

FORM 51-102F3

MATERIAL CHANGE REPORT

1. **Name and Address of Company**

Chesswood Group Limited ("**Chesswood**")
41 Scarsdale Road, Suite 5
Toronto, Ontario, M3B 2R2

2. **Date of Material Change**

October 30, 2024

3. **News Release**

Chesswood's news release announcing the material change referred to in this report was issued through Cision on October 30, 2024. A copy of the news release is attached hereto as Schedule "A".

4. **Summary of Material Change**

On October 30, 2024, Chesswood announced that on application by the agent for its syndicate of lenders (the "**Syndicate Lenders**") under its US\$300 million revolving senior secured credit facility (the "**Credit Facility**"), Chesswood and its subsidiaries became subject to creditor protection under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") in Canada pursuant to an order (the "**Initial Order**") of the Ontario Superior Court of Justice (Commercial List). The Initial Order provided for, among other things, a stay of proceedings, the approval of interim financing, and the appointment of FTI Consulting Canada Inc. as the court appointed monitor.

Chesswood also announced that each of the members of its board of directors had resigned, that its chief financial officer (Ivy Sun) had resigned and that it was anticipated that Chesswood's chief executive officer (Tobias Rajchel) would continue in his position.

Chesswood also announced that a securities class action had been filed against Chesswood, its former chief executive officer and its former chief financial officer with respect to its financial reporting.

5. **Full Description of Material Change**

On October 30, 2024, Chesswood announced that on application by the agent for the Syndicate Lenders under the Credit Facility, Chesswood and its subsidiaries became subject to creditor protection under the CCAA in Canada pursuant to the Initial Order of the Ontario Superior Court of Justice (Commercial List). The Initial Order provided for, among other things, a stay of proceedings, the approval of interim financing, and the appointment of FTI Consulting Canada Inc. as the court appointed monitor.

Chesswood also announced that each of the members of its board of directors had resigned, that its chief financial officer (Ivy Sun) had resigned and that it was anticipated that Chesswood's chief executive officer (Tobias Rajchel) would continue in his position.

Chesswood also announced that a securities class action had been filed against Chesswood, its former chief executive officer and its former chief financial officer with respect to its financial reporting.

6. Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable.

7. Omitted Information

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

8. Executive Officer

For further information, please visit the Monitor's website at <http://cfcanada.fticonsulting.com/chesswood> or email chesswood@fticonsulting.com.

9. Date of Report

November 11, 2024.

SCHEDULE A

(see attached)



CHESSWOOD GROUP LIMITED LENDERS OBTAIN COURT ORDER FOR CCAA PROCEEDING

TORONTO, October 30, 2024 – Chesswood Group Limited (“**Chesswood**”) (TSX: CHW) announces that on application by the agent for its syndicate of lenders (the “**Syndicate Lenders**”) under its US\$300 million revolving senior secured credit facility (the “**Credit Facility**”), Chesswood and its subsidiaries have become subject to creditor protection under the *Companies’ Creditors Arrangement Act* (Canada) (the “**CCAA**”) in Canada pursuant to an order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List). The Initial Order provides for among other things, a stay of proceedings, the approval of interim financing, and the appointment of FTI Consulting Canada Inc. as the court appointed monitor.

Chesswood also announces that each of the members of its board of directors (the “**Board**”) has resigned, and that its chief financial officer (Ivy Sun) has resigned. It is anticipated that Chesswood’s chief executive officer (Tobias Rajchel) will continue in his position.

History

On June 14, 2024, Chesswood announced that it had come to its attention that it was not in compliance with the minimum borrowing base covenants under the Credit Facility and that it had received an initial waiver to July 15, 2024 from the Syndicate Lenders to pursue transactions to remedy the breach.

On July 8, 2024, Chesswood provided an update on its Credit Facility action plan. The update advised that a special committee of the Board (the “**Committee**”) (with the assistance and participation of its financial advisor) had continued to engage in discussions and negotiations for potential sales of key operating subsidiaries and considerations for how best to maximize value of Chesswood’s large portfolios of receivables to ensure that the interests of Chesswood’s stakeholders were served. The update further advised that, as a result of capital constraints, Chesswood subsidiaries Pawnee Leasing Corporation (“**Pawnee**”) and Rifco National Auto Finance (“**Rifco**”) had suspended most origination activity. The update also advised that Ryan Marr (Chesswood’s then chief executive officer) had resigned from his positions with Chesswood and its subsidiaries, and that Tobias Rajchel (Chesswood’s then chief financial officer) had been appointed president and chief executive officer and Ivy Sun (Chesswood’s then controller) had been appointed chief financial officer.

On July 16, 2024, Chesswood announced that the Credit Facility waiver had been extended to August 2, 2024, that it continued to engage in co-operative discussions with the Syndicate Lenders and that it remained focused on completing the negotiation and settlement of definitive arrangements and documents for its Credit Facility action plan.

On July 22, 2024, Chesswood announced that it had determined that it would have to prepare and file restated interim financial statements and management’s discussion and analysis (“**MD&A**”) for the three months ended March 31, 2024 (the “**Q1 Filings**”) as a result of the previously announced borrowing base calculation error and resulting breach of the Credit Facility. Such announcement included the known expected restatements for the Q1 Filings (including, among others, the write down of certain – and perhaps all – intangibles, and revised going concern and controls/procedures disclosure). The announcement further noted that Chesswood’s management was engaged in review of the prior year borrowing base calculations and prior year financial statements and MD&A to determine whether restatement of any of such filings was required.

On July 30, 2024, Chesswood announced that Daniel Wittlin had resigned as a director. Mr. Wittlin advised that he had resigned in order to be able to devote the necessary time to his other operating companies, and also to better manage his potential conflicts of interest resulting from his significant indirect minority interests in Chesswood subsidiaries Vault Credit Corporation and Vault Home Credit

Corporation (the “**Vault Subsidiaries**”) and his indirect interest in a potential purchaser of Chesswood’s interests in the Vault Subsidiaries. Chesswood also announced that it had received notice from the owner of the “Vault” names and associated intellectual property that they were terminating the intellectual property agreements with the Vault Subsidiaries.

On August 6, 2024, Chesswood provided a further update on its Credit Facility action plan. Such update included that the Credit Facility waiver had been amended and extended to September 16, 2024 (the “**Amended Waiver**”), which was intended to provide the time for Chesswood to complete important elements of its Credit Facility action plan. Among other things, the Amended Waiver provided for a staged reduction in the permitted maximum outstanding amount under the Credit Facility and required Chesswood to complete sales during the extended waiver period of a portion of its portfolio receivables, its interests in the Vault Subsidiaries and its interest in the operations and certain portfolio receivables of Pawnee. Such update also announced that Chesswood had received notices of default from certain securitizers under the related securitization facility agreements, although the securitizers were not at that time purporting to exercise any termination rights.

On August 7, 2024, Chesswood announced that it would be unable to meet its filing deadline of August 14, 2024 for its interim financial statements and MD&A for the three and six months ended June 30, 2024 (the “**Q2 Filings**”). The inability to complete the Q2 Filings was primarily due to the previously disclosed requirement to restate the Q1 Filings, and perhaps previous year filings. Chesswood further announced that it was seeking a management cease trade order, and noted that the Ontario Securities Commission may instead impose an issuer failure to file cease trade order.

On August 9, 2024, Chesswood announced that it had sold all of its interests in the Vault Subsidiaries, marking a first step towards the execution on its Credit Facility action plan. The announcement noted that the Committee and the Board had considered, and were continuing to consider, a variety of financial restructuring options and, following their respective reviews of the terms of the Vault Subsidiaries sale transaction, unanimously determined that such transaction was the only reasonable option available that was capable of satisfying the Vault Subsidiaries related condition in the Amended Waiver. The announcement noted that the Committee had retained RBC Capital Markets as financial advisor and Chesswood had engaged Alvarez & Marsal to provide certain financial and restructuring advisory services.

On August 14, 2024, Chesswood announced that the Ontario Securities Commission had advised that it would not be granting a management cease trade order as previously applied for by Chesswood and would instead be issuing a failure to file cease trade order upon Chesswood failing to make the Q2 Filings. On August 16, 2024, Chesswood announced that the failure to file cease trade order had been issued by the Ontario Securities Commission.

During the more than two-month period following the sale of its interests in the Vault Subsidiaries, Chesswood had been actively pursuing the completion of a sale of Pawnee as a going concern, with a significant portion of Pawnee’s portfolio receivable to have been transferred to, and retained by, another Chesswood subsidiary. This would have fulfilled the other specific divestiture condition in the Amended Waiver. During such period, Chesswood also engaged in discussions for other potential transactions involving Rifco and certain of Chesswood’s other subsidiaries. Over the ensuing weeks, Chesswood did reach agreement in principle with an interested party for a Pawnee transaction, but after a further several weeks of negotiations, a transaction on acceptable terms could not be reached and the transaction did not proceed. As a result, the Syndicate Lenders determined that the Credit Facility action plan was no longer actionable, and the Syndicate Lenders’ waiver of events of default under the Credit Facility terminated without further extension.

On October 28, 2024, with the most recent Credit Facility waiver extension having terminated and no agreement to further extend the waiver, the Syndicate Lenders issued demand for repayment of, and notice of intention to enforce their security under, the Credit Facility to Chesswood and its subsidiaries.

Chesswood sees no reasonable prospect to restructure or to orderly wind-down without ongoing Syndicate Lender support and, in light of the amount owing under the Credit Facility and the related security over substantially all of Chesswood's assets, believes it best to co-operate to facilitate the court supervised process desired by the Syndicate Lenders (including by waiving the 10-day notice period under the notices of intention to enforce). Chesswood's subsidiaries have also now received termination notices from certain of their securitizers.

Each of the members of the Board has resigned to facilitate the application by the Syndicate Lenders for the CCAA proceeding, including the appointment of a CCAA monitor with the authority to exercise the powers of the Board.

Shareholders are encouraged to seek the advice of their tax advisors with respect to their holdings of Chesswood shares.

Securities Class Action

Although no statement of claim has been served on Chesswood or any related party, Chesswood was made aware some weeks ago that a securities class action had been filed against Chesswood, its former chief executive officer and its former chief financial officer with respect to its financial reporting. Shortly after having been made aware of the filing of such action, Chesswood was advised that the plaintiff had requested that either such action be withdrawn or the plaintiff be removed. The plaintiff was then removed, and only recently such class action has been refiled with a new plaintiff.

For further information, please visit the Monitor's website at <http://cfcanada.fticonsulting.com/chesswood> or email chesswood@fticonsulting.com

\

NO STOCK EXCHANGE, SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED THE INFORMATION CONTAINED HEREIN.