

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

**IN THE MATTER OF THE BANKRUPTCY OF  
0371598 B.C. LTD.**

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

**TRUSTEE'S REPORT TO CREDITORS ON PRELIMINARY ADMINISTRATION**

**September 20, 2023**

**BACKGROUND AND CAUSES OF INSOLVENCY**

1. La Bicicletta Bicycles Inc. ("**Bicicletta**") was established in 1984 and is a well established brand in Vancouver's cycling community. Over the course of several years, Bicicletta grew to be one of Canada's largest online bike stores, reporting annual sales of approximately \$18 million in 2021.
2. Following increased demand experienced in 2021, at the height of the COVID-19 pandemic, Bicicletta bolstered its presence in the marketplace and expanded its offerings.
3. Bicicletta experienced financial difficulties in 2022 as sales decreased and margins compressed as a result of oversupply of inventory and declining industry demand.
4. Bicicletta has financed its operations through a secured revolving facility from the Royal Bank of Canada ("**RBC**"). Other secured parties include BDC Capital Inc. ("**BDC**" and together with RBC the, "**Secured Creditors**"), a wholly-owned subsidiary of Business Development Bank of Canada, and certain vendors and lessors.
5. 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.
6. As a result of the foregoing, on June 27, 2023, Bicicletta filed a Notice of Intention to Make a Proposal pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act (Canada)* ("**BIA**") with the Office of the Superintendent of Bankruptcy. FTI Consulting Canada Inc. ("**FTI**") was appointed as the proposal trustee in the NOI proceedings.

7. In early July 2023, Bicicletta, in consultation with FTI, commenced a sales process that culminated in a sale transaction (the “**Transaction**”) resulting in the purchase of all of the assets of the Company except for any cash and cash equivalents, contracts that are not expressly assumed, and any assets that are identified to be subject to a valid purchase money security interest (“**PMSI**”) claim having priority over the security held by RBC.
8. As part of the Transaction, Bicicletta changed its name to 0371598 B.C. Ltd. (“**037**” or the “**Company**”) to enable the branding and other intellectual property to be transferred to the purchaser.
9. On August 31, 2023, the Transaction was approved by the Supreme Court of British Columbia pursuant to an approval and vesting order and the Transaction was closed.
10. As the Company did not file a proposal prior to the expiry of the stay of proceedings on August 31, 2023, it was deemed bankrupt and FTI was appointed as Trustee.

#### **APPOINTMENT OF TRUSTEE IN BANKRUPTCY**

11. As described above, on August 31, 2023, 037 was deemed to have made an assignment in bankruptcy pursuant to section 50.4(8)(a) of the BIA. A Certificate of Bankruptcy for 037 was issued on the same date by the Official Receiver appointing 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**

12. The assets of 037 include certain inventory and a vehicle, all of which is encumbered but may have some equity for the benefit of the estate.

##### **Security Interest**

13. As at August 29, 2023, 037 owes the Secured Creditors the following:
  - a) approximately \$1.5 million to RBC, secured by a charge over all present and after-acquired personal property of 037; and
  - b) approximately \$1.75 million to BDC, secured by a charge over all present and after-acquired personal property of 037.
14. RBC, BDC and 037 entered into a priority agreement dated May 17, 2022, governing priorities between RBC and BDC (the “**RBC and BDC Priority Agreement**”).

15. Pursuant to the RBC and BDC Priority Agreement, up to certain principal limits, RBC has priority over BDC to all of 037's personal property, other than with respect to the 037'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.
16. During the NOI proceedings, FTI 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 037 in favour of each of the Secured Creditors constitute valid and binding obligations of 037 enforceable against 037 in accordance with the terms thereof.
17. The assets excluded from the Transaction are subject to PMSI claims having priority over the security of RBC.

#### **POSSESSION OF BOOKS AND RECORDS**

18. The books and records of 037 were included in the Transaction as "Purchased Assets". Former management of the Company have been cooperative in providing the Trustee with access to information to assist with the administration of the estate.

#### **CONSERVATORY AND PROTECTIVE MEASURES**

19. The Trustee has not taken possession of any of the remaining assets of the Company as they are fully encumbered by secured creditors. Given there are no other assets, the Trustee has not taken any further conservatory or protective measures.

#### **PROVABLE CLAIMS AND DESCRIPTION OF CREDITORS**

20. The claims disclosed in the statement of affairs of the Company are summarized as follows:
  - a) PMSI claims: approximately \$636,000;
  - b) Secured claims: approximately \$3.1 million; and
  - c) Unsecured claims: approximately \$1.9 million, excluding the deficiency claims of the PMSI creditors and the Secured Creditor, estimated at approximately \$3.7 million.
21. The unsecured creditors are related primarily to third party vendors, professionals and investors.

## **LEGAL PROCEEDINGS, TRANSFERS UNDERVALUE, PREFERENCE PAYMENTS**

22. The Trustee has not commenced any legal proceedings and is not aware of any proceedings commenced at this time.
23. The Trustee is not aware of any potential transfers at undervalue.

## **THIRD-PARTY DEPOSITS AND GUARANTEES**

24. The Trustee was provided with retainers totalling \$50,000 in its capacity as proposal trustee, which was substantially depleted prior to the bankruptcy and has no other deposits or guarantees.

## **TRUSTEE'S INTENTION TO ACT FOR SECURED CREDITOR AND APPOINTMENT OF PRIVATE RECEIVER**

25. There is no current intent for the Trustee to act for the secured creditor.

## **ASSET REALIZATION AND PROJECTED DISTRIBUTION**

26. Based on the information made available to the Trustee, there are not expected to be material recoveries from the remaining assets of 037 and any realizations from the assets of the Company would be subject to the secured claims of the PMSI creditors, RBC and BDC. Accordingly, it is anticipated that there will be no distribution to unsecured creditors of 037.

## **OTHER MATTERS**

27. There are no other matters.

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### **FTI Consulting Canada Inc.**

In its capacity as Trustee in Bankruptcy of  
0371598 B.C. Ltd.  
and not in its personal capacity



Mike Clark, LIT  
Senior Director