

## Rifco Inc. Responds to Concerned Shareholder Group Originating Notice

**Red Deer, AB – November 25, 2020** – Rifco Inc. (TSXV: RFC) (“**Rifco**” or the “**Company**”), a leading Canadian alternative auto finance company, and certain of its directors and officers, have been served with an originating notice (“**Originating Notice**”) by 933672 Alberta Ltd., Tim Peterson, Ruth Peterson, Sobrick Capital Corp., 812787 Alberta Ltd., Big Country Holdings Ltd., Norman Storch and Jeffrey Newhouse (collectively the “**Concerned Shareholder Group**”). The Concerned Shareholder Group, acting in concert, has a meaningful ownership interest in the Company.

The assertions put forward by the Concerned Shareholder Group in the Originating Notice contain meaningful factual errors and erroneous unsupported allegations, and also indicates that the Concerned Shareholder Group does not understand that a potential buy-out offer, to all shareholders as summarized below is legitimate.

As background, the Board of directors of the Company (“**Board**”) received notice from the Concerned Shareholder Group on September 13, 2020 that they wished the current Board to cede control to them at the upcoming shareholder meeting. The Concerned Shareholder Group proposed a wholesale change in the board of directors and in the CEO in order to implement a different business model and strategic plan. The business plan details provided to the Board were insufficient to allow for a proper assessment of whether this business plan was in the best interests of the Company. However, the Board considered it to be speculative and potentially disruptive in an adverse way.

The Board, based on advice from legal advisors, determined it was in the best interests of the Company’s stakeholders (as a whole) to canvas the market again to attempt to maximize shareholder value. The Board reconstituted its special committee comprised of independent directors (“**Special Committee**”). The Special Committee engaged independent legal counsel and relaunched a second market canvas for alternatives with its financial advisor, Raymond James Ltd. This involved reaching out to approximately 20 logical bidders based on the previous work conducted by Raymond James Ltd.

This second market canvas resulted in several expressions of interest at or near the \$1.18 per share offer, which price had previously been accepted overwhelmingly by shareholders in April, 2020 (the “**CanCap Offer**”). As previously reported, the CanCap Offer, which coincided with the onset of COVID-19, never closed and the Company recovered \$1.5 million in the settlement that was reached.

The Special Committee advanced these expressions of interest with its financial advisor and the highest offer was a proposed management buy-out of the Company (“**MBO**”) by William R. Graham, Warren Van Orman, Doug Decksheimer and Lance Kadatz (“**Management Buy-Out Group**”) at \$1.28 per Common Share.

The MBO offer at \$1.28 per share, including the proposed Arrangement Agreement, Plan of Arrangement, and Support Agreement was proposed to certain members of the Concerned Shareholder Group over the weekend of November 13, 2020. It was proposed to certain members of the Concerned Shareholder Group as some support from members of that group would be required for the offer to ultimately succeed and it was therefore a condition of the MBO offer. The MBO offer was rejected by the members of the Concerned Shareholder Group as being inadequate, but feedback in writing was provided that an acceptable price was \$1.50 per share. A materially higher price of \$1.50 per share was then proposed by the Management Buy-Out Group to certain members of the Concerned Shareholders Group over the weekend of November 20, 2020. This revised price was rejected by some of the members of the Concerned Shareholders Group and the Management Buy-Out Group was therefore not able to proceed with the proposed transaction due to lack of support from the Concerned Shareholder Group.

In support of the Originating Notice, the Concerned Shareholders allege “self dealing” by the Management Buy-Out Group. The facts cited as “self dealing” were the proposed MBO by the Management Buy-Out Group described above.

A management buy-out is an accepted transactional structure which has been used in all industries and across all sizes and types of companies, both public and private. For a reporting issuer in Canada, a MBO is a related party transaction under *Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions* with clear rules to protect the interests of shareholders including:

1. the requirement for the Board to appoint a special committee of independent directors that has the authority to engage

independent counsel and other experts and is required to execute a robust process to confirm that the transaction is fair to shareholders; and

2. the requirement to obtain shareholder approval, including a majority of disinterested shareholders, pursuant to an information circular containing prospectus-level disclosure in respect of the company and the transaction, including the process undertaken by the Special Committee and the Board.

The Board, the Special Committee and the Management Buy-Out Group continue to work on and be focused on opportunities to maximize shareholder value for all shareholders. We would note that in Rifco's case, the MBO price, had it been accepted by certain Concerned Shareholder Group, achieved the objective of seeking maximum value for all shareholders, as it was at a price in excess of any other offer as well as above the price accepted by all shareholders earlier this year.

Rifco will be seeking an adjournment of the court hearing proposed by the Originating Motion to prepare a defense to the claims raised by the Concerned Shareholders Group.

## **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.

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

This press release may contain forward-looking statements with respect to the Company, its products and operations and the contemplated financing. 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. Forward-looking statements may include, without limitation, statements relating to future outlook and anticipated events such as: the potential for a transaction to maximize shareholder value or an MBO and the adjournment of the hearing for the proposed Originating Application. Important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition, risks related to global pandemics including the COVID-19 global health pandemic, changes in government regulations, and the factors described under "Risk Factors and Management" in the Management's Discussion and Analysis of the Company which is 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 except as required pursuant to applicable securities laws.

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