

Superior Court
(Commercial Division)

Canada
Province of Québec
District of Montréal
No: 500-11-058310-208

In the matter of the notice of intention to make a proposal under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 of:

Coalision Inc.
Debtor
and

Deloitte Restructuring Inc.
Trustee under the notice of intention to make a proposal

**APPLICATION FOR THE EXTENSION OF THE DELAY TO
FILE A PROPOSAL WITH THE OFFICIAL RECEIVER
(s 50.4 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3)**

To the Honourable Louis J. Gouin, judge of the Superior Court of Québec, sitting in the Commercial Division in the District of Montréal, the Debtor respectfully states:

1. Coalision, which has filed a notice of intention to make a proposal on May 26, seeks the extension of the delay to file a proposal in order to negotiate, submit to the Court for approval and, as the case may be, close a transaction providing for the sale of substantially all of its assets to a corporation to be incorporated.

I. BACKGROUND

2. On May 26, 2020, Coalision Inc. (“**Coalision**”) filed a notice of intention to make a proposal (the “**NOI**”) under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the “**BIA**”). Deloitte Restructuring Inc. (the “**NOI Trustee**”) was appointed as trustee to the NOI.

(A) Overview of Coalision’s Business

3. Founded in Montréal in 1989, Coalision’s business involves the design, production, distribution and sale of activewear under the Lolë, Paradox and Elva brands. Since its inception, Coalision has striven to become a global player in the activewear clothing market.

4. Coalision's business is run primarily out of its headquarters in Montréal, Québec at the premises located at 700 St-Antoine East, Suite 110.
5. Coalision is a privately held corporation constituted on March 31, 2014 under the Québec *Business Corporations Act*.

(B) Coalision's financial difficulties

6. Coalision has recorded significant losses for the last several years as appears, primarily caused by:
 - a. General downturn in the global retail clothing market;
 - b. Competition from other established and emerging clothing retailers in the specializing in the activewear space;
 - c. Shifts in consumer habits, particularly away from traditional shopping towards online points of sale, which has affected Coalision's retail and wholesale business;
 - d. Significant investment in opening stores in Europe and in certain areas of the United States that were not ultimately profitable; and
 - e. Excess inventory, which has been accumulated over the years and mostly in 2019.
7. The COVID-19 pandemic and closure of all the Lolë stores has had a further significant and detrimental impact on Coalision's business and revenues since March 2020.
8. Absent the ability to restructure its operations, Coalision will not continue its operations.

II. Restructuring efforts

9. Coalision, together with the NOI Trustee, undertook a number of restructuring initiatives prior to the NOI filing, including the initiation of a limited sale and investment solicitation process to identify a strategic partner that could inject new funding or purchaser, with a view to maximizing the value of the business for all stakeholders, and securing the employment of as many of its employees as possible.
10. Shortly following the filing of the NOI, Coalision, with the support of the NOI Trustee, sent notices to the landlords of the premises in which it used to operate stores advising them of its intention to disclaim the leases with respect to such premises, and that it would not be paying to such landlords any amounts in connection with such leases, including for the period between the filing of the NOI and the effective date of the disclaimer of the leases, as it was not using the leased premises, as appears from such notices, Exhibit P-1 *en liasse*. Coalision believes this non

payment is however alleviated by the fact that it paid the March 2020 rent to such landlords, notwithstanding that those landlords did not provide the enjoyment of the premises to Coalision for approximately half that month.

11. Also following the filing of the NOI, Coalision, together with the NOI Trustee, continued such process to identify a purchaser or investor for Coalision's assets by entering into non-disclosure agreements, having discussions and sharing financial information with potentially interested parties. Coalision and the NOI Trustee participated in several conference calls with several different parties interested in purchasing the assets of Coalision.
12. As a result, on June 15, 2020, Coalision received a binding letter of intention from three interested parties *inter alia* providing for the purchase by a corporation to be incorporated of substantially all assets of Coalision free and clear from any security, encumbrance or obligation (the "**Purchase Transaction**"), as appears from such letter, Exhibit P-2 (under seal).
13. Coalision, with the support of the NOI Trustee, intends to negotiate, submit to the Court for approval and, as the case may be, close the Purchase Transaction within the next two weeks. Given the nature and complexity of the Purchase Transaction, the parties still require some additional time in view of completing all the required steps and documentation in view of concluding a final purchase agreement.
14. Coalision expects to present to the Court, on June 29, 2020, an Application for the approval of a sale of assets outside the ordinary course of business and for the issuance of an Approval, Assignment and Vesting Order (the "**Approval Application**").
15. On June 18, 2020, Coalision informed all persons on the service list that it (i) would be presenting the present application for adjudication to the Court on June 23, 2020, (ii) would present to the Court, on June 29, 2020, the Approval Application, (iii) requested that any person wishing to object to the present application or to the Approval Application serve a detailed written contestation to at the latest on June 22, 2020 at 5 PM, and (iv) requested that any person wishing to object to the Approval Application serve a detailed written contestation at the latest on June 26, 2020 at 5 PM, as appears from an email of the undersigned counsel to the service list, Exhibit P-3.
16. In this context, Coalision respectfully submits that an extension of the delay of thirty days after the day the notice of intention to file a proposal with the official receiver of 45 days is necessary and appropriate, that it acted, and is acting, in good faith and with due diligence, that it would likely be able to make a viable proposal if such extension were granted, and that no creditor would be materially prejudiced if such extension were granted.

THEREFORE MAY IT PLEASE THIS HONOURABLE COURT TO:

ISSUE an order in the form of the draft Extension Order, Exhibit P-4;

WITHOUT COSTS, save and except in case of contestation.

Montréal, June 19, 2020

McCarthy Tétrault L.L.P.

McCARTHY TÉTRAULT LLP

M^{re} Alain N. Tardif

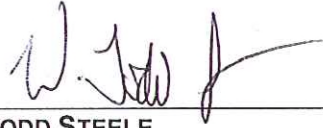
M^{re} Gabriel Faure

Lawyers for Coalision Inc.

AFFIDAVIT


I, the undersigned, **TODD STEELE**, CEO of COALISION INC., having an establishment at 700 St-Antoine Est, Suite 110, Montreal, Quebec, H2Y 1A6, solemnly affirms that all the facts alleged in the present *Application for the extension of the delay to file a proposal with the official receiver* that do no otherwise appear from the Court record are true to the best of my knowledge.

AND I HAVE SIGNED:



TODD STEELE

Sworn before me, at Montréal, this 19 day of June,
2020

 - #222,780

Commissioner of Oaths for the Province of Quebec

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NOTICE OF PRESENTATION

TO: Service List

TAKE NOTICE that the present *Application for the extension of the delay to file a proposal with the official receiver* will be presented for adjudication before the Superior Court, of the District of Montreal, on June 23, 2020 at a place and time to be determined. Coalision Inc. respectfully request that any party wishing to object to the Application serve a detailed written contestation to the undersigned lawyers at the latest on June 22, 2020 at 5 PM.

DO GOVERN YOURSELVES ACCORDINGLY.

Montreal, June 19, 2020

McCarthy Tétrault L.L.P.

MCCARTHY TÉTRAULT LLP

Mtre Alain N. Tardif

Mtre Gabriel Faure

Lawyers for Coalision Inc.

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LIST OF EXHIBITS
(Approval of an Administration Charge)

- | | |
|-------------|--|
| Exhibit P-1 | Notices to landlords of the premises in which Coalision used to operate stores, <i>en liasse</i> |
| Exhibit P-2 | Letter of intention from three interested parties <i>inter alia</i> providing for the purchase by a corporation to be incorporated of substantially all assets of Coalision free and clear from any security, encumbrance or obligation (under seal) |
| Exhibit P-3 | Email of the undersigned counsel to the service list dated June 18, 2020 |
| Exhibit P-4 | Draft Extension Order |

Montreal, May 26, 2020

McCarthy Tétrault L.L.P.

MCCARTHY TÉTRAULT LLP
Lawyers for Coalision Inc.

N° 500-11-058310-208
SUPERIOR COURT
(Commercial Division)
CANADA
PROVINCE DE QUÉBEC
DISTRICT DE MONTRÉAL

Coalision Inc.

Debtor

et

Deloitte Restructuring Inc.

Trustee under the notice of intention

**Application for the extension of the
delay to file a proposal with the
official receiver**

ORIGINAL

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