

**RIFCO PROVIDES UPDATE ON DISPUTE WITH ACC AND CANCAP**

**RED DEER, ALBERTA – June 12, 2020** – Rifco Inc. (TSXV: RFC) ("**Rifco**" or the "**Company**") is providing an update with respect to the ongoing litigation between Rifco, ACC Holdings Inc. (the "**Purchaser**") and CanCap Management Inc. ("**CanCap**", and together with Rifco and the Purchaser, the "**Parties**").

As set out below, the Alberta Court of Queen's Bench (the "**Court**") has issued a procedural ruling dated May 20, 2020 (the "**Procedural Order**") setting out the procedure to be followed for a resolution of the dispute between the Parties. That procedural order contemplated both parties filing additional pleadings with a view to resolving all or as many of the issues in dispute as possible. As a result, both the Purchaser and Rifco commenced an additional proceeding against each other. These are described below. Rifco is bringing an application to consolidate its new proceeding with the existing one. Subsequent to that, the Purchaser and CanCap served a Civil Notice of Appeal to appeal both the Court's original May 6 decision, which was previously described by Rifco in its news release dated May 7, 2020, along with the Procedural Order. Rifco intends to vigorously defend that appeal and intends to issue a cross-appeal, requesting that the Court of Appeal grant the Order sought by Rifco on May 6, 2020 (the "**May 6 Order**") and requiring the Purchaser to close the transaction and the arrangement (the "**Arrangement**") among the Parties.

**May 20 Procedural Ruling**

After several case conferences held on May 8, 13, 19 and 20, 2020, the Court issued a procedural ruling to address the balance of the proceedings between the Parties. The Court ordered, among other things, that:

- The matter was directed to a special application (the "**Special Application**") with *viva voce* evidence to be heard in person or by video hearing for five live hearing days as soon after August 15, 2020 as can be scheduled;
- Amendments to existing pleadings, or the issuance of separate applications or other pleadings that the parties seek to have consolidated or heard concurrently or consecutively with the Special Application were to be filed by May 27, 2020;
- Document production by the parties was to be completed by June 8, 2020;
- Rifco's affidavit evidence was to be filed by May 29, 2020, and the Purchaser and CanCap's affidavit evidence were to be filed by June 8, 2020;
- Expert reports are to be exchanged in July 2020; and
- Briefs of law and ancillary material are to be filed by August 14, 2020.

The Procedural Order has not yet been formalized in the form of an Order.

**Rifco and the Purchaser's New Proceedings**

Pursuant to the terms of the Procedural Order, both Rifco and the Purchaser issued new Statements of Claim.

The Statement of Claim issued by Rifco (the "**Specific Performance Claim**") names both the Purchaser and CanCap as a defendant, and asserts that the Purchaser and CanCap breached the terms of the arrangement agreement among the Parties dated February 2, 2020 (the "**Arrangement Agreement**") by failing to attend at closing and fund the transaction contemplated by the Arrangement Agreement, and by actively opposing the issuance of a final order. Rifco seeks specific performance of the Arrangement Agreement as a remedy. As previously disclosed in Rifco's press releases, Rifco was previously seeking



relief that was substantially similar to specific performance relief, by way of the issuance of an order under section 193(9) of the *Alberta Business Corporations Act* (the “**ABCA**”), and as such Rifco is of the belief that the Specific Performance Claim does not add any new issues for the Court and should not affect the schedule as set out in the Procedural Order.

The Statement of Claim issued by the Purchaser (the “**New Purchaser Claim**”) does not include CanCap as a plaintiff, but only the Purchaser. Rifco is a defendant in that proceeding. The New Purchaser Claim seeks an amount of “no less than” \$1 million as an “Expense Reimbursement Payment” as a result of what the Purchaser says was a breach of the Arrangement Agreement, which was that Rifco failed to warn the Purchaser about COVID-19 and a decline in oil prices which the Purchaser says constituted a “Material Adverse Effect” on Rifco. As previously explained by Rifco, Rifco is strongly of the view that no Material Adverse Effect, as defined in the Arrangement Agreement, has occurred, and as such there was no requirement to warn the Purchaser of anything. The Purchaser also seeks in the alternative, unspecified damages but which the Purchaser claims to be “no less than \$1.5 million” for alleged breaches of the Arrangement Agreement and common law duties of honesty and good faith contractual performance. Rifco believes that the New Purchaser Claim is wholly devoid of merit and Rifco will defend the claim vigorously. A substantial portion of the matters at dispute in the New Purchaser Claim are anticipated to be resolved at the Special Application.

### **Rifco’s Application to Consolidate**

As contemplated by the Procedural Order, Rifco has brought an application to consolidate the Specific Performance Claim and the Special Application. The Purchaser and CanCap are opposing that application. A hearing has been scheduled on June 17, 2020 to decide that application to consolidate.

In addition, Rifco believes that the Purchaser and CanCap have not complied with their disclosure obligations as set out in the Procedural Order, and Rifco expects to seek relief from the Court with respect to that non-compliance at the June 17, 2020 hearing.

### **The Purchaser and CanCap’s Appeal**

On June 4, 2020, the Purchaser and CanCap issued a Civil Notice of Appeal (the “**Appeal**”) to appeal the May 6 Order and the Procedural Order. In the Appeal, the Purchaser and CanCap assert that the Court erred on a number of grounds, including in dismissing the claim that the Purchaser’s purported notice of termination was effective in terminating the Arrangement Agreement, without further proof of the underlying conditions of terminations (in this case, the existence of a Material Adverse Effect as defined in the Arrangement Agreement).

Rifco believes that the Appeal is devoid of any merit and intends to vigorously contest the Appeal. The Appeal does not act as a stay of either the May 6 Order or the Procedural Order. The Purchaser and CanCap have indicated that they may be seeking an application to obtain a stay of the May 6 Order and the Procedural Order, or in the alternative, to seek an expedited appeal hearing. The Court of Appeal has also indicated that the Purchaser and CanCap may be required to seek leave to appeal some or all of the May 6 Order or the Procedural Order.

As a result of the Purchaser and CanCap commencing the Appeal, Rifco intends to cross-appeal the May 6 Order and ask for the Court of Appeal to grant the final order approving the Arrangement originally sought at the hearing held on May 1, 2020, along with an order under section 193(9) of the *ABCA* requiring the Purchaser to close the transaction. If that relief is granted, then the Special Application would presumably no longer continue in its present form.

No date has been set for the hearing of the Appeal and Rifco’s expected cross-appeal.



Rifco will release updated information on the above noted proceedings as further material developments occur.

## **About Rifco Inc.**

Rifco Inc. is focused on being the best alternative auto finance company through its wholly owned subsidiary Rifco National Auto Finance Corporation. Our mission is to help deserving Canadians own automobiles.

Rifco seeks to create sustainable long-term competitive advantages through personalized partnerships with dealers, innovative products, the use of industry-leading data and analytics, and leading collections practices. Rifco's corporate culture fosters employees that are highly engaged innovative and performance driven.

More information regarding the Arrangement and Arrangement Agreement can be found in the management information circular of Rifco dated February 26, 2020 (the "**Circular**"), available on Rifco's SEDAR profile at [www.sedar.com](http://www.sedar.com).

## **Caution Regarding Forward-Looking Information**

This press release may contain forward-looking statements with respect to the Company, its products and operations, Court proceedings and the Arrangement. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations. The actual results and performance of the Company discussed herein could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

In particular, but without limiting the foregoing, this news release contains forward-looking statements pertaining to the following: Rifco pursuit of remedies available, Rifco's intent to proceed with Court proceedings and other matters determined from the Ruling.

Although the forward-looking statements contained in this news release are based upon factors and assumptions which management of the Company believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. Important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, the purported termination of the Arrangement Agreement, future impacts of the pandemic on the Company's business, competition, changes in government regulations, and the factors described under "Risk Factors" in the Management's Discussion and Analysis of the Company and the Circular, both of which are incorporated by reference herein and are available at [www.sedar.com](http://www.sedar.com).

The cautionary statements qualify all forward-looking statements attributable to the Company and persons acting on their behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this press release and the Company has no obligation to update such statements other than in accordance with applicable securities laws.

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

All trade names are the property of their respective owners.

SOURCE Rifco Inc.

For further information: MEDIA CONTACTS: Rifco Inc.: William Graham, Chief Executive Officer, (403) 314-1288 ext. 7006.

