflict with the articles of incorporation, by-laws or any unanimous shareholder agreement of Vendor; (b) violate or conflict with any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Vendor or the Purchased Assets; (c) conflict with, or result in (with or without notice or lapse of time or both) any violation of, or default under, or give rise to a right of termination, acceleration or modification of any obligation or loss of any benefit under any contract or other instrument to which the Vendor is a party or to which any of the Purchased Assets are subject; or (d) result in the creation or imposition of any Encumbrance on the Purchased Assets. No consent, approval, waiver or authorization is required to be obtained by Vendor from any person or entity (including any governmental authority) in connection with the execution, delivery and performance by Vendor of this Agreement and the consummation of the transactions contemplated hereby, other than the approval of the Court in the NOI Proceedings.

4.03 Sufficiency of Purchased Assets

The Purchased Assets are sufficient for the continued conduct of the Business after Closing in substantially the same manner as conducted before the Closing and constitute all of the rights, property and assets necessary to conduct the Business as currently conducted. None of the Excluded Assets are material to the Business.

4.04 Taxes

Vendor is not a non-resident of Canada within the meaning of the Tax Act.

4.05 As Is, Where Is

Except as expressly provided herein, the Purchaser acknowledges that: (i) it is purchasing the Purchased Assets on an "as is, where is" basis (without any recourse to the Vendor) and that the Purchaser has conducted such inspections of the Purchased Assets as it deems appropriate and has satisfied itself with regard to the condition of the Purchased Assets. Except as otherwise expressly provided in this Agreement, no representation, warranty or condition whether statutory, expressed or implied, oral or written, is given by the Vendor as to description, fitness or purpose, merchantability, condition, quality, suitability, durability, or marketability of the Purchased Assets and all of the same are expressly excluded. The Purchaser acknowledges and agrees that it has inspected the Purchased

Assets and has relied on its own investigations as to the matters set out above and in determining to purchase the Purchased Assets pursuant to this Agreement.

ARTICLE V REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Vendor as follows, with the intent that the Vendor will rely on these representations and warranties in entering into this Agreement, and in concluding the purchase and sale contemplated by this Agreement.

5.01 Incorporation and Authority of Purchaser; Enforceability

Purchaser is a corporation incorporated and validly existing under the law of the province of British Columbia. Purchaser has the corporate power and capacity to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance by Purchaser of this Agreement and the documents to be delivered hereunder and the consummation of the transactions hereby have been duly authorized by all requisite corporate action on the part of Purchaser. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by Purchaser. Subject to obtaining the Approval and Vesting Order (as defined below), this Agreement will constitute a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms except: (a) as limited by laws of general application relating to bankruptcy, insolvency and the relief of debtors; (b) as limited by rules of law governing specific performance, injunctive relief or other equitable remedies; and (c) as limited by general principles of equity.

5.02 No Conflicts; Consents

The execution, delivery and performance by Purchaser of this Agreement and the documents to be delivered hereunder, and the consummation of the transactions contemplated hereby, do not and will not: (a) violate or conflict with the articles of incorporation, by-laws or any unanimous shareholder agreement of Purchaser; or (b) violate or conflict with or result in any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Purchaser. No consent, approval, waiver or authorization is required to be obtained by Purchaser from any person or entity (including any governmental authority) in connection with the execution, delivery and performance by Purchaser of this Agreement and the consummation of the transactions contemplated hereby.

ARTICLE VI COVENANTS

6.01 Conduct of Business

Until Closing, the Vendor shall conduct the Business diligently and only in the ordinary course and will use its commercially reasonable efforts to preserve the Purchased Assets intact and to preserve for the Purchaser its relationship with its suppliers, customers and others having business relations with it.

6.02 Change of Name

The Vendor shall, on the Closing Date, change its name to a name that does not include any of the words "*La Bicicletta*" or "Over the Bars"

6.03 Access by Purchaser

The Vendor shall give to the Purchaser and Purchaser's counsel, accountants and other representatives reasonable access, during normal business hours throughout the period prior to Closing, to all of the properties, books, contracts, commitments and records of the Vendor relating to the Business and the Purchased Assets, and shall furnish to the Purchaser during that period all such information as the Purchaser may reasonably request.

6.04 Procure Consents

The Vendor shall diligently take all reasonable steps required to obtain, before Closing, all consents to the assignments of the Assigned Contracts and any other of the Purchased Assets for which a consent is required.

6.05 Employees

The Purchaser shall, in its sole and absolute discretion, be at liberty to offer employment to any existing employees of the Vendor on terms similar to or substantially similar to their current terms or otherwise. For clarity, the Purchaser shall have no liability for any employees of the Vendor that do not accept an offer of employment from the Vendor, or that are not offered such employment.

ARTICLE VII SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS

7.01 Vendor's Representations, Warranties and Covenants

All representations, warranties, covenants and agreements made by the Vendor in this Agreement or under this Agreement shall, unless otherwise expressly stated, survive Closing, and shall continue in full force and effect for the benefit of the Purchaser.

7.02 Purchaser's Representations, Warranties and Covenants

All representations, warranties, covenants and agreements made by the Purchaser in this Agreement or under this Agreement shall, unless otherwise expressly stated, survive Closing, and shall continue in full force and effect for the benefit of the Vendor.

ARTICLE VIII CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE PURCHASER

8.01 Conditions to Obligations of Purchaser.

All obligations of the Purchaser under this Agreement are subject to the fulfilment at or before Closing of the following conditions:

- (a) the Vendor's representations and warranties contained in this Agreement and in any certificate or document delivered under this Agreement or in connection with the transactions contemplated by this Agreement will be true at and as of Closing as if such representations and warranties were made at and as of such time;

- (b) the Vendor will have performed and complied with all agreements, covenants and conditions required by this Agreement to be performed or complied with by it before or at Closing;
- (c) the Purchaser having entered into employment or contractor agreements with each of Graham Fox and Jon Bula (together, the “**Principals**”), in form and substance satisfactory to the Purchaser;
- (d) the Purchaser having received evidence in form and substance satisfactory to the Purchaser, acting reasonably, of the full and final release of any and all guarantees granted by the Principals in connection with the Business, including without limitation the personal guarantees granted by the Principals, and each of them, to the Royal Bank of Canada and the Business Development Bank of Canada, as applicable;
- (e) there shall not have occurred any material damage or material adverse effect to the Purchased Assets or Business between the date of this Agreement and the Closing; and
- (f) the Vendor will have delivered all of the Vendor’s deliverables on Closing in accordance with section 11.02 of this Agreement.

Each of the foregoing conditions is for the exclusive benefit of the Purchaser and any such condition may be waived in whole or part by the Purchaser at or before Closing by delivering to the Vendor a written waiver to that effect signed by the Purchaser.

**ARTICLE IX
CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE VENDOR**

9.01 Conditions to Obligations of Vendor.

All obligations of the Vendor under this Agreement are subject to the fulfilment, before or at Closing, of the following conditions:

- (a) the Purchaser’s representations and warranties contained in this Agreement will be true at and as of Closing as though such representations and warranties were made as of such time;
- (b) the Purchaser will have performed and complied with all covenants, agreements and conditions required by this Agreement to be performed or complied with by it at or before Closing; and
- (c) the Purchaser will have delivered all of the Purchaser’s deliverables on Closing in accordance with section 11.03 of this Agreement.

Each of the foregoing conditions is for the exclusive benefit of the Vendor and any such condition may be waived in whole or part by the Vendor at or before Closing by delivering to the Purchaser a written waiver to that effect signed by the Vendor.

**ARTICLE X
MUTUAL CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE PARTIES**

10.01 Conditions to Obligations of the Parties.

All obligations of the Purchaser and the Vendor under this Agreement are subject to the fulfilment, before or at Closing, of the following conditions:

- (a) an order of the Court in the NOI Proceedings, in substance acceptable to the parties and the Proposal Trustee, approving this Agreement and, subject to the payment of the Purchase Price, providing for the vesting in the Purchaser of the right, title and interest, if any, of the Vendor in and to the Purchased Assets, free and clear of any and all Encumbrances (the “**Approval and Vesting Order**”) will have been granted and will not have been stayed, varied or vacated, and no order will have been issued and no action or proceeding will be pending to restrain or prohibit the completion of the transactions contemplated by this Agreement; and
- (b) there will have been no action taken under any applicable law, or by any governmental authority or court, which would make it illegal or would otherwise directly or indirectly restrain, enjoin, or prohibit the completion of the transactions contemplated by this Agreement.

The parties hereto acknowledge that the foregoing conditions are for the mutual benefit of the Vendor and the Purchaser.

**ARTICLE XI
CLOSING**

11.01 Closing

Subject to the terms and conditions of this Agreement, the purchase and sale of the Purchased Assets will be completed (the “**Closing**”) at the offices of Fasken Martineau DuMoulin LLP, legal counsel to the Purchaser, in the City of Vancouver, or by the electronic exchange of documents as mutually agreed by the parties, on the date on which the conditions precedent set out in sections 8.01, 9.01 and 10.01 are satisfied or waived (the “**Closing Date**”).

11.02 Closing Deliverables of the Vendor

At the Closing the Vendor will deliver or cause to be delivered to the Purchaser:

- (a) assignments in form and substance satisfactory to Purchaser (the “**IP Assignments**”) duly executed by Vendor, transferring all of Vendor's right, title and interest in and to the domain name registrations and trademark registrations included in the Purchased Assets to Purchaser;
- (b) an assignment and assumption agreement in form and substance satisfactory to Purchaser (the “**Assignment and Assumption Agreement**”) duly executed by Vendor, effecting the assignment to and assumption by Purchaser of the Assigned Contracts;

- (c) all consents or approvals obtained by the Vendor for the purpose of validly assigning the Assigned Contracts;
- (d) the tax elections required by Section 2.02 duly executed by Vendor;
- (e) an acknowledgement of receipt of the Purchase Price in accordance with section 2.01 of this Agreement, duly executed by the Vendor;
- (f) a fully executed copy of the certificate to be filed in the NOI Proceedings by the Proposal Trustee and delivered to the Purchaser confirming that the Purchaser has paid the Purchase Price and that all conditions precedent to his Agreement have been satisfied or waived, all in accordance with the Approval and Vesting Order (the “**Proposal Trustee’s Certificate**”); and
- (g) such further and other documentation as is referred to in this Agreement or as the Purchaser may reasonably require to give effect to this Agreement.

11.03 Closing Deliverables of the Purchaser

At the Closing the Purchaser will deliver or cause to be delivered to or at the direction of the Vendor:

- (a) the Purchase Price in the manner set forth herein;
- (b) the IP Assignments, duly executed by Purchaser;
- (c) the Assignment and Assumption Agreement, duly executed by Purchaser;
- (d) the tax elections required by Section 2.02 duly executed by Purchaser; and
- (e) such further and other documentation as is referred to in this Agreement or as the Vendor may reasonably require to give effect to this Agreement.

ARTICLE XII TERMINATION

12.01 Termination

This Agreement may be terminated at any time before the Closing:

- (a) by the mutual written consent of Vendor and Purchaser;
- (b) by Purchaser by written notice to Vendor if: (i) Purchaser is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Vendor under this Agreement that would give rise to the failure of any of the conditions specified herein and such breach, inaccuracy or failure has not been cured by Vendor within five (5) days of Vendor’s receipt of written notice of such breach from Purchaser; or (ii) any of the conditions set forth in Section 8.01 or Section 10.01 shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by August 31st, 2023 (the “**Outside Date**”), unless such failure shall be due to the failure of Purchaser

to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it before the Closing; or

- (c) by Vendor by written notice to Purchaser if: (i) Vendor is not then in material breach of any provision of this Agreement and there has been a breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Purchaser under this Agreement that would give rise to the failure of any of the conditions specified herein and such breach, inaccuracy or failure has not been cured by Purchaser within five (5) days of Purchaser's receipt of written notice of such breach from Vendor; or (ii) any of the conditions set forth in Section 9.01 or Section 10.01 shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by the Outside Date, unless such failure shall be due to the failure of Vendor to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it before the Closing.

12.02 Effect of Termination.

In the event of the termination of this Agreement in accordance with this Article XII, this Agreement shall forthwith become terminated and of no further force and effect and there shall be no liability on the part of any party hereto except: (a) as set forth in this Article XII and Article XIII; and (b) that nothing herein shall relieve any party hereto from liability for any wilful breach of any provision hereof.

ARTICLE XIII GENERAL

13.01 Further Assurances.

Following the Closing, each of the parties hereto shall execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the documents to be delivered hereunder.

13.02 Notice

All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 13.02:

If to Vendor: **LA BICICLETTA BICYCLES INC.**
c/o McCarthy Tetrault LLP

745 Thurlow St., Suite 2400
Vancouver, BC V6E 0C5
Email: lwilliams@mccarthy.ca/pjawanda@mccarthy.ca/
jkreclark@mccarthy.ca
Attention: Lance Williams, Pavan Jawanda and Jenna Clark

If to Purchaser: **CSL SPORTS LTD.**
Email: alex@conconi.ca, msteenburgh@gmail.com and
taylor@conconi.ca
Attention: Alex Conconi, Malcom Steenburgh and Taylor Little

with a copy to: Fasken Martineau DuMoulin LLP
2900 – 550 Burrard Street, Vancouver, BC, V6C 0A3
Email: abharmal@fasken.com
Attention: Ally Bharmal

If to Proposal Trustee: **FTI CONSULTING CANADA INC.**, in its capacity as
Proposal Trustee
701 W Georgia Street, #1450
Vancouver BC V7Y 1B6
Email: tom.powell@fticonsulting.com
Attention: Tom Powell

13.03 Entire Agreement

This Agreement constitutes the entire agreement between the parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties and there are no representations, warranties or other agreements between the parties, express or implied, in connection with the subject matter of this Agreement except as specifically set out in this Agreement or in any of the other agreements and documents delivered under this Agreement. No Party has been induced to enter into this Agreement in reliance on, and there will be no liability assessed, either in tort or contract, with respect to, any warranty, representation, opinion, advice or assertion of fact, except to the extent it has been reduced to writing and included as a term in this Agreement or in any of the other agreements and documents delivered under this Agreement.

13.04 Amendment

No amendment of this Agreement will be binding unless made in writing by all the parties to this Agreement.

13.05 Assignment

This Agreement may not be assigned by any party without the prior written consent of the other party, which consent may be arbitrarily withheld.

13.06 Time of the Essence

Time will be of the essence of this Agreement.

13.07 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the exclusive jurisdiction of the courts of the Province of British Columbia.

13.08 Successors and Assigns

This Agreement will enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns. Any action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby may be brought in the courts of the province of British Columbia located in Vancouver, and each party irrevocably submits and agrees to attorn to the exclusive jurisdiction of such courts in any such action or proceeding.

13.09 Headings

The headings appearing in this Agreement are inserted for convenience of reference only and will not affect the interpretation of this Agreement.

13.10 Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

AS EVIDENCE OF THEIR AGREEMENT the parties have executed this Agreement as of the day and year first above written.

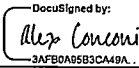
LA BICICLETTA BICYCLES INC.

By _____

Name:

Title:

CSL SPORTS LTD.

By  _____

Name: Alexander Conconi

Title: Director

SCHEDULE "A"
ASSIGNED CONTRACTS

Nil.

SCHEDULE "B"
EXCLUDED PMSI ASSETS

1. Ford T250 with security in favour of Ford Credit Canada Leasing, Division of Canada Road Leasing Company, evidenced by British Columbia Personal Property Registry base registration number 566832M;
2. All software, licences, or upgrades supplied or financed by CWB National Leasing Inc., and subject to the security granted in favour of CWB National Leasing Inc., evidenced by British Columbia Personal Property Registry base registration number 319056N
3. All goods or inventory supplied or financed by Dorel Industries, Inc. trading name Cycling Sports Group Canada, and subject to the security granted in favour of Dorel Industries, Inc. trading name Cycling Sports Group Canada, evidenced by British Columbia Personal Property Registry base registration number 129881P; and,

All goods or inventory supplied or financed by LTP Sports Group Inc. and Live to Play Sports after April 2016 and subject to the security granted in favour of LTP Sports Group Inc. and Live to Play Sports evidenced by British Columbia Personal Property Registry base registration number 126365L, and subject to the priority agreement between LTP Sports Group Inc. and Live to Play Sports and RBC, registered pursuant base registration number 374836J.

SCHEDULE "C"
PURCHASE PRICE ALLOCATION

Purchase Price	\$500,000.00
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Allocated as follows:

Release of Guarantee from Jon Bula	\$101,600.00
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Release of Guarantee from Graham Fox	\$101,600.00
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Inventory	\$291,700.00
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Fixed Assets	\$5,000.00
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Goodwill	\$100.00
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Appendix B

Summary of LOIs

La Bicicletta Bicycles Inc. - Summary of LOIs Received

Purchaser	Offer type	Closing Date	Offer amount	Notes
CSL Sports Ltd.	En bloc	8/31/2023	500,000	Cash consideration paid on close. Conditional on: (1) Court approval of the transaction; (2) execution of a mutual release of the Founders' guarantees; and (3) the execution of new contractor/employee contracts with the Founders and certain key employees. \$15,000 deposit received.
Raymond Lanctot Ltd.	En bloc	8/31/2023	150,000	Cash consideration paid on close. Condition on Court approval of the transaction. \$15,000 deposit received.
Tiny Capital	N/A	N/A	N/A	Expression of interest, but no offer submitted. Indicated interest in providing funding on go-forward working capital basis and an intention to give the Secured Creditors minority equity interests. Offer subject to a minimum due diligence period of 2 weeks.