



ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

COUNSEL/ENDORSEMENT SLIP

COURT FILE NO.: CL-26-00000262-0000

DATE: June 23, 2026

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TITLE OF PROCEEDING: DORR CAPITAL CORPORATION et al. v. FLATO GREENS INC. et al

BEFORE: JUSTICE J. DIETRICH

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party:

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For Defendant, Respondent, Responding Party:

Name of Person Appearing	Name of Party	Contact Info
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Flato North Village Dundalk Inc.

Braemore Dundalk Two Inc.

	Melancthon Meadows Inc. 2760562 Ontario Inc. Flato Management Inc. Shakir Rehmatullah	
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For Other, Self-Represented:

Name of Person Appearing	Name of Party	Contact Info
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ENDORSEMENT OF JUSTICE J. DIETRICH:

Introduction

- [1] Dorr Capital Corporation (“**DCC**”) and Olympia Trust Company (“**Olympia**”), seek an Order appointing TDB Restructuring Limited (“**TDB**”) as receiver (the “**Receiver**”) over the assets of the Patterson Street Holdings Inc. (“**Patterson Inc.**”), Flato North Village Dundalk Inc. (“**North Dundalk Inc.**”), Braemore Dundalk Two Inc. (“**Braemore Dundalk Inc.**”), Dundalk Mixed Use Expansion One Inc. (“**Expansion Inc.**”), 2760562 Ontario Inc. (“**276 Inc.**”), Melancthon Meadows Inc. (“**Meadows Inc.**”), and Flato Greens Inc. (“**Flato Greens**”, and together with Patterson Inc., North Dundalk Inc., Braemore Dundalk Inc., Expansion Inc., 276 Inc. and Meadows Inc., the “**Borrowers**”).

- [2] A supplementary motion was served requesting that additional lands owned by Expansion Inc. (municipally known as 159135 Highway 10, Melancthon, Ontario, and legally described as all of PIN 34150-0012 (LT) in LRO #7 (the “**Additional Expansion Lands**”) specifically be included in the requested Receivership Order and seeking to seal Confidential Appendix 1 to the Second Supplementary Dorr Affidavit (discussed below).
- [3] The Borrowers oppose the relief sought (other than the sealing request). There is no dispute regarding outstanding loans, security or default. Rather, the Borrowers argue the appointment of a receiver is not just and convenient and should be delayed until September 30, 2026 to permit the Borrowers to continue fundraising efforts.
- [4] A number of other parties also appeared. Toronto Capital Corp. (who is a second mortgage on the Eco Park Lands) and Farm Lending Canada (a first mortgage on Additional Expansion Lands) take no position on the relief sought, but if granted, have agreed to language in the requested order. As well, 13531953 (who is a second mortgagee on the Melancthon Lands) appeared by way of Tom Yu. Mr. Yu is not counsel, but advised that the numbered company opposes the relief sought as he believes the Borrowers are in a better position to realize on the property at issue. Going forward, if the numbered company wishes to make submissions it should be represented by counsel or a motion for leave to have representation other than counsel should be brought. Counsel for Realtrium Developments Corp (who is a fourth mortgagee on the Eco Park Lands) advised it does not support relief sought but is not making any other submissions.
- [5] For the reasons set out below the request to appoint TDB as Receiver is granted.

Background

- [6] The Borrowers are companies related to Flato Developments Inc. (“**Flato**”), a developer of single family homes, semi detached homes, townhouses and rental housing. Shakir Rehmatullah, the sole officer and/or director of each of the Borrowers affirmed an affidavit on June 19, 2026 responding to the relief sought by DCC and Olympia. Mr. Rehmatullah, along with Flato Management Inc. are also guarantors of the obligations of the Borrowers to DCC.
- [7] About 10 years ago, Flato began buying land in and around Dundalk, Ontario. The Borrowers are certain of the Flato entities that hold parcels in and around Dundalk. There are other Flato related entities that own other parcels that are not subject to this receivership application.
- [8] In or about 2021 or 2022, Flato began borrowing money from DCC with money raised by investors. There are currently five outstanding loans (collectively the “**DCC Loans**”) secured against property held by the respective Borrowers (collectively, the “**Lands**”) for a total amount outstanding as of March 17, 2026, of \$27,554,575.59 (the “**Indebtedness**”), including interest arrears of \$1,055,729.45 (the “**Interest Arrears**”). The particulars of the DCC Loans and related security are as follows.

Patterson

- [9] Pursuant to the terms of a commitment letter dated August 16, 2017, as amended (the “**Patterson Inc. Commitment**”), DCC made a loan to Patterson Inc. in the principal amount of \$320,000 (the “**Patterson Inc. Loan**”).

- [10] Patterson Inc. is the registered owner of the Lands municipally known as 241 Patterson Street North, Beeton, Ontario (the “**Patterson Lands**”), which consist of a single-family 1,370 square foot home on a 75 foot by 148 foot lot in Beeton, Ontario. Flato owns adjacent parcels (which are not the subject of this receivership application) and advises that it intends to hold the Patterson Lands and assemble the surrounding properties in order to permit a future re-zoning and development. Development of a portion of the surrounding lands is dependent upon the assembly of certain neighbouring properties. In the broader development of which the Patterson Lands form a part, Flato has approximately 100 homes under construction and has already sold and closed about 50 homes.
- [11] As security for the Patterson Inc. Loan, Patterson Inc. granted DCC, among other things, a first mortgage over the Patterson Lands in the principal amount of \$320,000 (the “**DCC Patterson Inc. Mortgage**”), registered on title on August 25, 2017, and a General Security Agreement dated August 23, 2017 (the “**DCC Patterson Inc. GSA**”).

Braemore

- [12] Pursuant to the terms of a commitment letter dated February 17, 2022, as amended (the “**Braemore Inc. Commitment**”), DCC made a loan to North Dundalk Inc. and Braemore Dundalk Inc. in the principal amount of \$4,930,000 (the “**Braemore Inc. Loan**”). North Dundalk Inc. is the registered owner of the Lands municipally known as 421 Braemore Street West, Dundalk, Ontario (“**421 Braemore**”), and Braemore Dundalk Inc. is the registered owner of the Lands municipally known as 381 Braemore Street West, Dundalk, Ontario (“**381 Braemore**”, and together with 421 Braemore, the “**Braemore Lands**”).
- [13] The Braemore Lands are two adjacent parcels in the former village of Dundalk, each containing a single-family detached home, with a total lot area of approximately 30-40 acres. Flato originally proposed larger single-family homes but, in response to current market conditions, are revising the plan to include townhomes, smaller single-family homes, and a rental apartment building as Phase 1, with the remainder being built out as Phase 2.
- [14] As security for the Braemore Inc. Loan, North Dundalk Inc. and Braemore Dundalk Inc. granted DCC, among other things, a first mortgage over the Braemore Lands in the principal amount of \$4,930,000 (the “**DCC Braemore Inc. Mortgage**”), registered on title on July 27, 2022, and General Security Agreements dated February 28, 2022 and July 23, 2022 (collectively, the “**DCC Braemore Inc. GSA**”).

Expansion

- [15] Pursuant to the terms of a commitment letter dated October 6, 2022, as amended (the “**Expansion Inc. Commitment**”), DCC made a loan to Expansion Inc. in the principal amount of \$13,500,000 (the “**Expansion Inc. Loan**”). Expansion Inc. is the registered owner of the Lands municipally known as 772288 Highway 10, Dundalk, Ontario (the “**Expansion Lands**”), which consist of approximately 100 acres in Dundalk that currently contain a single-family detached home, but that are the subject of a proposed residential development consisting of 804 low rise units, made up of a combination of detached and semi-detached single-family dwellings and townhouses.
- [16] As security for the Expansion Inc. Loan, Expansion Inc. granted DCC, among other things, a first mortgage over the Expansion Lands in the principal amount of \$15,000,000 (the “**DCC Expansion Inc. Mortgage**”), registered on title on October 13, 2022, and a General Security Agreement dated October 13, 2022 (the “**DCC Expansion Inc. GSA**”).

[17] Expansion Inc. also owns the Additional Expansion Lands, however, DCC does not have security over that real property. It was acknowledged by all parties that Farm Lending Canada had a first charge over the Additional Expansion Lands.

Melancthon

- [18] Pursuant to the terms of a commitment letter dated January 24, 2023, as amended (the “**Melancthon Inc. Commitment**”), DCC made a loan to Melancthon Inc. in the principal amount of \$2,250,000 (the “**Melancthon Inc. Loan**”).
- [19] 276 Inc. is the registered owner of the Lands municipally known as 476259 Third Line, Melancthon, Ontario (the “**Third Line Lands**”) and Meadows Inc. is the registered owner of the Lands municipally known as 516276 County Road 124, Melancthon, Ontario (the “**County Road Lands**”, and together with the Third Line Lands, the “**Melancthon Lands**”). The Melancthon Lands are two adjacent parcels of agricultural in the Town of Melancthon (approximately 10km southeast of Dundalk), each containing a single-family detached home, with a total lot area of approximately 125 acres. These lands were acquired as a long-term investment for future development, which Mr. Rehmatullah anticipates may take 10 to 15 years, or longer, to realize.
- [20] As security for the Melancthon Inc. Loan, Melancthon Inc. granted, among other things, a first mortgage over the Melancthon Lands in favour of DCC and Olympia Trust Company (“**Olympia**”) in the principal amount of \$2,250,000 (the “**DCC Melancthon Inc. Mortgage**”), registered on title on February 9, 2023, and a General Security Agreement in favour of DCC dated February 1, 2023 (the “**DCC Melancthon Inc. GSA**”).

Eco Park

- [21] Pursuant to the terms of a commitment letter dated January 24, 2023 (the “**EcoPark Commitment**”), DCC made a loan to Flato Greens in the principal amount of \$5,000,000 (the “**EcoPark Loan**”). Flato Greens is the registered owner of the EcoPark Lands municipally known as 772060 Highway 10, Dundalk, Ontario.
- [22] The EcoPark Lands consist of four lots that are collectively approximately 90 acres in size. 50 acres of the EcoPark Lands are the subject of a proposed residential development of 412 low rise units, made up of 226 single family dwellings, 146 townhouses, and a 40-unit rental apartment. Flato Greens obtained zoning approval for its development of the EcoPark Lands approximately three years ago and is presently working toward draft plan approval. A developer has made an offer and is undertaking due diligence for a portion of the Eco Park Lands (of about 7 acres). Counsel confirmed during the hearing, a portion of the corner of the property is also zoned to hold a gas station (there is not a current operating gas station on the property). Mr. Rehmatullah indicates that funds to be generated from the sale of the future gas station are expected to be about \$2.5 million and the current offer (subject to diligence) on the lands behind the gas station is for \$4.1 million.
- [23] As security for the EcoPark Loan, Flato Greens granted DCC, among other things, a first mortgage over the EcoPark Lands in the principal amount of \$5,000,000 registered on title on June 2, 2023 (the “**DCC EcoPark Mortgage**”), and a General Security Agreement dated May 26, 2023 (the “**DCC EcoPark GSA**”).

[24] A default under any one DCC Loan constitutes a default under every DCC Loan. There is no dispute that the terms of the DCC Loans and related security each provide for the appointment of a receiver upon a default.

Defaults

[25] There is no dispute that the DCC Loans are in default. As of March 17, 2026, the Borrowers were in monetary default under each of the DCC Loans as a result of interest payments under the DCC Loans not having been made when due (the “**Monetary Defaults**”). As well, there is no dispute that the EcoPark Loan matured on March 1, 2026, and the Braemore Inc. Loan matured on May 1, 2026, and neither was repaid on the maturity date (the “**Maturity Defaults**”).

[26] There is a factual dispute regarding the amount of property taxes which have accrued on the Lands, however, at least approximately \$20,000 is outstanding. There is also a factual dispute regarding whether DCC was aware of certain subsequent encumbrances or whether they also constitute defaults under the various loan and security documentation. Given the accepted Monetary and Maturity Defaults, however, nothing substantive turns on these additional potential defaults.

Demands

[27] By letters dated March 31, 2026, DCC, through its lawyers, made formal written demand on the Borrowers for repayment of the DCC Loans (the “**Demands**”), and gave notice of DCC’s intention to enforce its security (collectively, the “**NITES**”) pursuant to section 244(1) of the Bankruptcy and Insolvency Act R.S.C., 1985, c. B-3 (the “**BIA**”).

Forbearance Agreement

[28] On or about March 31, 2026, DCC, the Borrowers and the Guarantors entered into a Forbearance Agreement, pursuant to which, among other things, DCC agreed to forbear from enforcing the DCC Loans until April 1, 2027, subject to certain conditions. As part of the Forbearance Agreement, the Borrowers and Guarantors each acknowledged receipt of the Demands and NITES.

[29] The Forbearance Agreement also contemplated, among other things, that Flato Greens was to enter into a sale agreement with respect to a portion of the Eco Park Lands and that DCC would be provided an additional charge against the Eco Park Lands to secure certain interest arrears and fees. The Forbearance Agreement also provided that the outstanding interest would not exceed \$1.2 million, no further subsequent charges would be registered and that the Borrowers and Guarantors agreed they would consent to the appointment of a receiver if a default under the Forbearance Agreement occurred.

[30] Default occurred under the Forbearance Agreement, in that, among other things, the conditions relating to the sale agreement for a portion of the Eco Park Lands were not satisfied and interest payments have continued to go unpaid with the amount of Interest Arrears outstanding as of June 5, 2026 being \$1,875,731.21, and the Indebtedness under the DCC Loans had increased from \$27,554,575.49 on March 17, 2026, to \$29,065,313.50.

[31] An additional charge was also registered against the Eco Park Lands, however, there is a dispute as to whether DCC was previously aware of that encumbrance. There is also a dispute as to whether various reports required by the Forbearance Agreement were delivered.

- [32] The Borrowers admit that there have been defaults under the Forbearance Agreement. However, they say that earnest efforts have been made to comply with the Forbearance Agreement terms. Further, the Borrowers argue, there is value in the assets over which DCC has security - as evidenced by the potential offer for a portion of the Eco Park Lands. The Borrowers also say they are actively working to raise funds needed to clear the interest arrears and create an interest reserve.
- [33] Further, the Borrowers say that certain funds of \$2 million of an entity referred to as Maude Investments Corporation (“**Maude**”) are held in a fund related to DCC referred to as RealAlt High Yield Mortgage Trust (“**RealAlt**”). Mr. Rehmatullah submits Maude is related to Flato, however, DCC submits the evidence is that it is a company controlled by Mr. Rehmatullah's wife and not Mr. Rehmatullah or Flato. Mr. Rehmatullah further submits the \$2 million owing to Maude by RealAlt should have been repaid to Maude in July of 2024, but were not and these funds are more than sufficient to offset the Accrued Interest. DCC disagrees and claims the funds are held pursuant to agreements with RealAlt and also stand as security for certain other loans.

Issue

- [34] The only issue to be determined today, is whether it is just or convenient to appoint a receiver over the assets, properties and undertakings of the Borrowers.

Analysis

- [35] The test for the appointment of a receiver under s. 243 of the BIA or s. 101 of the CJA is whether it is just or convenient.
- [36] In determining whether it is just or convenient to appoint a receiver the court must have regard to all of the circumstances of the case particularly the nature of the property and the rights and interests of all parties in relation to the property: see *Bank of Nova Scotia v Freure Village of Clair Creek*, [1996] OJ No 5088 at para 10. While the appointment of a receiver is generally an extraordinary equitable remedy, where the rights of the secured creditor include, pursuant to the terms of its security, the right to seek the appointment of a receiver, the burden on the applicant is lessened: see *Bank of Montreal v. Sherco Properties Inc.* 2013 ONSC 7023 at para 41 and 42.
- [37] Although the presence of a contractual entitlement to appoint a receiver is not a determinative factor, here, where the right to appoint a receiver is provided under a mortgage, the remedy becomes less extraordinary see para 44 of *BCIMC Construction Fund Corporation et al. v. The Clover on Young Inc.*, 2020 ONSC 1953.
- [38] As summarized by Justice Osborne (as he then was) in *Canadian Equipment Finance and Leasing Inc. v. The Hypoint Company Limited*, 2022 ONSC 6186 at para 25, a number of factors have historically been taken into account in the determination of whether it is appropriate to appoint a receiver. The factors are not a checklist, but rather a collection of considerations to be viewed holistically, they include:
- a. whether irreparable harm might be caused if no order is made, although as stated above, it is not essential for a creditor to establish irreparable harm if a receiver is not appointed where the appointment is authorized by the security documentation;

- b. the risk to the security holder taking into consideration the size of the debtor's equity in the assets and the need for protection or safeguarding of assets while litigation takes place;
- c. the nature of the property;
- d. the apprehended or actual waste of the debtor's assets;
- e. the preservation and protection of the property pending judicial resolution;
- f. the balance of convenience to the parties;
- g. the fact that the creditor has a right to appointment under the loan documentation;
- h. the enforcement of rights under a security instrument where the security-holder encounters or expects to encounter difficulties with the debtor;
- i. the principle that the appointment of a receiver should be granted cautiously;
- j. the consideration of whether a court appointment is necessary to enable the receiver to carry out its duties efficiently;
- k. the effect of the order upon the parties;
- l. the conduct of the parties;
- m. the length of time that a receiver may be in place;
- n. the cost to the parties;
- o. the likelihood of maximizing return to the parties; and
- p. the goal of facilitating the duties of the receiver.

[39] Further, where a borrower has provided an express covenant agreeing with the appointment of receiver in the event of a default the Court should not ordinarily interfere with the contract between the parties: see *Potentia Renewables Inc. v. Deltro Electric Ltd.*, 2018 ONSC 3437, at paras 47-48, aff'd 2019 ONCA 779.

[40] In this case, it is just and convenient to appoint a receiver.

[41] There is no dispute regarding the underlying DCC Loans or security or that the Borrowers owes in excess of \$29 million to DCC. There is no dispute the terms of the security contemplate the appointment of a Receiver.

[42] Two of the DCC Loans have matured without repayment. There are payment defaults on all of the DCC Loans.

[43] DCC has issued Demands and NITES. The notice period under the NITES has since elapsed.

- [44] It is also undisputed that defaults have occurred in the Forbearance Agreement and under the terms of that agreement, the Borrowers consented to the appointment of a receiver at the request of DCC on such default.
- [45] Further, the evidence is that the Borrowers are also in default on loans to third parties including Toronto Capital Corp., Farm Lending Canada and 13531953.
- [46] I am not persuaded on the record before that the \$2 million which was invested by Maude in RealAlt is available at this time to repay outstanding interest of the Borrowers, but even if it was, that is not sufficient to repay the approximate amount of \$29 million that is owing. If litigation regarding this repayment is to be commenced, it should be separately commenced in a proceeding involving the appropriate parties.
- [47] The Borrowers state they continue to sell inventory homes and parcels of land and are working with a subsequent mortgagee towards paying out DCC's first mortgage on EcoPark Lands. The efforts, as admitted by the Borrowers are a work in progress and there is no agreement at this time. The issue with this argument is that does not address the entire amount owing under the DCC Loans - which are all cross defaulted and demand for repayment has been made. The Borrowers appear to make this argument in effect trying to explain why they breached the terms of the Forbearance Agreement and trying to fulfil the terms of that agreement. However, default under the Forbearance Agreement has occurred. Should DCC be willing to contractually agree to different forbearance terms is not the question before this Court. DCC is now in a position to enforce its security for each of the DCC Loans and under the terms of the Forbearance Agreement, the Borrowers and Guarantors have consented to the appointment of a receiver.
- [48] The Borrowers argue that receivership would cause prejudice in that (i) it will increase costs; (ii) it causes uncertainty in terms of development of the lands; and (iii) certain parcels of land that are integral to future development are held by Flato entities that are not respondents (and would not be subject to a receivership) and therefore the Receiver would face significant delay and cost. Receivers often deal with projects in various states of development. I am not persuaded that the nature of the property or the costs of a receivership are unusual such that they rise to the level of prejudice in this case that would justify not appointing a receiver. Further, if the Borrowers and Guarantors are correct that there is equity in the projects, they would be best served by cooperating with the Receiver to maximize value for all stakeholders.
- [49] TDB is qualified to act as receiver and has consented to do so.
- [50] The terms of the proposed receivership order are appropriate and consistent with the Model Order of the Commercial List. In this regard, there was discussion at the hearing that the Additional Expansion Lands would not be included in the Receivership at this time. However, following the hearing, as the draft Order was being revised, I am advised that the Borrowers withdrew their opposition specifically to the inclusion of the Additional Expansion Lands in the receivership. Accordingly, those lands will be included at this time and counsel for the relevant parties have agreed on specific terms in this regard.
- [51] Counsel for DCC also received a wire yesterday, in trust, from counsel to the Borrowers of \$250,000. It is not clear what the terms of the wire payment were. Entitlement to those funds can be addressed by further court order within the Receivership Proceedings.

[52] A limited sealing order has also been requested for Confidential Appendix 1 to the Second Supplementary Dorr Affidavit which contains a form of agreement of purchase and sale for certain of the EcoPark Lands. The limited sealing order being sought is necessary to preserve the Receiver's ability to maximize the value of the Eco Park Lands. I am satisfied that the requested sealing order meets the test in *Sherman Estate v. Donovan* 2021 SCC 25 at para 38 and that disclosure of this information would pose a risk to the public interest in enabling stakeholders of a company in receivership to maximize the realization of assets. The Receiver is directed to follow the applicable guidelines for the filing of sealed material with the court, and to eventually apply, at the appropriate time, for an unsealing order, if necessary.

Disposition

[53] Accordingly, I grant the receivership order in the form signed by me today with immediate effect.



Justice J. Dietrich

Date: June 23, 2026