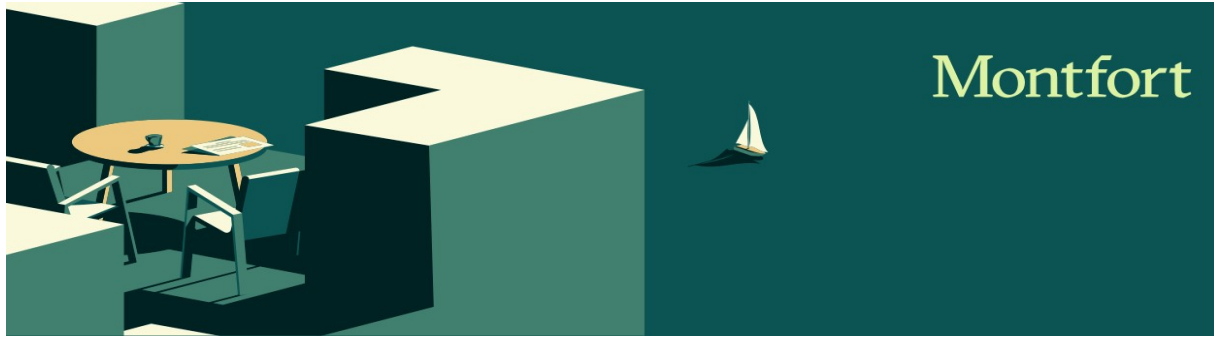




## Montfort Capital Announces Update Regarding Potential Sale of Mortgage Business

**Toronto, ON**, February 3, 2025 /CNW/ - Montfort Capital Corp. ("**Montfort**" or the "**Company**") (TSXV: MONT), a trusted provider of focused private credit strategies for institutional investors, family offices, and wealth managers, today announced that, in furtherance to its press release dated November 26, 2024, it has entered into a definitive share purchase agreement dated February 3, 2025 (the "**Definitive Agreement**") to sell its mortgage lending business to Brightpath Holdings Corporation (the "**Buyer**"), a company controlled by Mr. Blake Albright, a former director and senior officer of the Company, to focus Montfort's operations on the high-growth lending segments operated from its Toronto head office (the "**Sale Transaction**").

"The sale of our mortgage lending business represents an important strategic decision for Montfort, allowing us to focus our attention and resources on our profitable Toronto-based lending businesses" said Ken Thomson, CEO of Montfort. "We wish Blake all the best as he takes on the challenge of returning Brightpath to a growth trajectory after a period of difficult conditions in the mortgage market."

Mr. Albright resigned as a director and senior officer of Montfort concurrently with the execution of the Definitive Agreement. If the Definitive Agreement is terminated, Mr. Albright will be reappointed to his former roles with Montfort.

### *Background & Benefits to Montfort*

Under the Definitive Agreement, the Company will sell all of the shares of Brightpath Capital Corporation, Brightpath Servicing Corporation and Brightpath II Servicing Corporation (collectively, "**Brightpath**"), which together comprise the Company's mortgage lending business. Based out of Kitchener, Ontario, Brightpath is a Canadian provider of alternative residential mortgages. A registered mortgage broker and mortgage administrator, Brightpath provides mortgage solutions through its mortgage broker network and co-lending partners. These mortgages are secured by residential property, primarily located in Ontario, and typically have a term to maturity of one year.

As at September 30, 2024, Brightpath's total assets were approximately \$183 million, consisting of a mortgage portfolio of over 500 loans with a total value of approximately \$154 million, interest and fees receivable of approximately \$12 million, cash of approximately \$4 million and amounts due from Montfort of approximately \$12 million. Brightpath's total liabilities as at September 30, 2024 were approximately \$192 million, substantially all of which represents borrowings used to finance mortgage assets. On a consolidated basis, Brightpath represents approximately 46% of the total assets and total liabilities of Montfort.

During a period of difficult conditions in the mortgage market, Brightpath incurred a net loss of \$2.7 million for the nine months ended September 30, 2024, including realized losses on its loan book of \$1.9 million. Amortization of intangible assets related to Brightpath has contributed an additional \$0.6 million to the Company's consolidated net loss for the year to date. As of September 30, 2024, Brightpath had an accumulated deficit of approximately \$8.5 million, including a provision for credit losses of \$8.1 million. The combination of the above factors has also increased the potential for an impairment write-down of the \$33 million in goodwill recognized since the Company purchased Brightpath in 2022.

The foregoing has resulted in a material negative impact on the consolidated financial statements of Montfort and the Company believes that, among other things, this has put pressure on its share price and made fundraising efforts challenging. The continuation of Brightpath within the Company's structure is not viewed as sustainable. The Sale Transaction is expected to significantly improve Montfort's financial position by both materially reducing outstanding liabilities and increasing the credit quality of lending assets remaining on its balance sheet. The Sale Transaction will also simplify Montfort's operations and reduce overhead costs, as Brightpath has a complex corporate structure and is the only subsidiary not operating from Montfort's head office in Toronto. As a result, the Company's operating results are expected to improve as it focuses on growing its other business units that are profitable and have lower overall risk profiles.

#### *Sale Transaction Terms*

Under the Definitive Agreement, the Company will sell all the shares of Brightpath to the Buyer in exchange for approximately \$17.8 million of consideration which will be satisfied as follows:

- (1) the cancellation of 11,500,000 common shares in the capital of Montfort (the "**Montfort Shares**") currently held by affiliates of the Buyer and a call option provided by the Buyer to Montfort to purchase for cancellation an additional 6,000,000 Montfort Shares;
- (2) the cancellation of 8,000,000 8% Class A preferred shares in the capital of Montfort (the "**Montfort Preferred Shares**") currently held by affiliates of the Buyer;
- (3) the cancellation of all security-based compensation held by Mr. Albright, including 160,125 options, 80,350 restricted stock units and 1,200,000 performance share units of the Company; and
- (4) the assumption by the Buyer of Montfort indebtedness owing to Brightpath in the amount of \$13.0 million.

All Montfort Shares and Montfort Preferred Shares will be purchased and cancelled by the Company at a deemed price per share (the "**Purchase Price**") equal to 95% of the applicable "market price" determined in accordance with section 1.11 of National Instrument 62-104, *Take-Over Bids and Issuer Bids* ("**NI 62-104**"). Prior to Closing, all Montfort Shares and Montfort Preferred Shares currently held by the affiliates of the Buyer will be transferred to the Buyer. Neither the Company, the Buyer nor Mr. Albright will receive any cash proceeds under the Sale Transaction.

The Company may exercise its call option to cause the Buyer to sell the remaining 6,000,000 Montfort Shares held by the Buyer to the Company at the Purchase Price if: (1) the sale does not result in the creation of a new "Control Person" (as such term is defined in the TSXV Corporate

Finance Manual) or the Company has otherwise obtained the prior written approval of the TSXV in respect thereof; and (2) the then “market price” of the Montfort Shares under NI 62-104 equals or exceeds the Purchase Price. Subject to applicable laws, the Company has agreed to use its commercially reasonable efforts to ensure that this call option is exercised prior to the first anniversary of Closing.

The Sale Transaction is subject to a number of closing conditions, including, but not limited to: (1) Montfort obtaining an exemption order (the “**Exemption Order**”) from the Ontario Securities Commission exempting the Company from the issuer bid requirements contained in Part 2 of NI 62-104; (2) the acceptance of the Sale Transaction by the TSX Venture Exchange (the “**TSXV**”); and (3) other conditions which are customary for a transaction of this nature. Closing of the Sale Transaction (the “**Closing**”) is expected to occur as soon as possible following Montfort’s receipt of the Exemption Order and TSXV acceptance which are expected by the end of Q1 2025.

### *Governance & Regulatory Matters*

The board of directors of Montfort (the “**Board**”) established a special committee (the “**Special Committee**”), comprised of all of its independent directors, to evaluate other alternatives to the Sale Transaction and to oversee the negotiation of the Sale Transaction once it was the chosen path forward. The Special Committee met separately from the full Board on numerous occasions throughout the negotiation of the terms of the Sale Transaction. After careful consideration, the Special Committee recommended that the Board approve the terms of the Sale Transaction. Each of the Special Committee and the Buyer were represented by independent legal counsel. There were no disagreements between the Board and the Special Committee in respect of the Sale Transaction, nor did any of the directors have an interest in the Sale Transaction or a materially contrary view, except as stated in this news release in respect of Mr. Albright’s interest in the Sale Transaction. No director or senior officer of the Company was aware of any prior valuation in respect of Brightpath that related to the Sale Transaction that was made in the 24 months prior to the date hereof.

In support of Montfort’s application for the Exemption Order, the Board has resolved, upon the recommendation of the Special Committee, that: (1) the Sale Transaction is in the best interest of the Company and its shareholders; (2) the consideration deemed to be paid for the Montfort Shares and Montfort Preferred Shares will not be greater than the applicable “market price” under NI 62-104; and (3) the cancellation of the Montfort Shares and Montfort Preferred Shares will not adversely affect the financial position of Montfort and will increase the equity ownership of its other shareholders. The purpose of the acquisition of the Montfort Shares and Montfort Preferred Shares is not to give preferential treatment to the Buyer or provide a method for Montfort to purchase such shares but rather to facilitate the sale of the mortgage business.

Affiliates of the Buyer currently hold 17,500,000 Montfort Shares representing approximately 17.5% of the outstanding Montfort Shares and 8,000,000 Montfort Preferred Shares representing approximately 28.1% of the outstanding Montfort Preferred Shares. Upon completion of the Sale Transaction, the number of Montfort Shares and Montfort Preferred Shares outstanding will be reduced by 11,500,000 and 8,000,000, respectively, and hence all other holders of Montfort Shares and Montfort Preferred Shares will experience an increase in their respective ownership percentages in the Company.

Mr. Albright, as a former director and senior officer of the Company and a holder of more than 10% of the voting rights attached to the shares of the Company, is a “related party” of the

Company and, as such, the Sale Transaction constitutes a “related party transaction” under Multilateral Instrument 61-101, *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”). In light of the Board’s and Special Committee’s determinations, acting in good faith, that: (1) the Company is in serious financial difficulty; (2) the Sale Transaction is designed to improve the financial position of the Company; and (3) the terms of the Sale Transaction are reasonable in the circumstances of the Company, the Sale Transaction is exempt from the minority shareholder approval requirements under MI 61-101, as the Company is relying on the “financial hardship” exemption provided in Section 5.7(1)(e) of MI 61-101 and there is no other requirement, corporate or otherwise, to hold a meeting to obtain any approval of the Company’s shareholders. A formal valuation in respect of Sale Transaction is not required under MI 61-101 as the Company is not listed on a specified stock exchange in accordance with Section 5.5(b) of MI 61-101.

The Sale Transaction also constitutes a “Reviewable Disposition” in accordance with TSXV Policy 5.3 - *Acquisitions and Dispositions of Non-Cash Assets* given the Buyer is a “Non-Arm’s Length Party” (as such term is defined in the TSXV Corporate Finance Manual) and therefore remains subject to review and acceptance of the TSXV. No finder’s fee is payable in connection with the Sale Transaction. No new “Control Person” will be created as a result of the Sale Transaction.

#### *Additional Details*

Additional details regarding the terms of the Sale Transaction are set out in the Definitive Agreement which will be filed on the Company’s profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Montfort will send a copy of the material change report to be filed in respect of the Sale Transaction to any of its securityholders upon request and without charge.

#### **About Montfort Capital Corp.**

Montfort is a trusted provider of focused private credit strategies for institutional investors, family offices, and wealth managers. Montfort’s experienced management teams employ focused strategies to drive superior risk-adjusted investment returns. For further information, please visit [www.montfortcapital.com](http://www.montfortcapital.com).

***Neither the TSXV nor its Regulation Services Provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this news release.***

#### **Forward-Looking Information**

Certain information and statements in this news release contain and constitute forward-looking information or forward-looking statements as defined under applicable securities laws (collectively, “**forward-looking statements**”). Forward-looking statements normally contain words like ‘believe’, ‘expect’, ‘anticipate’, ‘plan’, ‘intend’, ‘continue’, ‘estimate’, ‘may’, ‘will’, ‘should’, ‘ongoing’ and similar expressions, and within this news release include any statements (express or implied) respecting: the future growth of the Company; the Company’s future financial performance; the completion of the Sale Transaction and the timing thereof; the expectation that the continuation of Brightpath within the Company’s structure is not sustainable; the expectation that the Sale Transaction will improve the Company’s financial position and the other benefits of the Sale Transaction; and Montfort’s receipt of the Exemption Order and TSXV acceptance.

Forward-looking statements are not guarantees of future performance, actions, or developments and are based on expectations, assumptions and other factors that management currently believes are relevant, reasonable and appropriate in the circumstances, including, without limitation: the assumption that the Company and its investee companies are able to meet their respective future objectives and priorities and assumptions concerning general economic growth; the absence of unforeseen changes in the legislative and regulatory framework for the Company; and the completion of the Sale Transaction, including the ability of the parties to satisfy all potential conditions related thereto, including Montfort's receipt of the Exemption Order and TSXV acceptance.

Although management believes that the forward-looking statements are reasonable, actual results could be substantially different due to the risks and uncertainties associated with and inherent to Montfort's business. Material risks and uncertainties applicable to the forward-looking statements set out herein include but are not limited to: intense competition in all aspects of business; reliance on limited management resources; continued availability of equity and debt financing; general economic risks; interest rates remaining elevated for longer; new laws and regulations and risk of litigation; and the failure to close the Sale Transaction. Although Montfort has attempted to identify factors that may cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, predicted, estimated or intended. Also, many of the factors are beyond the control of Montfort. Accordingly, readers should not place undue reliance on forward-looking statements. Montfort undertakes no obligation to reissue or update any forward-looking statements as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements contained in this news release are qualified by this cautionary statement.

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