



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

FIRST REPORT OF THE PROPOSAL TRUSTEE

July 19, 2023

FIRST REPORT OF THE PROPOSAL TRUSTEE

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INTRODUCTION

1. On June 27, 2023, La Bicicletta Bicycles Inc. (“**Bicicletta**” or the “**Company**”), 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**”). Attached as Appendix “A” hereto is the Certificate of Filing of a Notice of Intention to Make a Proposal issued by the Office of the Superintendent of Bankruptcy (the “**OSB**”).
2. FTI Consulting Canada Inc. (“**FTI**”) was appointed as the proposal trustee (the “**Proposal Trustee**”) in the NOI proceedings.
3. On July 19, 2023, the Company filed a Notice of Application seeking an order (the “**Stay Extension Order**”) extending the stay of proceedings to August 31, 2023 (the “**Stay Extension**”).

PURPOSE

4. The purpose of this First Report is to provide this Honourable Court and the Company’s stakeholders with information with respect to:
 - a. an overview of Bicicletta and the causes of its insolvency;
 - b. the activities of the Company since the filing of the NOI;
 - c. an updated cash flow statement (the “**Cash Flow Statement**”) for the seven-week period ending September 3, 2023 (the “**Forecast Period**”), including the key assumptions on which the Cash Flow Statement is based;
 - d. Bicicletta’s application for the Stay Extension; and
 - e. the Proposal Trustee’s conclusions and recommendations.

TERMS OF REFERENCE

5. In preparing this report, the Proposal Trustee has relied upon certain information (the “**Information**”) including the Applicants’ unaudited financial information, books and records and discussions with senior management of the Company (“**Management**”).
6. 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.
7. 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.
8. 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.
9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

OVERVIEW AND CAUSES OF INSOLVENCY

10. Bicletta was established in 1984 and is a well established brand in Vancouver’s cycling community. Over the course of several years, the Company grew to be one of Canada’s largest online bike stores, reporting annual sales of approximately \$18 million in 2021.
11. Following increased demand experienced in 2021, at the height of the COVID-19 pandemic, the company bolstered its presence in the marketplace and expanded its offerings.

12. Due to oversupply of inventory and declining industry demand, the Company experienced financial difficulties in 2022 as sales decreased and costs escalated related to its recent expansion.
13. The Company has financed its operations through a secured revolving facility from the Royal Bank of Canada (“**RBC**”). Other secured parties include BDC Capital Inc. (“**BDC**”), a wholly-owned subsidiary of Business Development Bank of Canada, and certain vendors.
14. As the Company began experiencing liquidity challenges, it became unable to pay its liabilities as they became due and on June 16, 2023, RBC issued a Notice of Intention to Enforce Security with the 10 day notice period expiring on June 26, 2023. In addition to the demand made by RBC, Bicicletta was also informed that its landlord was preparing to exercise its right to terminate the leases.
15. As a result of the foregoing, the Company filed an NOI with the OSB on June 27, 2023 (the “**Filing Date**”).
16. Electronic copies of all materials filed by the Company in connection with the NOI proceedings are available on the Proposal Trustee’s website at:
<http://cfcanada.fticonsulting.com/bicicletta>.

ACTIVITIES OF BICICLETТА

17. Since filing the NOI, the Company has significantly reduced its headcount, curtailed operating costs and vacated two of its premises, including one of its warehouses and its storefront located in Vancouver BC.
18. Bicicletta has worked with the Proposal Trustee to prepare the initial notice to creditors, cash flow forecast and other required statutory obligations. The notices were mailed out to all known creditors on June 30, 2023 and the cash flow forecast was filed with the OSB on the same date.

19. Prior to the NOI, Management were in discussions with several parties regarding potential bridge financing, refinancing or sale transactions.
20. Since filing the NOI, the Company has commenced an expedited sales process (the “**Sales Process**”) undertaking the following activities:
 - a. preparing and distributing an invitation for offers, attached as Appendix “**B**”, on July 7, 2023 to 42 potential investor groups outlining a brief history of the Company, financial highlights and the process timelines;
 - b. preparing a non-disclosure agreement and populating a data room hosted by the Proposal Trustee;
 - c. preparing a confidential information memorandum for review by interested parties; and
 - d. hosting management presentations with interested parties.
21. An extension of the NOI proceedings to August 31, 2023 is required to evaluate any offers that may be received by the July 26, 2023 offer deadline and to seek Court approval of any potential transaction.
22. The Company, in consultation with the Proposal Trustee, has kept RBC and BDC apprised of the activities of Bicicletta to date and understands that they are supportive of the Stay Extension.

CASH FLOW STATEMENT

23. The Company has prepared the Cash Flow Statement to set out the liquidity requirements and cash position of Bicicletta during the Forecast Period. A copy of the Cash Flow Statement is attached as Appendix “**C**”.
24. A summary of the Cash Flow Statement is set out in the below table:

La Bicietta Bicycles, Inc. - Cash Flow Statement (CAD)			
Period End	Weeks 1-3 30-Jul	Weeks 4-10 24-Sep	Weeks 1-10 Total
Opening Net Cash	(1,619,448)	(1,546,504)	(1,619,448)
Receipts	569,992	684,250	1,254,242
Disbursements			
Supplier Payments	298,560	305,785	604,345
Payroll And Benefits	77,913	152,000	229,913
Rent	21,807	35,425	57,232
Financing Costs	27,472	18,000	45,472
Insurance/Leases	12,147	7,559	19,706
Gst/Pst Remittances	-	50,000	50,000
Freight	3,154	14,000	17,154
Professional Fees	25,000	118,000	143,000
Other Operating Disbursements	30,994	84,000	114,994
Total Disbursements	497,047	784,769	1,281,816
Net Cash Flow	72,944	(100,519)	(27,575)
Closing Net Cash	(1,546,504)	(1,647,023)	(1,647,023)

25. The Cash Flow Statement projects the Company will have negative cash flow of approximately \$100,000 over the Forecast Period, including
- a. receipts of approximately \$680,000, primarily related to the sell-through of existing inventory that is expected to be substantially reduced during the Forecast Period as well as new stock purchased during the Forecast Period; and
 - b. disbursements of approximately \$780,000, primarily relating to supplier payments, payroll and benefits, rent, other operating disbursements and professional fees (including the fees and disbursements of the Proposal Trustee, counsel to the Company, and counsel to the Proposal Trustee).
26. The Cash Flow Statement has been prepared by the Company using probable and hypothetical assumptions set out in the notes to the Cash Flow Statement, including assumptions that goods and services incurred after the Filing Date are paid when incurred.
27. The Proposal Trustee's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to the information supplied to it by the

Company. Since probable and hypothetical assumptions need not be supported, the Proposal Trustee's procedures were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement, and there are no material assumptions contained therein which seem unreasonable in the circumstances.

28. Based on the Proposal Trustee's review, as at the date of this report, nothing has come to its attention that causes it to believe that, in all material respects:

- a. the probable and hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement; and
- b. the probable and hypothetical assumptions developed by the Company are not supported and consistent with the plan of the Company or do not provide a reasonable basis for the Cash Flow Statement.

STAY EXTENSION

29. The Proposal Trustee's comments with respect to Bicicletta's application for the Stay Extension are as follows:

- a. the Stay Extension will allow Bicicletta time to seek to close any offers received as a result of the Sales Process;
- b. the Company is acting in good faith and with due diligence in taking steps to restructure its business;
- c. the Cash Flow Statement indicates that the Company will have sufficient liquidity to continue to fund the operations and the cost of the NOI proceedings to August 31, 2023;
- d. the Company's prospects of a viable proposal will be enhanced if the Stay Extension Order is granted; and

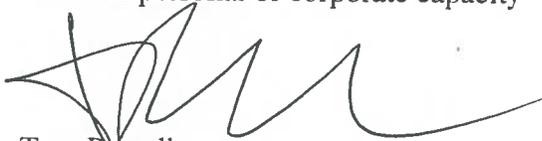
- e. the Proposal Trustee is of the view that the Stay Extension is in the best interests of the Company's creditors.

CONCLUSIONS AND RECOMMENDATIONS

30. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court grant the Stay Extension Order.

All of which is respectfully submitted this July 19, 2023.

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



Tom Powell
Senior Managing Director



Mike Clark
Senior Director

Appendix A

Certificate of Filing of a Notice of Intention to Make a Proposal



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of British Columbia
Division No. 03 - Vancouver
Court No. 11-2959889
Estate No. 11-2959889

In the Matter of the Notice of Intention to make a proposal of:

La Bicicletta Bicycles Inc.

Insolvent Person

FTI CONSULTING CANADA INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

June 27, 2023

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: June 28, 2023, 13:07

E-File/Dépôt Electronique

Official Receiver

300 Georgia Street W, Suite 2000, Vancouver, British Columbia, Canada, V6B6E1, (877)376-9902

Canada

Appendix B

Invitation for Offers



LA BICICLETTA BICYCLES, INC (BICICLETTA) INVITATION FOR OFFERS TO PURCHASE

BRAND STORY

La Bicicletta Bicycles was established in 1984. Initial success came from focusing on partnerships with premium brands. With a robust ECOM presence, they grew exponentially from \$3.8M in 2018 to \$18M and 100,000 subscribers in 2021 becoming Canada's largest online bike store - a unique success in the Canadian market. A sluggish response to market changes in early 2022 have rendered their current business model unsustainable. Consequently, a formal restructuring is necessary, presenting an exciting opportunity for the ideal partner to capitalize on the evolving market dynamics.

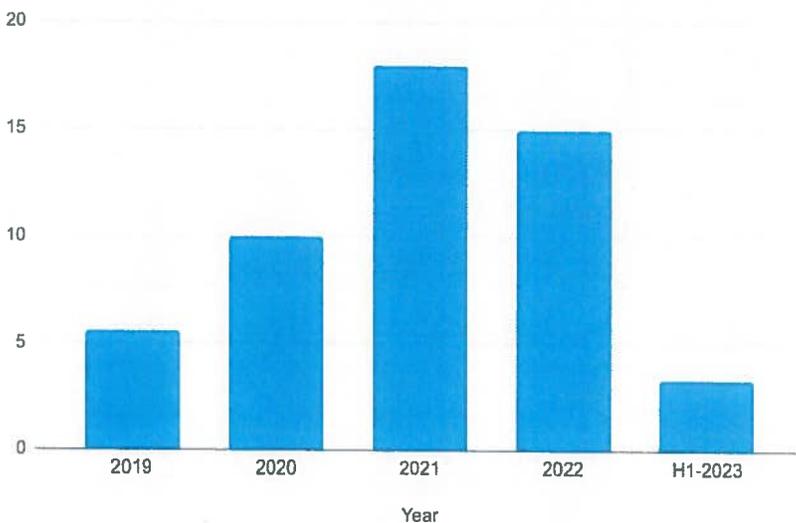
PROCESS BACKGROUND

On June 27, 2023 BICICLETTA (the "Company") filed a Notice of Intention to file a proposal and FTI Consulting Canada Inc. was appointed as Proposal Trustee. The Company is seeking offers for the investment in or the purchase of its listed assets.

IDEAL BUYER

The ideal buyer would work with Graham and Jon to start a new company and involve many of the existing staff. This new company would make an offer to purchase key assets from the Company. As part of this, the partner would bring an equity investment to fund the purchase price and capitalization of newco to be the Canadian market leader in high end bike sales.

ANNUAL SALES



TAKE OUR WHEEL.



TAKE OUR LINE.



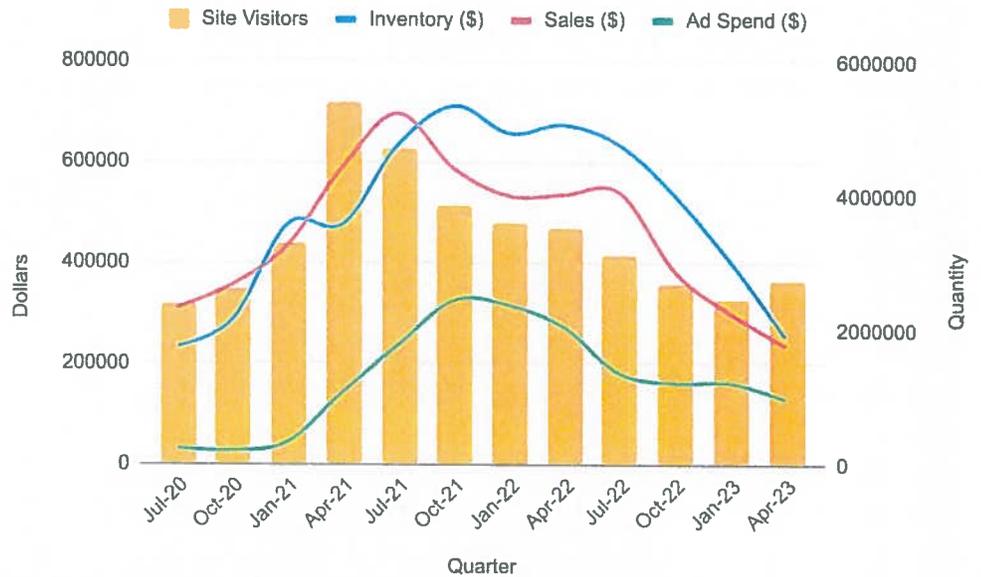


LA BICICLETTA BICYCLES, INC (BICICLETTA) INVITATION FOR OFFERS TO PURCHASE

KEY FIGURES

Persistent customer demand despite insufficient capitalization

There is a strong correlation between sales, inventory levels and ad spend. All three are down 50% H1-2022 to H1-2023. Site visitors are only down 25% over the same period. This is a strong indication of continuing customer demand that a properly capitalized business would be able to take advantage of.



WEBSITE METRICS

	2023YTD	2022	Since 2018
Store Sessions	800k	2.1 million	6.8 million
Orders	9,500	39,000	132,000
Average Cart Size	\$372	\$380	\$339

ASSETS

The following list enumerates some of the key assets included as part of this sale:

- Brand Name and Trademark (Bicicletta),
- Domain Name (bicicletta.cc and Overthebars.cc)
- Shopify based marketing, sales and fulfillment (direct and virtual) infrastructure including over 7000 products from 300 brands
- Email Marketing List of >100,000 people
- Physical Inventory
- Team of 15 people able to fully service the business
- Marketing lists
- Retail and warehouse fixturing and service tools



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TAKE OUR LINE.





LA BICICLETTA BICYCLES, INC (BICICLETTA) INVITATION FOR OFFERS TO PURCHASE

INVENTORY

BICICLETTA owns inventory with an estimated retail value of \$1.5M. The inventory includes a diverse offering of premium products from over 300 brands. The brands include the following:

ASSOS Rapha YETI Willier	IBIS Revel OPEN Cannondale	Muc-Off SRAM Shimano 7Mesh
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SOLICITATION PROCESS

Upon executing a non-disclosure agreement (NDA) and returning it to the Company, qualified potential purchasers may be granted access to an electronic data room including due diligence materials and the prescribed form of offer. Please reach out to Graham Fox at graham@biciletta.cc for a copy of the NDA and subsequent access to the data room.

TIMEFRAME

The timeline for the solicitation process is as follows:

- July 7 - 14** - Signing NDAs, access to data room and initial due diligence
- July 15 - 26** - Management presentations, additional due diligence and onsite visits
- July 26th** - Deadline for submitting offers
- Jul 27 - Aug 15** - The Company will negotiate with one or more parties and seek court approval.

The Company reserves the right to amend or modify the solicitation process at any time at its sole discretion. Any sale shall be subject to approval by the court.

CONTACT DETAILS

Graham Fox
CEO / Owner
604-340-6397
graham@biciletta.cc



TAKE OUR WHEEL.



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Appendix C

Cash Flow Statement for the seven-week period ending
September 3, 2023

La Biciiletta Bicycles, Inc. - Cash Flow Statement (CAD)

Week Ending (Sunday)	Note	23-Jul	30-Jul	06-Aug	13-Aug	20-Aug	27-Aug	03-Sep
Opening net cash		(1,546,504)	(1,615,715)	(1,599,789)	(1,639,881)	(1,621,131)	(1,615,381)	(1,610,060)
Receipts	1	97,750	97,750	97,750	97,750	97,750	97,750	97,750
Disbursements								
Supplier payments	2	62,961	42,824	40,000	40,000	40,000	40,000	40,000
Payroll and benefits	3	38,000	-	38,000	-	38,000	-	38,000
Rent	4	-	-	17,713	-	-	-	17,713
Financing costs	5	9,000	-	-	-	-	9,000	-
Insurance/leases	6	-	-	3,129	-	-	4,429	-
GST/PST remittances	7	-	-	25,000	-	-	-	25,000
Freight	8	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Professional fees	9	43,000	25,000	-	25,000	-	25,000	-
Other operating disbursements	10	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Total Disbursements		166,961	81,824	137,842	79,000	92,000	92,429	134,713
Net cash flow		(69,211)	15,926	(40,092)	18,750	5,750	5,321	(36,963)
Closing net cash	11	(1,615,715)	(1,599,789)	(1,639,881)	(1,621,131)	(1,615,381)	(1,610,060)	(1,647,023)

AL Munn

Alex Murison, Head of Finance and Administration
La Biciiletta Bicycles, Inc.

Notes:

Management has prepared this Cash Flow Statement solely for the purposes of determining the liquidity requirements of the Company during the stay period. The Cash Flow Statement is based on the probable and hypothetical assumptions detailed below. Actual results will likely vary from performance projected and such variations may be material.

- [1] Sales are generated both from the sell-through of existing inventory and new stock purchased during the stay period. Receipts are forecast at 80% of the normalized pre-filing weekly amount due to negative press associated with the filing and vacating the West Broadway store, excluding week ending July 16th positively impacted by a sale of on-hand inventory.
- [2] Supplier payments relate to new stock purchased throughout the stay period.
- [3] Payroll and benefits reflects a reduced headcount from the Filing Date.
- [4] Rent amounts relate to two warehouses.
- [5] No financing costs, bar the interest payable on the revolving line with RBC drawn automatically, are assumed to be paid due to insufficient liquidity.
- [6] Insurance/leases predominantly relates to inventory insurance.
- [7] GST/PST remittances are included at the historic run rate.
- [8] Freight reflects substituting to lower cost alternatives.
- [9] Professional fees associated with the NOI proceeding have been included in the forecast.
- [10] Other operating disbursements are predominantly related to advertising costs, and reflect a reduction on the pre-filing recurring spend.
- [11] Closing net cash is presented to include cash balances held net of amounts drawn on a facility with Royal Bank of Canada.