

Local company sells off much of its loan portfolio

By **HARLEY RICHARDS**
Advocate business editor

A Red Deer-based company has sold a substantial portion of its loan portfolio, positioning itself for faster expansion.

Rifco Inc. announced Friday that it has completed the securitization of loans with a book value of approximately \$4.9 million. The transaction, completed through investment banking firm Securcor Corporation, resulted in a return of \$5.9 million for Rifco.

"What that does is it gives us the ability to grow at an exponential rate," said Lance Kadatz, vice-president and chief financial officer of Rifco.

Rifco provides automotive and commercial repair financing and vehicle purchase financing. A publicly traded company (TSXV:RFC), it has about 1,500 licensed agents in Alberta, British Columbia, Manitoba and Ontario.

Kadatz said Rifco had built up a loan portfolio of more than \$9 million, relying on bank financing, share equity and debt instruments to

raise the necessary capital. But these sources of money had proven inadequate for the company's needs, particularly with its recent expansion into Ontario.

"For the last six months we've been under capital restraints," said Kadatz. "We could have lent more money than we had, so this really takes the handcuffs off of us and allows us to put in place the plans to really grow this into a national company."

Securitization involves selling a loan or other receivable to an entity like a trust. The seller continues to service the loan, but principal and interest payments go to the trust.

"From our customers' point of view nothing changes; from our staff's point of view nothing changes," said Kadatz.

By securitizing part of its loan portfolio, Rifco was able to obtain a large injection of capital up front — which will allow it to finance additional loans.

"We will build up loans and we will regularly sell them into the trust now," said Kadatz.

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