FORM 51-102F3

Material Change Report

Item 1 Name and Address of Company

Chesswood Group Limited ("**Chesswood**" or the "**Company**")

4077 Chesswood Drive
Toronto, Ontario
M3J 2R8

Item 2 Date of Material Change

February 25, 2015

Item 3 News Release

Chesswood's news release announcing the material change referred to in this report was issued through Marketwire on February 26, 2015

Item 4 Summary of Material Change

On February 26, 2015, Chesswood announced that it had entered into an agreement to acquire Blue Chip Leasing Corporation ("**Blue Chip**") and EcoHome Financial Inc. ("**EcoHome**")

Item 5 Full Description of Material Change

<u>The Transaction</u>

On February 26, 2015, Chesswood announced that it had entered into a share purchase agreement with CB Leaseco Holdings Inc. (the "**Vendor**"), Daniel Wittlin ("**Daniel**") and Ed Dias ("**Ed**") to acquire all of the issued and outstanding shares of Blue Chip and EcoHome and certain shareholder loans made to Blue Chip and EcoHome.

<u>Blue Chip and EcoHome</u>

Blue Chip

Blue Chip is a tenured, prime, small ticket equipment finance company serving brokers and vendors from coast-to-coast in Canada. Blue Chip has almost two decades of experience in the Canadian commercial leasing industry, and had net finance receivables of $74 million as of September 30, 2014.

Blue Chip finances high quality prime and near-prime leases, and focuses primarily on small-ticket leasing. Blue Chip targets transaction sizes of $50,000 and smaller and has a culture of underwriting excellence.

Blue Chip has securitization relationships with leading Canadian financial institutions. These securitization facilities provide an attractive low-cost source of funding with ample room to grow.

EcoHome

EcoHome provides financing solutions to the heating ventilating and air conditioning (HVAC) and home improvement markets. This is an attractive market generally characterized by the high credit quality that Canadian homeowners demonstrate along with longer terms on the related loans and rentals. EcoHome had net finance receivables of $47 million as of October 31, 2014. Based on a July fiscal year-end, EcoHome's originations grew by approximately 98% year-over-year in 2014 (with originations growing from $5.8 million in 2011 to $25.0 million in 2014, for a three year compound annual growth rate of 63%).

EcoHome offers loans and rentals to consumers of HVAC and home improvement vendors. It employs state-of-the-art technology to approve loans within seconds. It bills customers through Enbridge Open Bill Access, which provides collection efficiency.

EcoHome also has a culture of underwriting excellence. EcoHome can register a notice of security interest against the assets which is typically satisfied before a home is sold or refinanced, providing additional security.

It is expected that EcoHome will also now have additional access to capital, and systems and expertise, which will further enhance its growth profile.

Transaction Highlights

This transformative acquisition is expected to enhance Chesswood's financial and operational strength and growth prospects in several important ways:

- *Establishes a North American Platform*. Allows Chesswood to leverage product and target market expertise in both Canada and the U.S.

- *Enhances Scale*. Significant scale is gained, with a pro forma portfolio of net finance receivables of $315 million as of September 30, 2014.

- *Financially Attractive with Strong Cash Flows*. The proposed acquisitionis expected to be high single-digit accretive to earnings per share in the first full year of operations. This accretion and the enhanced growth opportunities are expected to deliver strong free cash flows and support Chesswood's track record of paying and growing dividends.

- *High Growth, Complementary Market*. Entry into the high growth consumer finance market, which is counter-cyclical to Chesswood's existing businesses.

- *Greater Diversification*. In addition to diversification through the counter-cyclicality of EcoHome's business, the acquisition provides further diversification in terms of products, geographic concentration and credit quality. Blue Chip's prime portfolio enhances the overall credit quality of the consolidated financing portfolios.

- *Management Team Fully Aligned and Incentivized*. The acquisition adds management with almost two decades of experience. Each of Daniel (CEO of Blue Chip and EcoHome) and Ed (President of EcoHome) will be entering into multi-year employment agreements. In addition, Daniel will join the board of Chesswood, and will be assuming the role of Chesswood's Chief Operating Officer. Daniel and Ed will be indirectly acquiring a significant number of Chesswood shares as part of the transaction, which will be subject to multi-year escrow arrangements. The purchase agreement for these acquisitions also includes significant incentives tied to performance of Blue Chip and EcoHome over the next several years.

- *Efficiencies and Growth Opportunities*. The sharing of expertise and infrastructure is expected to generate synergies and accelerate growth.

Chesswood's pro forma business will experience enhanced scale in key financial metrics relative to Chesswood standalone, with a 17% increase in pro forma net income, a 29% increase in pro forma finance revenue and a 63% increase in pro forma net finance receivables for the nine-month period ended September 30, 2014. The acquisition will also result in Chesswood becoming a more pure-play, financial services company.

<u>Acquisition Terms and Timing</u>

Chesswood will pay an aggregate of $64 million to acquire Blue Chip and EcoHome with the possibility of additional consideration if performance targets are exceeded. The purchase price for the acquisition will be paid through a combination of (i) $17 million of cash, (ii) approximately $28 million from a fully committed senior secured bridge facility, that is to be replaced with the proceeds from an equity public offering, subject to market conditions, (iii) approximately $6 million in equity through a private placement to certain senior management, directors and other insiders of Chesswood, and (iv) the issuance of Chesswood common shares to the Vendor for the balance. Closing of the acquisition is subject to customary conditions and regulatory and third party consents, and is expected to occur as soon as practicable but not later than April 3, 2015.

<u>Support from Insiders</u>

Chesswood enjoys significant support from its insiders, with management and insider shareholders currently owning approximately 33% of Chesswood. In addition, insiders are expected to be participating in an approximately $6 million private placement concurrent with a public offering or bridge loan draw down.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

No significant facts remain confidential in, and no information has been omitted from, this report.

Item 8 Executive Officer

For further information please contact Barry Shafran, President and Chief Executive Officer at (416) 386-3099

Item 9 Date of Report

February 26, 2015

Forward Looking Statements

This document includes forward-looking information that is based on certain assumptions and reflects Chesswood's current expectations. All statements other than statements of historical fact, are forward-looking statements. Forward-looking statements are provided for the purposes of assisting the reader in understanding Chesswood's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of Chesswood and its subsidiaries (including Blue Chip and EcoHome), as well as the outlook for North American and international economies for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “plans”, “believes”, “estimates”, “seeks”, “intends”, “targets”, “projects”, “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may”, “will”, “should”, “would” and “could”.

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond Chesswood's control, affect the operations, performance and results of Chesswood and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: (i) continuing access to required financing (and, for certain subsidiaries, securitization or bulk leasing facilities); (ii) continuing access to products to allow Chesswood and its subsidiaries to hedge their exposure to changes in interest rates and foreign exchange; (iii) risks of increasing default rates on leases, loans and advances; (iv) Chesswood's provision for credit losses; (v) increasing competition (including, without limitation, more aggressive risk pricing by competitors); (vi) increased governmental regulation of the rates and methods we use in financing and collecting on our equipment leases or loans, on the legal funding business generally and on our working capital loans; (vii) dependence on key personnel; (viii) general economic and business conditions; and (ix) the risks that Chesswood's expectations in respect of Blue Chip and EcoHome (or expected efficiencies and synergies from these proposed acquisitions) will not be met or that the information provided to in respect of Blue Chip and EcoHome is materially incorrect.

The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including that the list of factors in the prior paragraph, collectively, are not expected to have a material impact on Chesswood and its subsidiaries. While Chesswood considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.