CITATION: Canonaco v. Ricci et al, 2026 ONSC 4551
COURT FILE NO.: CL-26-00000209-0000
DATE: 20260806

SUPERIOR COURT OF JUSTICE - ONTARIO

RE: CORRADINA CANONACO

Applicant

AND:

EWA MARIA RICCI, RALPH CANONACO, MUSKOKA RECOVERY INC., 2855531 ONTARIO INC. and TNL WELLNESS CENTER INC.

Respondents

BEFORE: Justice Jana Steele

COUNSEL: *Daniel Hanson & Maria Arabella Robles*, for the Applicant

Ewa Ricci & Ralph Canonaco, Self-Represented

Midhun Suresh, Self-Represented

Jill S. McCartney, for the Estate of Rose file No. CV-25-00002632-0000

Christopher Staples, for the Bank of Montreal

Spencer Jones & Madeleine Cleland for Samantha Doe

Jacqui Robb & Jon Hal, Self-Represented

Larry Ellis, for the Proposed Receiver

Puya Fesharaki, for the Class Action Plaintiffs in Smith et al

HEARD: July 31, 2026

ENDORSEMENT

[1] The applicant, Corradina Canonaco, brings an urgent motion seeking the appointment of an interim receiver over the assets of the respondents, Muskoka Recovery Inc. ("MRI") and 2855531 Ontario Inc. ("285") (MRI and 285, collectively, the "Debtor Companies"), pending the determination of the application or further Court order.

[2] The respondent, Ewa Maria Ricci, opposes the order sought. Ms. Ricci did not, however, file evidence. Ms. Ricci made brief oral submissions, denying many of the allegations, and also filed two unsworn statements, entitled “A fairer alternative to receivership” and “Addendum by Ewa Ricci.”

[3] The evidence of Ms. Canonaco is uncontested on the record before me.

[4] The Bank of Montreal (“BMO”), the first-ranking secured creditor, supports Ms. Canonaco’s application.

[5] Ms. Ricci and Ms. Canonaco are equal shareholders of both MRI and 285. Because of a complete breakdown in the relationship between the two shareholders, MRI and 285 cannot function through ordinary corporate governance.

[6] The Debtor Companies are also defendants in numerous lawsuits that are at various stages. At the hearing, counsel for the plaintiffs in three of those lawsuits made submissions requesting that their lawsuits be exempt and permitted to proceed if a stay is granted in respect of the Debtor Companies.

[7] For the reasons set out below, Albert Gelman Inc.[1] is appointed as interim receiver and manager over the assets of MRI and 285 pending determination of the application or further court order. The proposed receivership is interim, neutral, and directed at preserving the corporations and their assets pending determination of the application.

[8] Further, I have determined that it is not appropriate at this early stage of the receivership to exempt any of the other ongoing lawsuits from the stay.

<u>Background</u>

[9] MRI formerly operated an addiction rehabilitation business known as “Muskoka Recovery” (the “Business”).

[10] 285 is a holding company that owns four properties in Muskoka. The Business was previously operated from one of the properties that 285 owned. The directors of 285 are Ms. Canonaco and Ms. Ricci.

[11] Ms. Canonaco and Ms. Ricci are equal shareholders of MRI and 285. Ms. Canonaco invested as a “silent partner” in the Business. The Business was operated and managed by Ms. Ricci and Ms. Canonaco’s husband, Ralph Canonaco. Mr. Canonaco and Ms. Canonaco have been primarily living separately since around 2022.

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[1] Albert Gelman Inc. has signed a consent to the appointment.

[12] Ms. Canonaco provided security in the form of her personal properties to finance the acquisition of properties for the Business. In exchange, Ms. Canonaco was to receive a monthly income of $10,000 from the Business and the Business would pay for the property taxes and insurance payments on her pledged properties.

[13] On or about August 2, 2024, a letter of agreement for a credit facility in the amount of $5.5 million was entered into with BMO with 285 as the borrower and Ms. Canonaco, MRI, and Ms. Ricci as the guarantors (the “BMO Facility”).

[14] On or about December 20, 2024, the Toronto Star published a two-part article. Part 1 is entitled “Fake nurses. No doctor on site. Staff who like to party: The inside story of this ‘luxury’ Muskoka addiction rehab.” Part 2 is entitled “Death and lies at Muskoka Recovery: How this ‘luxury’ Ontario rehab operates without oversight” (Parts 1 and 2 collectively, the “Star Article”).

[15] The Star Article alleges that the Business was negligently operated and managed and sets out various allegations, including that the facility failed to employ qualified staff, mispresented staff credentials, and used doctors with disciplinary or licensing issues. Ms. Canonaco, the passive investor in the Business, states that she “was completely unaware of any facts supporting the allegations set out in the [Star Article].” Ms. Canonaco says that when she asked Ms. Ricci about the allegations in the article, Ms. Ricci denied them.

[16] Following the Star Article, BMO became concerned about the Business and its facility. Accordingly, BMO amended the terms of the credit facility agreement and required quarterly reporting and that the Business meet certain metrics.

[17] The Business stopped operating in late 2025. The companies have been named as defendants in about nine legal proceedings, including (i) the Samantha Doe proceeding (a sexual abuse action) (the “Doe Action”); (ii) the estate of Dawn Susanne Rose proceeding (a wrongful death action) (the “Rose Estate Action”); and (iii) the Smith proposed class action proceeding (the “Smith Action”) (the Doe Action, the Rose Estate Action, and the Smith Action, collectively the “Three Lawsuits”). Ms. Canonaco has also been personally named in certain of the legal proceedings, including the Smith Action.

[18] MRI and 285 are currently not represented by legal counsel, their prior counsel having sought to be removed.

[19] Certain of the claims against the Business have been submitted to the insurer. However, the insurer has not yet advised whether the claims will be covered and has sent a reservation of rights letter. Among other things, Ms. Ricci and Mr. Canonaco have not been cooperative.

[20] The Business failed to meet the metrics imposed by BMO. BMO called the BMO Facility on or about April 30, 2026. BMO made a formal demand for payment and attached a Notice of Intention to Enforce Security under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3. The outstanding debt to BMO is about $5.5 million.

[21] There are other liabilities, including property tax arrears.

[22] The Business also stopped paying Ms. Canonaco her fixed monthly payment and the taxes in respect of her properties.

[23] Ms. Canonaco has made repeated requests to get information on the Business from Ms. Ricci, but her evidence is that she has been ignored.

[24] After the Toronto Star article, the relationship between Ms. Ricci and Ms. Canonaco deteriorated significantly to the point where their only communication has been over text, and has been hostile.

[25] The corporate profile report for MRI as of July 30, 2024 shows both Ms. Ricci and Ms. Canonaco as directors. The corporate profile report for MRI as of March 5, 2026 shows only Ms. Ricci as a director. Ms. Canonaco did not resign as a director. Under MRI's by-laws, the board of directors is determined by special resolution of the shareholders. For a director to be removed, notice of intention to do so must be provided in the notice to call the shareholders meeting. Ms. Canonaco was not notified of any meeting to remove her as a director, nor did she sign a resolution changing MRI's board of directors.

Issues

[26] Should the Court appoint an interim receiver over the assets of MRI and 285?

[27] Should any or all of the Three Lawsuits be exempted from the stay of proceedings?

Analysis

Should the Court appoint an interim receiver over the assets of MRI and 285?

[28] Ms. Canonaco seeks the appointment of an interim receiver under s. 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43 (the "*CJA*"), and s. 248(3)(b) of the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B.16 (the "*OBCA*").

[29] Subsection 101(1) of the *CJA* provides that the court may appoint a receiver and manager by an interlocutory order "where it appears to a judge of the court to be just or convenient to do so."

[30] Section 248 of the *OBCA* contains the provisions related to the oppression remedy. Subsection 248(3) sets out the types of orders that the court may make, on an interim or final basis, where an application under s. 248 has been made. Under s. 248(3)(b) the Court may make an order appointing a receiver or receiver-manager.

[31] The applicable test for making an interim order under s. 101 of the CJA is analogous to the test for interlocutory injunctions set out by the Supreme Court of Canada in *RJR-MacDonald Inc. v. Canada (Attorney General)*, [1994] 1 SCR 311 at p. 334: see *Luo v. Song*, 2024 ONSC 7043, 17 C.B.R. (7th) 80, at para. 49. The *RJR* test requires the applicant to show:

- That there is a serious issue to be tried;

- That irreparable harm will be suffered by the applicant if the relief is not granted; and

- That the balance of convenience favours the appointment.

[32] The applicant is required to establish a *strong prima facie* case, rather than a serious issue to be tried, where interim relief is sought in an oppression action: *Halsey v. Genoil*, 2017 ONSC 4817, at para. 14.

(i) Strong Prima Facie Case

[33] Under s. 248(3) of the *OBCA* the court has broad jurisdiction to make any interim or final order that it thinks fit to rectify conduct that is oppressive, unfairly prejudicial, or unfairly disregarding of the interests of a complainant: *Macreanu v. Godino*, 2020 ONSC 535, 1 B.L.R. (6^{th}) 281, at para. 66.

[34] In *BCE Inc. v. 1976 Debentureholders*, 2008 SCC 69, [2008] 3 S.C.R. 560, at paras. 67-68, the Supreme Court of Canada set out the two questions the court must consider in an oppression claim:

- "Does the evidence support the reasonable expectation asserted by the claimant?"

- "Does the evidence establish that the reasonable expectation was violated by conduct falling within the terms 'oppression,' 'unfair prejudice,' or 'unfair disregard' of a relevant interest?"

[35] Ms. Canonaco agreed to become an equal shareholder in MRI and 285. She understood that she would be an equal partner in corporate governance, while Ms. Ricci handled the day-to-day operations. Among other things, Ms. Canonaco expected (i) timely and meaningful financial disclosure, (ii) that she would be a director and would participate in major corporate decisions, (iii) that corporate assets would be used for corporate purposes, and (iv) that Ms. Ricci would not expose the companies to avoidable risk.

[36] The evidence establishes a strong *prima facie* case of a sustained pattern of conduct that shows disregard for Ms. Canonaco's reasonable expectations through a pattern of oppressive, unfairly prejudicial, and unfairly disregarding conduct. Among other things, Ms. Canonaco has been denied access to financial information. Ms. Canonaco was purportedly removed as a director from MRI's board without notice and otherwise excluded from fundamental corporate decisions. From the limited financial information that Ms. Canonaco has been able to obtain, she says that she has discovered certain unexplained related party transactions and unexplained payments, including an expenditure of approximately $150,000 in Business funds used to renovate a portion of Ms. Ricci's nephew's property. Ms. Canonaco expressly did not approve of this expenditure. Further, Ms. Canonaco says that Ms. Ricci has periodically caused funds from MRI or 285 to be used to pay Ms. Canonaco rent owing to her from Ms. Ricci's child (who rents one of Ms. Canonaco's properties). Ms. Ricci has also failed to obtain or cooperate in maintaining appropriate

legal representation for MRI and 285 and appears to have failed to engage with the insurer in a timely manner. Ms. Ricci appears to have refused to cooperate with Ms. Canonaco's efforts to pursue an orderly sale process of 285's properties, exposing the properties to enforcement and potential sale.

[37] Further, there is a complete governance failure of the companies. MRI and 285, owned by two equal shareholders, are deadlocked.

[38] Courts have held that a total deadlock rendering a corporation unable to be effectively managed or governed may justify the appointment of a receiver-manager: *Fernando v. Francis* (2007) CanLII 14330 (ONSC), at paras. 6, 8. In *Garratt v. Charlton et al*, 2012 ONSC 1129, the court appointed an interim receiver where the companies were wholly owned and controlled by two equal shareholders. In so doing, the court noted, at para. 31, that the companies were deadlocked because the two shareholders could not agree, the companies had ceased operating, and the continuation of the situation would result imminently in the companies having little to no value.

[39] In the instant case, the two shareholders are not capable of working together to make decisions regarding the affairs of the companies in all aspects of corporate governance, including managing corporate property, investigating financial irregularities, and retaining counsel for the companies.

[40] It is clear from the record that these two shareholders cannot work together. In one text chain, Ms. Canonaco said she planned to list 285's four properties for sale because the March mortgage payment was in default. Ms. Ricci's response was hostile, containing expletives and insults.

[41] I am satisfied that the complete breakdown in Ms. Canonaco and Ms. Ricci's relationship has rendered the corporations immobile, and as such there is a strong *prima facie* case of deadlock. Further, as set out above, there is a strong *prima facie* case of oppressive or unfairly prejudicial conduct.

(ii) Irreparable Harm

[42] As set out in *RJR*, at p. 341, irreparable harm refers to the "nature of the harm suffered." It is harm that "cannot be quantified in monetary terms" or "cannot be cured:" *RJR*, at p. 341. The Supreme Court of Canada in *RJR*, at p. 341, set out examples of harm that may be considered irreparable:

- "Where one party will be put out of business by the court's decision;"
- "[W]here one party will suffer permanent market loss or irrevocable damage to its reputation;"
- "[W]here a permanent loss of natural resources will be the result."

[43] In *Halsey*, at para. 27, the Court indicated that in the context of the proposed appointment of an interim receiver in an oppression case, "irreparable harm equates to significant harm that is or will be occasioned to the assets of the corporation which, in turn, impacts on the complainant." In the recent case of *340268 Ontario Limited v. Georghiades and Georghiades v. Georghiades*, 2024 ONSC 6168, at para. 160(a)(v) Black J. noted that "[t]he extent to which the assets of the corporate entity or entities are at risk of eroding factors into the analysis of irreparable harm."

[44] The assets and affairs of MRI and 285 are already at risk. The companies are deadlocked and their corporate governance has ceased to function. As set out above, Ms. Canonaco has been purportedly removed as a director of MRI without notice or authority. Ms. Canonaco has lost any ability to provide oversight in circumstances where the companies and their assets are at risk.

[45] The removal of a shareholder from their position as a director or officer may constitute irreparable harm: *Penelas v. Cruise*, 2024 ONSC 6679, at paras. 109, 111.

[46] As set out above, Ms. Canonaco also has concerns regarding alleged related-party transactions and unexplained expenditures.

[47] The BMO Facility is in default and other arrears and liabilities have accrued. In the absence of functioning management for the companies, those liabilities will continue to accrue and the value of the companies' assets will erode.

[48] In addition, there are about nine lawsuits that have been filed against the companies. The companies do not have legal counsel. Ms. Canonaco and Ms. Ricci are deadlocked and insurance coverage may be at risk.

[49] I am satisfied that there are immediate practical harms to the companies that cannot be adequately remedied by damages after the fact.

(iii) Balance of Convenience

[50] In *Georghiades*, at para. 160(a)(vi), Black J. noted that "[t]he balance of convenience is a factual matter to be determined in each case, and the analysis should import such factors as cost, disruption, alternative means of obtaining the information sought, and whether or not the request for information is in fact an effort to gain a tactical advantage."

[51] The appointment of a receiver places MRI and 285 under the control of a neutral, court-supervised officer pending determination of the application.

[52] I am satisfied that the balance of convenience favours the appointment of the interim receiver. As noted by Ms. Canonaco, refusing the order would leave MRI and 285 in the same position that gave rise to the motion, while creditor enforcement, asset deterioration, litigation prejudice, and potential unauthorized use of corporate assets continue.

[53] I agree with Ms. Canonaco's submission that the appointment of a receiver will benefit all stakeholders by creating a clear authority to, among other things, deal with BMO, deal with the

properties, appoint and instruct counsel, communicate with insurers, investigate any financial irregularities, and report to the court.

Should any or all of the Three Lawsuits be exempted from the stay of proceedings?

[54] Materials were filed in respect of the Doe Action and the Rose Estate Action. Counsel for the Smith Action made brief oral submissions. Essentially because the Three Lawsuits are being case managed together, counsel for the Smith Action indicated that if the other two actions are exempted from the stay, the Smith Action should also be exempted.

[55] Counsel for the Doe Action made submissions, which counsel for the Rose Estate Action largely adopted.

[56] Samantha Doe opposes a stay of the Doe Action. She asserts that if a stay is granted, she will suffer undue prejudice. The Doe Action remains at an early procedural stage with pleadings not yet closed. The Doe Action is now being case managed by Leiper J., with a significant motion scheduled to be heard on September 28, 2026. Samantha Doe argues that she should at minimum be permitted to advance the Doe Action through all pre-judgment steps, including closing pleadings, production, examinations for discovery, motions, mediation, and case management.

[57] Samantha Doe notes that a receivership stay is discretionary and should not be broader than is necessary. She submits that the principles applicable to a lift stay motion should be considered. The Court of Appeal noted in *Romspen Investment Corporation v. Courtice Auto Wreckers Limited*, 2017 ONCA 301, 138 O.R. (3d) 373, at para. 30, leave to appeal refused, [2017] S.C.C.A. No. 238: "In determining whether to lift a stay of proceedings imposed by a receivership order, a court should consider the totality of the circumstances and the relative prejudice to both sides."

[58] Samantha Doe argues that she will suffer prejudice if her matter is not permitted to progress. Among other things, she cites concerns regarding the integrity of the evidence, including the potential for faded memories. Samantha Doe also submits that because the Doe Action could still proceed against the other defendants (Mr. Delaney and Ms. Ricci), there is a concern that oral discoveries would be fragmented or duplicated, among other things.

[59] Samantha Doe also submitted that because of the nature of her claim, sexual abuse, there is an ongoing impact on her, that is exacerbated by delay. As noted in *Lundahl v. Poilievre*, 2013 BCSC 1628, at para. 6, in sexual assault claims, victims prefer to have the trial of their claim heard soon rather than later.

[60] When a lift say motion is brought, the receivership is already in place. That is not the case here. Unlike an existing receivership, where the receiver has had an opportunity to understand the business, properties, liabilities, assets, etc, the proposed receiver for MRI and 285 has not yet had such opportunity. The proposed receiver for MRI and 285 needs some time to gather information and assess priorities/urgent issues, among other things. It would be unfair to require the proposed receiver to immediately jump into ongoing litigation for the Three Lawsuits. As noted above, one of the matters has a major motion scheduled for September. The newly appointed receiver may have other priorities it needs to address before the litigation. It may very well be that it is

appropriate to allow the Three Lawsuits (and the other litigation that has been commenced but did not appear at the motion) to progress through some or all of the pre-judgment steps, but this is something for the receiver to assess once it has the lay of the land. The request at this point is premature.

[61] The request to have the Three Lawsuits exempted from the stay is dismissed, without prejudice to their ability to seek to lift the stay at a later date or seek consent from the receiver.

Justice Jana Steele

Date: August 6, 2026