



ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

COUNSEL SLIP/ENDORSEMENT

COURT FILE NO.: BK-24-03051152-0032

DATE: March 26, 2024

NO. ON LIST: 2

TITLE OF PROCEEDING: **IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A
PROPOSAL OF DITEBA LABORATORIES INC .**

BEFORE JUSTICE: **KIMMEL**

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party, Crown:

Name of Person Appearing	Name of Party	Contact Info
Alexandra Teodorescu	Counsel for Diteba Laboratories Inc.	ateodorescu@blaney.com

For Defendant, Respondent, Responding Party, Defence:

Name of Person Appearing	Name of Party	Contact Info
Daniel Posner Zach Zelewicz	Crowe Soberman Inc., The Proposal Trustee (observing)	Daniel.posner@crowesoberman.com Zach.zelewicz@crowesoberman.com

For Other, Self-Represented:

Name of Person Appearing	Name of Party	Contact Info

ENDORSEMENT OF JUSTICE KIMMEL :

1. Diteba Laboratories Inc. (the "Company") processes and sells cannabis products across Canada. Due to issues that have plagued the cannabis sector generally, the Company filed a Notice of Intention to Make a Proposal ("NOI") on March 2, 2024 (the "Filing Date"). That same day, Crowe Soberman Inc. ("CSI") was appointed proposal trustee under the NOI (in such capacity, the "Proposal Trustee").
2. CSI had been previously appointed as a Sales Officer pursuant to section 101 of the *Courts of Justice Act* and section 207 of the *Ontario Business Corporations Act* in respect of the sale of the Company's distinct scientific contract research ("CRO") business, which was sold to the Company's principal secured creditor under an asset purchase agreement approved by the Court on October 10, 2023.
3. The Company's remaining business is a regulated cannabis processing and sale business. The Company has suspended its operations and terminated all production workers since the Filing Date, to avoid accumulating further debt. However, the Company would (if appropriately financed) have the ability to continue to process and sell cannabis products under its Health Canada License, which does not expire until January 5, 2028.
4. The Company has been working with its counsel and the Proposal Trustee to consider its restructuring options. The Company intends to communicate with key stakeholders in its effort to obtain commitments for investment in the Company. The Company is confident in its position in the cannabis market, notwithstanding its liquidity issues, and believes it continues to hold value to a prospective investor or purchaser, particularly to those parties with knowledge and experience in the cannabis sphere. The Company's principal secured creditor is supporting these efforts.
5. The Company intends to use this extension period to explore restructuring options, including seeking feedback from its creditors and potential investors. It is working on formulating a viable proposal with a view to providing its creditors with more than they would receive in a bankruptcy.
6. The Company's motion to extend the time to file a proposal to its creditors for a period of 45-days from the Filing Date to and including May 17, 2024 is not opposed by any party on the service list, all of whom were served with the motion and none of whom appeared on the motion today. The most significant unsecured creditor, Canada Revenue Agency (for outstanding excise tax), advised counsel for the company by email that it takes no position (and thus also does not oppose) this extension motion. The CRA has been cooperating with the Company and has extended the expiry of its Excise Licences each month since the beginning of this year.
7. Section 50.4(9) of the BIA provides that the Court may grant an extension not exceeding forty-five (45) days for any individual extension or five months in the aggregate following the expiry of the original 30 day period, where the Court is satisfied that the insolvent person has acted, and is acting, in good faith and with due diligence, would likely be able to make a viable proposal if the extension being applied for was granted, and no creditor would be materially prejudiced if the extension being applied for was granted.
8. The lack of opposition to the debtor's motion is important, but the Court must still be satisfied that the debtor meets the three criteria for extension set out in section 50.4(9). See *Eureka 93 Inc. et. al. (Re)*, 2020 ONSC 2532, para. 10.
9. The Proposal Trustee supports the Company's request for the Stay Extension for the following reasons:
 - a. More time is required to develop a restructuring plan including seeking feedback from its creditors and potential investors;
 - b. it believes the Company is acting in good faith and with due diligence; and
 - c. It is the Proposal Trustee's view that the Stay Extension will not materially prejudice any creditors.

10. For the reasons outlined in the material filed in support of this motion by the Company and in the First Report of the Proposal Trustee dated March 21, 2024, I am satisfied that the three criteria for the requested extension have been met.
- a. The Company is acting in good faith and with due diligence.
 - b. The Company and the Proposal Trustee have reason to believe that the Company will be able to make a viable proposal if it has the additional time.
 - c. In the meantime, the Company's cash flow forecast indicates that it will have sufficient cash flow for the extension period. In the event of a deficit, some of the Company's principals have agreed to fund the Company's ongoing expenses. No creditor has come forward to complain of prejudice from the extension, nor is it apparent that any creditor would be materially prejudiced if the extension being applied for was granted.
11. Order to issue in the form signed by me today.

A handwritten signature in cursive script that reads "Kimmel J.".

KIMMEL J.