

## STREET CAPITAL GROUP AGREES TO BE ACQUIRED BY RFA CAPITAL

**Toronto, ON June 17, 2019** – Street Capital Group Inc. (“Street Capital” or the “Company”) (TSX: SCB) and RFA Capital Inc. announce that they have entered into a definitive agreement (the “Arrangement Agreement”) pursuant to which RFA Capital Holdings Inc. (“RFA”) will acquire all of the issued and outstanding common shares of Street Capital (the “Shares”) for \$0.68 per share in cash, representing aggregate consideration of approximately \$85 million (the “Arrangement”).

### Transaction Highlights:

- All cash consideration of \$0.68 per Share represents a premium of approximately 36% to the closing price of Street Capital shares on June 14, 2019 and implies a multiple of price-to-book value per share of approximately 1.0x
- Street Capital to benefit from improved, long term financial strength and enhanced competitive positioning under RFA ownership
- Street Capital to gain access to up to \$5 billion of new mortgage funding in addition to that available today
- 100% cash consideration provides immediate liquidity and certainty of value for shareholders
- Street Capital Board of Directors unanimously recommends the transaction to shareholders
- Concurrent with completion of the Arrangement, RFA has committed to increase the equity capital of Street Capital Bank of Canada (the “Bank”) by a minimum of \$50 million with significant follow-on capital available to support balance sheet growth

“This transaction creates significant and immediate value for Street Capital shareholders, will meaningfully improve our financial strength during this formative stage as a Schedule I bank, and positions the business for sustainable growth over the long term” said Duncan Hannay, Chief Executive Officer of Street Capital. “We look forward to partnering with RFA Capital, which brings a holistic solution to the business challenges and key risks we face.”

“This is a great strategic fit for us” said Ben Rodney, Managing Partner of RFA. “We believe that Street Capital represents a unique banking platform with potential for meaningful growth through leveraging our significant financial resources, mortgage industry expertise and key strategic partnerships. In addition to the infusion of capital into the Bank, we are committing to a number of new capabilities that will strengthen the business, reduce risk and enable the management team to overcome current barriers to sustained financial performance and growth. These capabilities include immediate access to our mortgage funding ecosystem.”

### Background to the Transaction

The transaction with RFA is the culmination of a thorough review of strategic alternatives available to the Company undertaken by the Board of Directors of the Company (the “Board of Directors”) that commenced in early 2019. As part of the strategic review, the Board of Directors, with the assistance of its financial and legal advisors, reviewed a variety of alternatives designed to strengthen the capital position of the Bank and position the business for long term, sustainable growth. These alternatives included the continued pursuit of the Company’s current business plan, various capital raising alternatives and the sale of the Company or certain assets of the Company. At the conclusion of its review, the Board of Directors authorized the Company and its financial advisor to commence a confidential, targeted process to solicit proposals with respect to the sale of the Company, a private placement in the Company or the sale of certain assets of the Company (the “Process”).

As part of the Process, the Company received indications of interest from several parties relating to each of the transaction alternatives for which it was soliciting proposals, including a non-binding proposal from RFA regarding an acquisition of all of the issued and outstanding Shares. Following its review of the proposals received and after

giving consideration to all the strategic alternatives available to the Company at that time, the Board of Directors determined that a sale of the Company was in the best interests of the Company and ultimately determined to pursue a transaction with RFA.

## **Recommendation of the Board of Directors and Shareholder Support**

The Board of Directors, after consultation with its financial and legal advisors, and based on the unanimous recommendation of the Strategic Planning Committee of the Board (the "Special Committee") comprised of a majority of independent directors, has unanimously approved the Arrangement, has determined that the Arrangement is in the best interest of the Company, and unanimously recommends that the holders of Shares vote in favour of the Arrangement.

BMO Capital Markets is acting as exclusive financial advisor to the Company and has provided an opinion to the Special Committee and the Board of Directors that, subject to the assumptions, limitations and qualifications contained therein, the consideration to be received by the holders of Shares pursuant to the Arrangement is fair from a financial point of view to the holders of Shares. A copy of the opinion will be included in the management information circular to be filed and mailed to Street Capital shareholders in connection with the approval of the Arrangement at a special meeting of shareholders (the "Special Meeting").

Each director and certain senior officers of the Company have entered into voting agreements with RFA pursuant to which, among other things, they have agreed to vote all of the Shares owned or controlled by them in favour of the Arrangement, representing approximately 14% of the outstanding Shares.

## **Additional Transaction Details**

The Arrangement will be implemented by way of a statutory plan of arrangement under the *Business Corporations Act* (Ontario) and is subject to customary closing conditions, including approval of the Arrangement by the Superior Court of Ontario; approval of two-thirds of the votes cast by holders of Shares in person or by proxy at the Special Meeting as well as the approval of a "majority of the minority" of votes cast by shareholders other than three senior officers of the Company who would receive certain employment-related benefits upon completion of the Arrangement; and applicable regulatory approvals, including, without limitations, approval of the Canadian Minister of Finance pursuant to the *Bank Act*. The parties expect to close the Arrangement by the end of the year. The Arrangement is not subject to any financing condition.

The Arrangement Agreement provides for, among other things, a non-solicitation covenant on the part of Street Capital, subject to customary "fiduciary out" provisions, that entitles Street Capital to consider and accept a superior proposal prior to the approval of the Arrangement by Street Capital shareholders and provides a right in favour of RFA to match any superior proposal. If the Arrangement Agreement is terminated in certain circumstances, including if Street Capital enters into an agreement with respect to a superior proposal, RFA is entitled to a termination payment of \$4 million.

Further information regarding the Arrangement, the Special Meeting and the Arrangement Agreement will be included in the management information circular expected to be mailed to Street Capital shareholders in due course. Copies of the Arrangement Agreement and management information circular will be available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Advisors**

BMO Capital Markets is acting as exclusive financial advisor to Street Capital and RBC Capital Markets is acting as financial advisor to RFA. Goodmans LLP is serving as legal counsel to Street Capital and Torys LLP is acting as counsel on certain regulatory matters for Street Capital. Bordon Ladner Gervais LLP is serving as legal counsel to RFA.

## About Street Capital

Street Capital Group Inc. (TSX: SCB) is a public company operating through its wholly-owned subsidiary, Street Capital Bank of Canada, a federally regulated Schedule I Bank offering residential mortgage loans with the strategic goal of introducing additional retail banking products in the coming years. Street Capital Bank of Canada sources its mortgage products primarily through a network of independent mortgage brokers across Canada with whom it has built relationships. Street Capital Bank of Canada offers a broad line-up of high ratio and conventional mortgages to borrowers and either sells the mortgages it underwrites to top tier financial institutions or holds them on balance sheet. Street Capital Bank of Canada lends throughout all of the Provinces of Canada (other than Quebec) and has offices in Ontario, Alberta and British Columbia. For more information please visit [streetcapital.ca](http://streetcapital.ca).

## About RFA

RFA Capital is a multi-platform, Canadian-owned investment company focused on equity and debt investments in Canadian real estate. Since 1996, RFA Capital has invested in over \$15 billion of real estate activity: as a market leader in CMBS transactions; commercial real estate through Nexus REIT; a growing retirement home portfolio; construction loans and in restructuring distressed real estate assets. Through various platforms and operating companies, RFA Capital employs over 500 people across Canada.

## Forward Looking Statements

The information in this press release includes certain forward-looking statements. These forward-looking statements are subject to risks and uncertainties. More particularly and without limitation, this press release contains forward-looking statements and information concerning: the anticipated benefits of the Arrangement to the parties and to Street Capital's shareholders; the anticipated receipt of required regulatory, court and shareholder approvals for the transaction; the ability of the parties to satisfy the other conditions to, and to complete, the Arrangement; the mailing of the management information circular; and the anticipated timing of the closing of the Arrangement.

Forward-looking statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, ongoing objectives, strategies and outlook for Street Capital. Forward-looking statements may in some cases be identified by words such as "will," "plans," "believes," "expects," "anticipates," "estimates," "projects," "intends," "should" or the negative of these terms, or similar expressions. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Street Capital undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

In respect of the forward-looking statements and information concerning the anticipated benefits and completion of the proposed Arrangement and the anticipated timing for completion of the Arrangement, Street Capital has provided such in reliance on certain assumptions that they believe are reasonable at this time, including assumptions as to the time required to prepare and mail shareholder meeting materials; the ability of the parties to receive, in a timely manner and on satisfactory terms, the necessary regulatory, court and shareholder approvals; the ability of the parties to satisfy, in a timely manner, the other conditions to the closing of the Arrangement; other expectations and assumptions concerning the Arrangement; and other factors discussed under the heading "Risk Management and Risk Factors" in Street Capital's Management's Discussion and Analysis of Results of Operations and Financial Condition for the year ended December 31, 2018 (available under Street Capital's SEDAR profile at [www.sedar.com](http://www.sedar.com)). The anticipated dates provided may change for a number of reasons, including unforeseen delays in preparing shareholder meeting materials, the inability to secure necessary shareholder, regulatory, court or other third party approvals in the time assumed or the need for additional time to satisfy the other conditions to the completion of the Arrangement. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this press release.

Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. Risks and uncertainties inherent in the nature of the Arrangement include the failure

of Street Capital and RFA to obtain necessary shareholder, regulatory and court approvals, including those noted above, or to otherwise satisfy the conditions to the completion of the Arrangement, in a timely manner, or at all. Failure to so obtain such approvals, or the failure of the parties to otherwise satisfy the conditions to or complete the Arrangement, may result in the Arrangement not being completed on the proposed terms, or at all.

**For further information, please contact:**

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