



CHESSWOOD ANNOUNCES SALE OF VAULT AND PROVIDES STRATEGIC REVIEW UPDATE

TORONTO, August 9, 2024 – Chesswood Group Limited ("**Chesswood**" or the "**Company**") (TSX: CHW) announces that it has sold all of its interests in Vault Credit Corporation and Vault Home Credit Corporation (collectively, "**Vault**"), representing the entirety of Chesswood's Canadian equipment leasing and consumer financing business segment, to an affiliate of HB Leaseco Holdings Inc. (the "**Vault Purchaser**") pursuant to the terms of a Share Purchase Agreement dated today (the "**Purchase Agreement**"), and provides an update on its previously announced evaluation of the strategic direction of Chesswood being supervised by a special committee (the "**Committee**") of the board of directors of Chesswood (the "**Board of Directors**").

Summary of Transaction

Pursuant to the terms of the Purchase Agreement, the Vault Purchaser has acquired the Company's 51% majority interest in Vault for an amount equal to C\$60,000,000, the proceeds of which have been used to reduce the Company's outstanding indebtedness (the "**Transaction**").

The completion of the Transaction marks a first step towards the Company's execution of its previously announced Credit Facility action plan to remedy its existing non-compliance with the borrowing base covenants under the Credit Facility, as required under the extended waiver provided by the lending syndicate under the Credit Facility (the "**Waiver**"). As previously announced, the Waiver required the Company to, among other things, complete the sale of its interests in Vault during the waiver period expiring on September 16, 2024.

The Committee and the Board of Directors considered, and continues to consider, a variety of financial restructuring options available to the Company and, following their respective review of the terms of the Transaction, unanimously determined that the Transaction was the only reasonable and current option available to the Company capable of satisfying the applicable condition under the Waiver, while materially reducing the Company's indebtedness under the Credit Facility and allowing future borrowings under the Credit Facility to fund continued operations. The Committee retained RBC Capital Markets as financial advisor and the Company engaged Alvarez & Marsal to provide certain financial and restructuring advisory services.

Strategic Review Update

Following completion of the Transaction, the Committee will continue to review various restructuring alternatives including the potential sale of other key operating subsidiaries or assets to maximize the value of the Company's remaining asset portfolio in the best interests of the Company and its stakeholders. Although the Company continues to be subject to significant capital constraints, it remains focused on the execution of its Credit Facility action plan through the support of and co-operative engagement from its lending syndicate and the satisfaction of Chesswood's obligations under the Waiver.

There can be no assurance that any required further extension to the Waiver will be obtained, or that (although the Company has continued to engage in co-operative and promising discussions in respect of the other required sale transactions) the sales of portfolio receivables or the sales of interests in, or assets of, Pawnee Leasing, as contemplated in the Waiver, will be completed during the current waiver period, or ever. As such, no undue reliance should be placed on any expectations of completion of any such transactions or any other elements of the Company's action plan including, without limitation, the occurrence of any restructuring alternatives being evaluated by the Committee in connection with its strategic review process.

Securities Law Matters

As the Vault Purchaser is a “related party” of the Company by virtue of holding, together with its joint actors, 3,334,792 common shares of the Company, representing approximately 17.7% of the issued and outstanding shares of the Company as of the date of this press release, the Transaction is considered a “related party transaction” under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”). As such, the Transaction would ordinarily be subject to valuation and minority approval requirements under MI 61-101. However, the Company relied on the “financial hardship” exemptions in sections 5.5(g) and 5.7(e) of MI 61-101 from the valuation and minority approval requirements, respectively.

The Committee and the Board of Directors, acting in good faith, determined that (a) the Company was in serious financial difficulty, as absent the closing of the Transaction, the Company would be unable to satisfy the requirements set forth in the Waiver and ultimately remedy its breach under the Credit Facility, (b) the Transaction was designed to, and has, improved the financial condition of the Company, as all cash proceeds were used to repay a portion of the indebtedness under the Credit Facility in furtherance of the Credit Facility action plan, and (c) the terms of the Transaction were reasonable in the circumstances of the Company as it represents the only practical option available to the Company under the current circumstances after having given due consideration to the outcome of the Company’s previously announced ongoing review of strategic alternatives, that included Vault, as well as other subsidiaries of the Company, having been widely marketed by the Company in a process conducted prior to the Company becoming aware of its breach under the Credit Facility, and which has neither been successful in providing other viable alternatives for the Company and its shareholders nor resulted in any other offers for Vault to date.

A material change report will be filed as soon as practicable under the Company’s SEDAR+ profile in connection with the Transaction. The Company did not file a material change report at least 21 days prior to closing of the Transaction as required under section 5.2(2) of MI 61-101 as the Company desired to complete the Transaction at the earliest possible opportunity in light of the Company’s financial condition, including its need to meet the requirements under the Waiver prior to the expiry of the waiver period. The Company determined that the shorter period was reasonable and necessary in the circumstances.

ABOUT CHESSWOOD GROUP LIMITED

Chesswood Group Limited is a Toronto, Canada based holding company whose subsidiaries engage in the business of specialty finance (including equipment finance throughout North America and vehicle finance and legal sector finance in Canada), as well as the origination and management of private credit alternatives for North American investors. Our shares trade on the Toronto Stock Exchange (under the symbol CHW).

For information on Chesswood Group Limited and its operating subsidiaries:

www.ChesswoodGroup.com
www.PawneeLeasing.com
www.Rifco.net
www.EasyLegal.ca

www.TandemFinance.com
www.WaypointInvestmentPartners.com

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FORWARD-LOOKING INFORMATION

This press release contains forward-looking statements within the meaning of applicable securities laws. Forward-looking statements in this press release may include, but are not limited to, statements relating to the Committee's strategic review process including the ongoing pursuit of selling one or more of the Company's business units, the Company itself or its remaining asset portfolio, in whole or in part, or any resulting winddown and evaluation of value enhancement opportunities, the Company's pursuit of arrangements and execution of its Credit Facility action plan to remedy, or in furtherance of an extension to the temporary waiver of, the Company's breach under the Credit Facility, if any, and other statements that are not material facts. Forward-looking statements are typically identified by words such as "believe", "expect", "anticipate", "project", "intend", "plan", "will", "may", "estimate" and other similar expressions or the negative of these words or variations of them or similar expressions.

Although the Company believes that the forward-looking statements in this press release are based on information and assumptions that are current, reasonable and complete, these statements are by their nature subject to a number of factors, risks and uncertainties, both general and specific in nature, that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including, without limitation, the possibility that a further extension to the waiver in relation to the Credit Facility covenant breach may not be obtained, the availability, timing or completion of any other transaction in furtherance of the Company's action plan including, without limitation, any other capital raise or sale transaction for all or a part of the Company's business. The Company cautions that the foregoing assumptions and factors are not exhaustive and other factors could also adversely affect its results. For more information on the risks, uncertainties and assumptions that could cause the Company's actual results to differ from current expectations, please refer to the Company's publicly filed documents, including the Company's annual information form and management's discussion and analysis of financial condition and performance, which are available electronically at www.sedarplus.ca.

Unless otherwise noted or the context otherwise indicates, the forward-looking statements contained in this press release describe the Company's expectations as at the date of this press release and, accordingly are subject to change after such date. Except as may be required by applicable securities laws, the Company does not undertake any obligation to update or revise any forward-looking statements contained in this press release, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements.

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