ONTARIO
Superior Court of Justice – East Region
161 Elgin Street
Ottawa, Ontario K2P 2K1

ENDORSEMENT OF CIVIL MOTION

SHORT TITLE OF PROCEEDINGS: ONTARIO LIMITED (1382769 and 1622356)
COURT FILE NO.: CV-26-104097-0000 Justice K. Perron

HEARD ON: July 13, 2026

COUNSEL:

Joel Turgeon for 1382769 Ontario Limited and 1622356 Ontario Limited, the moving parties
Monica Faheim and Matthew Cressatti for the Proposal Trustee
Tom McElroy, Albert Gelman Inc., Proposal Trustee

RELIEF REQUESTED: Extension of time to file proposals, Order approving sale and investment solicitation process, stalking horse bid and granting priority charge

☒ **ORDER SIGNED** ☐ **ON CONSENT**

☒ **UNOPPOSED** ☐ **NO ONE APPEARED**

☐ **ADJOURNED TO** Click here to enter a date.

ENDORSEMENT:

1. This was a motion by 1382769 Ontario Limited and 1622356 Ontario Limited (the "Companies") pursuant to subsection 50.4(9) of the *Bankruptcy and Insolvency Act* seeking an extension of time to file their proposals by a further 44 days to August 28, 2026[1].

2. The Companies subsequently amended their motion material to also seek orders approving a sale and investment solicitation process (the "SISP"), a stalking horse bid and the granting a priority charge of $200,000 over the Companies' assets to secure the professional fees of the Companies' proposal trustee along with the fees of the Companies' and the proposal trustee's counsel.

3. The Companies operate two restaurants (Kelsey and Montana) in Kingston under the Recipe Unlimited Corporation franchise. The restaurants employ about 100 employees. The Companies are operating in the normal course and their 15-week cashflow forecast shows a positive weekly cash balance.

[1] A first extension was provided by the Court on May 19, 2026.

4. CRA is the only creditor that has filed a proof of claim at this time. CRA has filed unsecured proofs of claim in the amount of $1,137,404.24 (Kelsey) and $2,272,177.33 (Montana). The CRA proofs of claim include priority claims of approximately $216,533 pursuant to subsection 60(1.1) of the BIA. The proposal trustee and the Companies are currently reviewing CRA's proof of claims.

5. The Companies seek an extension of time to file their proposals to complete their restructuring to satisfy the indebtedness owing to CRA.

6. The sale as a going concern of the Companies was previously negotiated with an arm's length purchaser in 2025. The franchisor approved the transaction. Prior to the closing of the transaction, CRA took the position that the Companies were in default and threatened to take enforcement steps which triggered the filing of NOIs on May 1, 2026.

7. The above transaction is the proposed stalking horse bid which has been memorialized in a stalking horse asset purchase agreement dated June 17, 2026 (the "SHAPA"). Despite the NOIs, the material terms of the proposed transaction – in particular the purchase price - have not changed. The purchaser under the SHAPA has paid a deposit of 5% to the proposal trustee. The franchisor continues to approve the proposed transaction.

8. The proposal trustee supports the relief sought on this motion. CRA has not opposed the motion or the underlying SHAPA or SISP.

9. I am satisfied that the Companies have met the required elements of the test under subsection 50.4(9) of the BIA to warrant a further extension of the time to file their proposals. In particular, I am satisfied that :

    a. the Companies have acted, and are acting, in good faith and with due diligence during their restructuring efforts including by continuing to operate the business with positive cash flow forecasts while negotiating with the prospective purchaser and their other stakeholders;
    b. The Companies will likely be able to make a viable proposal if the extension of time is granted; and,
    c. No creditor would be materially prejudiced if the further extension was granted seeing as the franchisor supports the underlying transaction and CRA has not opposed the relief sought on this motion including the extension of the stay.

10. I am also satisfied that the proposed SISP is fair, commercially reasonable and transparent and that the factors set out in *Danier Leather Inc. (Re)*[2] are met as follows:

    a. A sale transaction is warranted at this time. The sale was contemplated prior to the filing of the NOIs and the SISP will allow the market to determine the most favourable conditions for a sale while permitting the Companies to continue to operate as a going concern;
    b. The proposed sale process will benefit the whole "economic community" including the employees of the two restaurants and will permit the Companies to present a proposal to satisfy the CRA indebtedness;
    c. CRA, the only unsecured creditor at present, has not objected to the sale and the franchisor, the only secured creditor, supports the transaction; and,
    d. The proposed sales process is more favourable to the alternative of a liquidation and/or bankruptcy.

11. As noted above, the statutory considerations applicable to section 65.13 of the BIA[3] have also been met in that the proposal trustee approves the SISP, the proposal trustee's report confirms that the SISP will be more beneficial to creditors and stakeholders than the alternative, and CRA was consulted and has not opposed the sales process including the stalking horse bid.

12. I am also satisfied in the circumstances that the stalking horse bid will facilitate the sale of the Companies as a going concern by establishing a minimum, baseline price. While the Companies' efforts to restructure prior to entering into the SHAPA are less robust than the debtor's restructuring efforts in *Danier Leather*, the Companies' situation is distinguishable.

13. In the present case, the owner had previously expressed their intention to sell the business and negotiated with an arm's length interested party. The proposed purchaser did not reduce the quantum of its offer following the filing of the NOIs.

14. In addition, although a valuation of the Companies was not presented to justify the commercial reasonableness of the purchase price, I accept the Companies' submission that the Court can take comfort in the baseline price set out in the SHAPA on the basis that the franchisor, an interested third party, has provided its consent to the proposed transaction. In any event, the marketing process set out in the SISP will promote the most

[2] 2016 ONSC 1044 at paras 20-23.
[3] *Danier Leather* at para 34.

favourable offer based on current market conditions. Furthermore, the Companies will return to seek Court approval of the ultimate sale transaction as applicable.

15. The proposed bid protections (approximately 2.5% of the cash consideration) are also fair and reasonable.

16. I am also satisfied that the quantum of the administration charge that was established with the proposal trustee legal counsel's assistance, a maximum of $200,000, is appropriate pursuant to subsections 64.2(1) and (2) of the BIA.

17. In addition, the franchisor and CRA were provided notice of this motion and did not object to the quantum of the administration charge or the ranking of its priority as proposed in the draft Order.

18. The motion is granted. I have signed the draft Orders as requested, subject to minor amendments that I made directly during the motion in speaking with counsel, and they shall be issued.

Date **July 13, 2026**

Perron J.

Madame Justice K. Perron