

ONTARIO
SUPERIOR COURT OF JUSTICE
(EAST REGION COMMERCIAL LIST)

**IN THE MATTER OF THE NOTICES OF
INTENTION TO MAKE A PROPOSAL OF
1382769 ONTARIO LIMITED AND 1622354
ONTARIO LIMITED**

NOTICE OF MOTION

1382769 Ontario Limited and 1622354 Ontario Limited (together, the “**Companies**”) will make a motion to a judge of the Ontario Superior Court of Justice (East Region Commercial List) on May 19, 2026, at 9:00 a.m. or as soon after that time as the motion can be heard, at 161 Elgin Street, Ottawa, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard:

- In writing under subrule 37.12.1(1) because it is on consent;
- In writing as an opposed motion under subrule 37.12.1(4);
- In person;
- By telephone conference;
- By video conference using the link below:**

Virtual Courtroom 218

<https://ca01web.zoom.us/j/66902741400?pwd=dVVWZUMwW1puc3U5V0pTZzBUd0hFZz09>

Tel: 1-855 703 8985; ID: 669 0274 1400; Pass: 476175

THE MOTION IS FOR:

1. An order in the form appended at **tab 2** of the Companies' motion record that:
 - a. extends the time for the Companies to file proposals (the "**Stay Period**") by 45 days to July 15, 2026;
 - b. administratively (and not substantively) consolidates the Companies' notice of intention to make a proposal ("**NOI**") proceedings; and
 - c. validates service so that this motion is properly returnable on May 19, 2026 at 9:00 am as scheduled by the East Region Commercial List ("**ERCL**") office.
2. Such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

3. Albert Gelman Inc., in its capacity as trustee to the NOIs (in such capacity, the "**Proposal Trustee**"), supports the relief sought. There is no known opposition.

Reasons for NOI filings

4. The Companies operate restaurant franchises in Kingston, Ontario. They each employ approximately fifty (50) employees for a total of approximately one hundred (100) employees.
5. In 2025, the Companies and an arm's length purchaser (the "**Purchaser**") agreed on the key terms of a going-concern transaction (the "**Transaction**") for the Companies' businesses and assets. The Franchisor had approved the Purchaser and Transaction. The parties intended the transaction to close on or around May 4, 2026.

6. In the weeks prior to the intended closing date, the Companies became aware that Canada Revenue Agency (“**CRA**”) asserted that the Companies were in default on account of certain payments of HST and corporate income taxes. CRA threatened to garnish or freeze the Companies’ bank accounts on or around the first week of May 2026.

7. Any garnishment or freezing of the Companies’ accounts would have had a material adverse effect on the Companies and their stakeholders, and would have prevented any going-concern transaction, including the Transaction with the Purchaser, including for the following reasons:

a. it would have disrupted the Companies’ cash management and prevented the Companies from making payroll, paying suppliers, paying rent, and making the required Franchisor payments, among other things;

b. the Companies would have likely been forced to cease operations, causing prejudice to unpaid suppliers and employees laid off, and stopping all revenue from operations;

c. missed Franchisor and rent payments could or would have caused those parties to enforce their rights under the franchise and lease agreements, potentially including the termination of the Companies’ franchise rights and leases, compromising any ability to resume operations; and

d. in light of the foregoing, any going-concern transaction, including the Transaction with the Purchaser, would have become impossible, resulting in disruption and losses – including loss of future income and business – for

stakeholders such as employees, the Franchisor, the landlords, our suppliers, and others.

8. Moreover, CRA's enforcement could or would have created priority issues. Unpaid corporate income taxes are unsecured claims and HST deemed trusts are unenforceable in bankruptcy. Since the Companies have at least one secured creditor, being the Franchisor, CRA's enforcement would have resulted in CRA getting paid ahead of any claim secured by the Franchisor's security (such as any claim for missed Franchisor payments or in connection with any termination of the franchises), and recovering more than its pro-rated share of unsecured claims. Such preferential recovery would have caused prejudice to other creditors and may or would have constituted a reviewable transaction.

9. Given the foregoing, the Companies filed NOIs on May 1, 2026 to preserve the status quo, maintain going-concern operations, preserve the opportunity to complete a going-concern transaction, and ensure that CRA's claims are addressed and paid in an expeditious but also fair and orderly manner, with the intent to benefit all stakeholders.

10. CRA has been notified of these NOI proceedings as part of the prescribed creditor notices sent by the Proposal Trustee.

Financial position

11. The Companies generate positive cash flow and are expected to end each of the following fifteen (15) weeks with a positive cash balance, totalling net revenues of approximately \$163,000 between May 3, 2026 and August 16, 2026, as reflected in cash flow forecasts prepared with the assistance of the Proposal Trustee.

12. The Companies are current with their creditors in the ordinary course, except for the amounts claimed by CRA. The Companies are reviewing the CRA's claims and investigating the reasons for which they fell behind on CRA payments. The Companies intend to communicate transparently with CRA on all issues, including the underlying context such as the economic headwinds experienced during and since the COVID-19 pandemic. The Companies intend to report to the Court and stakeholders on the status of those discussions with CRA throughout these NOI proceedings.

13. Assuming that CRA's claims are valid and enforceable and unless the Companies and CRA successfully negotiate an arrangement, the Companies would be unable to satisfy those claims in full other than from the proceeds of a comprehensive going-concern transaction, which is at the centre of the Companies' restructuring plan, as discussed below.

Restructuring plan

14. If this Honourable Court grants the Stay Period extension sought on this motion, the Companies intend to implement the following restructuring plan:

- a. work with the Purchaser and the Franchisor to convert the Transaction into a "stalking horse" bid for purposes of a sale and investment solicitation process to be approved by the Court and performed under the supervision of the Proposal Trustee ("**SISP**");
- b. develop the terms of a SISP in consultation with the Proposal Trustee and CRA (if it wishes to be involved);

- c. bring a motion for an order approving the performance of the SISP and approving the Transaction for purposes of constituting the stalking horse bid in the SISP (the “**Stalking Horse Bid**”);
- d. perform the SISP under the supervision of the Proposal Trustee;
- e. bring a motion for approval of the successful bid(s) in the SISP, including the Stalking Horse Bid or any superior bid(s);
- f. close the applicable transaction(s);
- g. distribute the proceeds in accordance with applicable priorities, including to CRA as the case may be, pursuant to a joint proposal or in a bankruptcy.

15. The Purchaser confirmed its intent to be the stalking horse bidder in the SISP and confirmed to the Companies’ counsel that the Franchisor continues to approve the Purchaser as a potential buyer for the Companies’ assets and franchises.

16. The parties are working on documenting the transaction and the Companies expect to bring the SISP and Stalking Horse Bid approval motion in June.

Extension of stay period

17. The Companies filed NOIs on May 1, 2026. The initial Stay Period expires 30 days thereafter, on May 30, 2026. The Companies seek to extend the Stay Period by 45 days to July 15, 2026. This would be the first extension.

18. During the extended Stay Period, the Companies intend to continue to operate the businesses in the normal course, work with the Purchaser and the Franchisor on the

Stalking Horse Bid, develop the terms of a SISP in consultation with the Proposal Trustee and CRA, bring a motion for an order approving the performance of the Stalking Horse Bid and the SISP, and, potentially, commence performing the SISP.

19. The Companies have sufficient liquidity to operate in the normal course during the extended stay period, and to implement those steps – including payment of professionals – without interim financing.

20. The Companies are acting with due diligence and in good faith, and no creditor could or will be materially prejudiced by the extension requested. To the contrary:

a. the non-extension of the Stay Period would cause the Companies to automatically become bankrupt, which would cause the same disruption and prejudice as discussed at paragraph 7;

b. developing and performing the SISP with the benefit of a Stalking Horse Bid is in the interest of all stakeholders, including, but not limited to, CRA;

c. the extension of the Stay Period will provide the Companies with the time to implement a viable restructuring plan which is intended to preserve the value of the Companies and maximize recovery for creditors, including pursuant to a viable proposal.

21. The Proposal Trustee supports the extension for those reasons and the further and other ones set out in a report to be delivered separately by the Proposal Trustee and its independent counsel in support of the herein motion (the “**First Report**”).

Administrative consolidation

22. As part of the relief sought on this first motion, the Companies request the Court to administratively (and not substantively) consolidate the Companies' NOI proceedings. This is intended to avoid duplication in administrative steps, streamline the administration of the NOI proceedings, lower professional costs, and simplify the review of information for stakeholders, among other things.

23. For example, the relief sought will allow the Proposal Trustee to maintain a consolidated service list and to send consolidated reports and notices to creditors. It will also allow the Companies to bring motions and file materials once and in a single court file rather than incurring the time and expense of serving and filing duplicate sets of documents.

24. The order sought makes clear that it does not substantively consolidate the estates of the Companies which shall remain separate and distinct. The Companies' respective rights, properties, undertakings, assets and liabilities shall remain vested within each Company's respective estate, as applicable.

25. Accordingly, administrative consolidation is appropriate and causes no prejudice. The Proposal Trustee supports the administrative consolidation for those reasons and the further and other ones set out in the First Report.

Validation of service

26. The Companies filed NOIs on May 1, 2026. Counsel to the Companies sent a scheduling request form for this motion to the office of the ERCL on May 6 and followed

up on May 11. On May 12, the ERCL office scheduled this motion for May 19, 2026, at 9:00, by videoconference. Given this was less than a week away (including a holiday) and this could result in a shorter service window, counsel advised the ERCL office that the relief sought on the initial motion would be limited to the extension of the Stay Period and administrative consolidation, and would exclude any relief related to the Stalking Horse Bid or SISP at this time.

27. Given that the initial Stay Period expires on May 30, 2026 and the need to accommodate the Court's schedule, short service may have occurred, however this was beyond the control of the Companies in the circumstances.

28. In any event, given the nature of the relief sought and the facts set out herein, the Companies believe that it is just and appropriate to validate service as they are acting in good faith, with due diligence, and in the best interest of stakeholders, including, but not limited to, CRA.

29. The Proposal Trustee supports the validation of service for those reasons and the further and other ones set out in the First Report.

Additional Grounds

30. The further and other grounds set out in the First Report and appendices thereto;

31. The provisions of the [*Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3*](#), including without limitation section [50.4\(9\)](#);

32. The provisions of the [Courts of Justice Act, R.S.O. 1990, c. C.43](#), including without limitation section [138](#);

33. The [Rules of Civil Procedure, R.S.O. 1990, Reg. 194](#), including without limitation rules [1.04](#), [2.01](#), [2.03](#) and [3.02](#);

34. The Court's inherent powers and jurisdiction;

35. Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- a. The affidavit of Timothy Lloyd sworn May 14, 2026 and exhibits thereto;
- b. The First Report and appendices thereto;
- c. such further and other material as counsel may provide and this Honourable Court permits.

May 14, 2026

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TO: **THE SERVICE LIST**

ONTARIO
SUPERIOR COURT OF JUSTICE

**IN THE MATTER OF THE NOTICES OF INTENTION
TO MAKE A PROPOSAL OF 1382769 ONTARIO
LIMITED AND 1622354 ONTARIO LIMITED**

SERVICE LIST

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<p>Canada Revenue Agency c/o Department of Justice Ontario Regional Office 120 Adelaide Street West, Suite 400 Toronto, ON M5H 1T1</p> <p>AGC-PGC.Toronto-Tax Fiscal@justice.gc.ca</p>	<p>Email</p>	<p>Tax Agency</p>
<p>His Majesty the King in Right of Canada as represented by Ministry of Finance Legal Services Branch Revenue Collections Branch – Insolvency Unit 33 King Street West, P.O. Box 627 Oshawa, Ontario L1H 8H5</p> <p>insolvency.unit@ontario.ca</p>	<p>Email</p>	<p>Tax Agency</p>

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Court File No. 33-3368241
33-3368242

ONTARIO
SUPERIOR COURT OF JUSTICE
(EAST REGION COMMERCIAL LIST)

Proceeding commenced at Ottawa

NOTICE OF MOTION
RETURNABLE MAY 19, 2026

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