Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

B E T W E E N :

BANK OF MONTREAL

Applicant

- and -

LEATO ENTERPRISE LTD.

Respondent

APPLICATION UNDER SECTION 243(1) of the *BANKRUPTCY AND INSOLVENCY ACT* R.S.C. 1985, c. B-3, AS AMENDED AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. c-43, AS AMENDED

NOTICE OF APPLICATION

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing

☐ In person

☐ By telephone conference

X By video conference

at the following location

before a Judge presiding over the Ontario Superior Court of Justice (Commercial List) via Zoom videoconference – particulars to be provided by the Court – on August 24, 2026, at 12:00 p.m., or as soon after that time as the Application can be heard.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date:	August 13, 2026	Issued by	______________________________ Local Registrar
		Address of court office	330 University Ave. Toronto, ON, M5G 1R7

TO: THE SERVICE LIST

APPLICATION

1. The Bank of Montreal ("**BMO**") makes this Application pursuant to section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") for an order substantially in the form located at Tab 3 of the Application Record (the "**Receivership Order**"), among other things:

(a) if necessary, abridging the time for service of this Application, validating the manner of service, and dispensing with further service of same;

(b) appointing TDB Restructuring Limited ("**TDB**") as receiver and manager (in such capacity, the "**Receiver**") of the real and personal property, assets and undertakings (collectively, the "**Property**") of the respondent, Leato Enterprise Ltd. ("**Leato**"), including the properties municipally known as 507 Queen Street West, Toronto, Ontario (the "**507 Property**") and 693 Queen Street West, Toronto, Ontario (the "**693 Property**", and together with the 507 Property, the "**Real Property**")[1]; and

(c) such further and other relief as counsel may advise and the court may permit.

THE GROUNDS FOR THE APPLICATION ARE:

Overview

2. Leato is a corporation incorporated under the laws of the Province of Ontario. Leato is the

[1] The 507 Property is legally described as PIN 21239-0660 (LT), which is a division from 21239-0245 (LT). The original PIN was divided into two parcels, one of which is now owned by Metrolinx. The 693 Property is legally described as PIN 21242-0075 (LT).

owner of the Real Property, with its registered head office located at the 693 Property.

3. Diana Choi ("**Choi**") is the sole director of Leato.

4. BMO is a Canadian chartered bank under Schedule 1 of the *Bank Act* (Canada).

5. BMO extended two demand credit facilities to Leato pursuant to a letter of agreement. Choi, and another individual, Andy To ("**To**", and together with Choi, the "**Guarantors**"), personally guaranteed the indebtedness and obligations to BMO.

6. As security for the obligations owing under the Credit Facilities (as defined below), Leato granted, among other things, first-ranking mortgages and assignments of rents over the Real Property and a general security agreement over all of Leato's present and after-acquired personal property.

7. Leato has defaulted on its obligations under the Credit Agreement and Security (each as defined below). Leato, among other things, failed to make required payments due in June, July and August 2026 and failed to repay the indebtedness following the expiry of the notice period set out in the Demand and NITES (each as defined below) issued by BMO.

8. Following the defaults under the Credit Agreement, on July 8, 2026, BMO made formal written demands on Leato as at July 6, 2026, in the amount of $5,977,935.29 owed to BMO plus further accruing interest, fees, costs and expenses (the "**Demand**"). The Demand to Leato was accompanied by a notice of intention to enforce on security ("**NITES**") pursuant to section 244 of the BIA. On the same date, BMO also made formal written demands on the Guarantors for payment of the indebtedness guaranteed by them pursuant to the guarantee (together with the Demand, the "**Demands**").

9. Leato has not made any payments toward the indebtedness since the date the Demand was issued.

10. The applicable notice period has expired, and BMO's security is enforceable.

11. BMO's Security contemplates the appointment of a receiver in the event of a default.

12. As detailed herein, Leato's defaults under the Credit Agreement support the appointment of a Receiver. The deterioration of the income generated by the Real Property, issues concerning the condition of the 693 Property, the loss of tenants, and Leato's inability to service the Credit Facilities have materially increased BMO's risk.

13. BMO has lost confidence in Leato's ability to manage, preserve and protect the Property.

The Credit Agreement and Security

14. Pursuant to the letter of agreement dated October 22, 2024 (the "**Credit Agreement**"), BMO extended two credit facilities to Leato as part of refinancing the Real Property as follows:

(a) a $2,784,143.52 real estate facility secured against 507 Property; and

(b) a $3,200,000 real estate facility secured against 693 Property (collectively, the "**Credit Facilities**").

15. Pursuant to the Credit Agreement and as security for the obligations to BMO, Leato granted, among other things, (collectively, the "**Security**"):

(a) a first-ranking charge registered against the 507 Property and 693 Property (together, the "**Mortgages**");

(b) a notice of assignment of rents registered against the 507 Property and 693 Property; and

(c) a general security agreement over all of Leato's present and after-acquired personal property dated October 22, 2024 (the "**GSA**").

16. The Guarantors jointly and severally guaranteed repayment of Leato's debts and liabilities to BMO limited to the aggregate amount of $6,000,000 plus interest and costs pursuant to a guarantee dated October 31, 2024 (the "**Guarantee**").

17. BMO is the only registered mortgagee on title to the Real Property.

18. BMO registered the GSA against Leato in Ontario pursuant to the *Personal Property Security Act* (Ontario). BMO is the only secured party registered against Leato.

19. Leato has failed to make any payments in June, July or August 2026, and as at July 6, 2026, Leato was indebted to BMO pursuant to the Credit Facilities and the Guarantors were indebted to BMO pursuant to the Guarantee in the total amount of $5,977,935.29, plus further accruing interest, fees, costs and expenses.

20. It is a term of each of the Mortgages and the GSA that BMO may appoint a receiver upon default by Leato in any of its obligations to BMO.

The Real Property

<u>507 Property</u>

21. The 507 Property is a three-storey mixed-use retail and residential building located along

Queen Street West, Toronto, Ontario.

22. The current tenant at the 507 Property (the "**507 Tenant**") leases the main floor and a portion of the basement pursuant to a lease agreement dated January 16, 2024. Notwithstanding the lease, BMO understands that the 507 Tenant is paying reduced rent with Leato's agreement, from approximately $11,500 per month under the lease to $8,100 per month. Such reduction in rent was not approved by BMO.

<u>693 Property</u>

23. The 693 Property is a three-storey mixed-use retail and residential building located along Queen Street West, Toronto, Ontario.

24. The principal tenant at the 693 Property (the "**693 Tenant**"), operated from the ground-floor retail premises under a lease agreement dated November 6, 2023 for a term expiring November 30, 2028. The 693 Tenant moved out of the premises earlier this year due to a pipe leak and has not returned.

Events of Default and Demands

25. Pursuant to the Credit Agreement, the Credit Facilities are repayable on demand by BMO.

26. Leato has committed multiple defaults under the Credit Agreement and Security, including:

(a) failing to pay principal and interest under the Credit Agreement when due;

(b) failing to make payments due under the Credit Facilities following the Demand;

(c) failing to pay the property taxes for the Real Property when due for 2025 and 2026, with arrears totalling $16,287.71 for the 507 Property and $20,315.58 for the 693 Property;

(d) experiencing a material adverse effect to the rental income at the Real Property; and

(e) becoming insolvent (collectively, the "**Defaults**").

27. Each of the foregoing constitutes an event of default under the Credit Agreement and Security, with the result that BMO was entitled to exercise its rights and remedies pursuant to the same.

28. In addition, BMO also learned that Leato was depositing rental income into accounts at another financial institution in breach of the terms of the Credit Agreement.

29. By letter dated June 22, 2026 (the "**Default Letter**"), BMO notified Leato and the Guarantors that Leato had failed to pay $37,020.76 in connection with the Credit Agreement.

30. The Default Letter advised that the unpaid amounts due and owing under the Credit Agreement were required to be cured by June 29, 2026.

31. Leato did not cure the default by June 29, 2026, and has failed to make any payments to BMO in July or August.

32. By letter dated July 8, 2026, counsel for BMO delivered a Demand and NITES to Leato demanding repayment of the outstanding indebtedness, plus all applicable accruing interest, fees, costs, and expenses.

33. By letter dated July 8, 2026, counsel for BMO also demanded payment of the indebtedness from the Guarantors pursuant to the Guarantee.

34. Notwithstanding the issuance of the Demands, neither Leato nor the Guarantors have repaid the indebtedness owing to BMO.

35. The statutory 10-day notice period under section 244 of the BIA has expired. BMO's Security is enforceable.

The Appointment of a Receiver is Necessary

36. The appointment of the proposed Receiver over the Property is necessary and appropriate in the circumstances, including, *inter alia*:

(a) BMO is contractually entitled to seek the appointment of Receiver pursuant to the Security as a result of the Defaults;

(b) the notice period under section 244 of the BIA has expired;

(c) BMO has received no payments towards the indebtedness notwithstanding the issuance of the Demands and the NITES;

(d) Leato has been depositing rental income into accounts at another financial institution;

(e) the income-generating ability of the Real Property has materially deteriorated, including significant tenant vacancies and rent reductions;

(f) BMO has limited visibility concerning the management, condition, occupancy and rent collections of the Real Property;

(g) it appears that there is no plan in place to repay the indebtedness; and

(h) BMO has lost confidence in Leato's ability to perform its obligations under the Credit Agreement and Security, or to refinance or repay the indebtedness.

37. For these reasons, BMO believes that the appointment of the Receiver is necessary and appropriate in the circumstances. The appointment of the Receiver will facilitate the preservation, management and any realization process of the Property in an efficient, transparent and court-supervised manner for the benefit of BMO and for the benefit of other stakeholders of Leato.

38. TDB is a licensed trustee in bankruptcy and has consented to act as Receiver if so appointed by the Court.

General

39. Rules 1.04, 2.03, 3.02, 14.05(2), 16.08, 38 and 41 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg 194.

40. Section 243 of the BIA.

41. Section 101 of the CJA.

42. Rules 6, 11 and 13 of the *Bankruptcy and Insolvency General Rules*, C.R.C., c.368.

43. 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 this Application:

(a) the Affidavit of Michaela Wolf, to be sworn, and the Exhibits thereto;

(b) the consent of TDB to act as Receiver; and

(c) such further and other evidence as counsel may advise and this Honourable Court may permit.

August 13, 2026

MILLER THOMSON LLP
Scotia Plaza
40 King Street West, Suite 6600
P.O. Box 1011
Toronto ON M5H 3S1

Kyla Mahar (LSO#: 44182G)
Tel: 416.597.4303
Email: kmahar@millerthomson.com

Gina Rhodes (LSO#:78849U)
Tel: 416.597.4321
Email: grhodes@millerthomson.com

Armando Ranjbar (LSO#: 93408B)
Tel: 416.595.8610
Email: aranjbar@millerthomson.com

Lawyers for the Applicant,
Bank of Montreal

BANK OF MONTREAL Applicant	and	LEATO ENTERPRISE LTD. Respondent	Court File No:

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Proceeding commenced at Toronto

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(RETURNABLE AUGUST 24, 2026)

MILLER THOMSON LLP
Scotia Plaza
40 King Street West, Suite 6600
P.O. Box 1011
Toronto ON M5H 3S1

Kyla Mahar (LSO#: 44182G)
Tel: 416.597.4303
Email: kmahar@millerthomson.com

Gina Rhodes (LSO#:78849U)
Tel: 416.597.4321
Email: grhodes@millerthomson.com

Armando Ranjbar (LSO#: 93408B)
Tel: 416.595.8610
Email: aranjbar@millerthomson.com

Lawyers for the Applicant, Bank of Montreal