

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE RECEIVERSHIP OF EQUITYLINE
SPV LIMITED PARTNERSHIP**

BETWEEN:

EQUITABLE BANK

Applicant

- and -

EQUITYLINE SPV LIMITED PARTNERSHIP

Respondent

REPLY RECORD

(Re: Approval of a Mortgage Adjudication Protocol)

April 10, 2026

THORNTON GROUT FINNIGAN LLP
100 Wellington Street West
Suite 3200, TD West Tower
Toronto ON M5K 1K7

Rebecca Kennedy (LSO# 61146S)

Tel: (416) 304-0603

Email: rkennedy@tgf.ca

Derek Harland (LSO# 79504N)

Tel: (416) 304-1127

Email: dkharland@tgf.ca

Denna Jalili (LSO# 84976N)

Tel: (416) 304-1127

Email: djalili@tgf.ca

Lawyers for the Court-appointed receiver of
EquityLine SPV Limited Partnership, KSV
Restructuring Inc.

TO: THE SERVICE LIST

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

EQUITABLE BANK

Applicant

- and -

EQUITYLINE SPV LIMITED PARTNERSHIP

Respondent

**SERVICE LIST
(as at March 30, 2026)**

TO:	<p>THORNTON GROUT FINNIGAN LLP 100 Wellington Street West Suite 3200, TD West Tower Toronto ON M5K 1K7</p> <p>Rebecca L. Kennedy (LSO# 61146S) Email: rkennedy@tgf.ca</p> <p>Derek Harland (LSO# 79504N) Email: धारland@tgf.ca</p> <p>Denna Jalili (LSO# 84976N) Email: djalili@tgf.ca</p> <p>Tel: 416-304-1616 Fax: 416-304-1313</p> <p><i>Lawyers for the Court-appointed receiver of EquityLine SPV Limited Partnership, KSV Restructuring Inc.</i></p>
------------	---

AND TO:	<p>STIEBER BERLACH LLP 3200 – 130 Adelaide Street West Toronto, ON M5H 3P5 Fax: 416-366-1400</p> <p>Deborah Berlach (LSO# 239740) Tel : 416-594-4671 Email: dberlach@sblegal.ca</p> <p><i>Co-counsel for the Court-appointed receiver of EquityLine SPV Limited Partnership, KSV Restructuring Inc.</i></p>
AND TO:	<p>KSV RESTRUCTURING INC. 220 Bay St. Suite 1300, Toronto, ON M5J 2W4</p> <p>Noah Goldstein Tel: 416-844-4842 Email: ngoldstein@ksvadvisory.com</p> <p>Mitch Vininsky Tel: 416-932-6013 Email: mvininsky@ksvadvisory.com</p> <p>Tony Trifunovic Tel: 416-932-6013 Email: ttrifunovic@ksvadvisory.com</p> <p><i>Court-appointed receiver of EquityLine SPV Limited Partnership</i></p>

AND TO:	<p>AIRD & BERLIS LLP Brookfield Place 181 Bay Street, Suite 1800 Toronto ON M5J 2T9</p> <p>Robb English (LSO# 19862F) Tel: (416) 865-4748 Email: renglish@airdberlis.com</p> <p>Miranda Spence (LSO# 60621M) Tel: (416) 865-3414 Email: mspence@airdberlis.com</p> <p>Brian Chung (LSO #66232Q) Tel: (416) 865-3426 Email: bchung@airdberlis.com</p> <p>Alex Bernicchia-Freeman (LSO #93556P) Tel: (416) 865-7735 Email: afreeman@airdberlis.com</p> <p><i>Lawyers for the Receiver and the Applicant, Equitable Bank</i></p>
AND TO:	<p>FRIEDMANS LLP Barristers and Solicitors 150 Ferrand Drive, Suite 800 Toronto, ON M3C 3E5</p> <p>Judy Hamilton (LSO# 39475S) Tel: (416) 649-4462 Fax: (416) 497-3809 Email: jh@friedmans.ca</p> <p><i>Lawyers for the Respondent, EquityLine SPV Limited Partnership</i></p>
AND TO:	<p>EQUITYLINE SPV LIMITED PARTNERSHIP 550 Highway 7 East, Suite 338 Richmond Hill, ON L4B 3Z4</p> <p>Sergiy Shchavyelyev Tel: (416) 939-6376 Email: sergiy@equitylinemic.com</p> <p><i>Respondent</i></p>

AND TO:	EQUITYLINE SPV GP INC. 550 Highway 7 East, Suite 338 Richmond Hill, ON L4B 3Z4 Sergiy Shchavyelyev Tel: (416) 939-6376 Email: sergiy@equitylinemic.com
AND TO:	EQUITYLINE SERVICES CORP. 550 Highway 7 East, Suite 338 Richmond Hill, ON L4B 3Z4 Sergiy Shchavyelyev Tel: (416) 939-6376 Email: sergiy@equitylinemic.com
AND TO:	EQUITYLINE MORTGAGE INVESTMENT CORPORATION 550 Highway 7 East, Suite 338 Richmond Hill, ON L4B 3Z4 Sergiy Shchavyelyev Tel: (416) 939-6376 Email: sergiy@equitylinemic.com
AND TO:	EQUITYLINE FINANCIAL CORP. 550 Highway 7 East, Suite 338 Richmond Hill, ON L4B 3Z4 Sergiy Shchavyelyev Tel: (416) 939-6376 Email: sergiy@equitylinemic.com

AND TO:	<p>DLA PIPER (CANADA) LLP 6000-100 King Street West Toronto, ON M5X 1E2</p> <p>Bruce Darlington (LSO# 25310K) Tel: (416) 365-3529 Email: bruce.darlington@dlapiper.com</p> <p>Tudor Carsten (LSO# 47766V) Tel: (416) 365-3505 Email: tudor.carsten@dlapiper.com</p> <p>Cristina Fulop (LSO# 82224H) Tel: (416) 862-3389 Email: cristina.fulop@ca.dlapiper.com</p> <p><i>Lawyers for Computershare Trust Company of Canada</i></p>
AND TO:	<p>ALAW 2525 Old Bronte Road Oakville, ON L6M 4J2</p> <p>Tony Antoniou (LSO# 50680T) Tel: (416) 333-9795 Email: tony@alaw.ca</p> <p><i>Lawyer for TitlePLUS and LawPRO</i></p>
AND TO:	<p>GLENN COHEN LAW 141 Adelaide Street West, Suite 400 Toronto, ON M5H 3L5</p> <p>Glenn Cohen (LSO# 19469R) Tel: (647) 404-2791 Email: glenn@glenncohenlaw.ca</p> <p><i>Lawyer for Elle Mortgage Corporation</i></p>
AND TO:	<p>TERRY WALMAN 202-1240 Bay Street Toronto, ON M5R 2A7</p> <p>Tel: (416) 961-3809 Email: terry@terrywalm.com</p> <p><i>Lawyer for EquityLine Services Corp.</i></p>

AND TO:	BERKOW YOUD LEV-FARRELL DAS LLP 141 Adelaide Street West, Suite 400 Toronto, ON M5H 3L5 Ranjan Das (LSO# 37065T) Tel: (416) 364-4900 Ext. 221 Email: rdas@byldlaw.com <i>Lawyers for Terry Walman</i>
AND TO:	ADAIR GOLDBLATT BIEBER LLP 3200- 401 Bay Street Toronto, ON M5H 2Y4 Geoffrey Adair, K.C. Tel: (416) 476-8195 Email: gadair@agbllp.com <i>Lawyers for Margaret Ellen Jank</i>
AND TO:	OFFICE OF THE SUPERINTENDENT OF BANKRUPTCY CANADA 151 Yonge Street, 4 th Floor Toronto, ON M5C 2W7 Email: osbservice-bsfservice@ised-isde.gc.ca
AND TO:	ATTORNEY GENERAL OF CANADA Department of Justice of Canada Ontario Regional Office, Tax Law Section 120 Adelaide Street West, Suite 400 Toronto, ON M5H 1T1 Email: AGC-PGC.Toronto-Tax-Fiscal@justice.gc.ca
AND TO:	MINISTER OF FINANCE Legal Services Branch Revenue Collections Branch – Insolvency Unit 33 King Street West, 6th Floor Oshawa, ON L1H 8H5 Email: insolvency.unit@ontario.ca

AND TO:	<p>CANADA REVENUE AGENCY 1 Front Street West Toronto, ON M5J 2X6</p> <p>Pat Confalone Tel: (416) 954-6514 Email: pat.confalone@cra-arc.gc.ca</p>
AND TO:	<p>MINISTRY OF THE ATTORNEY GENERAL Civil Law Division, Legal Services Branch Ministry of Public and Business Service Delivery and Procurement 77 Grenville St., 8th Floor Toronto, ON M5S 1B3</p> <p>Debra Eveleigh (LSO# 55816D) Tel: (437) 881-9557 Email: debra.eveleigh@ontario.ca</p> <p><i>Lawyer for the Director of Titles for the Province of Ontario</i></p>
AND TO:	<p>THE ADVOCACY CENTRE FOR THE ELDERLY (ACE) 55 University Avenue, Suite 1500 Toronto, ON M5J 2H7</p> <p>Bethanie Pascutto (LSO# 78098F) Email: bethanie.pascutto@ace.clcj.ca</p> <p><i>Lawyers for Lyle Auton</i></p>

AND TO:	<p>DENTONS CANADA LLP 77 King Street West, Suite 400 Toronto-Dominion Centre Toronto, ON, Canada M5K 0A1</p> <p>Kenneth Kraft (LSO # 31919P) Tel: (416) 863-4374 Email: kenneth.kraft@dentons.com</p> <p>Renée Brosseau (LSO# 47074B) Tel: (416) 863-4650 Email: renee.brosseau@dentons.com</p> <p>Sara-Ann Wilson (LSO # 56016C) Tel: (416) 863-4402 Email: sara.wilson@dentons.com</p> <p>Oliver Flis (LSO # 87232S) Tel: (416) 863-4536 Email: oliver.flis@dentons.com</p> <p><i>Lawyer for Stewart Title Guaranty Company & FCT Insurance Company Ltd.</i></p>
AND TO:	<p>STEWART TITLE GUARANTY COMPANY Royal Bank Plaza – North Tower 200 Bay Street, Suite 1600 Toronto, ON M5J 2J2</p> <p>Mario Giovane Tel: (416) 855-3312 Email: mario.giovane@stewart.com</p>
AND TO:	<p>FCT INSURANCE COMPANY LTD. 2235 Sheridan Garden Drive Oakville, ON L6J 7Y5</p> <p>Rachelle Hepburn Tel: (905) 287-3024 Email: rhepburn@fct.ca</p>

AND TO:	<p>BURNS ASSOCIATES PROFESSIONAL CORPORATION 21 King St, W, Suite 305, Hamilton, ON, L8P 4W7</p> <p>A. Douglas Burns (LSO# 14111I) Tel: (905) 522-1381 Email: burns@adburnslaw.ca</p> <p><i>Lawyer for Barry William Hirschberger and Lisa Marie Hirschberger</i></p>
AND TO:	<p>BURNS ASSOCIATES PROFESSIONAL CORPORATION 21 King St, W, Suite 305, Hamilton, ON, L8P 4W7</p> <p>A. Douglas Burns (LSO# 14111I) Tel: (905) 522-1381 Email: burns@adburnslaw.ca</p> <p><i>Lawyer for Lynda Sharon Talmage</i></p>
AND TO:	<p>LOWES, SALMON, GADBOIS & CLARKE Dutton Professional Centre 500 Dutton Drive Waterloo ON N2L 4C6</p> <p>Steven D. Gadbois (LSO# 34090L) Tel: (519) 884-0800 ext. 225 Email: sgadbois@watlaw.ca</p> <p><i>Lawyer for Adrian Van Dijk</i></p>
AND TO:	<p>NELSON, WATSON PROFESSIONAL CORPORATION Barristers, Solicitors & Notaries 412 Laird Road, Suite 102 Guelph, Ontario N1G 3X7</p> <p>David Bernstein (LSO# 65419P) Tel: (519) 821-9610 Email: dbernstein@nelwat.com</p> <p><i>Lawyer for Barbara Burton, Gillian Frances Burton, and Deborah Anne Burton</i></p>

AND TO:	NELSON, WATSON PROFESSIONAL CORPORATION Barristers, Solicitors & Notaries 412 Laird Road, Suite 102 Guelph, Ontario N1G 3X7 David Bernstein (LSO# 65419P) Tel: (519) 821-9610 Email: dbernstein@nelwat.com <i>Lawyer for the Estate of Cindy Hunter-Parkhill</i>
AND TO:	ADAIR LITIGATION First Canadian Place 100 King St W, Suite 5700 Toronto, Ontario M5X 1C7 Geoffrey Adair (LSO# 11419F) Tel: (416) 476-8195 Email: gadair@adairlitigation.com <i>Lawyer for Phyllis Nola Hinds</i>
AND TO:	2420315 ONTARIO INC. & NUSRAT BHUYAN 69 Fenwood Heights Scarborough, ON M1M 2W1 Email: sharmin9110@gmail.com
AND TO:	THISAAN SIVANATHAN & RIO VIJENTHIRA 135 Ben Sinclair Avenue East Gwillimbury, ON L0G 1R0 Email: thisaan.r@hotmail.com

AND TO:	<p>KESTENBERG LITIGATION LLP 2300 Yonge St. Suite 1600 Toronto, Ontario M4P 1E4</p> <p>Michael Kestenberg (LSO# 16005H) Tel: 416-549-8077 Email: michael@kestenberglitigation.com</p> <p>Beverly Jusko (LSO# 31122C) Tel: 416-549-8077 Email: beverly@kestenberglitigation.com</p> <p><i>Counsel for Danielle Harrison</i></p>
AND TO:	<p>DEWART GLEASON LLP 102-366 Adelaide St. West Suite 102 Toronto ON M5V1R9</p> <p>Andrea Vitopoulos (LSO# 75745N) Tel: 416.583.5716 Email: avitopoulos@dglp.ca</p> <p>Danika So (LSO# 79801S) Tel: 416.583.5749 Email: dso@dglp.ca</p> <p><i>Counsel for Stephen Price</i></p>
AND TO:	<p>GARDINER ROBERTS LLP 22 Adelaide St. W. Toronto, ON M5H 4E3</p> <p>Kevin Mooibroek (LSO# 83144Q) Tel: 416-865-8259 Email: kmooibroek@grllp.com</p> <p>James Cook (LSO# 48484M) Tel: 416-865-6628 Email: jcook@grllp.com</p> <p><i>Counsel for Simon Morris</i></p>

AND TO:	SOLOMON ROSS FISCHOFF LAWYERS Madison Centre 4950 Yonge Street Suite 1008 North York, ON M2N 6K1 Solomon Ross Fischhoff (LSO# 54571G) Tel: 647-348-1818 Email: ross@smartlitigation.ca <i>Counsel for Extend Financial Ltd.</i>
AND TO:	KEN WISE AND ASSOCIATES 290 Hounslow Ave North York, ON M2N 2B8 Ken Wise (LSO# 20825R) Tel: 647-288-5531 Email: ken@kenwiseandassociates.ca <i>Counsel for Aid Al-Musri</i>
AND TO:	JOEL KELMAN 9225 Bathurst Street Richmond Hill, ON L4C 6C2 Joel Kelman Email: joelkelman@gmail.com <i>Interested party</i>
AND TO:	OLUWASEUN ITUNU OLOWOLAFE AND OLOWOLAFE LAW P.C. 16 McAdam Ave Unit 1 North York, ON M6A 0B9 Seun Olowolafe Email: seun@olowolafelaw.com <i>Interested parties</i>

AND TO:	<p>MARZEL LAW 1-24 Stadacona Drive Toronto, ON M6A 1Y6</p> <p>Ron Marzel (LSO # 41732M) Email: ron@marzel-law.ca</p> <p><i>Counsel for 13273261 Canada Inc.</i></p>
	<p>SIMPLY GROUP OF COMPANIES 2225 Sheppard Avenue East, Suite 800 Toronto, ON M2J 5C2</p> <p>Oscar Strawczynski (LSO# 52695P) Email: oscar.strawczynski@mysimplygroup.com (oscar@oslaw.ca)</p> <p><i>Counsel for Snap Home Finance Corp.</i></p>
AND TO:	<p>FORBES CHOCHLA LEON LLP 400 University Ave, Suite 2001 Toronto, ON M5G 1S5</p> <p>Kim T. Duong (LSO# 52512Q) Email: kduong@fcl-law.com</p> <p>Erin Hoops (LSO# 74601G) Email: ehoops@fcl-law.com</p> <p><i>Counsel for Joel Kelman, Eid Almusri and The Mortgage Maven Inc.</i></p>
AND TO:	<p>LEGAL FOCUS LLP 1357 Ottawa Street Windsor, ON N8X 2E9</p> <p>Eric Florjancic (LSO# 71791B) Email: eric@legalfocus.ca</p> <p><i>Counsel for Financeit Canada Inc.</i></p>

AND TO:	<p>ANAS AYYOUB 3219 Yonge Street, Unit 115 Toronto, ON M4N 2L3</p> <p>Anas Ayyoub Email: info@canadachoicecapital.ca</p> <p><i>Interested party</i></p>
AND TO:	<p>Spetter Zeitz Klaiman Professional Corporation 850-100 Sheppard Ave East Toronto, ON M2N 6N5</p> <p>Sean Zeitz (LSO# 51199P) Tel: (416) 789-0657 Email: szeitz@szklaw.ca</p> <p><i>Counsel for TitlePLUS</i></p>

EMAIL SERVICE LIST

rkennedy@tgf.ca; धारland@tgf.ca; djalili@tgf.ca; dberlach@sblegal.ca;
ngoldstein@ksvadvisory.com; mvininsky@ksvadvisory.com; ttrifunovic@ksvadvisory.com;
renglish@airdberlis.com; mspence@airdberlis.com; bchung@airdberlis.com;
afreeman@airdberlis.com; jh@friedmans.ca; sergiy@equitylinemic.com;
sergiy@equitylinemic.com; sergiy@equitylinemic.com;
sergiy@equitylinemic.com; sergiy@equitylinemic.com; sergiy@equitylinemic.com;
sergiy@equitylinemic.com; bruce.darlington@dlapiper.com; tudor.carsten@dlapiper.com;
cristina.fulop@ca.dlapiper.com; tony@alaw.ca; glenn@glenncohenlaw.ca;
terry@terrywalman.com; gadair@agbllp.com; osbservice-bsfservice@ised-isde.gc.ca; AGC-PGC.Toronto-Tax-Fiscal@justice.gc.ca; insolvency.unit@ontario.ca; pat.confalone@cra-arc.gc.ca; debra.eveleigh@ontario.ca; bethanie.pascutto@ace.clcj.ca;
kenneth.kraft@dentons.com; renee.brosseau@dentons.com; sara.wilson@dentons.com;
oliver.flis@dentons.com; mario.giovane@stewart.com; rhepburn@fct.ca; rdas@byldlaw.com;
burns@adburnslaw.ca; burns@adburnslaw.ca; sgadbois@watlaw.ca; dbernstein@nelwat.com;
dbernstein@nelwat.com; gadair@adairlitigation.com; sharmin9110@gmail.com;
[thisaan.r@hotmail.com](mailto>thisaan.r@hotmail.com); michael@kestenberglitigation.com; beverly@kestenberglitigation.com;
avitopoulos@dgllp.ca; dso@dgllp.ca; kmooibroek@grllp.com; jcook@grllp.com;
ross@smartlitigation.ca; ken@kenwiseandassociates.ca; joelkelman@gmail.com;
seun@olowolafelaw.com; ron@marzel-law.ca; oscar.strawczynski@mysimplygroup.com;
oscar@oslaw.ca; kduong@fcl-law.com; ehoops@fcl-law.com; eric@legalfocus.ca;
info@canadachoicecapital.ca; szeit@szklaw.ca

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE RECEIVERSHIP OF EQUITYLINE
SPV LIMITED PARTNERSHIP**

B E T W E E N:

EQUITABLE BANK

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EQUITYLINE SPV LIMITED PARTNERSHIP

Respondent

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TAB 1



**Second Supplement to the
Fourth Report to Court of
KSV Restructuring Inc.
as Receiver and Manager of
EquityLine SPV Limited Partnership**

April 10, 2026

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COURT FILE NUMBER: CV-24-00721560-00CL

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

B E T W E E N:

EQUITABLE BANK

APPLICANT

- AND -

EQUITYLINE SPV LIMITED PARTNERSHIP

RESPONDENT

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

**SECOND SUPPLEMENT TO THE FOURTH REPORT OF
KSV RESTRUCTURING INC.
AS RECEIVER AND MANAGER**

APRIL 10, 2026

1.0 Introduction

1. This report (the “**Second Supplemental Report**”) supplements the Receiver’s Fourth Report to Court dated January 5, 2026 (the “**Fourth Report**”) and Supplement to the Fourth Report dated March 30, 2026 (the “**Supplemental Report**”) and is intended to be read in conjunction with both the Fourth Report and Supplemental Report.
2. Unless otherwise stated, capitalized terms used in this Second Supplemental Report and not otherwise defined have the meanings given to them in the Supplemental Report.

1.1 Purpose of this Second Supplemental Report

1. The purpose of this Second Supplemental Report is to provide the Receiver’s response to a narrow set of issues raised in the cross-motion record of FCT Insurance Company (“**FCT**”) dated April 7, 2026 and the affidavit of John Tracy sworn April 7, 2026 (the “**Tracy Affidavit**”) contained therein.

1.2 Restrictions

1. This Second Supplemental Report is subject to the restrictions set out in Section 1.2 of the Fourth Report, which are incorporated herein by reference.

1.3 Court Materials

1. Court materials filed in these proceedings are available on the Receiver's website at: <https://www.ksvadvisory.com/experience/case/equityline>.

2.0 Engagement of the Duty to Defend

1. Pursuant to paragraph 28 of the Tracy Affidavit, FCT takes the position that the proposed Mortgage Adjudication Protocol is "...insufficient to trigger FCT's duty to defend under the terms of the Policies". FCT specifically states that the "Notice of Claim" and responding affidavit evidence filed by the Objecting Mortgagors in support of their allegations that their respective Impugned Mortgage is fraudulent is insufficient.
2. This is an incorrect reading of the policies. The insured is obliged to give notice of any claim which might cause loss or damage for which the Insurer may be liable. Once notice is given, the insurer has the right to undertake any act to establish interest in the insured mortgage, or to prevent or reduce loss. There is nothing requiring a pleading to trigger the insurer's rights and obligations.
3. Beyond this, after the Receiver served its Supplemental Report on March 30, 2026, FCT issued two letters to the Receiver confirming that the duty to defend has already been engaged in respect of two of the Objecting Mortgagors, being Phyllis Nola Hinds and the Estate of Barbara Burton. Attached hereto as **Appendices "A"** and **"B"** are copies of the letters from FCT dated April 2, 2026.
4. FCT also delivered a third letter which states that the duty to defend has not been engaged in respect of the Estate of Cindy Hunter-Parkhill as a default judgment has been issued relating to that Objecting Mortgagor. Attached hereto as **Appendix "C"** is a copy of this letter dated April 2, 2026.

3.0 Engagement with Title Insurers during the Second Adjournment

1. As stated in the Supplemental Report, the Receiver has actively worked with the Title Insurers in order to reach the terms of a protocol governing the adjudication of the Impugned Mortgages on a consensual basis, including by resolving their second threshold issue (the identity of the "insured") and attempting to resolve their first threshold issue (documentary disclosure) by providing all relevant and non-privileged documents in the Receiver's possession.
2. The Tracy Affidavit suggests that the Receiver has been unresponsive. This is incorrect. Specifically, paragraph 22 of the Tracy Affidavit states that the Receiver delivered the twice revised Mortgage Adjudication Protocol "almost a full month" after the Title Insurers delivered their Insurer Protocol. This implies there was no communication or progress in the Receiver's consultation with the Title Insurers during that near month.

3. While not relevant to the substantive relief the Receiver is seeking, the Receiver notes that, between the delivery by the Title Insurers of the Insurer Protocol on February 12, 2026, and the Receiver's delivery of the twice revised Mortgage Adjudication Protocol on March 11, 2026, the Receiver and Title Insurers remained in active negotiations and discussions, including the following:
 - a. **February 13, 2026:** Counsel for FCT, TitlePLUS and the Receiver engaged in an extensive discussion regarding the terms of the protocol and issues relating to the protocol, documentary discovery and other matters;
 - b. **March 2, 2026:** Counsel for the Receiver and TitlePLUS engaged in a discussion on matters pertaining to a motion to dismiss brought by Ms. Jank in Guelph;
 - c. **March 3, 2026:** Counsel for the Receiver provided an exhaustive summary of the status of the litigation for all of the non-Impugned Mortgages to the relevant Title Insurers, as requested;
 - d. **March 5, 2026:** Counsel for the Receiver and FCT discussed proposed revisions to the Mortgage Adjudication Protocol (which changes were reflected in the March 11, 2026 draft);
 - e. **March 6, 2026:**
 - i. The Receiver corresponded with the Title Insurers regarding the announcement of the arrest of the Debtor's principal by York Regional Police; and
 - ii. The Receiver provided the Title Insurers with copies of all pleadings in the Receiver's possession concerning the Impugned Mortgages; and
 - f. **March 11, 2026:** The Receiver and counsel for FCT discussed requests made by certain of the Objecting Mortgages.
4. In addition, throughout this period, the Receiver worked on compiling the documents in its possession that were responsive to the requests by the Title Insurers, including correspondence between the Applicant, Equitable Bank, and Debtor, which required vetting for privilege by the Applicant's counsel. These documents were provided to the Title Insurers on March 16 and 19, 2026, in their preferred manner.
5. To suggest that the Receiver has been anything less than fully engaged in this process is simply inaccurate.

4.0 Adjudication Process

1. FCT takes the position that the Mortgage Adjudication Protocol deprives it of its rights under the respective policies. The Receiver disagrees with this characterization.
2. Over the past three months, the Receiver has worked actively with the Title Insurers to resolve their concerns on their threshold issues and made significant modifications to the proposed Mortgage Adjudication Protocol to reflect the generalized comments the Receiver received from the Title Insurers on same.

3. The Mortgage Adjudication Protocol is structured to be an effective and efficient procedure that will allow the adjudication of the validity and enforceability of the Impugned Mortgages to proceed in a timely manner. The Mortgage Adjudication Protocol fairly and objectively balances the rights and interests of the Debtor's stakeholders. It has been structured to maintain and maximize the rights of the Title Insurers in the context of these receivership proceedings, while recognizing the unique circumstance that the Receiver is an insured under the policies and concurrently owes duties to all stakeholders. In addition, the Mortgage Adjudication Protocol ensures that Equitable Bank's ability to recover under the policies is not impaired by any conflict between the Receiver's status as an insured and the interests of the Title Insurers.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.,
SOLELY IN ITS CAPACITY AS RECEIVER AND MANAGER OF
EQUITYLINE SPV LIMITED PARTNERSHIP
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”



2235 Sheridan Garden Drive, Oakville, Ontario, L6J 7Y5

John Tracy
Legal Counsel, Claims
Email: jtracy@f@fct.ca
Direct Line: 905.287.3089

April 2, 2026

By email – rkennedy@tgf.ca

Attn: Rebecca Kennedy
Thornton Grout Finnigan – Barristers & Solicitors
3200 - 100 Wellington Street West
TORONTO ON M5K 1K7

Dear Rebecca Kennedy:

Re: Named Insured: Computershare Trust Company of Canada
Property: 30 Cherrywood Avenue, Toronto ON
Policy No.: ONGLT220624000613
Borrower: Phyllis Hinds
Claim File No.: CTS23324003851

I am writing to provide FCT Insurance Company Ltd.'s position on coverage for the above-noted matter.

The facts relevant to the claim as I understand them are as follows: On June 28 2022, the Insured Mortgage securing the sum of \$475,000.00 was registered in the name of Computershare Trust Company of Canada as instrument AT6117681. Subsequently there have been several transfers of the Insured Mortgage registered on title as outlined in the table below:

Date	Instrument	From	To
October 12, 2022	AT6200370	Computershare Trust Company of Canada	Equityline SPV GP Inc.
October 12, 2022	AT6200380	Equityline SPV GP Inc.	Computershare Trust Company of Canada
November 18, 2024	AT6700522	Computershare Trust Company of Canada.	KSV Restructuring Inc.

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The Insured Mortgage is one of approximately 20 mortgages involving Equityline SPV GP Inc where the validity and enforceability have been challenged by the borrowers for various reasons including, fraud, incapacity, *non—est factum* and unconscionability.

On August 8, 2024, the Superior Court of Justice issued an order appointing KSV Restructuring Inc. as the Receiver of all assets of Equityline SPV GP Inc. As you are aware there is a pending motion before the court in the receivership proceedings concerning a mortgage adjudication protocol in which the court is being asked to impose a protocol by which validity and enforceability of the mortgages may be adjudicated. As you are further aware, FCT has retained Dentons to assist in obtaining a protocol that, in its view, aligns with the terms and conditions of the Policy and provides an efficient way to determine the validity and enforceability of the mortgages in question.

PRELIMINARY MATTER – *Is KSV Restructuring Inc. an “Insured” under the Policy ?*

“Insured” is defined in the Policy as:

The Insured named in Schedule A. The term “Insured” also includes:

(i) the owner of the indebtedness secured by the Insured Mortgage and each successor in ownership of the indebtedness except a successor who is an obligor under the provisions of Section 12(c) of these Conditions and Stipulations (reserving, however, all rights and defences as to any successor that the Company would have had against any predecessor Insured, unless, the successor acquired the indebtedness as a purchaser for value without knowledge of the asserted defect, lien, encumbrance, adverse claim or other matter insured against by this policy as affecting title to the estate or interest in the Land);

A transfer of the Insured Mortgage was registered on November 18, 2024, as instrument AT6700522 transferring the Insured Mortgage from Computershare Trust Company of Canada to KSV Restructuring Inc in its capacity as Court appointed Receiver and Manager of Equityline SPV Limited Partnership (“KSV”). Given that KSV is now the owner of the indebtedness, it is an “Insured” under the Policy.

You will note that the definition of “Insured” reserves to FCT all rights and defenses as to any successor that FCT would have had against any predecessor Insured, unless, the successor acquired the indebtedness as a purchaser for value without knowledge of the asserted defect, lien, encumbrance, adverse claim or other matter insured against by the policy as affecting title to the estate or interest in the Land.

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COVERAGE

In order to find coverage for any claim, the issue must fall within a Covered Risk set out in the Policy. If the item falls within a Covered Risk, and is neither excluded nor excepted from coverage, then there is a valid claim under the Policy.

Pursuant to Covered Risk 5 of the Policy, coverage is available for loss suffered as a result of: *“The invalidity or unenforceability of the Insured Mortgage upon the title”*

The Policy also contains a duty to defend, which provides, *“The Company will also pay the costs, legal fees and expenses incurred in defence of any matter insured against by the policy, but only to the extent provided in the Conditions and Stipulations.”*

In this regard paragraphs 4(a) and 4(d) are of relevance and are set out below:

4. Defence and Prosecution of Actions, Duty of Insured Claimant to Cooperate

(a) Upon written request by the Insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company at its own cost and without unreasonable delay, shall provide for the defence of an Insured in litigation in which any third party asserts a claim adverse to the title or interest as insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy.

...

(d) action or proceeding, the Insured shall secure to the Company the right to so prosecute or provide defence in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company’s expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest or the Insured Mortgage, as insured. If the Company is prejudiced by the failure of the Insured to furnish the required co-operation, the Company’s obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such co-operation.

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We have reviewed the pleadings in the litigation related to this mortgage, specifically *Computershare Trust Company of Canada v Phyllis Nola Hinds et. al.* in the Ontario Superior Court of Justice File CV-23-00704595-0000

The pleadings involve the following allegations/prayers for relief:

- The Insured Mortgage is invalid and unenforceable (paragraph 1 of the counterclaim in *Computershare v. Hinds*)
- The Insured Mortgage is the manifestation of fraudulent conduct (paragraph 3 of the statement of defence in *Computershare v. Hinds*)

The litigation referred to above therefore alleges “*a defect, lien or encumbrance or other matter insured against by this policy*” accordingly, I confirm that the duty to defend has been engaged. FCT has made arrangements to retain Renee Brosseau to defend the validity and enforceability of the Insured Mortgage in accordance with terms of the Policy and in accordance with the mortgage adjudication protocol ultimately ordered by the Court.

RESERVATION OF RIGHTS AND NON-WAIVER

This correspondence is provided on a without prejudice basis and subject to a full reservation of the Insurer’s rights under the Policy and at law. Nothing in this letter, should be interpreted as an admission of coverage or liability, or as a waiver of any Policy terms, conditions, limitations, or exclusions. The Insurer reserves the right to rely on additional information or grounds that may become apparent.

Yours truly,

John Tracy

John Tracy

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Appendix “B”



2235 Sheridan Garden Drive, Oakville, Ontario, L6J 7Y5

John Tracy
Legal Counsel, Claims
Email: jtracy@f@fct.ca
Direct Line: 905.287.3089

April 2, 2026

By email – rkennedy@tgf.ca

Attn: Rebecca Kennedy
Thornton Grout Finnigan – Barristers & Solicitors
3200 - 100 Wellington Street West
TORONTO ON M5K 1K7

Dear Rebecca Kennedy:

Re: Named Insured: Computershare Trust Company of Canada
Property: 99 Kalmar Avenue, Toronto ON
Policy No.: ONGLT220429000805
Borrower: Barbara Burton
Claim File No.: 23CAN00841

I am writing to provide FCT Insurance Company Ltd.'s position on coverage for the above-noted matter.

The facts relevant to the claim as I understand them are as follows: On April 29, 2022, the Insured Mortgage securing the sum of \$625,000 was registered in the name of Computershare Trust Company of Canada as instrument AT6061821. Subsequently there have been several transfers of the Insured Mortgage registered on title as outlined in the table below:

Date	Instrument	From	To
October 7, 2022	AT6199035	Computershare Trust Company of Canada	Equityline SPV GP Inc.
October 7, 2022	AT6199045	Equityline SPV GP Inc.	Computershare Trust Company of Canada
November 18, 2024	AT6700521	Equityline SPV GP Inc.	KSV Restructuring Inc.

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The Insured Mortgage is one of approximately 20 mortgages involving Equityline SPV GP Inc where the validity and enforceability have been challenged by the borrowers for various reasons including, fraud, incapacity, *non—est factum* and unconscionability.

On August 8, 2024, the Superior Court of Justice issued an order appointing KSV Restructuring Inc. as the Receiver of all assets of Equityline SPV GP Inc. As you are aware there is a pending motion before the court in the receivership proceedings concerning a mortgage adjudication protocol in which the court is being asked to impose a protocol by which validity and enforceability of the mortgages may be adjudicated. As you are further aware, FCT has retained Dentons to assist in obtaining a protocol that, in its view, aligns with the terms and conditions of the Policy and provides an efficient way to determine the validity and enforceability of the mortgages in question.

PRELIMINARY MATTER – *Is KSV Restructuring Inc. an “Insured” under the Policy ?*

“Insured” is defined in the Policy as:

The Insured named in Schedule A. The term “Insured” also includes:

(i) the owner of the indebtedness secured by the Insured Mortgage and each successor in ownership of the indebtedness except a successor who is an obligor under the provisions of Section 12(c) of these Conditions and Stipulations (reserving, however, all rights and defences as to any successor that the Company would have had against any predecessor Insured, unless, the successor acquired the indebtedness as a purchaser for value without knowledge of the asserted defect, lien, encumbrance, adverse claim or other matter insured against by this policy as affecting title to the estate or interest in the Land);

A transfer of the Insured Mortgage was registered on November 18, 2024, as instrument AT6700521 transferring the Insured Mortgage from Computershare Trust Company of Canada to KSV Restructuring Inc in its capacity as Court appointed Receiver and Manager of Equityline SPV Limited Partnership (“KSV”). Given that KSV is now the owner of the indebtedness, it is an “Insured” under the Policy.

You will note that the definition of “Insured” reserves to FCT all rights and defenses as to any successor that FCT would have had against any predecessor Insured, unless, the successor acquired the indebtedness as a purchaser for value without knowledge of the asserted defect, lien, encumbrance, adverse claim or other matter insured against by the policy as affecting title to the estate or interest in the Land.

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COVERAGE

In order to find coverage for any claim, the issue must fall within a Covered Risk set out in the Policy. If the item falls within a Covered Risk, and is neither excluded nor excepted from coverage, then there is a valid claim under the Policy.

Pursuant to Covered Risk 5 of the Policy, coverage is available for loss suffered as a result of: *“The invalidity or unenforceability of the Insured Mortgage upon the title”*

The Policy also contains a duty to defend, which provides, *“The Company will also pay the costs, legal fees and expenses incurred in defence of any matter insured against by the policy, but only to the extent provided in the Conditions and Stipulations.”*

In this regard paragraphs 4(a) and 4(d) are of relevance and are set out below:

4. Defence and Prosecution of Actions, Duty of Insured Claimant to Cooperate

(a) Upon written request by the Insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company at its own cost and without unreasonable delay, shall provide for the defence of an Insured in litigation in which any third party asserts a claim adverse to the title or interest as insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy.

...

(d) action or proceeding, the Insured shall secure to the Company the right to so prosecute or provide defence in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company’s expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest or the Insured Mortgage, as insured. If the Company is prejudiced by the failure of the Insured to furnish the required co-operation, the Company’s obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such co-operation.

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We have reviewed the pleadings in the litigation related to this mortgage, specifically *Computershare Trust Company of Canada v Barbara Burton et. al.* in the Ontario Superior Court of Justice File CV-23-00695067-0000 and *Barbara Burton et. al v. Equityline SPV GP et. al* in Ontario Superior Court File CV-23-00702308-0000.

The pleadings involve the following allegations/prayers for relief:

- The Insured Mortgage is invalid and unenforceable (paragraph 148 of the statement of claim in *Burton v Equityline*).
- The Insured Mortgage is invalid and unenforceable (paragraph 42 of the statement of defence and counterclaim in *Computershare v. Burton*).
- The Borrower's signature on the Insured Mortgage was forged (paragraph 43 of the statement of defence and counterclaim in *Computershare v. Burton*)

The litigation referred to above alleges "a defect, lien or encumbrance or other matter insured against by this policy" accordingly, I confirm that the duty to defend has been engaged. FCT has made arrangements to retain Renee Brosseau to defend the validity and enforceability of the Insured Mortgage in accordance with terms of the Policy and in accordance with the mortgage adjudication protocol ultimately ordered by the Court.

RESERVATION OF RIGHTS AND NON-WAIVER

This correspondence is provided on a without prejudice basis and subject to a full reservation of the Insurer's rights under the Policy and at law. Nothing in this letter, should be interpreted as an admission of coverage or liability, or as a waiver of any Policy terms, conditions, limitations, or exclusions. The Insurer reserves the right to rely on additional information or grounds that may become apparent.

Yours truly,

John Tracy

John Tracy

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Appendix “C”



2235 Sheridan Garden Drive, Oakville, Ontario, L6J 7Y5

John Tracy
Legal Counsel, Claims
Email: jtracy@f@fct.ca
Direct Line: 905.287.3089

April 2, 2026

By email – rkennedy@tgf.ca

Attn: Rebecca Kennedy
Thornton Grout Finnigan – Barristers & Solicitors
3200 - 100 Wellington Street West
TORONTO ON M5K 1K7

Dear Rebecca Kennedy:

Re: Named Insured: Computershare Trust Company of Canada
Property: 7044 Leeming Street, Niagara Falls , ON
Policy No.: ONGLT220505001692
Borrower: Cindy Hunter
Claim File No.: CTS25013000231

I am writing to provide FCT Insurance Company Ltd.'s position on coverage for the above-noted matter.

The facts relevant to the claim as I understand them are as follows: On May 16, 2022, the Insured Mortgage securing the sum of \$415,000 was registered in the name of Computershare Trust Company of Canada as instrument SN726472. Subsequently there have been several transfers of the Insured Mortgage registered on title as outlined in the table below:

Date	Instrument	From	To
October 7, 2022	SN744932	Computershare Trust Company of Canada	Equityline SPV GP Inc.
October 7, 2022	SN44933	Equityline SPV GP Inc.	Computershare Trust Company of Canada
November 18, 2024	SN820816	Equityline SPV GP Inc.	KSV Restructuring Inc.

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The Insured Mortgage is one of approximately 20 mortgages involving Equityline SPV GP Inc where the validity and enforceability have been challenged by the borrowers for various reasons including, fraud, incapacity, *non—est factum* and unconscionability.

On August 8, 2024, the Superior Court of Justice issued an order appointing KSV Restructuring Inc. as the Receiver of all assets of Equityline SPV GP Inc. As you are aware there is a pending motion before the court in the receivership proceedings concerning a mortgage adjudication protocol in which the court is being asked to impose a protocol by which validity and enforceability of the mortgages may be adjudicated. As you are further aware, FCT has retained Dentons to assist in obtaining a protocol that, in its view, aligns with the terms and conditions of the Policy and provides an efficient way to determine the validity and enforceability of the mortgages in question.

PRELIMINARY MATTER – *Is KSV Restructuring Inc. an “Insured” under the Policy ?*

“Insured” is defined in the Policy as:

The Insured named in Schedule A. The term “Insured” also includes:

(i) the owner of the indebtedness secured by the Insured Mortgage and each successor in ownership of the indebtedness except a successor who is an obligor under the provisions of Section 12(c) of these Conditions and Stipulations (reserving, however, all rights and defences as to any successor that the Company would have had against any predecessor Insured, unless, the successor acquired the indebtedness as a purchaser for value without knowledge of the asserted defect, lien, encumbrance, adverse claim or other matter insured against by this policy as affecting title to the estate or interest in the Land);

A transfer of the Insured Mortgage was registered on November 18, 2024, as instrument SN820816 transferring the Insured Mortgage from Computershare Trust Company of Canada to KSV Restructuring Inc in its capacity as Court appointed Receiver and Manager of Equityline SPV Limited Partnership (“KSV”). Given that KSV is now the owner of the indebtedness, it is an “Insured” under the Policy.

You will note that the definition of “Insured” reserves to FCT all rights and defenses as to any successor that FCT would have had against any predecessor Insured, unless, the successor acquired the indebtedness as a purchaser for value without knowledge of the asserted defect, lien, encumbrance, adverse claim or other matter insured against by the policy as affecting title to the estate or interest in the Land.

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COVERAGE

In order to find coverage for any claim, the issue must fall within a Covered Risk set out in the Policy. If the item falls within a Covered Risk, and is neither excluded nor excepted from coverage, then there is a valid claim under the Policy.

Pursuant to Covered Risk 5 of the Policy, coverage is available for loss suffered as a result of: *“The invalidity or unenforceability of the Insured Mortgage upon the title”*

As detailed further detail below, based on the information provided, there is no evidence showing that the Mortgage is invalid or unenforceable.

The Policy also contains a duty to defend, which provides, *“The Company will also pay the costs, legal fees and expenses incurred in defence of any matter insured against by the policy, but only to the extent provided in the Conditions and Stipulations.”*

In this regard paragraphs 4(a) and 4(d) are of relevance and are set out below:

4. Defence and Prosecution of Actions, Duty of Insured Claimant to Cooperate

(a) Upon written request by the Insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company at its own cost and without unreasonable delay, shall provide for the defence of an Insured in litigation in which any third party asserts a claim adverse to the title or interest as insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy.

...

(d) action or proceeding, the Insured shall secure to the Company the right to so prosecute or provide defence in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured, at the Company’s expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest or the Insured Mortgage, as insured. If the Company is prejudiced by the failure of the Insured to furnish

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the required co-operation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such co-operation.

We have relieved the pleadings in the litigation related to this mortgage, specifically *Computershare Trust Company of Canada v Cindy Hunter* in the Ontario Superior Court of Justice File CV-24-00032997-0000. On March 7, 2024 the Court made the following default judgment:

1. **IT IS ORDERED AND ADJUDGED** that the Defendant, CINDY HUNTER, pay to the Plaintiff the sum of \$442,601.09.
2. **IT IS ORDERED AND ADJUDGED** that the Defendant, CINDY HUNTER, deliver to the Plaintiff, possession of the lands described in Schedule "A" attached.

This order pre-dates the receivership and is prima facie proof that the Insured Mortgage is valid and enforceable. To the best of my knowledge nobody has taken any steps to set aside the default judgment. IN the event any party attempts to set aside the default judgment, please advise accordingly and we shall re-review the matter.

CONCLUSION

The Policy provides coverage in the form of both an indemnity and a duty to defend with respect to the validity and enforceability of the Insured Mortgage. As matters currently stand, there is a court order requiring Cindy Hunter to pay \$442,601.09 plus interest and to deliver possession of the Property. Unless and until that legal status changes, no action is required under the Policy.

RESERVATION OF RIGHTS AND NON-WAIVER

This correspondence is provided on a without prejudice basis and subject to a full reservation of the Insurer's rights under the Policy and at law. Nothing in this letter, should be interpreted as an admission of coverage or liability, or as a waiver of any Policy terms, conditions, limitations, or exclusions. The Insurer reserves the

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right to rely on additional information or grounds that may become apparent.

Yours truly,

John Tracy

John Tracy

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EQUITABLE BANK
Applicant

and

EQUITYLINE SPV LIMITED PARTNERSHIP |
Respondent
Court File No.: CV-24-00721560-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

SECOND SUPPLEMENT TO THE FOURTH
REPORT OF THE RECEIVER,
KSV RESTRUCTURING INC.

THORNTON GROUT FINNIGAN LLP
100 Wellington Street West
Suite 3200, TD West Tower
Toronto ON M5K 1K7

Rebecca Kennedy (LSO# 61146S)
Tel: (416) 304-0603
Email: rkennedy@tgf.ca

Derek Harland (LSO# 79504N)
Tel: (416) 304-1127
Email: dharland@tgf.ca

Denna Jalili (LSO# 84976N)
Tel: (416) 304-0312
Email: djalili@tgf.ca

Lawyers for the Court-appointed receiver of EquityLine
SPV Limited Partnership, KSV Restructuring Inc.

EQUITABLE BANK

Applicant

and

EQUITYLINE SPV LIMITED PARTNERSHIP

Respondent

Court File No. CV-24-00721560-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

**REPLY RECORD
(Re: Approval of a Mortgage Adjudication Protocol)**

THORNTON GROUT FINNIGAN LLP

100 Wellington Street West
Suite 3200, TD West Tower
Toronto ON M5K 1K7

Rebecca Kennedy (LSO# 61146S)

Tel: 4(16) 304-0603
Email: rkennedy@tgf.ca

Derek Harland (LSO# 79504N)

Tel: (416) 304-1127
Email: धारland@tgf.ca

Denna Jalili (LSO# 84976N)

Tel: (416) 304-1127
Email: djalili@tgf.ca

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