Court File No. CV-25-00743485-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

B E T W E E N

ARBAT CAPITAL GROUP LTD.

Applicant

and

THE SECOND CUP COFFEE COMPANY INC.

Respondent

SUPPLEMENT TO THIRD REPORT TO THE COURT SUBMITTED BY GRANT THORNTON LIMITED IN ITS CAPACITY AS COURT-APPOINTED MONITOR

October 29, 2025

Doane Grant Thornton

Grant Thornton Limited,
200 King Street West, Floor 11,
Toronto, ON M5H 3T4

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APPENDIX

Appendix A – Statement of Claim

INTRODUCTION[1]

1. On May 22, 2025 the Superior Court of Justice (Commercial List) in Ontario granted an initial order (as amended and restated on May 29, 2025) (the "**ARIO**") under the *Companies' Creditors Arrangement Act* in respect of The Second Cup Coffee Company Inc. (the "**Debtor**") and appointed Grant Thornton Limited as monitor of the Debtor (in such capacity, the "**Monitor**").

2. On October 20, 2025, the Monitor served its third report to the Court (the "**Third Report**"). The purpose of the Third Report was, among other things, to provide the Monitor's views on a proposed reverse vesting order ("**RVO**") approving the Amended Purchase Agreement with Arbat Capital Group Ltd. ("**Arbat Capital**"). The Monitor conducted the Court-approved SISP (including an auction) and the Amended Purchase Agreement is the successful bid from that sale process.

3. This report (the "**Supplemental Third Report**") is supplementary to and should be read in conjunction with the Third Report furthermore, this Supplemental Third Report is subject to the same terms of reference and disclaimers as set out in the Third Report in all respects.

PURPOSE OF THE SUPPLEMENTAL THIRD REPORT

4. The purpose of this Supplemental Third report is to provide additional information to the Court regarding developments that occurred after the filing of the Third Report in respect of the relief being sought and the issuance of the RVO and Ancillary Order.

RECEIPT OF STAMENT OF CLAIM

5. On October 23, 2025, Necpal Litigation, counsel to Mr. Jim Ragas ("**Ragas**"), ("**Ragas' Counsel**"), contacted Cassels Brock & Blackwell LLP, counsel to the Monitor, (the "**Monitor's Counsel**") advising that on September 30, 2025, his client, Ragas, was served with a statement of claim by the shareholders and directors of the Debtor, including Arbat Capital (collectively, the "**Plaintiffs**").

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[1] All capitalized terms used herein but not defined shall have the meanings given to them in the Third Report.

6. On October 23, 2025, Ragas' Counsel sent a copy of the statement of claim dated September 25, 2025, and issued on September 29, 2025, (the "**Statement of Claim**") to the Monitor's Counsel. Neither the Monitor nor the Monitor's Counsel received the Statement of Claim until this time.

7. A copy of the Statement of Claim is attached hereto as **Appendix "A"** with the name of the Potential Bidder (as defined below) redacted in order to ensure the Monitor is complying with its obligations under the applicable NDA.

8. On October 23, 2025, the Monitor's Counsel promptly reached out to Miller Thomson LLP, counsel to the Plaintiffs (the "**Plaintiffs' Counsel**") to obtain more information regarding the Statement of Claim.

9. On October 24, 2025, the Monitor along with the Monitor's Counsel spoke to the Plaintiffs' Counsel. The Plaintiffs' Counsel advised the Monitor and Monitor's Counsel that in their view the Statement of Claim involved a shareholder dispute and the timing of the issuance and service of the Statement of Claim as it related to the SISP Bid Deadline, being September 30, 2025, was inadvertent.

10. The Monitor and the Monitor's Counsel have reviewed the Statement of Claim and make the following observations:

    (a) The Statement of Claim names the Debtor as a defendant but does not allege any wrongdoing by the Debtor.

    (b) The Statement of Claim explicitly states that the Debtor is named as a defendant "as a necessary party only".

    (c) The ARIO provides a stay of proceedings in respect of commencing any proceedings in respect of the Debtor. No request was made of the Monitor to lift the stay of proceedings in connection with the Statement of Claim.

    (d) The Statement of Claim makes various allegations against Ragas in his capacity as director and CEO of the Debtor. The Statement of Claim also references the oppression action initiated by Ragas on February 24, 2025, against the Plaintiffs (the "**Oppression Action**").

    (e) The Statement of Claim alleges, among other things, that upon his resignation as CEO in September 2025, Ragas, became employed by a potential bidder in the SISP to assist such potential bidder with a bid (the "**Potential Bidder**").

(f) The Statement of Claim alleges that Ragas contacted international partners and that the Plaintiffs "believe" that Ragas will assist the Potential Bidder in acquiring the Debtor by using information that Ragas holds due to his former position with the Debtor and that he will otherwise act in breach of his fiduciary duties to the Debtor.

11. The Bid Deadline of the SISP was September 30, 2025, at 5:00 PM EST. The Potential Bidder did sign an NDA and conducted due diligence during the SISP. The Monitor had numerous conversations with the Potential Bidder during the due diligence period and the SISP.

12. Neither Ragas nor the Potential Bidder submitted a bid in the SISP.

13. On September 30, 2025, approximately 30 minutes after the Bid Deadline, the Monitor contacted the Potential Bidder to confirm that they had not submitted a Bid in the SISP, which is typical practice for the Monitor when it conducts sales processes since often a bid may be submitted late or there may be a delay in the Monitor receiving the bid.

14. The Potential Bidder advised the Monitor that it indeed had not submitted a Bid in the SISP as it was no longer interested.

15. The Monitor is not aware of the Potential Bidder having received a copy of the Statement of Claim.

16. As mentioned above, the Monitor nor the Monitor's Counsel were aware of the Statement of Claim before October 23, 2025 and the Monitor did not advise the Debtor or the Plaintiffs, or their respective counsel of the Potential Bidder's involvement in the SISP. The Monitor conducted the SISP in accordance with the SISP Order and complied with all of its obligations.

17. On October 27, 2025, Ragas' Counsel and the Plaintiffs Counsel advised the Monitor's Counsel that the parties had reached an agreement on terms of settlement regarding the Oppression Action and the Statement of Claim.

REVISED RELEASED PARTIES

Ragas

18. On October 23, 2025, Ragas's Counsel indicated to Monitor's Counsel that his client would be seeking an amendment to the RVO such that Ragas would be included as a Released Party under the RVO.

19. On October 29,2025 counsel for Ragas served a Motion Record including an Affidavit of Ragas sworn October 28, 2025 (the "**Ragas Affidavit**") and a revised RVO proposing to add Ragas as a Released Party.

20. The Monitor and the Monitor's Counsel have reviewed the Ragas Affidavit and advise that in respect of paragraphs 18, 21 and 24 of the Ragas Affidavit and Exhibits "C", "D" and "F" thereto, that the Monitor notes that Ragas responded to the information requests from the Monitor which are included in those Exhibits.

21. Notwithstanding, the Monitor was in regular contact with the CRO during the CCAA Proceedings, regarding all material aspects of the Debtor operations, financials and cashflow matters. The Monitor's contact with Ragas was limited throughout the CCAA Proceedings.

22. As described in the Third Report the Monitor received Ragas' disclosure as a Participating Insider.

23. The Plaintiffs Counsel and Ragas Counsel have advised that the inclusion of Ragas as a Released Party is part of the settlement between the parties and that the Plaintiffs do not oppose such relief.

Claims Process and D&O Claims

24. To clarify from the Monitor's Third Report, the D&O Claims filed in the Claims Process will not be released in the Release included in the RVO and will be dealt with under the Claims Process.

UPDATE ON MONITORS RECOMMENDATIONS

25. The Monitor, for the reasons set out in its Third Report, continues to support the approval of the RVO and Ancillary Order.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 29th day of October 2025.

GRANT THORNTON LIMITED,
SOLELY IN ITS CAPACITY AS COURT-APPOINTED MONITOR
OF THE SECOND CUP COFFEE COMPANY INC., AND NOT IN ITS CORPORATE OR PERSONAL CAPACITY

Per: Jason Kanji
Jason Kanji, CPA, CA, CIRP, LIT
Vice-President

Appendix A

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

B E T W E E N:

(Court Seal)

SVETLANA BORTSOVA, ALEXEY GOLUBOVICH, LARISSA KHOMUTOVA, MAXIM LOJEVSKY, ARBAT CAPITAL GROUP LTD, and PARK INVESTORS LLC

Plaintiffs

and

DEMETRIOS RAGAS and THE SECOND CUP COFFEE COMPANY INC.

Defendants

STATEMENT OF CLAIM

TO THE DEFENDANTS

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the Plaintiff. The Claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a Statement of Defence in Form 18A prescribed by the *Rules of Civil Procedure*, serve it on the Plaintiff's lawyer or, where the Plaintiff does not have a lawyer, serve it on the Plaintiff, and file it, with proof of service in this court office, WITHIN TWENTY DAYS after this Statement of Claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your Statement of Defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a Statement of Defence, you may serve and file a Notice of Intent to Defend in Form 18B prescribed by the *Rules of Civil Procedure*. This will entitle you to ten more days within which to serve and file your Statement of Defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

TAKE NOTICE: THIS ACTION WILL AUTOMATICALLY BE DISMISSED if it has not been set down for trial or terminated by any means within five years after the action was commenced unless otherwise ordered by the court.

Date September 25, 2025 Issued by ______________________
Local Registrar

Address of court office: 330 University Ave,
9th Floor
Toronto, ON
M5G 1R7

TO: **NECPAL LITIGATION**
65 Front Street East
Suite 300
Toronto, Ontario M5E 1B5

David Salter LSO# 80519K
dsalter@necpal.com
Tel: 416.613.9156

Counsel for the Defendant,
Demetrios Ragas

AND TO: **THE SECOND CUP COFFEE COMPANY INC.**
1st Floor, 12 Bruce Park Avenue
Toronto, Ontario, Canada
M4P 2S3
Attention: Maxim Lojevsky, Chief Restructuring Officer

Defendant

CLAIM

1. The Plaintiffs claim:

(a) an Order declaring that that the business or affairs of the corporate defendant, THE SECOND CUP COFFEE COMPANY, have been carried out by the defendant, DEMETRIOS RAGAS, in a manner that is oppressive or unfairly prejudicial to, or that unfairly disregards the interests of the Plaintiffs, contrary to section 248 of Ontario's *Business Corporations Act*, RSO 1990, c B.16, as amended (the **"*OBCA*"**);

(b) an Order declaring that that the defendant, DEMETRIOS RAGAS, has exercised his powers as, *inter alia*, chief executive officer (**"CEO"**) and a director of the corporate defendant, in a manner that is oppressive or unfairly prejudicial to, or that unfairly disregards the interests of the Plaintiffs, contrary to section 248 of the *OBCA*;

(a) an Order declaring that the business or affairs of the corporate defendant have been carried out in contravention of, *inter alia*, the following sections of the *OBCA*:

(i) sections 144 & 140 (failure to keep records open to examination by directors, and failure to maintain corporate and accounting records);

(ii) 154 and 159 (failure to deliver financial statements);

(iii) Part XII, specifically 153(5) and 154 (failure to keep records open to examination by auditor, and failure to present auditor's report); and

(iv) section 134 (breach of standard of care required of a director, and failure to comply with the Act);

(b) an Order declaring that the defendant, DEMETRIOS RAGAS, has, in breach of his fiduciary and other duties at common law and in equity, and his obligations under section 134 of the *OBCA*, *inter alia*:

(i) engaged in negligent, reckless and/or deliberate misconduct, and/or self-dealing, in the performance of his duties as CEO and director of the corporate defendant; and

(ii) failed to exercise his powers and discharge his duties to the corporate defendant honestly and in good faith with a view to the best interests of the corporation, and with the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;

(c) an Order requiring an accounting and disgorgement of any improper advances or transactions entered into between the defendant, DEMETRIOS RAGAS, and the corporate defendant (the **"Ragas Transactions"**), and, if necessary:

(i) an Order under section 248(3)(h) of the *OBCA* setting aside any Ragas Transactions that were oppressive, constituted a breach of fiduciary duty, self-dealing, fraud or defalcation, or otherwise contravened the *OBCA*; and

(ii) an Order under section 248(3)(m) of the *OBCA*, directing that an investigation under Part XIII of the *OBCA* be made by the Monitor (defined below) in respect of the Ragas Transactions;

(d) Orders under, *inter alia*, section 248(3)(j) of the *OBCA*, requiring the defendant, DEMETRIOS RAGAS, to make restitution, pay damages, and fully compensate the Plaintiffs as aggrieved persons on account of, *inter alia*:

(i) his oppressive acts and omissions;

(ii) his breaches of his fiduciary duties; and

(iii) the Ragas Transactions, as applicable;

(e) in the alternative, an Order against the defendant, DEMETRIOS RAGAS, awarding the Plaintiffs restitution and damages for unjust enrichment;

(f) an Order against the defendant, DEMETRIOS RAGAS, awarding the Plaintiffs punitive, aggravated, and/or exemplary damages in the amount of $50,000.00, or such further or other amount as to this Honourable Court may seem just;

(g) an Order against the defendant, DEMETRIOS RAGAS, declaring:

(i) under subsection 178(1)(d) of the *Bankruptcy and Insolvency Act,* RSC 1985, c B-3, as amended (the **"*BIA*"**), that his liability in the within Action arises out of fraud, embezzlement, misappropriation, or defalcation while acting in a fiduciary capacity; or

(ii) in the alternative, under section 178(1)(e) of the *BIA*, that his liability in the within Action results from obtaining property or services by false pretences or fraudulent misrepresentation,

and that the liability accordingly survives, and is not released by, an order of discharge from bankruptcy, if any, in respect of this defendant;

(h) if necessary:

(i) an Order declaring that the defendant, DEMETRIOS RAGAS, is no longer a director of the corporate defendant, by virtue of his resignation as CEO, and by operation of his employment agreement;

(ii) an interim, interlocutory, and final Order under section 248(3) of the *OBCA*, restraining the conduct complained of;

(iii) an interim and/or interlocutory Order under section 249(4) of the *OBCA*, regarding the Plaintiffs' interim costs, including legal fees and disbursements, pending final disposition of the Action;

(iv) an Order under the *Rules of Civil Procedure* R.R.O. 1990, Reg. 194, as amended (the **"*Rules*"**) validating service, dispensing with service, and/or abridging the time for service of materials in the within Action;

(v) an Order granting leave to commence and issue the within Action on the Commercial List, pursuant sub-paragraphs 1(c) & (m) of Section F (*Commercial List Matters*) of the *Consolidated Practice Direction – Toronto Region*;

(vi) an Order granting leave to the Plaintiffs, or any of them, to bring the within Action notwithstanding the Stay Period (defined below);

(vii) an Order under section 246(1) of the *OBCA*, granting leave to the Plaintiffs, or any of them, to assert derivative claims or to pursue a derivative action, in respect of any of the claims or relief sought herein; and

(viii) any other interim, interlocutory, or final Orders necessary to give effect to the relief sought herein;

(i) pre-judgment and post-judgment interest in accordance with sections 128 and 129 — or in the alternative, section 130 — of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the ***"CJA"***), on any Order for the payment of money in the Action;

(j) costs of this proceeding as against the defendant, DEMETRIOS RAGAS, on a full indemnity basis — or in the alternative, on substantial or partial indemnity basis — plus all applicable taxes; and

(k) such further and other relief as to this Honourable Court may deem just.

A. THE PARTIES

2. The defendant, THE SECOND CUP COFFEE COMPANY INC. (**"Second Cup"**), is a company incorporated pursuant to the laws of Ontario, and with a head office in Toronto.

3. No wrongdoing is alleged against Second Cup in the within Action. The company is named as a defendant as a necessary party only, and to be bound by the results of this proceeding.

4. Second Cup owns or controls the "Second Cup Cafe" brand and rights globally, outside of Canada. Second Cup is currently under creditor protection, under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended ("**CCAA**").

5. At date, Second Cup's shareholders are as follows:

Shareholder	**Number and Class of Shares**
Demetrios Ragas	3,000,000 Class A Shares
Park Investors LLC	2,000,000 Class A Shares
Arbat Capital Group Ltd	3,000,000 Class A Shares 1,000,000 Class B Shares
Svetlana Bortsova	1,000,000 Class B Shares

6. At date, Second Cup's board of directors (**"Board"**), and its officers, consist of the following individuals:

Individual	**Role(s)**
Demetrios Ragas	Director; Resigned as CEO & President
Maxim Lojevsky, for Park Investors LLC	Director; Chairman, Chief Restructuring Officer
Alexey Golubovich, for Arbat Capital Group Ltd	Director
Larissa Khomutova, for Svetlana Bortsova	Director

7. The defendant, DEMETRIOS RAGAS, also known as Jim Ragas (**"Mr. Ragas"**), is an individual ordinarily resident in Toronto, Ontario. As noted above, Mr. Ragas served as Second Cup's CEO and President, as well as on its board of directors, from 2015 until his resignation effective September 12, 2025. The within Action concerns Mr. Ragas' acts, omissions, and breaches as a director and officer of Second Cup. As plead herein, at all material times Mr. Ragas had control over the day to day management of Second Cup and complete control of its financial and other information. Among other things, Mr. Ragas has defalcated funds from the company for his own personal uses, failed to account for significant loan proceeds made to the company and earmarked for specific purposes, and has engaged in a pattern of inaccurate reporting to the Board, and within unaudited financial statements.

8. The plaintiff, ARBAT CAPITAL GROUP LTD. ("**Arbat**") is an investment management corporation incorporated pursuant to the laws of the British Virgin Isles and with a head office in London, United Kingdom. As noted, Arbat is a 40% shareholder of Second Cup. Arbat is also Second Cup's largest creditor, being owed over $3,715,198.61 (USD) and £832,745.20 (GBP) on an unsecured basis as of March 31, 2025, as well as being owed in excess of $1,200,000 under the DIP Facility (defined below) of Second Cup, in the context of its CCAA.

9. The plaintiff, ALEXEY GOLUBOVICH (**"Golubovich"**), is an individual ordinarily resident in London, United Kingdom. Golubovich is a member of Second Cup's Board, as nominee director for Arbat, of which Glubovich is also a director. No relief is sought by Golubovich personally, in the within Action. Golubovich is named as a plaintiff as a necessary party only, and to be bound by the results of this proceeding.

10. The plaintiff, SVETLANA BORTSOVA (**"Bortsova"**), is an individual ordinarily resident in Dubai, United Arab Emirates. As noted, Bortsova is a 10% shareholder of Second Cup. Borstova has debt outstanding to Second Cup in the amount of £624,558.89 (GBP).

11. The plaintiff, LARISSA KHOMUTOVA (**"Khomutova"**), is an individual ordinarily resident in Dubai, United Arab Emirates. Khomutova is a member of Second Cup's Board, as nominee director for Bortsova. No relief is sought by Khomutova personally, in the within Action. Khomutova is named as a plaintiff as a necessary party only, and to be bound by the results of this proceeding.

12. The plaintiff, PARK INVESTORS LLC (**"Park"**), is an investment management corporation organized pursuant to the laws of New York, United States. As noted, Park is a 20% shareholder of Second Cup. Park has debt outstanding to Second Cup in the amount of £624,558.89 (GBP).

13. The plaintiff, MAXIM LOJEVSKY (**"Lojevsky"**), is an individual ordinarily resident in London, UK. Lojevsky's is a member of Second Cup's Board, as nominee director for Park, of which Lojevsky is manager. Lojevsky was also appointed as Chief Restructuring Officer of Second Cup, in the context of its CCAA (**"CRO"**). No relief is sought by Lojevsky personally, in the within Action. Lojevsky is named as a plaintiff as a necessary party only, and to be bound by the results of this proceeding.

14. Arbat, Golubovich, Bortsova, Khomutova, Park, and Lojevsky are collectively defined as the **"Plaintiffs"**. Together, the Plaintiffs represent a majority (70%) of the issued and outstanding shares of Second Cup, and the vast majority (86%) of its debt. The debt owed to the Plaintiffs matured by no later than June 25, 2021.

15. The Plaintiffs are "complainants" for the purposes of section 245 of the *OBCA*.

B. THE FACTS

Second Cup

16. As noted, Second Cup owns or controls the "Second Cup Cafe" brand and rights globally, outside of Canada. Second Cup franchises these rights to franchisees operating approximately 170 cafes across approximately 20 countries, including in Pakistan, Egypt, Azerbaijan, Cyprus, and across sub-Saharan Africa.

17. Second Cup's franchisees are required, pursuant to their franchise agreements, to pay royalties fees to Second Cup, and to purchase certain supplies — including coffee beans and powders for flavoured drinks — from Second Cup. These royalty fees and supplies form the vast majority of Second Cup's revenues.

18. Second Cup is not affiliated with, and is independent from, the Canadian coffee chain and retailer of the same name (Second Cup Coffee Co.). Second Cup does not have any franchisees or corporate-owned cafes located in Canada. Second Cup's only Canadian operations are a head office, with fewer than ten employees.

The Plaintiffs' Loans

The Arbat Loans

19. Arbat loaned £400,000 (GBP) to Second Cup on June 25, 2018, pursuant to a same-dated loan agreement between Arbat and Second Cup (the "**Arbat GBP Loan Agreement**") (the **"Arbat GBP Loan"**).

20. The proceeds of the Arbat GBP Loan were to be used to fund Second Cup's acquisition of assets related to Second Cup cafes to be opened in the United Kingdom. Mr. Ragas represented that the loan proceeds would be used only for those corporate purposes. However, they were not, as is discussed further below.

21. The Arbat GBP Loan matured on June 25, 2021. Second Cup never paid any principal or interest as required under the Arbat GBP Loan — notwithstanding that it came due in 2021 and that demand has been made on the loan — leaving £832,745.32 (GBP) due and owing as of March 31, 2025.

22. Pursuant to sections 6(e) and 6(f) of the Arbat GBP Loan Agreement, Second Cup covenanted to:

(a) "keep proper books of record and account"; and

(b) "permit the lender at any reasonable time or times…to examine and make copies of…the books and records of [Second Cup]", (together, the **"Disclosure Covenant"**).

23. Additionally, Arbat loaned $1,000,000 (USD) to Second Cup on April 3, 2019, pursuant to a same-dated loan agreement between Arbat and Second Cup. This loan agreement was amended on May 9, 2019, and July 22, 2019, ultimately increasing the outstanding principal to $2,000,000 (USD) (the **"Arbat USD Loan Agreement"**) (the **"Arbat USD Loan"**, together with the Arbat GBP Loan, the **"Arbat Loans"**).

24. The Arbat USD Loan matured in tranches starting on May 6, 2020, and completely matured on April 10, 2021. Second Cup has paid approximately $31,369.86 (USD) under the Arbat USD Loan, leaving approximately $3,715,198.61 (USD) due and owing as of March 31, 2025.

25. The Arbat USD Loan Agreement also contained a Disclosure Covenant from Second Cup, substantially similar to the covenant in the Arbat GBP Loan Agreement, but with the additional obligation to provide Arbat with annual financial statements and a report on Second Cup's receivables and payables upon request;

The Bortsova Loan

26. At the request of Mr. Ragas, Bortsova loaned £300,000 (GBP) to Second Cup on June 14, 2018, pursuant to a same-dated loan agreement between Bortsova and Second Cup (the "**Bortsova Loan Agreement**") (the **"Bortsova Loan"**).

27. The proceeds of the Bortsova Loan were to be used to fund Second Cup's acquisition of assets related to Second Cup cafes to be opened in the United Kingdom. Mr. Ragas represented that the loan proceeds would be used only for those corporate purposes. However, they were not, as is discussed further below.

28. The Bortsova Loan matured on June 25, 2021. Second Cup never paid any principal or interest as required under the Bortsova Loan — notwithstanding that it came due in 2021 and that demand has been made on the loan — leaving £624,558.89 (GBP) due and owing as of March 31, 2025.

29. The Bortsova Loan Agreement also contained a Disclosure Covenant from Second Cup, the same or substantially similar to the covenant in the Arbat GBP Loan Agreement.

The Park Loan

30. At the request of Mr. Ragas, Park also loaned £300,000 (GBP) to Second Cup on June 14, 2018, pursuant to a same-dated loan agreement between Park and Second Cup (the **"Park Loan Agreement**") (the **"Park Loan"**).

31. The proceeds of the Park Loan were also to be used to fund Second Cup's acquisition of assets related to Second Cup cafes to be opened in the United Kingdom. Mr. Ragas represented that the loan proceeds would be used only for those corporate purposes. However, they were not, as is discussed further below.

32. The Park Loan also matured on June 25, 2021. Second Cup never paid any principal or interest as required under the Park Loan — notwithstanding that it came due in 2021 and that demand has been made on the loan — leaving £624,558.89 (GBP) due and owing as of March 31, 2025.

33. The Park Loan Agreement also contained a Disclosure Covenant from Second Cup, the same or substantially similar to the covenant in the Arbat GBP Loan Agreement.

34. The Arbat Loans, Bortsova Loan, and Park Loan are collectively the **"Plaintiffs' Loans"**.

35. The Arbat GBP Loan Agreement, Arbat USD Loan Agreement, Bortsova Loan Agreement, and Park Loan Agreement are collectively the **"Plaintiffs' Loan Agreements"**.

The Unanimous Shareholder Agreement

36. Second Cup, Mr. Ragas, Arbat, Bortsova, and Park are each party to a Second Amended and Restated Unanimous Shareholders' Agreement dated September 29, 2023 (the **"USA"**).

37. The USA imposed a number of obligations on Second Cup. As CEO, it was Mr. Ragas' responsibility to ensure compliance with these terms and obligations.

38. Among other things, under section 5.1.2 of the USA, Second Cup is required to provide shareholders with consolidated audited annual financial statements within 120 days of the end of any relevant financial year, at no cost.

39. Under section 13.1.2 of the USA, Second Cup is required to take out, pay, and maintain an adequate directors and officers' liability insurance policy, in the minimum amount of five million dollars ($5,000,000 CAD).

40. Additionally, under section 4.1.2(m) of the USA, any contract, agreement, undertaking, or other transaction between Second Cup and a shareholder, officer, or director requires 70% shareholder approval.

Second Cup's Financial Circumstances

41. Beginning in summer 2024, the Plaintiffs had increasing concerns about Second Cup's financial viability.

42. Immediately prior to the CCAA Application (discussed below), Second Cup's financial and accounting books and records showed that it had very little liquidity, and comparatively large accounts payable along with significant aged accounts receivable.

43. It became clear that Second Cup was in financial distress and could not pay its liabilities as they came due, based on admissions from Mr. Ragas, including among other things:

(a) that Second Cup did not have the capital to repay the Plaintiffs' Loans;

(b) that he had (purportedly) deferred his salary to assist with Second Cup's liquidity and cash flow; and

(c) that Second Cup lacked the liquidity to pay its auditor's fees.

The CCAA Application

44. In response to Second Cup's apparent financial distress, on May 20, 2025, Arbat made an application to the Ontario Superior Court of Justice (Commercial List) under the CCAA, commencing a "CCAA Application" in respect of Second Cup.

45. On May 22, 2025, this Honourable Court granted an initial order pursuant to the CCAA (the **"Initial Order"**). Pursuant to the Initial Order, Grant Thornton Limited was appointed as monitor of Second Cup (the **"Monitor"**), and Lojevsky was appointed as its CRO.

46. The Initial Order also, among other things, authorized Second Cup and Arbat to enter into a debtor-in-possession (DIP) term sheet, permitting Second Cup to borrow up to $200,000 from Arbat in order to finance its working capital requirements, the restructuring process, other general corporate purposes, accrued interest, expenses, and capital expenditures (the **"DIP Facility"**).

47. On May 29, 2025, this Honourable Court granted an amended and restated Initial Order (the **"CCAA Order"**). Pursuant to the CCAA Order, the DIP Facility was increased to $900,000.

48. The CCAA Order also, among other things, extended a stay of proceedings to August 28, 2025 (the **"Stay Period"**), during which period, no proceeding or enforcement process in any court or tribunal may be commenced or continued against or in respect of Second Cup or the Monitor, or affecting its business or property, except with the written consent of the Monitor and Second Cup, or with leave of this Honourable Court. Any and all such proceedings currently under way were stayed and suspended, pending further Order of this Honourable Court.

49. On August 21, 2025, this Honourable Court heard Arbat's motion for a sale and investment solicitation process (the **"SISP"**) in respect of Second Cup (the **"SISP Order"**). Pursuant to the SISP Order, Second Cup is being marketed for sale, with the SISP's sale process running from August 25, 2025 to September 30, 2025, with a stalking-horse bid from Arbat.

50. In parallel with the SISP Order, this Honourable Court ordered the Stay Period and DIP Facility extended to November 7, 2025. The DIP Facility was also increased to $1,500,000. At date, Second Cup has borrowed approximately $1,200,000 from Arbat under the DIP Facility.

51. On September 5, 2025, Mr. Ragas delivered notice to the Board and the Monitor of his resignation as President & CEO of Second Cup, effective October 3, 2025. On September 10, 2025, Mr. Ragas advised that he wold be accelerating his resignation date to September 12, 2025. The Plaintiffs expect that Mr. Ragas has resigned in order to participate in a third party bid for Second Cup's business within the SISP.

52. Mr. Ragas, in his notice of resignation, purported to not resign as a director of Second Cup, notwithstanding than an express term of his employment agreement is that he would resign as director immediately upon resigning as CEO.

Mr. Ragas' Oppressive and Tortious Acts and Omissions

53. The Plaintiffs lost all faith in Mr. Ragas' management of Second Cup, as a result of his mismanagement, and his oppressive and tortious acts and omissions, detailed herein.

54. Throughout Mr. Ragas' tenure as CEO, Mr. Ragas chose to focus on his own self-interest, and his own personal interest in preserving his role as CEO — so that he might continue to avail himself of corporate resources for personal purposes — to the detriment of the best interests of Second Cup and its other stakeholders. Simply put, he drove the company into the ground to fund his lifestyle, while deliberately deceiving its stakeholders as to its depreciating financial circumstances.

55. In addition to benefiting Mr. Ragas personally, the foregoing course of conduct served the ulterior purpose of bleeding Second Cup of its resources, thereby putting it into a vulnerable financial position where it could be acquired at a discount by a third party with whom he has a close personal relationship, and through whom he has secured a promise of employment if the acquisition is successful.

56. Mr. Ragas' conduct, detailed below, continued through to his resignation.

Concealed Failure to Remit Payroll Source Deductions

57. On February 21, 2025, Second Cup's auditor indicated that payroll source deductions had not been remitted by Second Cup to the Canada Revenue Agency (**"CRA"**) since 2021.

58. On May 1, 2025 — after repeated requests over a period of three months, and repeated, deliberate, and knowingly false denials by Mr. Ragas that any amounts were owing — it was finally confirmed to the Plaintiffs that Second Cup was not remitting payroll source deductions to

the CRA. As a result, a significant super-priority debt in excess of $400,000 accrued over several years, for which Second Cup's directors are personally liable.

59. Mr. Ragas concealed this debt from the Plaintiffs over the period of several years. At no point did Mr. Ragas disclose to the Board that source deductions were not being remitted to CRA. In fact, as recently as March 10, 2025, Mr. Ragas misrepresented to the Plaintiffs that source deduction remittances were current.

Value Stripping: Lavish Expenses, Luxury Vehicles, and Employing Related Parties

60. During his tenure as CEO, Mr. Ragas caused Second Cup to incur lavish expenses on his behalf, which were neither commensurate with the size of its business, nor rationally connected to any reasonable business purpose — whether for sales, business development, or otherwise.

61. Many of these expenses were entirely personal in nature, and not connected to any business purposes whatsoever. These expenses included extravagant meals, luxury goods, travel, gifts, automobiles, and experiences at some of the most prestigious and expensive venues and retailers in the country and around the world.

62. In the twelve months prior the CCAA Application alone, Mr. Ragas' extravagant personal expenses charged to Second Cup included, among other things:

(a) Approximately $155,421 in expenses for international travel and meals, including travel to Dubai, Mauritania, India, and Azerbaijan; and

(b) Approximately $42,467 for lease payments on his BMW 760I XDrive Sedan.

63. The Plaintiffs plead, and the fact is, that Mr. Ragas used corporate resources to fund and maintain his lavish and luxurious lifestyle, and not for the benefit of Second Cup or in the best interests of the company. This conduct was particularly egregious as it continued apace as the

company's liabilities increased and its assets decreased, including as the company failed to make source deductions as discussed above, and effectively began financing itself with monies defalcated from the government — all of which was deliberately concealed from the Plaintiffs.

64. These are improper Ragas Transactions, for which Mr. Ragas must account. The dollar amount of these improper personal expenses continues to be investigated, and will be fully particularized prior to trial, but is anticipated by the Plaintiffs to be in the many tens or low hundreds of thousands of dollars.

65. The Plaintiffs state that they had no knowledge of the nature or extent of Mr. Ragas' lavish personal expenses, until receiving disclosures on the eve of, and associated with, the CCAA Application. To the extent the Plaintiffs had knowledge of, or acceded to, Mr. Ragas' lavish personal expenses (which is not admitted), they did so within the context of, and with reliance upon, Mr. Ragas' inaccurate reporting regarding the financial condition of Second Cup, discussed further below.

66. The Plaintiffs plead, and the fact is, that Mr. Ragas' lavish personal expenses were not necessary or proportionate to Second Cup's business operations, reasonable given the financial condition of Second Cup, or within the Plaintiffs' reasonable expectations.

67. Mr. Ragas' value stripping has also involved *de facto* pay increases, expenses and benefits for the benefit of his household, via the employment of his spouse.

68. One of Second Cup's ten employees is Mr. Ragas' wife, Helen Dedes. Ms. Dedes' employment agreement dated September 2, 2015, identifies her position as "public relations coordinator". However, the agreement does not identify any duties, tasks, or other obligations.

69. While the directors of Second Cup consented to Ms. Dedes' employment with Second Cup, they did so within the context of, and with reliance upon, Mr. Ragas' inaccurate reporting regarding the financial condition of Second Cup, discussed further below.

70. The Plaintiffs plead, and the fact is, that the employment of Mr. Ragas' spouse was not necessary or proportionate to Second Cup's business operations, reasonable given the financial condition of Second Cup, or within the Plaintiffs' reasonable expectations.

71. Instead, Mr. Ragas' employment of his spouse, his luxury vehicle expenses, and his lavish expenses, were part of his pattern of extracting maximum value from Second Cup, for as long as possible, for his personal benefit and for the benefit of his household, and not for the benefit of Second Cup or in the best interests of the company.

Failures in Financial Reporting and Stewardship

72. In 2019, Mr. Ragas admitted, in writing, to losing track of the proceeds of the Plaintiffs' Loans. Mr. Ragas lost, misallocated, defalcated or misappropriated the majority of the proceeds of the Arbat Loans, and the entirety of the Park Loan and the Bortsova Loan to Second Cup.

73. Mr. Ragas has neglected, failed, or refused to account for the proceeds of the Plaintiffs' Loans. Mr. Ragas claimed in an email dated November 3, 2019, that he "lost" the relevant bank account login information, and relied on faulty memories.

74. Moreover, the proceeds of the Arbat GBP Loan, the Bortsova Loan, and the Park Loan were required to be used for UK expansion, and not for any other purposes, including Canadian working capital. Notwithstanding this fact, Mr. Ragas further admitted, in writing, that he neglected or failed to realize that the loan balances had been transferred from a Royal Bank of Canada GBP account, to Second Cup's operating account, where the fund balances were used for other purposes.

75. The Plaintiffs plead that Mr. Ragas has defalcated funds from the company for his own personal uses — either directly, through misappropriation, or indirectly, through his lavish and improper personal expenses. The misuses of these loan proceeds are improper Ragas Transactions, for which Mr. Ragas must account.

76. Mr. Ragas also engaged in inaccurate reporting to the Board, and within unaudited financial statements. Between 2021 and 2024, Mr. Ragas corresponded with the Board and the Plaintiffs regarding the financial condition of Second Cup, but the information provided was misleading.

77. Mr. Ragas neglected, failed, or refused to acknowledge or report that Second Cup was in significant financial distress. The Plaintiffs plead that Mr. Ragas concealed the company's financial distress, so that he could retain his salary and luxurious benefits (and those of his wife) for as long as possible, as well as set the stage for an acquisition by a third party friendly to him.

78. However, by no later than September 2024, Second Cup had no cash reserves, and the company's operating line of credit with the Bank of Montreal (BMO) was fully drawn.

79. In addition to failing to accurately report on these financial matters to the Board, Mr. Ragas neglected, failed, or refused to disclose material financial matters within Second Cup's unaudited financial statements. This included, among other things, the fact that the company's operating line of credit with BMO was fully drawn.

80. Mr. Ragas has further neglected, failed, or refused to obtain (and produce to the Board and to shareholders) audited financial statements for Second Cup. On July 11, 2024, Mr. Ragas represented that Second Cup's audit for 2023 would be completed by August 2024. However, months earlier in May 2024, Mr. Ragas had asked Second Cup's auditor, Raymond Chabot Grant

Thornton LLP, to put the audit on hold. Further, Mr. Ragas had neglected, failed, or refused to pay the auditors going back to December 2023.

81. Moreover, Mr. Ragas had been deliberately deficient in responding to auditor queries, and had not provided the auditor with sufficient financial records to complete the audit. The auditor was not provided with, among other things, Second Cup's general ledger, bank statements, backup transactional information, its basis for analyzing bad debts, or its methodology for recognizing revenue. As a result, Second Cup's audit for 2023 was never completed.

82. Mr. Ragas also neglected, failed, or refused to address Second Cup's financial distress. When Mr. Ragas did provide financial projections and budgets to the plaintiff creditors prior to the CCAA Application he would often provide it with an extremely positive gloss. Any reference to cost cutting would be directed at reducing spending on lower-level employees rather than his own salary, expenses, and car allowance. None of these projections or budgets made any reference to or allowance for payment of the source deductions to the CRA.

83. Prior to the CCAA Application, the plaintiff creditors each proposed a loan restructuring to Second Cup on favourable terms including a below market interest rate, maturity extension, and no equity conversion or dilution to Mr. Ragas' stake. Mr. Ragas neglected, failed, or refused to engage with the proposed loan restructuring, despite acknowledging that restructuring was advisable and in the best interests of Second Cup.

84. Also prior to the CCAA Application, the plaintiff creditors also offered forbearance terms to Second Cup. Mr. Ragas neglected, failed, or refused to engage with the proposed forbearance.

85. These omissions, and prior mismanagement and failures in financial reporting and stewardship by Mr. Ragas, left Second Cup unable to repay the Plaintiffs' Loans upon demand on December 3, 2024, contrary to the loan terms and the Plaintiffs' reasonable expectations.

86. It also crippled Second Cup and left it insolvent and rudderless. By the time of the CCAA Application, Second Cup had approximately $480 in its operating account, owed in the area of more than $400,000 to CRA for unpaid source deductions, and was not able to make payroll due at the end of the week. All of this was deliberately concealed by Mr. Ragas from the Plaintiffs in their capacities as directors, shareholders, and creditors.

87. As a result of Mr. Ragas' failures in financial stewardship, Second Cup was completely hollowed-out, such that it remains liable to be acquired at a discount by a third party with whom he has a close personal relationship. As noted, Mr. Ragas stands to be employed by this third party bidder, if its acquisition is successful.

Refusal to Disclose Financial and Accounting Information

88. Prior to the CCAA Application, Mr. Ragas withheld information about the financial condition of Second Cup from the Plaintiffs and the other members of the Board. At various times, Mr. Ragas has not responded to reasonable requests for information from the Plaintiffs.

89. For example, on October 23, 2024, the Board requested certain financial documentation from Kaleem Haider, the Company's Director of Finance. Mr. Ragas was copied on this correspondence. Mr. Haider refused to disclose anything to the Board without specific instruction from Mr. Ragas. Mr. Ragas neglected, failed, or refused to instruct Mr. Haider to disclose any information. Subsequently, Mr. Ragas represented to Lojevsky that Mr. Haider would provide the requested documents on a weekly basis. However, after a few weeks, this disclosure stopped.

90. Mr. Ragas' counsel provided information to the Plaintiffs on March 14, 2025. However, the information provided was stale, incomplete and lacked any supporting documentation, meaning that the Plaintiffs were unable to assess its validity and verify its accuracy

91. In doing so, Mr. Ragas weaponized his exclusive access to Second Cup's bank accounts, accounting books and records, and other financial information, to suit his purposes, conceal the company's financial distress, and retain his salary and luxurious benefits. This was for his benefit, and to the detriment of Second Cup and the Plaintiffs.

Management & Operational Failures

92. The Plaintiffs state, and the fact is, that Mr. Ragas has further failed, neglected, or refused to manage Second Cup's operations competently, and with the care, diligence and skill that a reasonably prudent CEO would exercise in comparable circumstances.

93. Mr. Ragas allowed Second Cup's directors and officers' liability insurance policy to lapse, despite (as noted) being required to maintain this policy under the USA.

94. On a number of occasions, franchisees of Second Cup have expressed serious concerns with Mr. Ragas' management of the company, including late shipping, short shipping, or non-existent supply of critical items like coffee, powders, and branded materials, as well as using franchisee payments for supplies for general operations rather than for procuring the supplies.

Prioritizing Role as CEO: Surreptitious Recordings, & Unmeritorious Litigation

95. The Plaintiffs state, and the fact is, that Mr. Ragas has taken a number of steps which are inconsistent with the best interests of Second Cup, and consistent only with his self-interest in continuing to serve as CEO and retain his salary and luxurious benefits.

96. On October 30, 2024, Mr. Ragas heard the Board's ongoing concerns with Second Cup's financial state. Mr. Ragas acknowledged a change was needed and that he would step down and relinquish operational duties. Despite indicating that he would step down on the call, and to the Plaintiffs' surprise, Mr. Ragas ultimately refused to do so.

97. On November 25, 2024, Mr. Ragas made a surreptitious recording of the Board meeting taking place that day. The fact that a recording was being made was undisclosed to the other Board members, and contrary to their reasonable expectations regarding the confidentiality of the proceedings.

98. On February 24, 2025, prior to the CCAA, Mr. Ragas commenced an oppression application against the Plaintiffs (the **"Oppression Application"**).

99. In the Oppression Application, Mr. Ragas made numerous unmeritorious allegations regarding the Plaintiffs' Loans and the Plaintiffs' making demand for repayment. Other allegations included, among other things: (a) attempting to recast his 2019 salary reduction and demotion as a purported salary deferral (despite same never having been approved by shareholders, as required under the USA) resulting in an approximately $903,168 debt allegedly owing to him from Second Cup; and (b) attempting to pin Pakistan's capital control measures on the Plaintiffs.

100. The Plaintiffs state, and the fact is, that the Oppression Application was a self-interested attempt by Mr. Ragas to draw the Plaintiffs' attention away from their demand for repayment of the Plaintiffs' Loans, and to buy himself more time at the helm, collecting his salary as CEO.

101. The Oppression Application was dismissed, with prejudice, on consent on May 26, 2025.

Post-Resignation Conduct

102. Following Mr. Ragas' resignation on September 12, 2025, Mr. Ragas took up employment with [redacted] as "Senior Vice President, International". [redacted] operates the Canadian "Second Cup" brand. The Plaintiffs state, and the fact is, that Mr. Ragas intends to cause [redacted] to compete with Second Cup in the international arena, in direct breach of his fiduciary obligations to the Second Cup.

103. On September 15, 2025 Mr. Ragas wrote to Second Cup's international franchisees to advise them of his new role, in a clear attempt to attempt to recruit them into an international network operated by [redacted]

104. The Plaintiffs also understand that Mr. Ragas has, since his resignation, advised others that he intends to assist [redacted] in acquiring Second Cup. The Plaintiffs believe that Mr. Ragas will assist [redacted] in acquiring Second Cup by using information that he holds due to his former position of trust and that he will otherwise act in breach of his fiduciary obligations to Second Cup in this attempt to acquire the company.

C. THE CAUSES OF ACTION

Oppression

105. During his tenure as CEO and a director of Second Cup, Mr. Ragas engaged in the oppressive and deceitful conduct detailed herein. Mr. Ragas has, among other things:

(a) Used the proceeds of the Plaintiffs' Loans for unauthorized and personal purposes;

(b) Failed to safeguard corporate assets, including the proceeds of the Plaintiffs' Loans, and Second Cup's bank accounts;

(c) Failed to manage corporate assets and expenses, including through his lavish and improper personal expenses;

(d) Failed to adequately and accurately report on financial matters to the Board;

(e) Failed to comply with the Disclosure Covenant in the Plaintiffs' Loan Agreements;

(f) Failed to produce corporate financial and accounting information to shareholders, upon reasonable request;

(g) Failed to obtain audited financial statements, as required by the USA;

(h) Misrepresented the status of Second Cup's audits, and failed to pay or make disclosure to Second Cup's auditors;

(i) Failed to maintain a directors and officers' liability insurance policy, as required by the USA;

(j) Misrepresented the status of his own salary reduction and demotion, and/or failure to obtain shareholder approval for purported salary deferral, as required by the USA;

(k) Misrepresented the status of the remittance of payroll source deductions, and failed to remit payroll source deductions to CRA;

(l) Failed to restructure corporate debt on terms favourable to Second Cup, and failed to obtain forbearances on corporate debt on terms favourable to Second Cup;

(m) Failed to resign as CEO in the best interests of Second Cup, when and as agreed;

(n) Failed to resign as a director upon his resignation as CEO; and

(o) Brought unmeritorious court proceedings and made undisclosed and surreptitious recordings of Board meetings.

106. The foregoing conduct has breached the Plaintiffs' reasonable expectations regarding the affairs and management of Second Cup, including, *inter alia*, that:

(a) Second Cup's financial affairs would be managed in compliance with the terms of the Plaintiffs' Loan Agreements, including that the proceeds of the Plaintiffs' Loans would be used only for authorized corporate purposes, and not personal purposes;

(b) Second Cup would be managed in compliance with the terms of the USA:

(c) Second Cup would be managed and disclosure made in compliance with the *OBCA*, and the Disclosure Covenant in the Plaintiffs' Loan Agreements;

(d) The reporting of Second Cup's management to the Board would be accurate and forthright, and not materially misleading;

(e) Second Cup's expenses would be proportionate and for corporate purposes, and not personal purposes;

(f) Second Cup would be managed in accordance with generally accepted corporate management and governance practices; and

(g) The affairs and management of Second Cup would be conducted on accordance with applicable laws.

107. The Plaintiffs plead, and the fact is, that:

(a) per the foregoing conduct, the business or affairs of the corporate defendant have been carried out in a manner that is oppressive or unfairly prejudicial to, or that unfairly disregards the interests of the Plaintiffs;

(b) Mr. Ragas has exercised his powers as, *inter alia*, a director and officer of the corporate defendant, in a manner that is oppressive or unfairly prejudicial to, or that unfairly disregards the interests of the Plaintiffs; and

(c) the business or affairs of the corporate defendant have been carried out in contravention of the express provisions of the *OBCA*.

108. The Plaintiffs plead, and the fact is, that it is fair, just and equitable for this Honourable Court to make the Orders requested in the within Action, in order to fully investigate and rectify the matters complained of herein.

Breach of Fiduciary Duty

109. Mr. Ragas was, at all material times, a fiduciary of Second Cup and owed Second Cup common law and statutory fiduciary duties under section 134 of the *OBCA*, including duties of loyalty, honesty and good faith, confidence, disclosure, and a duty to exercise his powers and discretion with reasonable prudence, care, and skill.

110. These duties required Mr. Ragas to, among other things, act honestly and in good faith with a view to the best interests of Second Cup. This duty includes the obligation to place the interests of Second Cup first, and refrain from: (a) making decisions that are tainted by self-interest; (b) prioritizing his economic self-interest over the best interests of the company; and (c) failing in his duties of honestly, disclosure, and loyalty, for self-interested reasons.

111. In his employment agreement, Mr. Ragas agreed to abide by any statutory, fiduciary or common law duties owed to Second Cup, which includes, among other things, a duty of loyalty and to avoid conflicts of interest.

112. The Plaintiffs reasonably expected that Mr. Ragas would avoid conflicts between the interests of Second Cup and opposing interests (including his own), as well as scrupulously comply with his obligations of disclosure, and to act honestly and in good faith with a view to the best interests of Second Cup.

113. The Plaintiffs have discovered instances of Mr. Ragas breaching his fiduciary duties to Second Cup in a manner that amounts to wilful misconduct.

114. Mr. Ragas acted deliberately or with reckless indifference when he breached his fiduciary duties by engaging in the activities complained of herein.

115. Further and/or full particulars of Mr. Ragas' misconduct are not known to the Plaintiffs, as they are expected to be contained in the business records of Second Cup, which are not within the Plaintiffs' possession, power, or control. However, full particulars of Mr. Ragas' misconduct will be provided prior to trial.

116. In regards to Mr. Ragas' foregoing oppressive acts and omissions, and breaches of fiduciary duties, the Plaintiffs state, and the fact is, that Mr. Ragas has engaged in negligent, reckless and/or deliberate misconduct, misrepresentation, and/or self-dealing, in the performance of his duties as CEO and director of Second Cup.

117. The Plaintiffs further state, and the fact is, that Mr. Ragas failed to exercise his powers and discharge his duties to Second Cup honestly and in good faith with a view to the best interests of the corporation, and with the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Unjust Enrichment

118. In the alternative and if applicable, the Plaintiffs and the corporate defendant, have been deprived of the value of the improper Ragas Transactions.

119. Mr. Ragas has benefitted from the Ragas Transactions, which benefit corresponds with the Plaintiffs' loss in in their roles as unsecured creditors and shareholders, as applicable.

120. There is no juristic reason for Mr. Ragas' benefit, or for the Plaintiffs' corresponding loss.

121. The defendant, Mr. Ragas, has been unjustly enriched to the detriment of the Plaintiffs, and is accordingly liable to the Plaintiffs for such unjust enrichment. The Plaintiffs claim entitlement in equity to restitution and/or damages from Mr. Ragas, along with legal fees incurred and accrued interest thereon.

Declaration(s) under section 178(1) of the *BIA*

122. The Plaintiffs plead, and the fact is, that the liability of Mr. Ragas arises out of fraud, embezzlement, misappropriation or defalcation while acting in a fiduciary capacity, for the purposes of section 178(1)(d) of the *BIA*. In this regard, the Plaintiffs plead and rely on the allegations contained herein.

123. In the alternative, the Plaintiffs plead that the liability of the Defendants results from obtaining property or services by false pretences or fraudulent misrepresentation, for the purposes of section 178(1)(d) of the *BIA*. In this regard, the Plaintiffs once again plead and rely on the allegations contained herein, and further plead that Mr. Ragas acted deceitfully, and that:

(a) Mr. Ragas made representations to the Plaintiffs, as pleaded herein;

(b) the representations were false, as pleaded herein;

(c) Mr. Ragas knew that the representations were false; and

(d) the representations were made to obtain property (continued salary payments and benefits as CEO, and the proceeds of the Ragas Transactions).

124. The Plaintiffs relied upon the false representation by Mr. Ragas, to their ultimate detriment, and suffered actual deprivation as a result.

125. The Plaintiffs plead that, but for the false representations by Mr. Ragas, they would not have suffered their loss.

126. The Plaintiffs accordingly plead that Mr. Ragas' liability for the allegations contained herein survives an order of discharge from bankruptcy, if any. The Plaintiffs request declaratory relief to this effect.

D. THE PLAINTIFFS' LOSSES

127. The Plaintiffs' losses continue to accrue and to be investigated, and have yet to fully crystalize. The Plaintiffs' losses will be fully particularized prior to trial.

128. The Plaintiffs' state that their losses will include, among other things:

(a) the value of the improper Ragas Transactions;

(b) the shortfall in value received by the Plaintiffs via the SISP (purchased assets, or sale proceeds), in lieu of the value which would have been received, absent Mr. Ragas' misconduct, for the Plaintiffs' Loans, including accrued interest thereon;

(c) the Plaintiffs' losses, costs, and disbursements associated with the disclosure dispute, and the CCAA Application; and

(d) the diminution in share value in respect of the Plaintiffs' shareholdings in Second Cup, which losses are claimed herein to the maximum extent permissible by law, and are otherwise referred to the Plaintiffs' request for leave to assert derivative claims pursuant to section 246(1) of the *OBCA*, if necessary.

129. The Plaintiffs further plead that punitive, aggravated and exemplary damages are appropriate against Mr. Ragas.

130. The Plaintiffs plead and rely on the allegations contained herein, and further plead that Mr. Ragas' conduct has been intentional, high-handed, and egregious.

131. This Court should denounce and deter such conduct through an award of punitive, exemplary, and/or aggravated damages. The Plaintiffs request an award of $50,000.00, or such further or other amount that to this Honourable Court may seem just.

E. CONCLUSION

Costs

132. The Plaintiffs plead that Mr. Ragas' conduct has been reprehensible, scandalous, and outrageous. This Court should denounce, deter, and express its disapproval of such conduct.

133. The Plaintiffs request their costs of the action on a full indemnity basis, in light of the defendant's misconduct. In the alternative, on a substantial indemnity basis on the same grounds. In the further alternative, on a partial indemnity basis, or on such other basis that that to this Honourable Court may seem just.

Jurisdiction & Law

134. The Plaintiffs plead and rely upon:

(a) Sections 134, 140, 144, 153, 154, 159, 245, 246, 248, 249, and 254 of the *OBCA*;

(b) Sections 101, 128, 129, & 130 of the *CJA*;

(c) Section 178 of the *BIA*:

(d) The *Rules*;

(e) Sub-paragraphs 1(c) & (m) of Section F (*Commercial List Matters*) of the *Consolidated Practice Direction – Toronto Region*; and

(f) The inherent jurisdiction of this Honourable Court to control its own process;

135. The Plaintiffs request that the trial of this Action be held in Toronto.

September 25, 2025

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Plaintiffs | | Defendants |

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding Commenced at TORONTO

STATEMENT OF CLAIM

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ARBAT CAPITAL GROUP LTD. -and- THE SECOND CUP COFFEE COMPANY INC.

Applicant Respondent

Court File No. CV-25-00743485-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

PROCEEDING COMMENCED AT
TORONTO

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