

CITATION: CLR INVEST LTD. v. KONDRATIEV, 2026 ONSC 3832
COURT FILE NO.: CL-26-00000102-0000
DATE: 20260630

**SUPERIOR COURT OF JUSTICE – ONTARIO
(COMMERCIAL LIST)**

**APPLICATION UNDER s. 248 of Ontario’s *Business Corporations Act*, R.S.O. 1990,
c. B.16**

RE: CLR INVEST LTD., Applicant

AND

VIATCHESLAV KONDRATIEV, MEENLAB INC., EVGUENI KLINSKI,
ALEXANDR DUDAREV, BORIS BRIZELI, and UCT RESEARCH AND
DEVELOPMENT INC., Respondents

BEFORE: W.D. Black J.

COUNSEL: *Michael R. Bookman, Zachary Pringle, Sorena Zahiri and Donny Surtani,*
for the Applicant

Eric Morgan, Oliver Wookey and Brady Gordon, for the Respondents
Viatcheslav Kondratiev, Meenlab Inc., Evgueni Klinski, and UCT Research and
Development Inc.

John J. Adair and David Ionis, for the Respondents, Alexandr Dudarev and
Boris Brizeli

HEARD: June 16, 2026

ENDORSEMENT

Overview

[1] This hearing spanned two days and involved:

- (a) The applicant CLR’s claim that it has suffered harm as a result of a wide range of oppressive conduct by the respondents, and its request for various remedies;
- (b) A shared view between and among the parties that, given the pervasive level of acrimony and distrust now infecting their relationship, it makes sense for the respondent UCT (in this endorsement I will use this and other terms as defined in the parties’ materials), to buy out CLR’s shareholding interest in UCT, coupled with a

disagreement and competing expert evidence as to the price and other terms associated with that proposed buyout; and

- (c) An allegation by UCT that CLR is a sanctioned entity under SEMA and SEMRR, “deemed to be controlled by RESO,” a Russian insurance company that is undisputedly subject to sanctions, such that any buyout would have to be conditional on CLR complying with Canada’s sanctions regime.

Relevant Background

- [2] The following summary of relevant background facts is based on, paraphrases and in some instances – where I discern that the facts in question are not significantly contested and/or with specific attribution to the party from whose narrative it comes - tracks verbatim the parties’ respective narrative accounts of those facts.

A. CLR and its Initial Investment in UCT

- [3] CLR describes itself as the personal investment vehicle of Mr. Lasserrott and Mr. Rakovshchik (the “L” and “R” of “CLR”); the “C” in CLR, Mr. Cherkashin, recently sold his shares in CLR – held by his company MSAI - to its fellow shareholders NW (wholly owned by Mr. Rakovshchik), and JTVM (wholly owned by JLS Invest Ltd., which is in turn wholly owned by Mr. Lasserrott). MSAI, NW and JTVM are all Maltese companies, and JLS Invest is registered in the United Arab Emirates.
- [4] CLR holds 125,000 shares in UCT, and is a party to the USA together with UCT and other UCT shareholders.
- [5] UCT is an Ontario corporation. Its largest shareholders are Mr. Kondratiev and Meenlab who (and which), between them, own a majority of UCT’s shares. Mr. Klinski is Meenlab’s appointed director of UCT under the USA. Mr. Brizeli and Mr. Dudarev, who are separately represented from UCT and its other shareholders in this proceeding, are each shareholders of both UCT and UCM. Mr. Brizeli is also UCM’s president, and Mr. Dudarev is its CEO. All of these parties other than Mr. Klinski are also parties to the UCT USA.
- [6] CLR became a shareholder of UCT in 2018. In that year, CLR was approached by Oleg Kreidenko who, like Messrs. Cherkashin, Lasserrott and Rakovshchik, was then employed at RESO. Mr. Kreidenko was soliciting investments in UCT to facilitate UCT commercializing a test to detect certain forms of cancer. Mr. Kreidenko represented to CLR that UCT would finance another company – JVS, a Russian company – which held a patent for CA-62, a marker which detects certain kinds of cancers. Mr. Kreidenko said that CLR’s investment in UCT would help to finalize scientific tests of CA-62 to demonstrate its effectiveness, and to establish manufacturing production to commercialize the sale of test kits for end users.
- [7] CLR invested US \$250,000 for 125,000 shares of UCT pursuant to a Subscription Agreement, and shortly thereafter CLR, UCT and the other “originally investing” shareholders entered into the USA.

[8] UCT had 863,500 issued and outstanding shares, such that with its subscription for 125,000 shares, CLR became the third-largest shareholder, behind Meenlab (with 265,000 shares) and Mr. Kondratiev (with 255,000 shares). Given their respective significant holdings, it was agreed in the USA that each of CLR, Meenlab and Mr. Kondratiev would have the right to appoint a director to UCT.

B. UCT's Plans

[9] The USA also provided, in Schedule A, confirmation of the Product that UCT was to commercialize, being a universal cancer marker test kit based on CA-62. To that end, UCT represented in the USA that:

- (a) JVS owned the intellectual property within the Product; and
- (b) JVS would grant to UCT at no cost 89% of JVS's issued shares.

[10] UCT also represented that it would obtain from JVS the exclusive rights to commercialize the Product outside of Russia, such that CLR says that, under the USA, it expected that UCT would have an 89% interest in the Product in Russia, and a 100% interest everywhere beyond Russia.

[11] It is important to note that as of the time of CLR's investment in UCT in 2018, UCT had prepared, and showed to CLR as part of its presentation about the proposed investment, a reasonably detailed set of materials (including a slide deck) concerning the composition, business, and projections for UCT. The parties place differing emphasis on the significance of those presentation materials, and as to what was or was not apparent therein.

[12] In the initial years following CLR's investment in UCT, it is common ground that there was minimal development and expansion of UCT's business.

[13] By mid-2022, CLR asserts, UCT had exhibited little commercial progress.

C. Potential Investment by UCM

[14] In 2022, however, Mr. Kondratiev advised UCT's shareholders of a potential investment from UCM. He advised that UCM was prepared to make a substantial capital investment in UCT, but only on the condition that UCT would grant to UCM a call right that, if and when exercised, would give UCM 51% ownership of UCT's issued and outstanding shares. He also advised that, as part of the proposed deal with UCM, UCM would agree to enter into a licensing agreement under which it would pay to UCT an ongoing royalty on sales of the Product.

[15] The composition of and plans for UCM, UCM's relationship to UCT, and the extent of UCT's disclosure and CLR's knowledge about UCM are front and center in this hearing and are at the heart of CLR's oppression claims.

[16] CLR maintains that, until subsequent events in 2025, it had no meaningful information about UCM. This suggested lack of information is said by CLR to be illustrated and embodied in an email sent by Mr. Lasserrott on October 6, 2022, in which he said:

“[UCM], with all due respect, is just no one in the market; it is just a shell company created ad hoc for the project with no structure. We do not even know who is behind that shell company and which conflicts of interest arise; so we must be very cautious to prevent future legal issues about arm’s length matters. All is too foggy; and foggy features scare professional advisors.”

[17] CLR asserts that it did not know who was “behind” UCM, as attested in Mr. Lasserrott’s email, and complains that Mr. Kondratiev on the other hand did know who was behind UCM, and yet failed to disclose, even in response to Mr. Lasserrott’s email, that fact that he, Meenlab/Mr. Klinski, and fellow UCT shareholders Mr. Dudarev and Mr. Brizeli, were in fact shareholders of UCM.

D. The Three Agreements at Issue

[18] This alleged concealment of the ostensible conflict of interest is at the core of CLR’s claim. CLR maintains that UCT entered into at least three important agreements involving “fundamental and undisclosed conflicts of interest designed to benefit the Respondents”:

- (a) The UCM Call Option Agreement granting UCM a call right to purchase 51% of UCT’s shares based on an enterprise valuation of US \$10 million;
- (b) The related UCM Licensing Agreement granting UCM the right to make sales of the Product in exchange for a royalty to UCT; and
- (c) An Ownership Transfer and Collaboration Agreement (OTCA) under which UCT, without consulting shareholders, divested its 89% interest in JVS for no consideration.

[19] Dealing with those items in turn, there is no doubt that on March 7, 2023, UCT and UCM entered into the Call Option Agreement. It is also clear that under the agreement, UCM was granted the right to purchase 51% of the shares of UCT from Mr. Kondratiev, Meenlab and/or UCT itself on or before March 6, 2025, in exchange for a premium of US \$250,000.

[20] As noted, under the Call Option Agreement, UCT’s enterprise value was pegged at US \$10 million. If UCM exercised its Call Right, Mr. Kondratiev, Meenlab and/or UCT itself were to sell their shares based on that enterprise value for UCT, as could any other shareholders who wished to “piggyback”.

[21] Before executing the Call Option Agreement, UCT requested that CLR, and other minority shareholders, sign a written Acknowledgement and Waiver to overcome certain restrictions in the USA. CLR alleges that, in procuring CLR’s sign-off, UCT’s directors withheld from CLR the fact that they had been operating under a conflict of interest in finalizing the Call Option Agreement.

- [22] Very near the end of the term of the Call Option Agreement, on March 4, 2025, UCT, Mr. Kondratiev, Meenlab and UCT agreed to extend it by a further 12 months (until March 6, 2026), without UCM having to pay any further premium as consideration for the extended Call Option.
- [23] On May 1, 2023 UCT also entered into a Licensing Agreement with UCM, under which UCT granted intellectual property rights to UCM, and UCM was granted an exclusive license to make sales of the Product in Canada and the United States in exchange for royalty payments on those sales.
- [24] CLR alleges that, again, UCT's directors withheld from CLR that they had been and continued to be operating under a conflict of interest.
- [25] CLR says that at its insistence, the Licensing Agreement was only to run until the end of 2024, and would only be extended if UCM met a defined performance target. CLR alleges that notwithstanding that UCM failed to meet that target, UCT's directors nonetheless granted UCM an extension.
- [26] The third agreement of which CLR complains was with JVS. As described above, at the time of CLR's initial involvement with UCT, UCT owned 89% of the shares in a Russian subsidiary, JVS, which held the potentially valuable patent rights for the CA-62 marker.
- [27] In March of 2025, UCT entered into an agreement with JVS – the OTCA – in which UCT agreed to transfer its 89% stake in JVS to JVS's "current stakeholders or management" for nil consideration. CLR says that it was unaware of and not told about this "highly significant transaction" until after it had happened.
- [28] CLR asserts that this transaction took place without contemporaneous shareholder approval, and was only ratified (CLR says illegitimately) at a Special Shareholders' Meeting called by Mr. Kondratiev and Mr. Klinski after these proceedings were commenced.
- [29] CLR alleges that it only learned of the truth underlying these transactions in 2025. It claims that when it attempted to investigate these transactions by changing its nominated director – on three different occasions with three separate suggested nominees – its proposed change was in each case rejected, on the grounds of the sanctions issues discussed above and in more detail below.
- [30] To similar effect, CLR alleges that when Mr. Kondratiev and Mr. Klinski in their capacity as UCT directors called a "long-overdue AGM" for December 19, 2025 – the last AGM had taken place 22 months prior – CLR delivered what it maintains was a valid proxy form with a view to attending at and participating in the AGM but was barred by Mr. Kondratiev, as chair, from attending and voting.

E. UCM Exercises Its Call Option

- [31] Shortly after the AGM, on January 16, 2026, CLR received documents from a colleague of Mr. Dudarev (the CEO of UCM) giving notice to UCT shareholders that UCM intended

to exercise its Call Right. On February 5, 2026, consistent with that notice, Mr. Kondratiev and Mr. Klinski wrote to all UCT shareholders, including CLR, to advise that under Article 7.1 of the USA, they had received and were accepting an offer from UCM under the Call Option Agreement.

- [32] Thereafter, on March 15, 2026, Mr. Kondratiev and Meenlab delivered Piggyback Notices – labelled by CLR as “purported” Piggyback Notices – under Article 9.1 of the USA advising the rest of UCT’s shareholders that they were entitled to sell their shares to UCM on the same terms as offered to Mr. Kondratiev and Meenlab under the Call Option Agreement.
- [33] CLR notes and emphasizes as “striking” the fact that these notices disclosed that the consideration to be paid by UCM for UCT’s shares “shall be notes and/or shares of UCM” and not cash.
- [34] The particular significance of this form of payment, CLR argues, is that on cross-examination Mr. Kondratiev allowed that he did not know how many UCM shares he will receive in exchange for his UCT shares, and that he was unaware of any documents showing UCM’s share value. CLR says that Mr. Kondratiev (and the others with interests in UCM) did not particularly care to ensure that the UCM shares would represent fair consideration for their UCT shares; rather, Mr. Kondratiev and the others knew that the Call Option Agreement, and the transfer of UCT’s control of its main asset to UCM, reflected a migration of the value of UCT to UCM, which would benefit the conflicted UCT shareholders by virtue of their interest in UCM, but would harm CLR (which had no such interest in UCM).

F. Deals Ratified by UCT Shareholders

- [35] On April 14, 2026, in their capacity as UCT directors, Mr. Kondratiev and Mr. Klinski called a Special Meeting of Shareholders to ratify, post facto, the three transactions described above in which Mr. Kondratiev, Mr. Klinski and Mr. Kreidenko had interests at the relevant times, and in respect of which, CLR alleges, they had not disclosed their conflicts of interest.
- [36] The minutes of the Special Shareholders Meeting, which proceeded on April 24, 2026, confirm that 100% of UCT’s voting shareholders attended either in-person or by proxy. CLR (by proxy) and one other shareholder voted against ratifying the transactions. All other shareholders, including the respondents Mr. Kondratiev, Meenlab, Mr. Brizeli and Mr. Dudarev voted in favour of ratifying the transactions and the resolution passed.
- [37] As noted, Mr. Brizeli and Mr. Dudarev, formerly represented by the same counsel as the other respondents, engaged new counsel shortly before the hearing and filed a separate factum. I will discuss their argument briefly below, which is not at odds with the arguments of their co-respondents, but which emphasizes certain aspects of the argument that impact most directly on them in their personal capacities.
- [38] In the following paragraphs, I will also discuss the positions of the respondents other than Mr. Brizeli and Mr. Dudarev, which again are not at odds with those of Mr. Brizeli and

Mr. Dudarev, and in many instances coincide with their arguments more or less identically but which, given the wider array of claims against these other respondents, respond directly to the full sweep of CLR's claims.

- [39] These respondents begin by noting that Mr. Kondratiev, who is the president and a director and shareholder of UCT, co-founded UCM in 2017 and UCT in 2018, and is a co-author of the patents underlying CA-62. His evidence is that he has received no compensation for his work at UCT since 2025,
- [40] I should note, in addition to other arguments these respondents make in response to the allegations that they concealed the ownership of UCM and its overlapping relationship with the owners of UCT, these respondents argue that it should have been evident, given the common "UC" in both corporate names, that UCT and UCM were in fact related corporations with, not unexpectedly, shareholders, officers and directors in common.

G. Breakdown of Relationship in 2025

- [41] These respondents maintain that the UCT-CLR relationship only broke down in mid-2025, after UCT refused to license the European market of the Product to a CLR affiliate. Specifically in June of 2025, Mr. Lasserrott, who until then had spoken on behalf of CLR, and who had, the respondents allege, reviewed, commented on, and revised two of the three main transaction documents at issue in this application (using his RESO email address and copying Mr. Rakovshchik and Mr. Cherkashin at their RESO email addresses), drafted a proposal for UCT to grant European licensing and distribution rights for CA-62 to JTVM, a Maltese company controlled by Mr. Lasserrott through his UAE entity, JLS Invest.
- [42] When Mr. Kondratiev said "no", these respondents allege, supported on this point by certain contemporaneous evidence, that Mr. Lasserrott resorted to making personal and other threats, and was joined in making threats by Mr. Rakovshchik in early July of 2025. In that context, on July 11, 2025, CLR demanded that its board appointee be replaced by Mr. Rakovshchik.
- [43] It was during this timeframe and in this context that UCT first raised sanctions concerns. The threats back and forth relative to sanctions and other matters escalated, and the relationship between CLR and the respondents appeared rapidly to deteriorate in this setting.
- [44] The respondents say that UCT's longtime corporate counsel withdrew during this period as a result of CLR's harassment, and UCT decided to retain sanctions counsel in August of 2025.
- [45] The parties agreed in the fall of 2025 to attempt to arbitrate their burgeoning disputes, but the arbitrator whom the parties had agreed to appoint ultimately declined the appointment in November of 2025, citing his own concerns about CLR's sanctions compliance.
- [46] In that regard, UCT determined, as a result of what it viewed as unsatisfactory sanctions diligence by CLR, to treat CLR as being in default under the USA, and continued to bar CLR from participating in votes or other business of UCT.

- [47] On January 15, 2026, UCM exercised its call rights under the Call Option Agreement to purchase 51% of UCT's shares (as noted above, in exchange for UCM shares or notes and not cash). Also as noted above, UCT emphasizes that every UCT shareholder other than CLR and one other, exercised piggyback rights to be bought out by UCM.
- [48] These respondents also emphasize, along similar lines, that at the (disputed) Special Shareholder Meeting on April 24, 2026, the same considerable majority of shareholders approved and ratified the three transactions at issue, and did so with full knowledge of CLR's allegations in this lawsuit.
- [49] As noted above, there are three main sets of issues that arise from this factual backdrop.

First Issue: Sanctions

- [50] I will deal first with the dispute about the sanctions regimen, and whether or not CLR is or likely ought to be subject to sanctions and, if so, what is the impact on the other issues before me. The most basic and profound impact, for the purposes of the matters before me, is that if CLR is subject to sanctions, then a court-ordered transfer of CLR's shares, and the payment to CLR of monies equivalent to the fair value of those shares, would be prohibited by the Russian Regulations.
- [51] As touched on above, the respondents assert that it is reasonable to conclude that RESO and/or its founders are able, directly or indirectly to direct the activities of CLR within the meaning of "control" set out in SEMA and the Russian Regulations.

A. Origins of SEMA and Russian Regulations

- [52] SEMA and the Russian Regulations were brought into being and force as part of Canada's response to the Russian invasion of the Ukraine and its violation of the sovereignty and territorial integrity of Ukraine (which as at the date of this endorsement remains ongoing).
- [53] The Russia Regulations respond by seeking to impose an economic cost on Russia, including by sanctions imposing an asset freeze and dealings prohibition on persons listed in Schedule 1 to the Russian Regulations, and/or on entities that are or have engaged in activities that support or contribute to these violations. The prohibitions encompassed by the Russia Regulations apply to "any person in Canada and any Canadian outside Canada" and create a criminal offence when a person willfully contravenes or fails to comply.
- [54] The prohibitions potentially relevant to this proceeding are set out in sections 3 and 5 of the Russia Regulations and include dealing in property "owned, held or controlled by or on behalf of a [sanctioned] person," or providing a financial or related service to or for the benefit of a sanctioned person. In that regard, a sanctioned person that is deemed to own or control an entity is also deemed to own and control its property. Under section 2.1(2) of SEMA, a person will be deemed to control an entity, directly or indirectly if:
- (a) The person holds, directly or indirectly, 50% or more of the shares or ownership interests in the entity of 50% or more of the voting rights in the entity;

- (b) The person is able, directly or indirectly, to change the composition or powers of the entity's board of directors; or,
 - (c) It is reasonable to conclude, having regard to all the circumstances, that the person is able, directly, or indirectly and through any means, to direct the entity's activities.
- [55] Entities that are subject to the deemed control provisions in SEMA are subject to the same sanctions prohibitions as designated persons under Schedule 1 to the Russian Sanctions.
- [56] It is a criminal offence for any persons in Canada or any Canadian outside of Canada acting with knowledge of or reckless disregard of deemed control under SEMA to deal with such entities.
- [57] CLR is not currently listed on Schedule 1 of the Russian Regulations, but RESO and RESO's founders and principals, Russian oligarchs Sergei Sarkisov and his brother Nikolai Sarkisov, are listed as designated (sanctioned) persons.
- [58] The sanctions regimen is overseen by Global Affairs Canada (GAC). There is an ability to seek from GAC a "no-prohibition" letter, providing confirmation that a given set of circumstances and entities do not engage the Canadian sanctions regime.
- [59] CLR has made submissions to GAC, as have the respondents (or some of them), such that there is a determination pending as to whether or not the respondents' allegations in this regard are sufficient to trigger the applications of sanctions. CLR is effectively inviting this court, because these issues are now in the hands of GAC, to take a "hands off" stance.
- [60] The respondents, on the other hand, urge that I have sufficient evidence before me, and the jurisdiction, to confirm the appropriateness of sanctions in this case, or at least to express a view in that regard. They argue that, at the very least, given that GAC has been asked by the parties to make a decision (and is expected to do so) I should make an order but expressly make it subject to any permit from GAC.

B. CLR Claims that Resort to Sanctions Tactical

- [61] CLR, at least initially, characterized the respondents' resort to the SEMA regimen and the Russia Regulations as a tactical gambit to preclude or at least substantially delay any recourse to the allegations of oppression and the potential consequences of those claims.
- [62] While the timing is such that I accept that the respondents' resort to SEMA and the Russian Regulations was not altruistic, the allegations are nonetheless serious and, whatever the respondents' motives in raising them, they need to be carefully considered and addressed. Indeed, in answer to my question along those lines, counsel for CLR acknowledged that the concern about whether or not CLR is subject to sanctions is not a frivolous one. As testament to the gravity of the issues, I note that CLR's submission to GAC, which was uploaded to Case Center, is in the form of a detailed 20-page letter.

C. Facts to Which Respondents Point re Sanctions

- [63] In their pitch that CLR is caught by the Russian Regulations, the respondents first underline that CLR's founders were all senior executives of RESO, a large Russian company that has been sanctioned by Canada for "Grave Breach of International Peace and Security," and that at least one of CLR's corporate shareholders was funded, at least in part, by a Russian oligarch who has been sanctioned.
- [64] RESO is owned by the Sarkisov brothers, who are designated individuals under Schedule 1. The respondents say that the Sarkisov brothers "are known to have funded" MSAI, which is indirectly owned by Mr. Cherkashin.
- [65] The respondents assert, and there is evidence consistent with the notion that CLR's principals continue to be actively involved with, and to have close ties with RESO and the Sarkisovs. Among other such ties, Mr. Rakovshchik currently remains RESO's President. His evidence on cross-examination was that he knows the Sarkisovs well, and has met with them frequently.
- [66] In urging that CLR and its principals are, or likely to be subject to sanctions, the respondents rely on the limited body of caselaw that is emerging relative to the sanctions regimen, and from guidance provide by GAC.

D. Relevant Caselaw re Sanctions

- [67] It appears to be common ground that the leading Canadian authority on the meaning of the words "owned, held or controlled by or on behalf of", the words of the Russia Regulations of relevance to the matter at hand, is Romaine J.'s decision in the Alberta case of *Angophora Holdings Limited v. Ovsyankin*, 2022 ABKB 711 (which in fact pre-dated the inclusion of those words in the Russian Regulations).
- [68] In that case, Her Honour reviewed the approaches taken to assessing "control" in several jurisdictions, concluding that the test in Canada is "a factual one relating to whether the [sanctioned] person in question has de facto control over the entity." Again, SEMA was amended in 2023, after *Angophora* was decided, to expand and clarify the circumstances in which an entity shall be deemed to be subject to control, and to include the three aspects of sections 2.1(2) quoted above. Of particular note, the deemed control test provided in section 2.1(2)(c) appears broader than the de facto control test articulated by Romaine J.
- [69] The respondents emphasize that the applicable test, as confirmed in that subsection, is not whether a designated person actually exercises control, but whether it is reasonable to conclude that they are able to direct the entity's activities. They argue that two principles from *Angophora* inform this analysis: first, that "control is a factual question determined by the circumstances of each case assessed purposively, consistent with the remedial nature of the Russian Regulations and the objective of preventing sanctioned persons from circumventing asset freezes through non-sanctioned intermediaries;" and second, that, in keeping with Romaine J.'s focus on de facto control, functional control may provide the basis for a finding of control even when structural control is not evident. In other words,

courts will and must look past corporate form to economic and/or practical operational evidence.

[70] Justice Romaine helpfully sets out in *Angophora* a non-exhaustive list of indicia consistent with functional control by a designated entity, including:

- (a) The sanctioned person's involvement in negotiating underlying transaction agreements;
- (b) Personnel overlap, such as employees who report to, are directed by, or return to the sanctioned person;
- (c) Oversight of investments by advisors associated with the sanctioned person; and
- (d) Reliance on the sanctioned person's officers or employees as affiants or witnesses in the non-sanctioned entity's litigation.

E. GAC Guidance and "Red Flags"

[71] GAC has also issued comprehensive guidance concerning specific factors that support a conclusion that a non-designated entity is controlled by a designated person within the meaning of SEMA. In promulgating these factors, the GAC guidance expressly refers to and incorporates guidance from other compliance and enforcement agencies, such as FINTRAC, which is also used to guide Canadian businesses in complying with Canadian sanctions.

[72] The GAC guidance identifies a number of "red flags" pointing to sanctions concerns.

[73] Among those red flags is where a "party to a transaction or agreement has current or former links with a sanctioned entity or person." There is no question that this red flag is present here, in that all three of CLR's beneficial owners are current and/or former senior executives of RESO, a designated Schedule 1 entity. Mr. Rakovshchik and Mr. Cherkashin currently remain as very senior executives of RESO.

[74] A second red flag identified by GAC is where "there has been a change of ultimate beneficial owner shortly before or after sanctions were imposed." The respondents note, in this regard, that both Mr. Rakovshchik and Mr. Lasserrott purportedly changed their status with RESO in 2022, shortly after expanded sanctions were instituted.

[75] I pause to observe that this change could cut both ways. That is, reducing one's profile and role within a sanctioned entity, here RESO, could equally be consistent with a desire to cut ties with an influential entity within the Russian oligarchy in response to its illegal and savage incursion into Ukraine, as with a desire simply to evade sanctions. On this note, however, the respondents emphasize that the evidence shows ongoing ties between the CLR principals and RESO, undermining any suggestion that CLR's beneficial owners made a clean, principled break.

- [76] That is they point to the fact that both Mr. Rakovshchik and Mr. Lasserrott continue, up to now, to use their RESO email accounts, including in correspondence with the respondents since CLR's initial investment in 2018.
- [77] Moreover, although they claim to have transitioned to (lesser) consultant roles with RESO in 2022, both Mr. Rakovshchik and Mr. Cherkashin continue to appear in public media articles as senior RESO executives. In 2024-2025, Mr. Rakovshchik was reported (and photographed) to have attended RESO corporate events alongside Sergei and Nikolai Sarkisov, and was described, with the Sarkisovs, as RESO's "Moscow-based leadership." Mr. Rakovshchik has continued speaking on RESO's behalf in interviews reported by Russian business media.
- [78] The next red flag of potential note relates to "the use of complex corporate or trust structures, or proxies such as relatives or other close associates to disguise the ultimate beneficial ownership of the company."
- [79] The respondents observe that CLR is a Maltese holding company owned by three individuals who spent their careers at RESO (and continue to have ties there), using a structure that interposes layers between RESO and CLR's Canadian investment. Under this red flag, the respondents also point out that when UCT declined CLR's attempt, in 2025, to appoint "RESO's President" (Mr. Rakovshchik) to UCT's board, CLR responded by attempting to appoint a relative of Mr. Lasserrott – his son - to UCT's board instead.
- [80] Next among the relevant red flags is a "refusal to provide information regarding beneficial owners, or providing information that is false, conflicting, misleading or substantially incorrect." On this score, the respondents point out that GAC and FINTRAC guidance both emphasize that Russia has taken steps to make information about its citizens and businesses unverifiable so as to get around international sanctions. In particular, they note, Russian Government Resolution N 1102 (2022) and subsequent Central Bank directives allow insurers like RESO to conceal information about their executives, controlling persons, and affiliates. UCT says that this protective and clandestine environment makes it impossible for UCT to independently verify CLR's assertions about the nature of its relationship with RESO. UCT submits that CLR's refusals during cross-examination to provide relevant evidence sought by the respondents is a further basis for concern.
- [81] Next on the list of relevant red flags is what GAC labels "Reliance on advisory services from persons associated with sanctioned entities." On this item, there is considerable evidence suggesting that Mr. Rakovshchik continues to provide advice and strategic guidance to RESO on "the development of the agent network", "operational risks", and "sales growth" and that he continues to participate in RESO "conferences and events.
- [82] In an announcement in an online publication dated September 12, 2023, after confirming that Mr. Rakovshchik had been "nominated by [RESO] shareholders for the position of the President" the announcement continued that in that role Mr. Rakovshchik would "oversee strategic development, promotion and operational management of [two RESO companies, SAO RESO-Guaranty and OSZh (General Life Insurance)], including business expansion and modernization, as well as the creation of new insurance products and services."

- [83] In another online publication dated August 18, 2024, an article describes that, in July, “nearly the entire Moscow-based leadership of Reso-Guaranty visited Omsk, such as the founder Sergei Sarkisov, the President Dmitry Rakovshchik, and several vice-presidents,” and then quoted comments from Mr. Rakovshchik about the market those leaders were visiting.
- [84] An “Event Report” published on April 17, 2023 relative to a “business conference for top sales performers” reported that “A presentation on the company’s performance in 2022 was delivered by RESO-Guaranty CEO Dmitry Rakovshchik”. In the same report, in a section discussing RESO’s “Agent Nearby” project, the article says: “First Deputy CEO Igor Cherkashin, in his speech, reminded attendees about the company’s sales motivation system and reported on the results of the “Agency Capital” program.” In commenting on the profits and bonuses realized in that program, Mr. Cherkashin is reported to have asked “What other company in the market can be that proud of the results?”
- [85] While the red flag at issue speaks to “reliance on advisory services” from persons associated with sanctioned entities, and the evidence excerpted just above reflects Mr. Rakovshchik and Mr. Cherkashin providing ongoing services to RESO, it is not a stretch to have concerns that, as the founders and controlling minds of CLR, while at the same time occupying apparently important strategic roles at RESO, certain “advisory services” would be flowing to CLR from the “persons associated with sanctioned entities” (i.e., RESO).
- [86] There is considerably more evidence in the record showing CLR’s principals ties with RESO, and their continued occupation of prominent executive positions there, including as noted photographic evidence of at least Mr. Rakovshchik representing RESO together with Sergei Sarkisov.
- [87] Suffice to say that there is more than ample evidence in this record showing ongoing ties between CLR’s principals and RESO and, more than that, demonstrating ongoing leadership roles in RESO by at least two of the three CLR principals.

F. The Parties’ Submissions re Sanctions

- [88] The “cumulative effect of the available evidence – the extensive personnel overlap, ongoing financial and advisory relationships, use of RESO infrastructure, and the impossibility of independent verification” the respondents argue, “is that UCT could not be willfully blind to CLR without incurring unacceptable sanctions risk.”
- [89] The respondents note that UCT has taken steps in an attempt to verify CLR’s sanctions status, and that under the guidance from GAC, “the presence of multiple red flags requires heightened due diligence and, where the risk cannot be adequately eliminated, declining to proceed with the transaction until adequate due diligence responses are received.”
- [90] In response to the respondents’ arguments as to sanctions, CLR confirms first that it is not itself a sanctioned entity, nor are its beneficial owners (the principals or their individual companies through which their interests in CLR are held).

- [91] CLR contends, bluntly, that the respondents advance this purported concern about CLR's sanction status "to sideline CLR and avoid oversight of UCT's operations." As noted, it says that the respondents only raised these issues once a dispute arose about CLR's proposed appointment of Mr. Rakovshchik as its replacement board representative.
- [92] CLR maintains that the respondents had long known of CLR's principals' prior employment at RESO, and never identified that as a problem until CLR began challenging UCT.
- [93] Again, I believe there likely is merit to CLR's assertion that the respondents' newfound interest in sanctions is opportunistic and tactical, and maybe not even a genuine concern on their part.
- [94] However, in my view, the respondents' motives do not matter. The question, regardless of why it is raised, is a serious one, and I find there is a real issue about the sanctions applying to CLR.
- [95] In terms of its submissions about those merits, as opposed to motives, CLR suggests, first, that Mr. Rakovshchik's role (CLR says "prior role," but as discussed above Mr. Rakovshchik has continued as President) was public knowledge such that, if the Minister felt there was evidence that Mr. Rakovshchik was "sufficiently close to RESO...to warrant being sanctioned, no doubt he would have been."
- [96] I suspect that this submission attributes an unrealistic level of omniscience to the Minister, and that with the exception of notorious oligarchs, an individual showing up on the Minister's radar requires information being brought specifically to the Minister's attention.
- [97] Otherwise, CLR's response emphasizes "structural" facts: it notes that CLR is a Maltese company incorporated in 2012, that its shareholders were three other Maltese companies, and that its secretary is Patrizio Prospero, a partner at a Maltese accountancy and audit firm.
- [98] CLR notes that in response to the respondents' allegations, it obtained written confirmation from Mr. Prospero, and from CLR's bank that CLR's ultimate beneficial owners are Messrs. Lasserrott, Rakovshchik and (at the time) Cherkashin, and not RESO.
- [99] Mr. Lasserrott and Mr. Rakovshchik have also filed affidavits explaining what they describe as their "largely historical" links to RESO, and Mr. Cherkashin has provided a letter attesting that he "no longer has an interest" in RESO.
- [100] At the same time, as set out in some detail above, it is clear that all three gentlemen have had prominent roles in RESO and that they have, particularly in the case of Mr. Rakovshchik, (as President) but also in the case of Mr. Lasserrott, (who continues to have a RESO email account), and in the case of Mr. Cherkashin, who continues to do work for RESO on the basis of what he describes as a "modest monthly retainer," maintained some ties to RESO, and to the Sarkisov brothers.

- [101] CLR also flatly alleges that CLR is not controlled by RESO, pointing again to the lack of evidence of “structural” control, in that RESO does not own a controlling, or any interest in CLR, directly or indirectly.
- [102] CLR also maintains that the case law requires, to establish control under s. 2.1(2)(c) of SEMA, that the evidence must show a clear and direct link between the entity in question and a sanctioned person (or the Russian state) or a close personal association (which CLR suggests is found in the delisting cases involving oligarchs and family members.
- [103] CLR says that “none of these indicia is present in respect of CLR.”

Conclusions re Sanctions

- [104] I am not prepared to give CLR a clean bill of health for sanctions purposes.
- [105] My concerns emanate from the provisions of SEMA and the Russian Regulations, and from the interpretation of those provisions developed thus far in the admittedly limited caselaw that has interpreted them.
- [106] With respect to the regulatory regime, first, I note that under section 3 of the Russian Regulations, it is prohibited for any person in Canada or any Canadian outside Canada to engage in a broad range of transactions and activities in connection, among other things, with a person listed in Schedule 1.
- [107] Schedule 1 lists “thousands of persons” “for whom the Government of Canada has reasonable grounds to believe that the person fits into an identified category of conduct that Canada does not condone.”
- [108] Those categories, in turn, are set out in section 2 of the Russian Regulations. Section 2(f) refers to “an entity owned, held or controlled, directly or indirectly, by Russia or acting on behalf of or at the direction of Russia,” which would include RESO.
- [109] Section 2(g) refers to “a current or former senior official of an entity referred to in paragraph....(f).
- [110] It seems clear that s. 2(g) would thus capture all three of Messrs. Rakovshchik, Lasserrott and Cherkashin, in the case of at least Mr. Rakovshchik and Mr. Cherkashin as both current and former senior officials of RESO, which seems clearly subject to s. 2(f).
- [111] These provisions were also addressed by Romaine J. in *Angophora*. Her Honour wrote that the Russian [Regulation] “sets out a broad set of prohibitions that clearly are designed to prevent Canadian persons or entities from knowingly aiding or facilitating any designated person, or entity controlled by or acting on behalf of a designated person from dealing with property in Canada. The Russian [Regulation] seek[s] to impose an economic cost on Russia, including through entities that are or have engaged in activities that support or contribute to the violation of the sovereignty or territorial integrity of Ukraine.”

- [112] Justice Romaine, after having noted this purpose of the Russian Regulations, observed that, as remedial legislation, the Russian Regulations was to be “given such fair, large and liberal construction and interpretation as best ensures the attainment of its objects.”
- [113] Her Honour considered both structural and functional control, and on the latter front found that the applicant before her had established “a strong prima facie case that is controlled by or acting on behalf of a designated person.” Justice Romaine also agreed with the European Union Commission’s opinion that “sanctions should not allow a designated person to circumvent an asset freeze by continuing to have access through non-designated parties that they control.”
- [114] As noted above, Romaine J. ultimately held that the test in Canada is “a factual one relating to whether the [sanctioned person] in question has defacto control over the entity.”
- [115] I find that in the record before me, while the evidence does not definitively demonstrate that CLR or its principals are controlled by RESO, there are numerous of GAC’s red flags.
- [116] Given that both sides have made submissions to GAC about whether or not CLR is subject to sanctions, I need not make any definitive finding in that regard. But I find that there is considerable evidence creating concern that CLR is or should be caught under SEMA and the Russian Regulations and, accordingly, no transaction or transfer resulting from the balance of this decision should be implemented until such time as GAC had ruled on the sanctions issue.

Second Issue: The Oppression Claims

- [117] I turn next to the oppression claims.
- [118] It is important to recall that all parties agree that, subject to the sanctions issue discussed above, the end result of this hearing should be an order that UCT will buy out CLR’s position pursuant to section 207 of the OBCA.
- [119] Accordingly, CLR’s purpose in advancing its oppression claim, if upheld, is to ensure that the price for the buyout “should not be set in a manner that rewards the oppressive conduct or forces the oppressed shareholder to absorb its consequences.”
- [120] More particularly, CLR asserts that, in light of the oppression it alleges:
1. No minority discount should be applied to the fair value calculation; and
 2. The buyout should reflect “that CLR is being forced out because it uncovered the Respondents’ self-dealing” and “the price of CLR’s shares should reflect the loss of its bargain, not the market value of a discounted minority position in a company controlled by wrongdoers.”
- [121] A third consequence that CLR maintains should result from the oppression it alleges is that, because “Directors and shareholders cannot use the corporation as a shield for their oppressive conduct,” and because in this case, CLR claims, the oppressive conduct at issue

was perpetrated by the individual respondents “to conceal or deny their interests in UCM” the result should be findings of personal liability on the part of the individual respondents.

[122] In support of the totality of their position, CLR relies, among other authorities, on the decision of Wojciechowski J. in *Hogan v. Massaro*, 2024 ONSC 6581, in which His Honour said:

“[a]ny valuation must reflect the fair value of the Company, a value which is assessed on the assumption that there is no oppressive conduct that could arguably impact that value,” and that “any buy out figure which is determined without accounting for [the director’s] misconduct would be inequitable and effectively provide [the director] with a windfall.”

[123] Pointing to this line of authorities, CLR says that: “...the individual Respondents should be responsible for any amount required to put CLR in the position that it would have been in but for the oppression it suffered. That includes any adjustment to the fair value of CLR’s shares to prevent the Respondents from profiting from their conduct, as well as any loss caused to UCT therefrom.” CLR adds that “The burden should fall on those who caused or benefitted from the oppression, not on UCT alone (which may not, in any event, be able to pay, after the harm caused to it by the other Respondents).”

[124] CLR also claims punitive damages based on the same conduct of the respondents alleged to be oppressive.

[125] The essence of CLR’s oppression claim is that the individual respondents have engaged in extensive related-party dealings, and in particular have portrayed UCM as an arm’s-length commercial counterparty, while concealing their own interests in UCM.

[126] CLR’s makes a related allegation that, when CLR sought to investigate this self-dealing, the UCT directors invoked sanctions concerns to suspend CLR’s rights under the USA and to bar it from the AGM, with the result of unfairly excluding CLR from the governance of UCT.

[127] Finally, in conjunction with the oppression claim, CLR asserts that the respondents’ failure at every turn to provide relevant information, both in terms of production of basic corporate information and in terms of refusals to answer proper questions in cross-examination, such that it would be appropriate for the court to draw a series of adverse inferences tending, CLR argues, to reinforce the oppression claims.

[128] The parties agree on the well-established test for oppression as promulgated in *BCE Inc. v. 1976 Debentureholders*, 2008 SCC 69 and *Wilson v. Alharayeri*, 2017 SCC 39 and followed in innumerable authorities, that requires evidence confirming the applicant’s reasonable expectations and demonstrating that those expectations have been violated by conduct that was oppressive, unfairly prejudicial to, or unfairly disregarded the applicant’s interests.

[129] CLR submits that it had reasonable expectations here, confirmed by affirmative obligations set out in the USA, that its fellow shareholders of UCT would disclose to CLR the true

nature of the three transactions at issue – the UCM Call Option Agreement, the UCM Licensing Agreement, and the OTCA – without any concealment or suppression.

Analysis of the Oppression Claims

- [130] In analyzing the oppression claim, I begin by taking off the table the allegation that the respondents resorted to the sanctions claim to suspend CLR's rights and to exclude CLR from governance.
- [131] As discussed above, while it may well be the case that the respondents' motives in invoking the sanctions regime were coloured by self-interest, it was nonetheless a fair concern to raise based on the array of available evidence. However GAC ultimately rules on the sanctions concerns at issue, those concerns were in no way frivolous or meritless. As such, in my view, the respondents' actions on this score, raising legitimate concerns, cannot be construed as oppressive, no matter how intentionally advantageous the timing of their invocation was for the respondents.
- [132] In terms of the balance of the oppression claim, it is first fair to observe that UCT and the respondents' corporate practices were lacking in various respects. Whether or not they had a specific obligation, as shareholders, as directors, under the USA and/or under the OBCA to divulge any interests in conflict or even potentially in conflict with those of their fellow shareholders, it would clearly be preferable for fellow shareholders to be honest and transparent with one another.
- [133] Part of the respondents' answer is to say that in a small, closely held corporation like UCT, there is more latitude to operate somewhat informally, and without the acute attention to statutory compliance characterizing a widely held public company. While that is to some extent fair, and potentially impacts on expectations, I would not wish to be taken as condoning, as acceptably lackadaisical, conduct entailing concealment of important information from one shareholder to another, and certainly not concealment by management from a set of minority shareholders.
- [134] In the circumstances of this case, however, it is not clear exactly what difference the respondents' suboptimal conduct actually made.
- [135] I say that for a handful of reasons.
- [136] First, there is considerable evidence that CLR knew, or ought to have known of the overlapping ownership of UCT and UCM by which they now purport to have been blindsided.
- [137] That is, the evidence shows that CLR knew from the time of its initial investment that UCM was within the overall corporate umbrella covering the entities to be used to deploy and monetize the intellectual property and the Product.
- [138] It is also clear that CLR knew of the relevant agreements before they were concluded, and in fact had hand in drafting them.

- [139] CLR also clearly knew of the roles of Mr. Brizeli and Mr. Dudarev as directors and officers of UCM, in addition to their respective modest shareholdings in UCT.
- [140] As noted, in November of 2018 CLR invested US \$250,000 in UCT by way of a subscription agreement of 125,000 shares of UCT. At around the same time, CLR executed the USA. The parties to the USA included Mr. Brizeli and Mr. Dudarev, so it is self-evident that CLR knew they were shareholders in UCT.
- [141] During the course of CLR's brief investigation of the proposed investment in UCT, it is common ground that CLR was provided with a presentation about UCT, its business prospects and its relationship(s) with other entities.
- [142] That investor presentation included a corporate chart showing UCT at the top, and UCM one level below.
- [143] When the chart was put to Mr. Lasserrott in cross-examination, after first denying – inaccurately – that he had seen the chart before CLR's investment, he then said, in essence, that he had not noticed UCM in the chart and/or that he could not be expected to remember this kind of detail in what, he implied, was a minor and insignificant investment, in relative terms, for CLR.
- [144] Notwithstanding that disclaimer, the evidence is uncontroverted that Mr. Lasserrott, on behalf of CLR, was shown the chart clearly displaying UCM's relationship to UCT. Indeed, Mr. Lasserrott confirms that this was the case in his own affidavit.
- [145] It may well be that Mr. Lasserrott paid little attention to the reference to UCM in the chart, but that oversight on his part cannot be laid at the feet of the respondents.
- [146] Moreover, as noted, over the course of the development of UCT's business, after CLR became a shareholder, UCT entered into the three agreements central to CLR's allegations of oppression.
- [147] In the case of the Licensing Agreement, Mr. Brizeli participated in negotiating the agreement on behalf of UCM, and was identified in the agreement as the person to whom UCT should send any formal notices required to go to UCM under the agreement. He also signed the Licensing Agreement on UCM's behalf, in his capacity as UCM's director.
- [148] That Licensing Agreement was approved by UCT's board on May 11, 2023. CLR had a representative on UCT's board. Mr. Brizeli and Mr. Dudarev were not members of UCT's board, and accordingly played no role at the meeting or in the board resolution approving the agreement.
- [149] Similarly, with respect to the Call Option Agreement, Mr. Dudarev proposed the USD \$250,000 Call Option price on UCM's behalf as its CEO, and once again under the agreement Mr. Brizeli was listed as the person at UCM to whom any notice required under the contract should be sent. Again, Mr. Brizeli signed the Call Option Agreement on behalf of UCM as its director.

- [150] Likewise, Mr. Kondratiev's role as a director of UCM, and Mr. Klinski's role at UCM were said to be common knowledge among UCT shareholders, and were disclosed to CLR's representative on UCT's board.
- [151] Mr. Lasserrott, on CLR's behalf, was also directly involved in the drafting and negotiation of both the Licensing Agreement and the Call Option Agreement. It is difficult to imagine that in so doing Mr. Lasserrott would not have noted the involvement of Mr. Brizeli on behalf of UCM.
- [152] In addition, before executing the Call Option Agreement, each of UCT's shareholders, including CLR, Mr. Brizeli and Mr. Dudarev, signed an Acknowledgement and Waiver to regularize the Call Option Agreement in line with UCT's USA.
- [153] At odds with the forgoing, during the course of the negotiation of the Licensing Agreement, Mr. Lasserrott raised, in an email (as noted above), a concern about UCM's role in the enterprise, saying: "[w]e do not even know who is behind that shell company and which conflicts of interest may arise." The email is strange, and would appear to cut both ways. It suggests that, notwithstanding his continued access to information that at least Mr. Brizeli and Mr. Dudarev had interests in UCM, Mr. Lasserrott had lost sight of those interests. On the other hand, the reference to potential conflicts of interest suggests that he knew of some potential overlap between UCM and MCT (or others). Either way, it is clear, in my view, that at least Mr. Lasserrott had the ability, with virtually no effort, to understand the self-evident overlap between UCT and UCM.
- [154] It is also the case that, relative to the piggyback rights exercised by every UCT shareholder except CLR and one other, CLR has in fact purported to preserve its rights to exercise that option itself. If that reservation is valid and binding – something I have not been asked to consider – that would also tend to undercut any suggestion that CLR has somehow been harmed by being excluded from the benefits of the Call Option Agreement.

Conclusions re Oppression Claims

- [155] I find that the claim of oppression based on alleged non-disclosure of conflicting interests of UCT and some of its shareholders is not made out. While again it would have been preferable for the UCT and UCM representatives to provide ongoing explicit disclosure about their respective interests, it was also perfectly reasonable for them to assume, in the factual context described above, that CLR was aware of the overlap of interests of UCT and UCM (and some of their shareholders).
- [156] CLR's other alleged grounds of oppression also fall short of the mark.
- [157] CLR alleges that the extension of the Call Option Agreement without additional consideration is oppressive. The extension term – which does not provide for consideration – was reviewed and commented on by Mr. Lasserrott during his participation in negotiating and drafting the Call Option Agreement. In fact in cross-examination Mr. Lasserrott conceded he was aware of the extension, and elected to remain "silent" on the issue.

- [158] As to the License Agreement, again the planned business structure contemplated this agreement between UCT and UCM, which was disclosed to CLR in the presentation at the time of CLR's investment. There is no evidence to suggest that this deal was not commercially reasonable, and again Mr. Lasserrott participated in drafting the contract.
- [159] As to the OTCA, the uncontested evidence is that UCT was threatened by the Skolkovo Foundation – the Russian Foundation under which JVS was established – that because of UCT's foreign ownership, JVS was at risk of being expelled from the incubator program under which it operated.
- [160] In the circumstances, UCT structured the OCTA such that UCT extracted the value from JVS by transferring JVS's patents to UCT as part of the divestment. The result was that instead of holding shares in JVS worth approximately \$800,000 and in that way indirectly holding JVS's patents, UCT now directly holds the patents worth \$800,000. UCT submits, and it appears to be the case, that it is not materially worse off post-divestment, and that CLR is not prejudiced by the transaction either.
- [161] The transfer of the patents is in fact consistent with an ongoing request by Mr. Lasserrott who, since 2021 had recommended that “all tests have to be conducted....under the supervision of a reputable European (or American) laboratory”; “all patents should be held by a firm within a credible jurisdiction....Canada is acceptable”; and to “[t]ransfer the patents to UCT...for our benefit: holding patents in Canada allows us to generate revenue...not subject to control of the Russian authorities.”
- [162] I note as well that, while the bona fides of the shareholder meeting in question are also contested by CLR, there was as discussed above a shareholder meeting at which a significant majority of UCT's shareholders voted to confirm and ratify the transactions at issue, and did so with knowledge of CLR's allegations in this motion.
- [163] Based on the record overall, I do not find evidence that the respondents breached CLR's expectations, let alone in a fashion that was oppressive, unfairly prejudicial to, or unfairly disregarded its interests. While again the communications between and among shareholders, and between directors and officers and other members of the corporation could have been better, I find nothing to reach the level of deceit, dishonesty, malice, or ill-intent of any kind as would be required to make out the serious allegations levelled here.

No Basis for Individual Liability

- [164] It follows, but to be clear, I also find no basis for individual liability as against the named individual respondents.
- [165] That said, it is evident, and both sides agree, that there is a level of distrust between the applicants and respondents that makes it undesirable for them to continue on together in the business.

Need to Separate the Parties

- [166] As set out above, both sides agree that UCT should buy out CLR's interest.

The Valuation Experts and Opinions

- [167] To that end, each side engaged a valuation expert, and the two experts have exchanged opinions as to the value to be used as the basis for the buyout transaction. I note that the valuers each conducted their valuations in USD (converted in one case to Canadian dollars only at the final conclusion stage). As such, all figures set out below will be in USD; I will leave it to the parties to undertake the conversion to Canadian currency if and when required.
- [168] CLR's valuator, Mr. Heys, delivered a report valuing CLR dated April 29, 2026. After considering both an income approach (specifically a discounted cash flow analysis) and a market approach – based on the enterprise value used in the recent exercise by UCM of the Call Option to acquire UCT shares and on other past transactions for the shares of UCT- Mr. Heys opined that the fair market value of UCT ranges from a low of \$10 million to as much as \$25.5 million.
- [169] Given CLR's holdings of 14.5%, Mr. Heys opines that the value of CLR's interest in UCT is in the range from \$1.4 million to as much as \$3.7 million. Mr. Heys does not apply a minority discount to value CLR's holdings.
- [170] Mr. Heys fairly acknowledges that he was only able to provide an opinion at the level of a Calculation Valuation Conclusion – the lowest of the three levels of valuation conclusion recognized in the CBV Institute's Practice Standards – given the information available and the nature of the dispute here.
- [171] It is also the case, and Mr Heys acknowledges in his report, that for a company like UCT, at an early stage in its development and with no reliable track record of sales to this point, an income-based discounted cash flow analysis necessarily entails a fair amount of uncertainty and speculation.
- [172] The respondents' expert, Mr. Beck, using both a market approach (like Mr. Heys) and an adjusted net asset value approach, estimates the en bloc fair market value of UCT as ranging from \$11,020,000 (using a valuation date in 2025) to \$13,889,000 (using a valuation date in 2026).
- [173] This yields a value of between \$1,595,000 and \$2,011,000 for CLR's holdings.
- [174] Mr. Beck, unlike Mr. Heys, then applies a minority discount, which at 5% yields a net value for CLR's interests of between \$1,515,000 and \$1,910,000, or, at 15%, a range between \$1,356,000 and \$1,709,000.
- [175] Like Mr. Heys, in considering the market approach to valuation, Mr. Beck puts significant weight on the enterprise value of USD \$10 million, used for the purposes of the Call Option Agreement, to be a “market-based indication of the amount an investor would be willing to pay for UCT as at the 2026 valuation date.”
- [176] Among the ranges of values the two experts opine for UCT, three of the values, the respective experts' conclusions based on market value and Mr. Beck's calculation based

on the Adjusted Net Assets approach, are all clustered fairly closely in the \$10 million to \$13,889,000 range.

- [177] The one outlier, in terms of approaches, is Mr. Heys' discounted cash flow approach.
- [178] As noted above and as Mr. Heys himself acknowledges, that discounted cash flow approach to this company is necessarily based on very little in the way of demonstrated track record, and necessarily based on somewhat speculative projections and a choice of discount rate.
- [179] I find that the valuation arrived at in this way is of limited application and utility here.

Conclusion re Value of CLR's Shares Before Discount

- [180] I find that a reasonable assessment of value is to take the midpoint of the range from \$10 million to \$13,889,000, which is \$11,944,500. While there are of course modest differences in the methodology and calculations employed by the experts in their respective opinions, the proximity of their resulting numbers to one another renders detailed parsing and analysis of their modestly differing methodologies unnecessary.
- [181] Using the midpoint of \$11,944,500 yields a value for CLR's interest, before any discount, of \$1,731,952.50.


Minority Discount

- [182] It remains to determine whether, and to what extent, to apply a minority discount to this figure.
- [183] As Fitzpatrick J. wrote in *Locke et al. v. UWE Quast et al*, 2021 ONSC 3988, "Generally, the offer to purchase a minority share position in a closely held company is not as attractive as a majority or equal position, because the minority will be practically unable to assert control over the direction of the affairs of the company," which lead to "a lessening of the value of the shares and a "minority discount."
- [184] I do not understand CLR to be taking issue with this proposition, nor with the appropriateness of a minority discount in circumstances in which no oppression is evident. They argue, however, premised on their assertion of oppression, that no discount is apt here.
- [185] Having regard to my finding that CLR has not made out oppression here, it follows that the usual considerations leading to a minority discount remain in place.
- [186] CLR argues that applying a minority discount would be akin to concluding that "CLR 'deserves to be excluded' from UCT," and that to apply a minority discount "would reward the Respondents' wrongful conduct."
- [187] I disagree.

- [188] The application of a minority discount simply reflects the non-controlling position of a minority shareholder, here a minority shareholder holding only 14.5% of the shares, in a small, closely held corporation.
- [189] Mr. Beck, in his report, suggests figures of 5% to 15% as the appropriate discount, albeit with very little analysis. The case law also offers limited guidance as to the appropriate discount rate, essentially confirming that the exercise is a fact-specific one.
- [190] In the circumstances, I again select the mid-point of Mr. Beck's range, and direct that a minority discount of 10% should be applied. As such, the figure of \$1,731,952.50 should be reduced by 10%.
- [191] As the respondents point out, even this result reflects a significant return on CLR's initial investment of \$250,000.
- [192] As noted, this result is also subject to the required determination by GAC relative to the sanctions issues, and so no payment is to be made pending that determination. The respondents in their submission advocate for payment in instalments. Given the delay necessarily arising from the GAC proceedings, I do not propose at this time to stagger or otherwise structure the payment following from this decision. The issue of the structure and timing of the payment(s) can be revisited once the GAC decision is in hand.

Costs

- [193] In terms of costs, the only costs outline I see in Case Center is that of the respondents. That said, I had the impression that CLR had also prepared a costs outline, but I do not see it in Case Center.
- [194] I also do not know if there have been any relevant offers to settle.
- [195] I ask counsel to confer, and if there is a costs outline from CLR that I am not seeing in Case Center I am prepared to receive it (if it pre-existed the hearing, as is my impression). I also ask that counsel advise me of any relevant offers to settle.
- [196] Once I have that information from counsel, I will make a determination of the appropriate costs award.


W.D. BLACK J.

DATE: JUNE 30, 2026