



Court File No.:

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

B E T W E E N :

PIVOT FINANCIAL I LIMITED PARTNERSHIP

Applicant

- and -

BRIGHTPATH CAPITAL CORPORATION

Respondent

**IN THE MATTER OF an application under subsection 243(1) of the
Bankruptcy and Insolvency Act, RSC 1985, c B-3, as amended, and section
101 of the *Courts of Justice Act*, RSO 1990, c C.43, as amended.**

NOTICE OF APPLICATION

TO THE RESPONDENT

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

THIS APPLICATION will come on for a hearing:

- In person
- By telephone conference
- By video conference

At a hearing to be scheduled by the Ontario Superior Court of Justice (Commercial List) (the "**Court**") before a judge presiding over the Commercial List at a Zoom link to be provided by the Court on a date and time to be scheduled.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, serve it on the Applicant's lawyer or, where the

Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

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

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

Date April 7, 2026

Issued by

Local Registrar

Address of 330 University Avenue, 7th Floor
court office: Toronto, ON M5G 1R7

TO:

BRIGHTPATH CAPITAL CORPORATION

17 Benton Street, Suite 300

Kitchener, ON N2G 1V8

Blake Albright

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Respondent

APPLICATION

THE APPLICANT MAKES THIS APPLICATION FOR:

1. an order (the “**Receivership Order**”), substantially in the form attached at Tab 3 of the Application Record, *inter alia*:
 - (a) if necessary, abridging the time for service and filing of the Notice of Application and the Application Record, and dispensing with further service thereof;
 - (b) appointing KSV Restructuring Inc. (“**KSV**”) as receiver and manager (in such capacities, the “**Receiver**”), without security, of all of the assets, undertakings and properties of Brightpath Capital Corporation (the “**Debtor**”), including all proceeds thereof (the “**Property**”), pursuant to subsection 243(1) of the *Bankruptcy and Insolvency Act* (Canada), as amended (the “**BIA**”), and section 101 of the *Court of Justice Act* (Ontario), as amended (the “**CJA**”);
 - (c) granting a first-ranking, super-priority charge over the Property in favour of the Receiver and the Receiver’s counsel to secure their fees and disbursements in respect of these receivership proceedings;
 - (d) granting a second-ranking, super-priority charge over the Property for the purpose of funding the exercise of the powers and duties conferred upon the Receiver pursuant to the proposed Receivership Order; and
 - (e) such further and other relief as counsel may advise and this Honourable Court may permit.

THE GROUNDS FOR THE APPLICATION ARE:

The Company

2. The Debtor was incorporated under the *Canada Business Corporations Act* (the “**CBCA**”) and was subsequently amalgamated under the CBCA as ‘Brightpath Capital Corporation’. The Debtor’s registered and head office is located in Ontario, Canada.
3. The Debtor originates and administers first and second mortgage loans, secured by residential properties. It is a licensed mortgage brokerage in Ontario and British Columbia, and a mortgage administrator in Ontario.

Business Model

4. The Debtor’s business model involves: (a) originating and underwriting residential mortgage loans, often for borrowers who do not meet the requirements of traditional financial institutions, and either funding such loans directly, or co-lending with other investors or third-party co-lenders; and (b) facilitating the funding of mortgage loans and certain eligible receivables through special purpose securitization vehicles (the “**Securitization Parties**”) from third party capital providers (the “**Securitization Funders**”).
5. Under such securitization funding facilities (the “**Securitization Financing Facilities**”), the Securitization Funders provide capital to the Securitization Parties, which use those funds to acquire, among other assets, eligible mortgages or receivables from the Debtor on a fully-serviced basis, and the Debtor continues to administer and service the mortgage loans for the Securitization Parties, including collecting borrower payments, maintaining

loan records and administering enforcement proceedings, including power of sale and foreclosure proceedings, through servicing agreements (collectively, the “**Servicing Agreements**”). These particular Servicing Agreements generally permit the Securitization Funders to replace the Debtor as a servicer if specified events occur.

6. As a result of this structure, the Debtor’s operations are dependent not only on the performance of its own mortgage portfolio, but also on its relationship with the Securitization Funders and its ability to continue servicing mortgage assets on their behalf.

Capital Structure

7. The Debtor funded its mortgage lending operations through a combination of: (a) senior secured credit facilities, including the Senior Facility (as defined below); (b) the Securitization Financing Facilities with the Securitization Funders, which include institutional lenders; and (c) the borrowing of funds pursuant to unsecured promissory notes (the “**Unsecured Notes**”) issued to approximately 141 individual investors (the “**Unsecured Noteholders**”).
8. As at early 2026:
 - (a) approximately \$59.6 million in principal was owing to Unsecured Noteholders, plus, approximately \$5 million in accrued interest was outstanding to Unsecured Noteholders; and
 - (b) approximately \$15.6 million in senior secured indebtedness remained outstanding to Pivot Financial I Limited Partnership (“**Pivot LP**”).

9. The Debtor's capital structure was therefore highly leveraged and dependent on the continued performance of its mortgage portfolio and access to third-party funding sources.

Security Agreements and Current Indebtedness

Senior Credit Agreement

10. In connection with its operations, Pivot LP, as assignee of Pivot Financial Inc. ("**PFI**"), as lender, the Debtor, as borrower, and the shareholders of the Debtor as at September 30, 2021, as guarantors, entered into an amended and restated credit agreement dated September 30, 2021, as amended on April 28, 2022, August 15, 2022 and April 1, 2025 (collectively, the "**Senior Credit Agreement**").
11. The Senior Credit Agreement amends and restates a credit agreement originally made among, *inter alias*, the Debtor and PFI (the "**Original Senior Loan Agreement**").
12. Pursuant to the Senior Credit Agreement, Pivot LP extended a revolving loan facility (the "**Senior Facility**") to the Debtor in a maximum principal amount of \$60,000,000.
13. The Senior Facility was established for use by the Debtor: (a) as working capital to fund Eligible Mortgage Receivables; and (b) to indefeasibly repay in full the Existing Pivot Debt, in each case as defined in and in accordance with the Senior Credit Agreement.
14. Under the terms of the Senior Credit Agreement, the Senior Facility: (a) bears interest at the Prime Rate plus 5.5% (Floor rate of 9.5%) per annum; and (b) matured on September 30, 2025. As of March 31, 2026, the total indebtedness under the Senior Credit Agreement

was \$9,489,423.08 (the “**Senior Facility Indebtedness**”), plus accruing interest, fees and costs.

15. As general and continuing security for the payment and performance of the Senior Facility Indebtedness, the Debtor granted various security to Pivot LP (collectively, the “**Senior Facility Security**”), including, among other things:
 - (a) an amended and restated general security agreement, dated as of September 30, 2021, granted by the Debtor in favour of Pivot LP (the “**Senior GSA**”), therein amending and restating that certain general security agreement dated as of September 27, 2018, granted by the Debtor in favour of PFI; and
 - (b) a blocked account agreement made as of April 12, 2022, effective as of September 30, 2021, between the Debtor, Pivot LP and the Bank of Montreal.

The Subordinate Demand Note

16. The Debtor also issued in favour of Pivot LP a demand promissory note dated August 30, 2024 (the “**Subordinate Demand Note**”). The Subordinate Demand Note amends, restates, modifies, and consolidates: (i) certain promissory notes issued by the Debtor in favour of PFI (collectively, the “**Original Demand Notes**”); and (ii) a promissory note issued by the Debtor in favour of Pivot LP dated June 15, 2022, in each case as amended, supplemented, restated, or otherwise modified from time to time.
17. Principal advances under the Subordinate Demand Note bear interest at 15% per annum. As of March 31, 2026, the total indebtedness under the Subordinate Demand Note was

\$6,140,711.17 (the “**Subordinate Note Indebtedness**”, together with the Senior Facility Indebtedness, the “**Indebtedness**”), plus accruing interest, fees and costs.

18. In connection with the Subordinate Demand Note, the Debtor granted the following security (collectively, the “**Subordinate Note GSAs**”, and together with the Senior Facility Security, the “**Security**”): (a) a general security agreement dated as of August 16, 2018, granted by the Debtor in favour of PFI, as assigned by PFI to Pivot LP; and (b) the Senior GSA.
19. The security interest granted to PFI in connection with the Original Senior Loan Agreement and the Original Demand Notes was first registered in the Ontario Personal Property Security Registration System (“**PPR**”) on April 26, 2018 (the “**Original PPR Registration**”), creating a first-ranking security interest. On September 29, 2021, PFI assigned the Original PPR Registration to Pivot LP.

Liquidity Challenges, Defaults and Demands

20. By April 2025, the Debtor and its auditors determined that the Debtor had a bad debt expense in excess of \$15 million for the fiscal year ending December 31, 2024 (the “**2024 Write-offs**”). The 2024 Write-offs, along with the Debtor’s secured and unsecured debt obligations, resulted in the auditors including a going concern qualification in the Debtor’s 2024 annual financial statements.
21. The 2024 Write-offs and going concern qualification resulted in the Debtor defaulting under its obligations under the Senior Credit Agreement (the “**Initial Default**”).

22. The Debtor's management shortly thereafter advised Pivot LP of the Initial Default, and stopped payment of interest and principal in respect of the Unsecured Notes.
23. In addition, the Debtor's default of the Senior Facility triggered a cross-default of its servicing obligations pursuant to the terms of the Servicing Agreements, prompting the Securitization Funders to issue formal demand for repayment from the applicable Securitization Parties and deliver notices of intention to enforce security pursuant to section 244 of the BIA (each, a "**NITE**").
24. On October 31, 2025, Pivot LP delivered a demand letter (the "**Senior Demand Letter**"), enclosing a NITE, to the Debtor, demanding repayment of the Senior Facility Indebtedness.
25. The Senior Demand Letter advised the Debtor that defaults had occurred under the Senior Credit Agreement, including, failure to perform financial covenants, the occurrence of specified events of default, and material adverse circumstances affecting the Debtor's financial condition (collectively, the "**Senior Defaults**").
26. On October 31, 2025, Pivot LP also issued a demand letter to the Debtor for the repayment of the Subordinate Note Indebtedness, enclosing a NITE (the "**Subordinate Demand Letter**", and together with the Senior Demand Letter, the "**Demand Letters**").
27. The Subordinate Demand Letter advised that the occurrence of the Senior Defaults resulted in the Debtor being in default under the Subordinate Demand Note and Subordinate GSAs (the "**Subordinate Defaults**").
28. The prescribed notice periods in the Pivot LP NITEs have expired and the Indebtedness remains unpaid.

The Forbearance Agreements and the Unsuccessful Recapitalization

29. Notwithstanding these defaults and enforcement rights, the Debtor, Pivot LP and the Securitization Funders entered into a series of coordinated forbearance agreements (the “**Forbearance Agreements**”). Pivot LP and the Debtor, among others, entered into a Forbearance Agreement dated November 25, 2025 (the “**Pivot Forbearance Agreement**”).
30. The purpose of the Pivot Forbearance Agreement was to provide the Debtor with additional funding and a standstill in order to successfully complete the Proposed Arrangement (as defined herein) and ultimately emerge as a going-concern enterprise.
31. The Pivot Forbearance Agreement contained, among other things standard acknowledgments relating to the Indebtedness and obligations owing to Pivot LP, enforceability of agreements and defaults, the appointment of a financial advisor, and additional reporting terms as part of a wind-down process. KSV Advisory Inc., an affiliate of KSV, was appointed as financial advisor to Pivot LP.
32. The Pivot Forbearance Agreement also contained the following notable provisions:
 - (a) in addition to the Senior Defaults, the Debtor acknowledged the additional default under the Senior Credit Agreement by failing to pay when due amounts payable under the Senior Credit Agreement and the Subordinate Demand Note;
 - (b) the Debtor was required to contemporaneously enter into forbearance agreements with the Securitization Funders and the Securitization Parties (being the rest of the Forbearance Agreements), in form and substance satisfactory to Pivot LP, to ensure

that the Debtor would be permitted to continue to service the Securitization Parties' property in exchange for a significant servicing fee, and thereby obtain adequate funding; and

- (c) Pivot LP's permission to allow the Debtor to effect a recapitalization transaction by way of a court-approved plan of arrangement under Section 192 of the CBCA (the "**Proposed Arrangement**").

- 33. The Proposed Arrangement provided for the extinguishment of approximately \$59,600,000 in principal and all accrued interest owing to the Unsecured Noteholders, in exchange for equity in the Debtor.

Appointment of the Proposed Receiver

- 34. The Proposed Arrangement was ultimately abandoned by the Debtor without Pivot LP's consent. As of the date hereof, the Debtor remains highly leveraged, and continues to operate under significant financial distress.
- 35. Each of the Forbearance Agreements has since terminated as a result of, among other things, the effects of the abandonment of the Proposed Arrangement and the agreement of the parties thereto.
- 36. In these circumstances, a receivership is required to preserve and realize upon the Debtor's assets for the benefit of its stakeholders.
- 37. In particular, the Applicant submits that the appointment of the proposed Receiver over the Property is just and convenient for the following reasons:

- (a) as of April 2025, the Debtor is in default of its obligations under the Senior Credit Agreement, the Subordinate Demand Note and the Security, and such default is
- (b) because of the withdrawal of the Proposed Arrangement, Pivot LP has lost confidence in the Debtor's ability to continue to satisfy its obligations to Pivot LP;
- (c) pursuant to the terms of the Pivot Forbearance Agreement, the Debtor consented to the appointment of a receiver upon the termination of the forbearance;
- (d) the Security contains a contractual right to the appointment of a receiver;
- (e) absent the appointment of a receiver, there is a material risk that the Securitization Funders would not be willing to pay servicing fees on substantially similar terms as those contained in the Forbearance Agreements, which would significantly impair enterprise value;
- (f) the Proposed Arrangement was ultimately not completed. As a result, the Debtor remains highly leveraged, has ceased making payments to unsecured creditors and continues to operate under significant financial distress. In these circumstances, a receivership is required to preserve and realize upon the Debtor's assets for the benefit of all stakeholders;
- (g) the proposed receivership proceedings will assist in stabilizing operations for the Debtor, by providing an effective forum to manage creditor and stakeholder claims;
- (h) a court-supervised receivership will provide a centralized, orderly and transparent process to efficiently manage the Debtor's assets and maximize recoveries; and

- (i) the Debtor's assets consist primarily of distressed mortgage loans that are subject to ongoing power of sale proceedings, the outcome and timing of which are uncertain and may extend over a period of up to 12 to 18 months, and which require active management, oversight and coordination in order to maximize recoveries.

38. KSV is a licensed trustee within the meaning of the BIA is qualified to act as receiver, and has consented to act as Receiver if so appointed.

Other Grounds

39. The Applicant will also rely on the following statutory and regulatory grounds:

- (a) section 101 of the CJA;
- (b) sections 243 and 244 of the BIA;
- (c) Rules 1.04, 1.05, 2.01, 2.03, 3.02, 14.05, 38, and 39 of the *Rules of Civil Procedure*, RRO 1990, Reg 194; and
- (d) such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the Application:

- (a) the Affidavit of Daniel Flaro, to be sworn, and the exhibits attached thereto;
- (b) the Factum of the Applicants, to be filed;

- (c) the consent of KSV to act as Receiver; and
- (d) such further and other evidence as counsel may advise and this Honourable Court may permit.

April 7, 2026

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Applicant

BRIGHTPATH CAPITAL CORPORATION

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ONTARIO

**SUPERIOR COURT OF JUSTICE
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PROCEEDING COMMENCED AT TORONTO

NOTICE OF APPLICATION

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