

Chesswood Group Limited to Acquire Rifco Inc.

Transaction Highlights

- Chesswood will enter the Canadian auto finance sector with the acquisition of Rifco
- \$1.28 per Rifco share represents a premium of approximately 42% to Rifco's closing price on August 9, 2021 and a premium of approximately 13% to Rifco's closing price on October 26, 2021
- Special Committee and voting Directors unanimously recommend the Transaction to Rifco shareholders
- Rifco shareholders may elect to receive the consideration in either cash or Chesswood shares
- Leaders of MBO group enter into voting support agreements

Toronto, ON & Red Deer, AB – October 27, 2021 – Rifco Inc. (TSXV: RFC) (“Rifco”), a leading Canadian alternative auto finance company, and Chesswood Group Limited (TSX:CHW) (“Chesswood”), North America’s only publicly traded commercial equipment finance company focused on small and medium-sized businesses, today announce that they have entered into an arrangement agreement (the “Agreement”) pursuant to which Chesswood will acquire all of the issued and outstanding common shares of Rifco (the “Rifco Shares”) by way of a statutory plan of arrangement under the Business Corporations Act (Alberta) (the “Transaction”).

Under the terms of the Agreement, each Rifco shareholder will receive consideration of \$1.28 for each Rifco Share held, to be satisfied either in cash or Chesswood common shares (with the number of Chesswood common shares to be determined based on the 10 day volume weighted average price (“VWAP”) determined five business days before the special meeting of Rifco shareholders to approve the Transaction (the “Special Meeting”)) at the election of the Rifco shareholder (the “Consideration”), representing aggregate consideration of approximately \$28 million on a fully diluted basis. The Consideration represents an approximately 42% premium to the closing price of Rifco Shares on August 9, 2021, an approximately 48% premium to the VWAP of the Rifco Shares over the 20 trading days prior to August 9, 2021 and an approximately 13% premium to the closing price of the Rifco Shares on October 26, 2021.

“Our vision is for Chesswood to continue its growth as a leading and diversified platform for high quality specialty finance companies,” said Ryan Marr, President & CEO, Chesswood Group. “The acquisition of Rifco provides Chesswood with a highly attractive and scalable platform in the Canadian auto finance sector. We are excited to work with the executive team at Rifco to support their business growth, including capitalizing on the funding advantages of Rifco being part of the larger Chesswood Group of companies.



“Rifco’s management is highly supportive of the transaction with Chesswood and the MBO group is no longer pursuing the acquisition of Rifco,” said Roger Saran, President & COO, Rifco. “Rifco’s customers, dealers and other stakeholders will continue to benefit from Rifco’s innovative products and customer service and now will have access to additional resources as part of the Chesswood Group.”

Special Committee and Board of Directors Recommendations

A special committee (the “Special Committee”) of Rifco’s board of directors (the “Board”) was formed under the direction of Board member Sean Aylward to consider the August 10, 2021 non-binding acquisition proposal received by Rifco from certain members of Rifco’s senior management team, and to review any acquisition proposals subsequently received by Rifco. The Special Committee retained Raymond James Ltd. (“Raymond James”) as financial advisor. Prior to entering into the Agreement with respect to the Transaction, the Special Committee engaged in discussions with ten (10) potential transaction counterparties, including Chesswood, of which four (4) entered into confidentiality agreements with Rifco to determine their interest in pursuing a potential transaction for the acquisition of 100% of the Rifco Shares.

Raymond James has provided a fairness opinion to the Special Committee (the “Fairness Opinion”) stating that, in its opinion, and based upon and subject to the assumptions, limitations and qualifications set forth therein, the Consideration to be received by Rifco shareholders pursuant to the Transaction is fair, from a financial point of view, to Rifco shareholders.

The voting members of the Board, after receiving financial and legal advice, and following receipt of the Fairness Opinion and the recommendation of the Special Committee, have unanimously determined that the Transaction is in the best interests of Rifco and are recommending that Rifco shareholders vote in favour of the Transaction. In approving the Transaction and making its recommendation, the Board considered, among other things, the relative merits of the proposals received from all potential counterparties, including Chesswood. Of those, the Transaction presented by Chesswood represented the most attractive option to Rifco shareholders.

Transaction Details

The Transaction will be implemented by way of a statutory plan of arrangement under the Business Corporations Act (Alberta) and is subject to approval of 66 $\frac{2}{3}$ % of the votes cast by Rifco shareholders at the Special Meeting.



The completion of the Transaction will also be subject to obtaining required court and other approvals, and satisfaction of closing conditions customary for a transaction of this nature. The Agreement includes customary deal-protection provisions. Rifco is subject to non-solicitation provisions, and in certain circumstances the Board may terminate the Agreement in favour of an unsolicited superior proposal, subject to the payment of a termination fee of \$1.00 million and subject to a right of Chesswood to match such superior proposal.

It is anticipated that the management information circular (the “Circular”) for the Special Meeting will be mailed to Rifco shareholders in the next 30 days and the Special Meeting will be held in December, 2021. Following closing of the Transaction, the Rifco Shares would be delisted from the TSX Venture Exchange. The Transaction is expected to close in late December 2021 or in January 2022.

Advisors and Counsel

Raymond James acted as exclusive financial advisor to Rifco and provided the Fairness Opinion to the Special Committee in connection with the Transaction. Miller Thomson LLP is acting as counsel to the Special Committee and Rifco.

McCarthy Tétrault LLP is acting as counsel to Chesswood in connection with the Transaction.

Additional Information about the Transaction

A copy of the written Fairness Opinion, and a description of the various factors considered by the Board in its determination to approve the Transaction, as well as other relevant background information, will be included in the Circular to be sent to Rifco shareholders in advance of the Special Meeting. The Circular, the Agreement, including the plan of arrangement, and certain related documents will be filed with the Canadian securities regulators and will be available on SEDAR at www.sedar.com.

About Chesswood Group Limited

Through two wholly-owned subsidiaries in the United States and three subsidiaries in Canada, Chesswood Group Limited is North America’s only publicly traded commercial equipment finance company focused on small and medium-sized businesses.

Colorado-based Pawnee Leasing Corporation, founded in 1982, finances a highly diversified portfolio of commercial equipment leases and loans through relationships with over 600 brokers in the United States. Tandem Finance Inc. provides financing in the U.S. through the equipment vendor channel. In Canada, Blue Chip Leasing Corporation



has been originating and servicing commercial equipment leases and loans since 1996, and today operates through a nationwide network of more than 50 brokers. Vault Credit Corporation specializes in equipment leases and commercial loans across Canada, allowing for customizable financing solutions while catering to a wide spectrum of credit tiers, equipment types and sectors by offering industry-leading service levels, experienced underwriters and account administrators. Vault Home Credit Corporation was launched in September 2021 and focuses on providing home improvement and other consumer financing solutions in Canada.

Chesswood does not currently hold any Rifco Shares.

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. Its 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 news release may contain forward-looking statements with respect to Chesswood, Rifco, their respective products and operations and the Transaction. 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 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. Important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition, changes in government regulations, and the factors described under "Risk Factors" in the respective Management's Discussion and Analysis and Annual Information Forms of Chesswood and Rifco, which are available at www.sedar.com. The cautionary statements qualify all forward-looking statements attributable to Chesswood and Rifco and persons acting on their behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this news release, and neither Chesswood nor Rifco have any obligation to update such statements, except as required under applicable securities laws.



This news release is also issued pursuant to National Instrument 62-103 – The Early Warning System and Related Take-Over Bid and Insider Reporting Issues, which requires a report to be filed under Rifco’s profile on SEDAR containing additional information with respect to the foregoing matters. A copy of such report may be obtained by contacting Chesswood at trajchel@chesswoodgroup.com. The address of Chesswood is 1133 Yonge Street, Suite 603, Toronto, Ontario, M4T 2Y7.

None of TSX Venture Exchange, Toronto Stock Exchange or their respective Regulation Services Providers (as that term is defined in the policies of the relevant exchange) accepts responsibility for the adequacy or accuracy of this release.

All trade names are the property of their respective owners.

SOURCE Chesswood Group Limited and Rifco Inc.

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