

Court File No. CV-24-00730212-00CL

CHESSWOOD GROUP LIMITED, CASE FUNDING INC., CHESSWOOD HOLDINGS LTD., CHESSWOOD US ACQUISITIONCO LTD., PAWNEE LEASING CORPORATION, LEASE-WIN LIMITED, WINDSET CAPITAL CORPORATION, TANDEM FINANCE, INC., CHESSWOOD CAPITAL MANAGEMENT INC., CHESSWOOD CAPITAL MANAGEMENT USA INC., RIFCO NATIONAL AUTO FINANCE CORPORATION, RIFCO INC., WAYPOINT INVESTMENT PARTNERS INC. and 1000390232 ONTARIO INC.

THIRD REPORT OF FTI CONSULTING CANADA INC., AS MONITOR

JANUARY 23, 2025

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ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
CHESSWOOD GROUP LIMITED, CASE FUNDING INC., CHESSWOOD HOLDINGS
LTD., CHESSWOOD US ACQUISITIONCO LTD., PAWNEE LEASING CORPORATION,
LEASE-WIN LIMITED, WINDSET CAPITAL CORPORATION, TANDEM FINANCE, INC.,
CHESSWOOD CAPITAL MANAGEMENT INC., CHESSWOOD CAPITAL
MANAGEMENT USA INC., RIFCO NATIONAL AUTO FINANCE CORPORATION, RIFCO
INC., WAYPOINT INVESTMENT PARTNERS INC. and 1000390232 ONTARIO INC.

(each, a “**CCAA Party**”, and collectively, the “**CCAA Parties**”)

THIRD REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR

A. INTRODUCTION

1. On October 29, 2024 (the “**Filing Date**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) made an Order (the “**Initial Order**”) under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) in respect of the CCAA Parties (the proceedings commenced pursuant to the Initial Order, the “**CCAA Proceedings**”). The Initial Order resulted from an application brought by Royal Bank of Canada, in its capacity as administrative agent and as collateral agent (in such capacity, the “**Agent**”) to the lenders under a second amended and restated credit agreement dated as of January 14, 2022, as amended (the “**Existing Credit Agreement**”).
2. Pursuant to the Initial Order, among other things, FTI Consulting Canada Inc. (“**FTI**”) was appointed as monitor of the CCAA Parties (in such capacity, the “**Monitor**”) with authority to, among other things, for and on behalf of, and in the name of, the CCAA Parties and their respective boards of directors, conduct and control the financial affairs and operations of the CCAA Parties, and carry on the Business of any of the CCAA Parties.

3. On October 30, 2024, the Monitor, in its capacity as foreign representative, commenced proceedings under chapter 15 of title 11 of the United States Code (“**Chapter 15**” and proceedings commenced thereunder, “**Chapter 15 Proceedings**”) for each of the CCAA Parties with the U.S. Bankruptcy Court for the district of Delaware (the “**U.S. Court**”). On October 31, 2024, the U.S. Court entered, among others, an Order Granting Petitioner’s Motion for Provisional Relief, which, on a provisional basis, among other things, recognized the CCAA Proceedings as a foreign main proceeding and gave effect to the Initial Order in the U.S.
4. On November 7, 2024, the Court issued an amended and restated Initial Order (the “**ARIO**”), which, among other things, (i) extended the period of the Court-ordered stay of proceedings in respect of the CCAA Parties under the CCAA until January 31, 2025, and (ii) increased the permitted DIP Borrowings (as defined in the ARIO) up to a maximum of US\$65,000,000, subject to the terms and conditions of the ARIO and the DIP Term Sheet (as defined in the ARIO).
5. On November 25, 2024, the U.S. Court entered, among others, a final order recognizing the CCAA Proceedings as a foreign main proceeding and giving effect to the Initial Order and ARIO in the U.S.
6. On December 19, 2024, the Court issued an Order (the “**SISP Approval Order**”) that, among other things, approved a sale and investment solicitation process (the “**SISP**”), including bidding procedures thereunder (the “**Bidding Procedures**”) in respect of the CCAA Parties, other than the Vendors (as defined below).
7. On December 19, 2024, the Court also issued an Order (the “**KERP Approval Order**”) that, among other things, approved a key employee retention plan and granted a charge in respect thereof.
8. As set out more fully in the affidavit of Wenwei (Wendy) Chen sworn October 28, 2024 filed in support of the application for the Initial Order, (i) the CCAA Parties’ business is a financial services company that provides loans to small businesses and consumers across Canada and the United States, focusing on equipment, vehicle and legal financing, and

specializing in providing loans to a wide range of credit profiles, and (ii) CCAA protection was necessary given an impending liquidity crisis caused by, among other things, an inability of the CCAA Parties to pay their senior debt obligations as they became due, and several other continuing defaults under the Existing Credit Agreement, such that new borrowings under the Existing Credit Agreement were no longer permitted.

9. FTI filed a pre-filing report dated October 29, 2024 (the “**Pre-Filing Report**”) with the Court prior to the commencement of the CCAA Proceedings. The Monitor filed its first report dated November 6, 2024 (the “**First Report**”) in connection with the Agent’s motion for approval of the ARIO. The Monitor filed its second report dated December 14, 2024 (the “**Second Report**”, and together with the Pre-Filing Report and the First Report, the “**Previous Reports**”) in connection with the Monitor’s motions for (i) an approval and reverse vesting order (which motion was adjourned as described further below); (ii) the SISP Approval Order; and (iii) the KERP Approval Order. The Previous Reports are available on the Monitor’s website at <http://cfcanada.fticonsulting.com/Chesswood> (the “**Monitor’s Website**”).

10. This third report of the Monitor (the “**Third Report**”) is being filed to provide an update on certain developments in the CCAA Proceedings since the date of the Second Report, including the Monitor’s activities since the Second Report and the CCAA Parties’ actual cash receipts and disbursements for the 11-week period ending January 10, 2025, and a comparison to the cash flow forecast attached as Appendix “B” to the Pre-Filing Report (the “**October 2024 Forecast**”), along with an updated cash flow forecast for the period ending April 4, 2025 (the “**January 2025 Forecast**”), attached as Appendix “A”, and in support of the Monitor’s motion returnable January 29, 2025 seeking:
 - (a) an order (the “**Approval and Vesting Order**”) approving the sale of the Purchased Assets by the Vendors to Vault (or an affiliate of Vault) pursuant to the Rifco APA (each as defined below) (the “**Proposed Rifco Transaction**”); and
 - (b) an order (the “**Stay Extension Order**”) extending the Stay Period (as defined in the ARIO) until and including March 31, 2025.

B. TERMS OF REFERENCE

11. In preparing this Third Report, the Monitor has relied upon audited and unaudited financial information of the CCAA Parties' books and records, certain financial information and forecasts prepared by the CCAA Parties, discussions with various stakeholders and parties, including senior management of the CCAA Parties ("**Management**") and their respective advisors, and information and documentation provided by the Agent and its legal counsel, Blake, Cassels & Graydon LLP (collectively, the "**Information**").
12. Except as otherwise described in this Third Report:
 - (a) the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
 - (b) the Monitor has not examined or reviewed the financial forecasts or projections referred to in this Third Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
13. Future-oriented financial information reported in, or relied on, in preparing this Third Report is based on Management's assumptions regarding future events. Actual results will vary from these forecasts and such variations may be material.
14. The Monitor has prepared this Third Report in connection with its motion for the Approval and Vesting Order and Stay Extension Order. This Third Report should not be relied on for any other purpose.
15. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the ARIQ, the Rifco APA, or the SISP Approval Order, as applicable.

C. MONITOR'S ACTIVITIES SINCE THE SECOND REPORT

16. Since the Second Report, the Monitor has undertaken the following activities, among others:

- (a) updating the Monitor’s Website as necessary, including posting copies of the Second Report, the SISP Approval Order, the KERP Approval Order, and other related documents;
- (b) assisting in activities related to the SISP in accordance with the SISP Approval Order, as described in greater detail below;
- (c) engaging with the Vendors, Vault, and the DIP Agent with respect to the Proposed Rifco Transaction and the Rifco APA;
- (d) monitoring the Monitor’s email inbox and responding to enquiries;
- (e) participating in discussions with and assisting the CCAA Parties in discussions with employees, suppliers, creditors, other stakeholders and other parties on matters related to the CCAA Proceedings and responding to requests for information from certain such parties;
- (f) reviewing borrowings under the DIP Facility;
- (g) monitoring the receipts and disbursements of the CCAA Parties;
- (h) responding to enquiries from stakeholders and participating in discussions with certain stakeholders;
- (i) engaging in discussions with the CCAA Parties and their legal counsel regarding termination of certain contracts; and
- (j) preparing this Third Report.

D. THE PROPOSED RIFCO TRANSACTION

Pre-filing efforts to sell the Vendors or their business

17. As set out in more detail in the Affidavit of Wenwei (Wendy) Chen, Rifco Inc. is a holding company that is the direct parent of Rifco National Auto Finance Corporation (“**Rifco**”), an entity that historically provided financing for new and used consumer vehicles. Prior to commencement of the CCAA Proceedings, Rifco would originate loans and leases, sell some of these loans and leases to various third parties in connection with securitization programs (the “**Securitization Parties**”), and then act as servicer of the loans and leases it

sold and the loans and leases it continued to own. However, Rifco ceased originating loans in the summer of 2024 and, in some cases, has been replaced as servicer of the securitized loans of certain of the Securitization Parties.

18. The Monitor understands that for an extended period prior to commencement of the CCAA Proceedings, the CCAA Parties and their representatives were engaged in various strategic initiatives and were in discussions with various third party potential investors and purchasers with a view to achieving a sale of, or investment in, one or more of the CCAA Parties and their businesses through a private transaction. This includes, beginning in late 2022, an engagement of RBC Capital Markets (“**RBCCM**”) to conduct a sale process for the business of Pawnee Leasing Corporation (“**Pawnee**”), which included solicitations to 133 parties, the execution of 35 non-disclosure agreements and the receipt of six offers.
19. During the first quarter of 2024, RBCCM contacted the same 133 parties and an additional 54 parties in an effort to conduct a sale process for the business of Chesswood Group Limited (“**Chesswood**”) and all of its subsidiaries, including Pawnee and Rifco. Through that process, 26 non-disclosure agreements were signed and six offers were received. Ultimately, the CCAA Parties were successful in completing a sale of Vault Credit Corporation, Vault Home Credit Corporation and CHW/Vault Holdco Corp. (the “**Sold Vault Entities**”), which represented the entirety of the Chesswood group’s Canadian equipment leasing and consumer financing business segment. Chesswood sold its 51% interest in the Sold Vault Entities to HB Leaseco Holdings Inc. on August 9, 2024. However, notwithstanding the foregoing marketing efforts, no transaction involving the sale of, or investment in, Rifco or its parent company, Rifco Inc. (collectively, the “**Vendors**”) was identified.

Previous Rifco transaction

20. Following the Filing Date, five parties contacted the Monitor to inquire about the Vendors’ business. The Monitor also contacted three additional parties that may have had an interest in the Vendors’ business. Of those eight parties, five signed non-disclosure agreements to gain access to a data room and evaluate a potential acquisition of the Vendors or their

business. Ultimately, no offers were received from any of those eight parties (the “**Subject Rifco Bidders**”), none of which are related to the Vendors.

21. On November 20, 2024, the Monitor received an unsolicited offer (the “**Vault Offer**”) from Vault Auto Finance Corporation (“**Vault**”) to acquire a 100% equity ownership interest in the Vendors. The Monitor understands that Vault’s founder and CEO was a director of Chesswood until July 2024, that Vault is related to the Sold Vault Entities, and that Rifco and the Sold Vault Entities have the same CFO.
22. As set forth in greater detail in the Second Report, in light of, among other things, extensive efforts to market the Rifco business for an extend period of time, the absence of bids during the pre-filing marketing process or post-filing from the Subject Rifco Bidders, coupled with the daily operating losses of the Vendors, following receipt of the Vault Offer, the Monitor, Chesswood, and Vault engaged in numerous discussions regarding a potential transaction, which culminated in the signing of a share purchase agreement on December 13, 2024 (the “**Rifco SPA**”), with the support of the DIP Lenders. Among other things, the Rifco SPA contemplated a reverse vesting order (“**RVO**”) and included a “fiduciary out” that permitted Chesswood and the Monitor to have discussions with interested parties in certain circumstances (largely identical to the “fiduciary out” in the Rifco APA, discussed below).
23. On December 19, 2024, the Court adjourned the motion for the RVO to allow the parties to file additional information for the Court’s consideration with respect to the requested relief, having raised concerns with the suitability of an RVO in the circumstances.
24. Following the adjournment, the Monitor worked with the Vendors and Vault to develop an asset acquisition structure that could be used to facilitate the acquisition of the Vendors’ business while addressing the reasons that had previously informed the request for the RVO.
25. Ultimately, the Monitor, the Vendors, and Vault were able to agree to terms for an asset acquisition, which culminated in the signing of an asset purchase agreement between the

Vendors and Vault on January 23, 2025 (the “**Rifco APA**”), with the support of the DIP Lenders, as set forth in further detail below.

Key terms of the Rifco APA

26. The key terms of the Rifco APA are summarized below (capitalized terms in this section not otherwise defined in this Third Report are as defined in the Rifco APA):¹

- (a) **Purchaser:** Vault.
- (b) **Vendors:** Rifco Inc. and Rifco.
- (c) **Deposit:** C\$250,000.
- (d) **Purchase Price:** The Purchase Price payable by Vault to the Vendors for the Purchased Assets is C\$12,500,000,
 - (i) *less* the aggregate amount of the Vendors’ cash, if any, paid to the DIP Agent as a mandatory repayment under section 25 of the DIP Term Sheet since November 20, 2024 (defined in the Rifco APA as the “**Excess Cash Sweep Amount**”);² and
 - (ii) *plus* the value of the Accrued Liabilities (*i.e.*, Assumed Liabilities other than those that are not payable on or before, or accrued or incurred as of, Closing).
- (e) **Purchased Assets:** All assets, properties, undertakings and rights, of every kind, owned by the Vendors that are not Excluded Assets.
- (f) **Excluded Assets:** Include, among other things:
 - (i) certain Tax records and books and records;
 - (ii) all Intercompany Liabilities owing to the Vendors, or either of them;

¹ The following summary is qualified in its entirety by the actual terms of the Rifco APA.

² It is anticipated that the Excess Cash Sweep Amount will be zero.

- (iii) the Excluded Contracts;
 - (iv) any assets which are added as Excluded Assets pursuant to Section 2.05 of the Rifco APA;
 - (v) the shares of Rifco; and
 - (vi) claims and/or causes of actions solely and directly related to the foregoing or the Excluded Liabilities.
- (g) **Assumed Liabilities:** Include, among other things:
- (i) liabilities under any Assigned Contract or Permitted Encumbrance;
 - (ii) Post-Filing Claims that remain outstanding at the Closing Time;
 - (iii) Cure Costs, if any, in respect of applicable Assigned Contracts; and
 - (iv) the Transferred Employees Liabilities.
- (h) **“As is, Where is”:** Vault will acquire the Purchased Assets on an “as is, where is” basis.
- (i) **Granting of Approval and Vesting Order:** The completion of the Proposed Rifco Transaction is conditioned upon, among other things, the Approval and Vesting Order having been issued and entered by the Court by January 29, 2025.
- (j) **Transition Services Agreement:** The Vendors and Vault will enter into a transition services agreement acceptable to each of them pursuant to which the Vendors will provide transition services to Vault for a period of no more than 120 days following closing (unless otherwise agreed) with respect to: (1) access to office space currently occupied by the Vendors; (2) access to the Vendors’ accounting system as it relates to their business, and (3) access to bank accounts, banking arrangements and payment processing services. Vault will pay any out-of-pocket costs of the Vendors in providing such transition services.
- (k) **Employees:** Vault will make an offer of employment, effective as of the Closing Date, to each of the Vendors’ employees set out on a list provided by Vault to the

Vendors. Such offers will be on substantially similar terms and conditions of employment, in the aggregate, as in effect immediately prior to the closing. The Monitor understands from Vault that it is expected that all or substantially all of the employees would be given employment offers by Vault.

- (l) **Non-Use of Names:** The Vendors will change their legal names to other names which are dissimilar to, and cannot be confused with, “Rifco”.
- (m) **Consent of Certain Securitization Parties:** The Rifco APA includes as a condition to Closing that the Vendors shall have obtained consent and waiver agreements with certain of the Securitization Parties as set forth in the Rifco APA.
- (n) **Competition Act Approval:** The Rifco APA includes as a condition to Closing (1) the issuance of an advance ruling certificate by the Commissioner of Competition appointed under section 7(1) of the *Competition Act* (or their designee) (“**Commissioner**”) under section 102(1) of the *Competition Act* with respect to the completion of the Proposed Rifco Transaction; (2) that the obligation to make a pre-merger notification under Part IX of the *Competition Act* shall have been waived by the Commissioner pursuant to section 113(c) of the *Competition Act*; or (3) that every applicable waiting period under section 123 of the *Competition Act* has expired or been waived by the Commissioner (“**Competition Act Approval**”). The Vendors and Vault are required to use commercially reasonable efforts to apply for and obtain Competition Act Approval and to co-operate with one another in connection with obtaining such approval.
- (o) **Fiduciary Out:** The Monitor may engage in negotiations for an Alternative Proposal³ with third parties (i) to whom the Monitor and/or Chesswood had granted

³ “Alternative Proposal” is defined in the Rifco APA as “any *bona fide* written proposal for the sale, disposition, new-money investment, restructuring, reorganization, merger, amalgamation, acquisition, consolidation, dissolution, debt investment, equity investment, liquidation, dissolution, winding up, tender offer, recapitalization, plan of reorganization, share exchange, business combination, asset sale or similar transaction involving any one or more of the Vendors, one or more of the Vendors’ material assets, or the debt, equity, or other interests in any one or

access to the virtual data room in respect of a potential transaction relating to either of the Vendors between October 29, 2024 and December 13, 2024, (ii) that request access to the virtual data room in respect of a potential transaction relating to either Vendor on or following December 13, 2024 (where such request was unsolicited by the Monitor and/or Chesswood or their representatives), or (iii) that submit an unsolicited Alternative Proposal to the Monitor, Chesswood, or a Vendor (defined in the Rifco APA as an “**Acceptable Alternative Bidder**”). If an Alternative Proposal is received prior to Closing, and the Monitor on behalf of the Vendors concludes in good faith, after consultation with financial and legal advisors and with the consent of the DIP Lenders, that it constitutes a Superior Proposal, the Vendors may terminate the APA and enter into a definitive agreement with respect to such Superior Proposal in accordance with the terms set out in the Rifco APA, subject to paying Vault an expense reimbursement of C\$250,000 (the “**Expense Reimbursement**”).

- (p) **Outside Date for Closing:** February 15, 2025, or such later date agreed to by each of the Vendors and Vault in writing in consultation with the Monitor and with the consent of the DIP Lenders; provided that, if the only outstanding condition to the Closing is the receipt of Competition Act Approval, the Outside Date shall be automatically extended to February 28, 2025.
- (q) **Termination:** The Rifco APA may be terminated in the following circumstances, among others (and subject to certain limitations set out in the Rifco APA):
 - (i) by mutual written agreement of each of the Vendors and Vault;
 - (ii) by the Vendors, in the event of a Superior Proposal, provided that the Vendors pay the Expense Reimbursement;

more of the Vendors that is an alternative to or otherwise inconsistent with the Transactions, and any amendment to or variation of any such proposal, and is with a counterparty other than [Vault] or any Affiliate of [Vault].”

- (iii) by the Vendors or Vault, if Closing has not occurred on or before the Outside Date;
- (iv) by the Vendors or Vault, if the Approval and Vesting Order is denied by the Court (or is stayed, vacated or varied without their respective consent);
- (v) by Vault, if the Approval and Vesting Order is not granted by January 29, 2025;
- (vi) by the Vendors, if Vault fails to fund the cash portion of the Purchase Price in full on or prior to the date on which Closing would have otherwise occurred;
- (vii) by Vault, if (I) a receiver or trustee in bankruptcy is appointed in respect of the Vendors or any of their property, (II) the CCAA Proceedings are terminated, or (III) the Court does not extend the stay of proceedings granted in the CCAA Proceedings, other than with the prior written consent of Vault; and
- (viii) by the Vendors or Vault if a court of competent jurisdiction, or other Governmental Authority, has issued an order or taken any other action to restrain, enjoin or otherwise prohibit the consummation of Closing and such order has become a Final Order.

27. As noted above, it is anticipated that the Excess Cash Sweep Amount will be zero. Pursuant to the DIP Term Sheet, it is anticipated that all of the cash proceeds from the Proposed Rifco Transaction will be used to make a mandatory repayment to the DIP Agent. The Approval and Vesting Order contemplates, among other things, that the aggregate cash proceeds from the Proposed Rifco Transaction will be distributed to the DIP Agent as a mandatory repayment in accordance with and subject to the terms of Section 25 of the DIP Term Sheet.

E. APPROVAL OF THE PROPOSED RIFCO TRANSACTION

28. The Monitor is seeking approval of the Proposed Rifco Transaction and related relief pursuant to the proposed Approval and Vesting Order for the following reasons:

Prior Unsuccessful Efforts

29. The Vendors' businesses have been marketed to third parties for a potential acquisition transaction both within, and prior to commencement of, the CCAA Proceedings. Other than the initial unsolicited offer from Vault (*i.e.*, the Rifco SPA) and the Rifco APA, no binding or executable offers have been received, nor have any discussions to date identified any proposals that are superior to the Proposed Rifco Transaction. Furthermore, notwithstanding the "fiduciary out" provided for in the Rifco SPA, no potential bidder or alternative transaction involving the Vendors or their business has emerged since the date the Rifco SPA was signed, despite interested third parties having access to the Rifco SPA and information on the Vendors via a virtual data room.

Fiduciary Out and Expense Reimbursement

30. The Rifco APA includes a "fiduciary out" through the Alternative Proposal and Superior Proposal mechanism, which allows the Monitor to have discussions with Acceptable Alternative Bidders that have provided a *bona fide* written Alternative Proposal so that such interested parties may advance the Alternative Proposal prior to Closing, along with a corresponding right to terminate the Rifco APA (subject to paying the Expense Reimbursement).
31. The Monitor is of the view that the "fiduciary out" ensures not only that interested parties have an opportunity to make an Alternative Proposal to the Monitor, the Vendors or Chesswood should they wish to do so, notwithstanding the extensive previous marketing efforts, and also that the Monitor has the ability to negotiate any Alternative Proposals received and, if determined to be a Superior Proposal, with the consent of the DIP Lenders, to enter into a binding agreement with respect to same. This is intended to ensure the achievement of the best transaction possible in the circumstances for the Vendors and their respective businesses for the benefit of all stakeholders.
32. Furthermore, in the Monitor's view, the Expense Reimbursement of C\$250,000 is reasonable and in the low end of the range of reimbursements seen in similar commercial transactions.

Support from Senior Creditors

33. The Monitor has consulted with the DIP Lenders in connection with the Proposed Rifco Transaction and the DIP Lenders have consented to the Proposed Rifco Transaction and support the Monitor's motion for the Approval and Vesting Order on the basis of the consideration contemplated under the Rifco APA, as summarized above.
34. The Monitor is advised that Vault is advancing discussions with the Securitization Parties as contemplated under the Rifco APA to obtain their respective consents in connection with their agreements as part of the completion of the Proposed Rifco Transaction.

Going Concern Transaction

35. The Proposed Rifco Transaction provides for the continuation of the Vendors' business as a going concern, which will benefit their stakeholders, including up to approximately 85 transferred employees and customers.⁴ Given the nature of the liquidity situation and rapidly eroding value of the Vendors' business and assets, coupled with historical unsuccessful marketing efforts, in the Monitor's view, it is unlikely that an alternative purchaser would be willing to provide a transaction on terms that are more favourable than those contemplated by the Rifco APA and in a timely fashion. In the Monitor's view, in the circumstances, the Rifco APA represents the only current available option and provides for the continuation of the Vendors' business as a going concern.

Significant Daily Losses

36. The Monitor, based on guidance from the Vendors, understands that they suffer significant daily operating losses. In particular:
 - (a) Rifco's non-prime auto and repair loans have been incurring increasing write-offs and decreases in value due to broader challenges in the Canadian economy; and

⁴ The employees of Rifco have been and will continue to be paid salaries and wages in the ordinary course until the closing of the Rifco APA (or their termination).

- (b) Rifco's loan assets have been declining in value at over C\$7 million per month due to a combination of collections, but also write-offs from increasing delinquencies.
37. Rifco is not generating sufficient revenues to cover its cost of operations, which situation has been exacerbated by the loss of servicing revenues on behalf of two Securitization Parties prior to the commencement of the CCAA Proceedings. The remaining two Securitization Parties also provided notice of their intention to move the servicing of their portfolios to other servicers prior to the commencement of the CCAA Proceedings, but have, to date, not taken further steps to do so pending the Proposed Rifco Transaction.
38. Accordingly, any further delay in completing a transaction for the Vendors will likely erode the proceeds available for the estate, as the Vendors' value continues to decline each day and the Vendors continue to generate operating losses.

Consideration and Recovery

39. The Monitor believes that the amount of the consideration payable by Vault under the Rifco APA is fair and reasonable in the circumstances, and represents greater recovery than could be achieved in a bankruptcy. No other transaction has been identified for the purchase of the Vendors or their assets or business.
40. As noted above, extensive efforts were made to identify potential sale or investment transactions with parties that were not related to the Vendors. However, no such possible transactions emerged. Furthermore, the "fiduciary out" allows for such a transaction to be considered and completed, if appropriate, notwithstanding the Proposed Rifco Transaction.

F. RECEIPTS AND DISBURSEMENTS FOR THE 11-WEEK PERIOD ENDED JANUARY 10, 2025

41. The CCAA Parties' actual net cash flow from operations on a consolidated basis for the 11-week period ending January 10, 2025 was approximately \$4.0 million, compared to a forecasted negative net cash flow of approximately \$13.3 million, representing a positive variance of approximately \$17.4 million as summarized below:

(\$USD in thousands)

	11 Weeks Ending January 10, 2025			
	Actual	Forecast	Variance (\$)	Variance (%)
Receipts				
Receipts from Securitization Assets	\$ 15,626	\$ 29,536	\$ (13,910)	-47.1%
Receipts from Financing Instrument Receivables	24,145	5,901	18,244	309.2%
Total Receipts	\$ 39,771	\$ 35,437	\$ 4,334	12.2%
Disbursements				
<i>Operating Disbursements</i>				
Disbursements from Securitization Assets	(28,988)	(35,729)	6,741	18.9%
Collections Expense	(1,131)	(2,116)	985	46.6%
Payroll	(3,284)	(4,046)	761	18.8%
Other Operating Expenses	(2,320)	(6,856)	4,536	66.2%
Total Operating Disbursements	\$ (35,723)	\$ (48,747)	\$ 13,024	26.7%
Net Cash from Operations	\$ 4,048	\$ (13,310)	\$ 17,358	130.4%
<i>Financing Disbursements</i>				
Loan Repayments	(26,441)	(29,767)	3,326	11.2%
Interest Expenses	(2,885)	(2,945)	60	2.0%
<i>Restructuring Disbursements</i>				
Restructuring Legal and Professional Costs	(3,721)	(10,690)	6,969	65.2%
Net Cash Flows	\$ (28,999)	\$ (56,711)	\$ 27,712	48.9%
Beginning Balance	7,430	8,150	(721)	-8.8%
Net Cash Flows	(28,999)	(56,711)	27,712	48.9%
DIP Advances	27,600	54,011	(26,411)	-48.9%
DIP Fees & Interest	(621)	(879)	258	29.3%
FX Gain (Loss)	(168)	-	(168)	-100.0%
Ending Balance	5,242	4,571	671	14.7%

42. Explanations for the key variances from the October 2024 Forecast are as follows:

- (a) negative variance in *Receipts from Securitization Assets* of approximately \$14 million as a result of Rifco's lower than forecast receipts resulting from (i) replacement servicers put in place by certain Securitization Parties, and (ii) the triggering of locks on certain Securitization Parties' segregated cash. A portion of this variance is permanent in nature as the majority of Securitization Party collections are no longer collected in Pawnee and Rifco's co-mingled accounts and instead go directly into segregated accounts;
- (b) positive variance in *Receipts from Financing Instruments Receivables* of approximately \$18.2 million due to higher than forecast collections from Pawnee as a result of owned loans and securitization payments being collected into co-mingled accounts. A portion of the variance is temporary in nature and will ultimately be reflected as a disbursement under *Disbursements from Securitization Assets*, once the CCAA Parties complete their reconciliations;

- (c) positive variance in *Disbursements from Securitization Assets* of approximately \$6.7 million due to lower than forecast Rifco disbursements as a result of funds being directed to replacement servicers and other segregated bank accounts, and the timing of weekly and monthly reconciliations of securitization payments. A portion of this variance is temporary and may reverse in the coming weeks;
- (d) positive variance in *Collections Expense* of approximately \$1.0 million due to lower than forecast actual collections disbursements, which may be temporary in nature and may reverse in future weeks;
- (e) positive variance in *Payroll* of approximately \$0.8 million due to severance and other employee-related outflows that have been stayed as a result of the CCAA Proceedings. A portion of this variance may reverse over time;
- (f) positive variance in *Other Operating Expenses* of approximately \$4.5 million due to lower than forecast actual operating disbursements, which may be temporary in nature and may reverse in future weeks;
- (g) positive variance in *Restructuring Legal and Professional Costs* of approximately \$7.0 million is temporary in nature and is expected to reverse in future weeks as invoices are issued and paid.

G. UPDATE ON THE SISP

- 43. The Monitor, with the assistance of the CCAA Parties, has conducted an extensive marketing process to solicit interest in an investment in or acquisition of the CCAA Parties.
- 44. The Monitor provided a list of 180 potential buyers and investors (the “**Prospective Bidders**”) with a summary regarding the opportunity, outlining the process under the SISP, and inviting them to participate (the “**Teaser**”). Interested parties that contacted the Monitor or the CCAA Parties about the opportunity were also provided a copy of the Teaser. The Monitor uploaded the Bidding Procedures and other information related to the SISP on to the Monitor’s Website on December 27, 2024. Notices were arranged and published in the insolvency publication, *Insolvency Insider*, and a speciality equipment

finance publication, Monitor Daily, in accordance with paragraph 8(b) of the Bidding Procedures (attached as Schedule “A” to the SISP Approval Order) on December 29, 2024 and January 8, 2025, respectively. A press release was issued by the CCAA Parties with Canadian Newswire in accordance with paragraph 8(c) of the Bidding Procedures on December 30, 2024.

45. Following the granting of the SISP Approval Order, U.S. counsel to the Monitor, in its capacity as Foreign Representative, filed a notice with the U.S. Court, which notice advised that the SISP Approval Order had been granted, that the Monitor will be conducting a marketing process with respect to the CCAA Parties’ assets in the U.S., and that, if the process is successful and a sale is approved by this Court, the Monitor will return to the U.S. Court to seek recognition of such sale.
46. The Monitor has been working to obtain bids from interested parties and, with the consent of the DIP Lenders, extended the deadline for final binding offers from January 20, 2025 to January 21, 2025 at 5:00 pm EST.
47. The Monitor received multiple bids and is in the process of reviewing them. The Monitor is currently working with the DIP Lenders on a modification to the SISP milestones for the selection of a successful bid or designation of an auction, the auction date, and the finalization of definitive documents, pursuant and subject to the terms of the SISP.

H. EXTENSION OF THE STAY PERIOD

48. The Stay Period will expire on January 31, 2025. The continuation of the stay of proceedings is necessary to provide ongoing stability to the CCAA Parties, including while the Monitor works to close the Proposed Rifco Transaction, if approved, and continues to advance the SISP. Accordingly, the Monitor is seeking an extension of the Stay Period up to and including March 31, 2025.
49. As is demonstrated in the January 2025 Forecast, attached as Appendix “A”, the CCAA Parties are forecast to have sufficient liquidity to fund their obligations and costs of the

CCAA Proceedings through the end of the extended Stay Period. The January 2025 Forecast is summarized below.

(\$USD in thousands)

Cash Flow Forecast for the 12 Week Period Ended April 4, 2025	
<i>(\$USD in thousands)</i>	Total
Receipts	
Receipts from Securitization Assets	\$ 15,042
Receipts from Financing Instrument Receivables	6,325
Total Receipts	\$ 21,367
Disbursements	
<i>Operating Disbursements</i>	
Disbursements from Securitization Assets	(14,880)
Collections Expense	(2,296)
Payroll	(4,041)
Other Operating Expenses	(5,725)
Taxes	(120)
Total Operating Disbursements	\$ (27,062)
Net Cash from Operations	\$ (5,695)
<i>Financing Disbursements</i>	
Loan Repayments	(8,689)
Interest Expenses	(1,995)
<i>Restructuring Disbursements</i>	
Restructuring Legal and Professional Costs	(9,207)
Net Cash Flows	\$ (25,586)
Cash	
Beginning Balance	\$ 5,242
Net Cash Flows	(25,586)
DIP Advances	25,017
DIP Fees & Interest	(1,109)
Ending Balance	\$ 3,563

50. The Monitor supports extending the Stay Period to March 31, 2025, for the following reasons:

- (a) during the proposed extension of the Stay Period, the CCAA Parties, under the oversight of the Monitor, will have an opportunity and the breathing room necessary to complete the SISF, as approved on December 19, 2024;
- (b) as indicated by the January 2025 Forecast, the CCAA Parties are forecast to have sufficient liquidity to continue operating in the ordinary course of business during the requested extension of the Stay Period;

- (c) based on the information currently available to it, the Monitor believes that no creditor of the CCAA Parties would be materially prejudiced by the extension of the Stay Period;
- (d) the CCAA Parties, under the applicable supervision of the Monitor, are acting in good faith and with due diligence;
- (e) the granting of the extension will provide the opportunity for the Proposed Rifco Transaction to be implemented, if approved;
- (f) the granting of the extension will provide the opportunity for the continued administration of the SISP; and
- (g) the CCAA Parties have acted in good faith and with due diligence in the CCAA Proceedings since the commencement of the CCAA Proceedings.

I. CONCLUSION

- 51. For the reasons set out in this Third Report, the Monitor is of the view that:
 - (a) the Proposed Rifco Transaction should be approved and that the proposed Approval and Vesting Order is necessary, reasonable and justified in the circumstances; and
 - (b) an extension of the Stay Period up to and including March 31, 2025, is reasonable in the circumstances.
- 52. Accordingly, the Monitor respectfully requests that the Approval and Vesting Order and the Stay Extension Order be granted.

All of which is respectfully submitted this 23rd day of January, 2025.

FTI Consulting Canada Inc.

In its capacity as Monitor of Chesswood Group Limited, Case Funding Inc., Chesswood Holdings Ltd., Chesswood US Acquisitionco Ltd., Pawnee Leasing Corporation, Lease-Win Limited, Windset Capital Corporation, Tandem Finance, Inc., Chesswood Capital Management Inc., Chesswood Capital Management USA Inc., Rifco National Auto Finance Corporation, Rifco Inc., Waypoint Investment Partners Inc. and 1000390232 Ontario Inc. and not in its personal or corporate capacity



Jeffrey Rosenberg
Senior Managing Director



Jodi Porepa
Senior Managing Director

APPENDIX “A” – JANUARY 2025 FORECAST

(see attached)

Chesswood Group Limited

Consolidated Cash Flow Forecast

(\$USD in thousands)

Forecast Week Ending		17-Jan-25	24-Jan-25	31-Jan-25	07-Feb-25	14-Feb-25	21-Feb-25	28-Feb-25	07-Mar-25	14-Mar-25	21-Mar-25	28-Mar-25	04-Apr-25	12 Weeks
Forecast Week	[1]	1	2	3	4	5	6	7	8	9	10	11	12	Total
Receipts														
Receipts from Securitization Assets	[2]	\$ 2,536	\$ 850	\$ 920	\$ 1,276	\$ 1,747	\$ 1,128	\$ 618	\$ 1,273	\$ 628	\$ 2,179	\$ 616	\$ 1,270	\$ 15,042
Receipts from Financing Instrument Receivables	[3]	835	250	395	662	245	767	598	611	245	808	277	632	6,325
Total Receipts		\$ 3,370	\$ 1,100	\$ 1,314	\$ 1,938	\$ 1,993	\$ 1,895	\$ 1,216	\$ 1,883	\$ 873	\$ 2,988	\$ 893	\$ 1,902	\$ 21,367
Disbursements														
<i>Operating Disbursements</i>														
Disbursements from Securitization Assets	[4]	(1,041)	(1,491)	(1,839)	(439)	(889)	(2,009)	(991)	(1,339)	(439)	(2,076)	(991)	(1,339)	(14,880)
Collections Expense	[5]	(526)	(119)	(259)	(123)	(183)	(119)	(259)	(74)	(111)	(191)	(259)	(74)	(2,296)
Payroll	[6]	(598)	(350)	(230)	(354)	(255)	(416)	(231)	(354)	(255)	(416)	(231)	(354)	(4,041)
Other Operating Expenses	[7]	(458)	(537)	(427)	(491)	(474)	(472)	(450)	(453)	(443)	(645)	(393)	(483)	(5,725)
Taxes		-	-	(20)	-	-	-	-	-	(100)	-	-	-	(120)
Total Operating Disbursements		\$ (2,623)	\$ (2,496)	\$ (2,774)	\$ (1,406)	\$ (1,801)	\$ (3,014)	\$ (1,930)	\$ (2,219)	\$ (1,347)	\$ (3,328)	\$ (1,873)	\$ (2,249)	\$ (27,062)
Net Cash from Operations		\$ 747	\$ (1,396)	\$ (1,460)	\$ 532	\$ 192	\$ (1,119)	\$ (713)	\$ (336)	\$ (474)	\$ (340)	\$ (980)	\$ (347)	\$ (5,695)
<i>Financing Disbursements</i>														
Loan Repayments	[8]	(2,242)	(834)	(1,104)	-	(662)	(1,083)	(745)	(226)	(545)	(245)	(998)	(5)	(8,689)
Interest Expenses	[9]	-	-	-	(682)	-	-	-	(664)	-	-	-	(649)	(1,995)
<i>Restructuring Disbursements</i>														
Restructuring Legal and Professional Costs	[10]	-	(1,581)	(1,581)	(1,564)	(1,082)	(525)	(525)	(629)	(404)	(404)	(404)	(508)	(9,207)
Net Cash Flows		\$ (1,495)	\$ (3,811)	\$ (4,145)	\$ (1,714)	\$ (1,552)	\$ (2,728)	\$ (1,984)	\$ (1,854)	\$ (1,423)	\$ (989)	\$ (2,381)	\$ (1,510)	\$ (25,586)
Cash														
Beginning Balance		\$ 5,242	\$ 5,329	\$ 4,104	\$ 3,000	\$ 4,500	\$ 4,942	\$ 3,745	\$ 3,226	\$ 3,545	\$ 3,434	\$ 4,101	\$ 3,005	\$ 5,242
Net Cash Flows		(1,495)	(3,811)	(4,145)	(1,714)	(1,552)	(2,728)	(1,984)	(1,854)	(1,423)	(989)	(2,381)	(1,510)	(25,586)
DIP Advances	[11]	1,582	2,587	3,041	3,499	1,994	1,531	1,464	2,552	1,312	1,656	1,286	2,512	25,017
DIP Fees & Interest	[12]	-	-	-	(286)	-	-	-	(379)	-	-	-	(444)	(1,109)
Ending Balance		\$ 5,329	\$ 4,104	\$ 3,000	\$ 4,500	\$ 4,942	\$ 3,745	\$ 3,226	\$ 3,545	\$ 3,434	\$ 4,101	\$ 3,005	\$ 3,563	\$ 3,563
Cash Available for Sweep (Following Week)		(834)	(1,104)	0	(662)	(1,083)	(745)	(226)	(545)	(245)	(998)	(5)	(563)	(563)
Cash Reserves		\$ 4,495	\$ 3,000	\$ 3,000	\$ 3,838	\$ 3,859	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,189	\$ 3,103	\$ 3,000	\$ 3,000	\$ 3,000
DIP Facility														
Opening Balance		\$ 27,600	\$ 29,182	\$ 31,769	\$ 34,810	\$ 38,309	\$ 40,303	\$ 41,834	\$ 43,299	\$ 45,851	\$ 47,163	\$ 48,819	\$ 50,105	\$ 27,600
(+) Additional DIP Draws (Repayments)		1,582	2,587	3,041	3,499	1,994	1,531	1,464	2,552	1,312	1,656	1,286	2,512	25,017
Closing Balance		\$ 29,182	\$ 31,769	\$ 34,810	\$ 38,309	\$ 40,303	\$ 41,834	\$ 43,299	\$ 45,851	\$ 47,163	\$ 48,819	\$ 50,105	\$ 52,617	\$ 52,617
DIP Balance														
DIP Balance		29,182	31,769	34,810	38,309	40,303	41,834	43,299	45,851	47,163	48,819	50,105	52,617	52,617
Revolver Balance		109,906	109,242	108,308	107,794	107,299	106,383	105,803	105,078	104,696	104,614	103,778	103,285	103,285
Total Debt		\$ 139,088	\$ 141,011	\$ 143,118	\$ 146,103	\$ 147,603	\$ 148,217	\$ 149,101	\$ 150,929	\$ 151,860	\$ 153,433	\$ 153,883	\$ 155,902	\$ 155,902

Notes to the Consolidated Cash Flow Forecast:

[1] The purpose of the Cash Flow Forecast is to estimate the liquidity requirements of Chesswood Group Limited and its subsidiaries ("Chesswood" or the "Company"). The forecast above is presented in United States Dollars. The forecast 12-week Cash Flow Forecast is on a cash-basis only and does not include timing differences for cash in transit.

[2] Receipts from Securitization Assets are based on Management's current expectations regarding loan/lease collections. Receipts have been forecast based on current payment terms, historical trends in collections, and expected write-offs. These receipts are payable to various securitization funders and are not considered funds of Chesswood.

[3] Receipts from Financing Instrument Receivables are based on Management's current expectations regarding loan/lease collections. Receipts have been forecast based on current payment terms, historical trends in collections, and expected write-offs. These receipts are collected on assets wholly-owned by Chesswood.

[4] Payments from Securitization Assets are based on Management's current expectations regarding securitization debt payments. Disbursements have been forecast based on current payment terms, historical trends in underlying asset collections, and expected write-offs.

[5] Collections Expense represents costs incurred to recover on previously charged-off loan/lease assets.

[6] Forecast Payroll is based on recent payroll amounts and future forecast amounts and does not currently include remaining estimates for the Court-approved KERP. The Cash Flow Forecast above shows Chesswood has sufficient funds as at April 4, 2025 to fund remaining KERP amounts.

[7] Forecast Other Operating Expenses includes general and administrative expenses including IT, Rent, Insurance, and other costs necessary for operation.

[8] Forecast Loan Repayments reflect the repayment of the Lenders' Pre-Filing Obligations from post-filing receipts in accordance with the DIP Term Sheet.

[9] Forecast Interest Expenses include interest payable on the Lenders' Pre-Filing Obligations.

[10] Forecast Restructuring Legal and Professional Costs include legal and professional fees associated with the CCAA proceedings and are based on estimates provided by the advisors.

[11] Forecast DIP Advances are based on funding requirements and maintaining a minimum cash balance of approximately \$3.0 million.

[12] Forecast DIP Fees & Interest represents the cost of borrowing. Interest is payable on the first of the month.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CHESSWOOD GROUP LIMITED, et al.

**ONTARIO
SUPERIOR COURT OF JUSTICE**

COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

**THIRD REPORT TO COURT SUBMITTED BY
FTI CONSULTING CANADA INC., AS
MONITOR**

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