

Court File No. 32-3051152
Estate File No. 32-3051152

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
DITEBA LABORATORIES INC**

**FIRST REPORT OF CROWE SOBERMAN INC. IN ITS CAPACITY AS PROPOSAL
TRUSTEE UNDER THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
DITEBA LABORATORIES INC.**

March 21, 2024

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I. INTRODUCTION

1. This First Report (“**Report**”) is filed by Crowe Soberman Inc. (“**Crowe**”) in its capacity as proposal trustee (the “**Proposal Trustee**”) in connection with the Notice of Intention to Make a Proposal (“**NOI**”) filed by Diteba Laboratories Inc. (“**Diteba**” or the “**Company**”).
2. On March 2, 2024 (the “**Filing Date**”), the Company filed a NOI and Crowe was appointed as Proposal Trustee. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy is attached as **Appendix “A”**.
3. Attached as **Appendix “B”** is a copy of the Notice to Creditors Package that was sent to all creditors on March 8, 2024.
4. The purpose of this Report is to provide the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) and stakeholders with information pertaining to the following:
 - a. a limited summary of certain background information about the Company;
 - b. the restructuring steps to be undertaken by the Company during these proceedings; and
 - c. the Company’s request for an extension of the stay initiated on the Filing Date (the “**Stay Period**”) to May 17, 2024.

II. TERMS OF REFERENCE

5. Unless otherwise noted, all monetary amounts contained in this Report are expressed in Canadian dollars.
6. In preparing this Report, the Proposal Trustee has relied upon certain unaudited internal financial information prepared by the Company’s representatives, the Company’s books and records and discussions with their management and employees (collectively, the “**Information**”). The Proposal Trustee has not performed an audit or other verification of the Information in a manner that would comply with Generally Accepted Assurance Standards (“**GAAS**”) pursuant to the

Chartered Professional Accountant of Canada Handbook (the “**CPA Handbook**”) and, as such, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information. This Report is prepared for use in these proceedings and the reader is cautioned against using, or relying in any way, upon this Report for any other purpose.

III. GENERAL BACKGROUND INFORMATION OF THE COMPANY

7. The Company was incorporated under the *Ontario Business Corporations Act* on June 6, 2018. Mr. Steven Overgaard is the Chief Financial Officer and Chief Executive Officer of Diteba.
8. The Company’s corporate head office is located at 1680 Tech Avenue, Unit #1, Mississauga, Ontario.
9. Initially the Company operated two distinct businesses: a scientific contract research business (“**CRO**”); and a regulated white label cannabis processing and distribution business (“**LP**”).
10. In 2023, Diteba underwent a court approved Sale and Investment Solicitation Process (“**SISP**”). The SISP resulted in the sale of the CRO which was approved by the Court on October 10, 2023. Accordingly, from said date and onwards, the Company’s operations consisted only of LP.

Overview of the Operations of Diteba (LP)

11. Diteba is fully licensed by Health Canada for cannabis processing and distribution. The Company is a white label processor and distributor of cannabis products.
12. The Company processes and packages the following:
 - a. Vape Products (strain specific);
 - b. Milled cannabis flower in various package sizes and multiple strains;
 - c. Pre-rolls, traditional and infused, in various joint sizes and package sizes over multiple strains; and
 - d. Cannabis whole flower in various package sizes and multiple strains.

13. The Proposal Trustee has been advised that the Company has largely suspended operations since the Filing Date and has terminated all production workers.
14. The Proposal Trustee has been advised that the Company owns non-transferable licenses to distribute cannabis products in Ontario, Manitoba, Saskatchewan, Alberta, and BC.

Causes of Insolvency

15. The Proposal Trustee understands that the cause of the Company's insolvency can be attributed to challenges in the Canadian cannabis regulatory regime. Specifically, the resistance of Provincial Regulators and recreational consumers to new and innovative cannabis products.
16. As well, the stubborn resilience of the traditional cannabis products (flower, pre-rolls, vapes) dominating the current market demand which ultimately forced a change in business direction, to producing and distributing these legacy products.
17. In addition, the Canadian cannabis regulatory regime and the persistence of black-market activity have created significant headwinds for the entire Canadian cannabis industry, including Diteba.

The Company's Creditors

18. As of the Filing Date, the Company listed its debts to be in the amount of approximately \$15,060,000.
19. The Company's largest creditor is the CRA, which is owed approximately \$8,152,000. The Proposal Trustee has been advised that this amount relates to excise tax.
20. The Company listed a secured loan owing to the Canadian Western Bank ("CWB") in the amount of \$2,202,943. As well, it listed a secured loan owing to 10024439 Ontario Inc. in the amount of \$516,667.

IV. NOI PROCEEDINGS AND EXTENSION OF THE STAY PERIOD

21. Due to the financial challenges experienced by the Company, and its inability to continue operations, the Company's management determined that it was in the best interest of all the Company's stakeholders to file a NOI and to explore restructuring options. The Company required a stay of proceedings afforded by these NOI Proceedings.
22. As of the date of this report, the Company continues to explore restructuring options including seeking feedback from its creditors and potential investors. The current stay of proceedings will expire on April 2, 2024. Accordingly, the Company is seeking a 45-day extension of time, pursuant to section 50.4(9) of the *Bankruptcy and Insolvency Act*, to May 17, 2024 (the "**Stay Extension**").
23. The Company, with the assistance of the Proposal Trustee, has prepared Cash Flow Projections. A copy of the Cash Flow Projections is attached as **Appendix "C"**, and is summarized below:

Diteba Laboratories Inc.		
Cashflow Projections		
For the Period of March 2 to May 27, 2024		
Receipts		
Collection of Accounts Receivable	A	85,672
Disbursements		
HST remittance		15,000
Wages & WSIB/EHT		45,000
Benefits		8,493
Rent		11,000
Bank Charges		600
Insurance		<u>5,650</u>
Total Disbursements	B	85,743
Net Cash	C=A-B	(71)
Opening Cash balance	D	<u>56,752</u>
Closing Bank Balance	C+D	<u><u>56,681</u></u>

24. The Cash Flow Projections indicate that the Company will have sufficient cash available to get through the Stay Extension. The Proposal Trustee has been advised that in the event of a deficit, some of the Company's principals have agreed to fund the Company's ongoing expenses. As well, some of the principals have guaranteed to fund all professional fees to be incurred in connection with these Proposal Proceedings.

25. 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. 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.

V. CONCLUSION AND RECOMMENDATIONS

26. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court grant the Order sought by the Company, extending the Stay Period to May 17, 2024.

All of which is respectfully submitted this 21st day of March 2024.

CROWE SOBERMAN INC.

Trustee acting under a Notice of Intention to Make a Proposal of Diteba Laboratories Inc. under the *Bankruptcy and Insolvency Act*



Appendix "A"



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Mississauga
Court No. 32-3051152
Estate No. 32-3051152

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

DITEBA LABORATORIES INC.

Insolvent Person

CROWE SOBERMAN INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

March 02, 2024

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: March 04, 2024, 12:09

E-File/Dépôt Electronique

Official Receiver

Federal Building - Hamilton, 55 Bay Street N, 9th Floor, Hamilton, Ontario, Canada, L8R3P7, (877)376-9902

Canada

Appendix "B"



Crowe Soberman Inc.

Crowe Soberman Inc.
Licensed Insolvency Trustee

2 St. Clair Avenue East, Suite 1100
Toronto, ON M4T 2T5
1 877 929 2501 Toll Free
416 929 2555 Fax
www.crowesobermaninc.com

March 8, 2024

TO THE CREDITORS OF DITEBA LABORATORIES INC.

Please be advised that DITEBA LABORATORIES INC. filed a **Notice of Intention to Make a Proposal** on March 2, 2024 under the **Bankruptcy and Insolvency Act**. A copy of this Notice is enclosed herewith.

This is a procedure whereby a debtor, with creditor and Court approval, reorganizes its financial affairs. Our role as Trustee in this matter is to assist the debtor with the development of the Proposal, to liaise with creditors so as to fully explain the Proposal to them and to support and facilitate the decision-making process which creditors will ultimately undertake, ending with their acceptance or rejection of the Proposal.

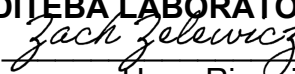
All liabilities, actual and contingent, of DITEBA LABORATORIES INC. as at March 2, 2024 are subject to the Proposal mentioned above and are fixed by Section 62(1.1) of the **Bankruptcy and Insolvency Act** as at that date.

All creditors are **STAYED** from commencing or continuing any actions as against DITEBA LABORATORIES INC. until the Proposal is dealt with by the creditors.

DITEBA LABORATORIES INC. has thirty (30) days from the date of filing the **Notice of Intention to Make a Proposal** (subject to Court approved extensions of this time period) to lodge a Proposal with us so that we may file it with the Official Receiver.

We will be calling a meeting of creditors to consider the Proposal within twenty-one (21) days of the date on which the Proposal is filed. You will receive Notice of the meeting along with all other necessary documents including the proof of claim form, voting letter, at least ten days in advance of the meeting.

Please feel free to contact our office if you require any further information with respect to this matter.

CROWE SOBERMAN INC.
Trustee acting in re: the Proposal
of DITEBA LABORATORIES INC.
Per: 
Hans Rizarri, LIT CIRP

District of: Ontario
Division No. 09 - Toronto
Court No.
Estate No.

- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
Diteba Laboratories Inc
of the City of Mississauga, in the Regional Municipality of Peel
in the Province of Ontario

Take notice that:

1. I, DITEBA LABORATORIES INC., an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. Crowe Soberman Inc., LIT of 2 St. Clair Ave East, Suite 1100, Toronto, ON, M4T 2T5, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the City of Toronto in the Province of Ontario, this 2nd day of March 2024.



DITEBA LABORATORIES INC.
Insolvent Person

To be completed by Official Receiver:

Filing Date

Official Receiver

District of: Ontario
 Division No. 09 - Toronto
 Court No.
 Estate No.

- FORM 33 -
 Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
 Diteba Laboratories Inc
 of the City of Mississauga, in the Regional Municipality of Peel
 in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
1000244239 Ontario Inc.	257 Lytton Blvd Toronto ON M5N 1R7		516,667.00
269004 Ontario Inc.	117287 2nd Line SW Melancthon ON L0N 1J0		180,000.00
Canadian Western Bank Credit Risk Management	3000 - 10303 Jasper Ave NW Edmonton AB T5J 3X6		2,202,943.00
CRA - Tax - Ontario	Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9		8,152,313.00
Health Canada	Address Locator 0900C2 Ottawa ON K1A 0K9		20,000.00
NWN Inc.	1-1680 Tech Ave Mississauga ON L4W 5S9		3,961,154.00
Secuitas Technology Canada	2495 Meadowpine BLVD Mississauga ON L5N 6C3		26,561.72
Total			15,059,638.72

DITEBA LABORATORIES INC.
 Insolvent Person

- Creditor Mailing List -

In the Matter of the Proposal of
Diteba Laboratories Inc
of the City of Mississauga, in the Regional Municipality of Peel
in the Province of Ontario

Creditor Type	Name	Attention	Address
Secured	1000244239 Ontario Inc.		257 Lytton Blvd Toronto ON M5N 1R7
	Canadian Western Bank	Credit Risk Management	3000 - 10303 Jasper Ave NW Edmonton AB T5J 3X6 Fax: (780) 423-8898 customer.service@cwbank.com
Unsecured	269004 Ontario Inc.		117287 2nd Line SW Melancthon ON L0N 1J0
	CRA - Tax - Ontario		Shawinigan-Sud National Verification and Collection Centre 4695 Shawinigan-Sud Blvd Shawinigan-Sud QC G9P 5H9 Fax: (833) 697-2390
	Health Canada		Address Locator 0900C2 Ottawa ON K1A 0K9 Fax: (613) 941-5366 Info@hc-sc.gc.ca
	NWN Inc.		1-1680 Tech Ave Mississauga ON L4W 5S9
	Secuitas Technology Canada		2495 Meadowpine BLVD Mississauga ON L5N 6C3

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

NOTICE OF STAY OF PROCEEDINGS

NOTICE OF INTENTION TO MAKE A PROPOSAL

**In the Matter of the Proposal of
Diteba Laboratories Inc
of the City of Mississauga, in the Regional Municipality of Peel
in the Province of Ontario**

TAKE NOTICE THAT DITEBA LABORATORIES INC. has filed a "*Notice of Intention to make a Proposal*" with the Official Receiver on March 2, 2024, a copy of which is attached.

And further take Notice that under Section 69.1(a) of the *Bankruptcy and Insolvency Act (Canada)*:

“No creditor has any remedy against the insolvent person or the insolvent person's property, or shall commence or continue any action, execution or other proceedings for the recovery of a claim provable in Bankruptcy”....

And that under Section 69.1(b):

No provision of a security agreement between the insolvent person and a secured creditor that provides, in substance, that on

- i) *the insolvent person's insolvency,*
- ii) *the default by the insolvent person of an obligation under the security agreement, or*
- iii) *the filing by the insolvent person of a notice of intention under Section 50.4*

“the insolvent person ceases to have such rights to use or deal with assets secured under the agreement as the Debtor would otherwise have, has any force or effect”...

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

NOTICE OF STAY OF PROCEEDINGS

NOTICE OF INTENTION TO MAKE A PROPOSAL

Dated at the City of Toronto, in the Province of Ontario, the 8th day of March, 2024

DITEBA LABORATORIES INC.
1680 Tech Avenue Unit 1
Mississauga ON L4W 5S9

Zack Zelewicz

Per: DITEBA LABORATORIES INC.

This Stay of Proceedings will be in effect until the Proposal is dealt with by the creditors, or the insolvent person becomes bankrupt.

ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY

In the Matter of the Proposal of
Diteba Laboratories Inc
of the City of Mississauga, in the Regional
Municipality of Peel
in the Province of Ontario

NOTICE OF
STAY OF PROCEEDINGS

CROWE SOBERMAN INC.
Licensed Insolvency Trustee
2 St. Clair Ave. E., Suite 1100
Toronto, Ontario, M4T 2T5
Toll Free: 1-877-929-2501
Fax: 416-929-2555

Appendix "C"

