

COURT FILE NUMBER 2301- 02578  
COURT COURT OF KING'S BENCH OF ALBERTA  
JUDICIAL CENTRE Calgary  
**Applicant** ENZIO HOLDINGS LTD.  
**Respondent** CANDRE CANNABIS INC., FRONDIS  
HOLDINGS LTD., CALYPTRA  
CULTIVATION INC. and JASMINE  
VENTURES LTD.  
DOCUMENT



**COMMERCIAL CHAMBERS  
ENDORSEMENT**

☒ **Receivership Order Granted**

**Reasons:**

The Applicant, Enzo, applied on notice for an order appointing Alvarez & Marsal Canada Inc. as receiver and manager without bond of the Respondent, Candre Cannabis Inc., pursuant to s. 243 of the *Bankruptcy and Insolvency Act (Canada)*, s. 13 of the *Judicature Act (Alberta)* and s. 65(7) of the *Personal Property Security Act (Alberta)*. The other Respondents are guarantors.

Counsel undertook to file the Affidavit of Service regarding service of the relevant documents on February 27, 2023, including service of the application materials on the defendants, the two independent directors and all parties with registered security interests. I am satisfied that service is in order.

The application was not contested.

Alvarez & Marsal has consented to act.

Affidavit No.1 is sworn by Sveinung Svarte, president/director of Censeo which manages the assets of Enzo. Enzo is the senior secured creditor of Candre. He is also a director of Candre.

As at December 31, 2022, Candre owed Enzo over \$23 Million under several Loan Agreements. Candre has signed a GSA and a land mortgage indicating that Enzo is entitled to receivership on default.

Candre defaulted by failing to make the December 2022 loan payment and is behind on tax payments to CRA in the approximate amount of \$1 Million. On January 23, 2023, Enzo demanded repayment and served s. 244 Notices under the *BIA* on the Respondents.

Mr. Svarte deposed to current significant challenges experienced by cannabis companies in Canada. He deposed that Cadre has never been profitable and faces an imminent liquidity crisis such that it will not be able to meet its upcoming payroll and is behind on its tax payments.

He also deposed that Cadre recently explored making a CCAA application but could not arrange interim financing. Counsel advises this was in consultation with Alvarez & Marsal.

The appointment of a receiver is extraordinary relief which should be granted cautiously and sparingly. There is nothing to suggest that Enzo is not bringing this application in good faith. As

noted, according to the affidavit evidence of Mr. Svarte, a director, Candre has never been profitable; Candre has explored other options including a CCAA application but cannot arrange financing. Enzo has lost confidence in Candre's management. A Receiver is necessary to protect, and avoid further erosion of, Enzo's security interests and to realize upon the property in order to maximize the value for all stakeholders. Particularly in light of the fact that the creditor has the right to appoint a receiver under the security documents, the balance of convenience favours the appointment of a Receiver to maximize the value to the stakeholders. Supervision under a Court appointment will provide transparency and an orderly process. The proposed appointment appears to be commercially reasonable. Having regard to the factors outlined in *Paragon Capital Corporation Ltd v Merchants & Traders Assurance Co*, 2002 ABQB 430, I am satisfied that it is just and convenient to appoint a Receiver in the circumstances.

As for the proposed Order, I find the borrowing limits, and the limits on transactions out of the ordinary course of business to be reasonable in the circumstances.

The proposed Order includes among the powers of the Receiver at paragraph 4(s) the ability to assign Candre into bankruptcy. Counsel provided case law, including *Chow v Bresea Resources Ltd*, [1997] AJ No 1210 at para 12 (CA) in which our Court of Appeal held that in appropriate cases the Court may direct a receiver/manager to assign a company into bankruptcy. The Court is not being asked today to specifically direct the Receiver to assign Enzo into bankruptcy but to provide for that eventuality. In this case, granting such a power makes sense - should such a step be determined to be appropriate - in terms of efficiencies and to save the estate the cost of a separate proceeding by the Receiver. The Alberta template Receivership notes indicate that Receivers seek Court approval even where the specific power to do so is included in the Order. Therefore, I have signed the order with the addition of the wording "with further approval of the Court" to paragraph 4(s) of the Order.

**DATE OF APPLICATION/DECISION: 2023-03-06**



Justice Signature: \_\_\_\_\_  
J.A. Fagnan