



## **Newstart Financial Inc. and Newstart Acceptance Inc.**

### **Consumer Auto Finance Acquisition and Investment Opportunity**

**June 1, 2016**

## **CONSUMER AUTO FINANCE**

On May 2, 2016, Dodick Landau Inc. ("DLI") was appointed Proposal Trustee of Newstart Financial Inc. ("NFI") and Newstart Acceptance Inc. ("NAI", and together with NFI, "Newstart"). NFI leases automobiles to consumers with subprime credit. NFI also has a small portfolio of unsecured consumer micro-loans. NAI purchases distressed accounts from NFI and also owns two small portfolios of consumer loans that it purchased from third parties. Newstart's office is located in Pickering, Ontario, Canada.

The Proposal Trustee is soliciting offers from one or more purchasers of, or investors in, the business and assets of Newstart from qualified parties with a projected closing date of September 30, 2016. Offers will be accepted for consideration until 5:00 p.m. E.S.T. on August 2, 2016. Offers acceptable to the Proposal Trustee will be subject to the approval of the Ontario Superior Court of Justice.

### **Description of Business**

From its inception in 2007, Newstart's primary business has been leasing automobiles to consumers with subprime credit. The leases were originated through a network of used car dealers, located primarily in Ontario, as well as some in Nova Scotia. At the time each lease is underwritten, the customer must be approved in accordance with Newstart's credit criteria. Customers are all local to the originating dealerships, but there are a small number of customers who have since relocated to other Provinces. Newstart conducts all its business from its office in Pickering, Ontario, which is in close proximity to several used car dealers and subprime customers in Scarborough, Pickering and Ajax.

Newstart is a Certified B Corporation and conducts its business in accordance with its stated mission: to be a socially responsible lender helping the segment of the market with low income, those with challenged credit, those that have declared bankruptcy or filed a consumer proposal. Newstart's target customer requires a vehicle to get to and from work. Newstart adheres to underwriting guidelines that it developed from years of experience. In addition to the traditional credit criteria around payment history, derogatory items and utilization. NFI's credit guidelines also include a telephone or in-person interview with each credit applicant and a maximum payment to disposable income ratio. Newstart reports account activity monthly to Equifax.

A number of factors have led to Newstart's insolvency, including but not limited to: the inability of Newstart to attract capital at a lower cost, lack of sufficient capital to grow the lease/loan portfolio to a large enough size to cover the basic operating costs of the business, and several debt holders requesting the return of their invested capital at a point when it would not have been possible for management to replace the retiring debt with new debt.

## Highlights

NFI's current portfolio consists of:

Type	Contract Count	Orig. Amt Financed	Payments Rec'd	Current Net Balance	Remaining Payments	Residual**
<b>Lease</b>	484	3,324	2,821	2,333	2,962	278
<b>Loan</b>	109	333	157	406	452	0
<b>Collections*</b>	104	654	532	663	788	22
<b>Total</b>	<b>697</b>	<b>4,311</b>	<b>3,510</b>	<b>3,402</b>	<b>4,202</b>	<b>300</b>

All amounts are in \$000's, except for Contract Count.

\* Collection status accounts are those in payment default that have not been deemed uncollectable.

\*\* Many leases have end of term purchase options. The purchase option amount has not been factored into the calculation of periodic rent and is not included in any of the other balances.

- During the period from August 2010 – October 2015, NFI originated \$14 million of leases and loans at an average amount financed of \$5,716. Average contract yield was 30.1% and average term was 29 months.
- NFI typically reserves 15% against future losses for vehicle leases and consumer loans and 65% for accounts in legal status.
- From its inception, NFI transferred approximately \$22 million of net receivables to NAI.
- Key employees of Newstart continue to be available.
- There exists tax losses which may be available for carry-forward and offset against profits in future years.

Interested parties who wish to pursue this opportunity should contact one of the following DLI representatives for additional information on the sales process, detailed information on the business and descriptions of the assets available:

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*In developing this document, DLI has relied upon unaudited information, Newstart's records, and discussions with management of Newstart. DLI has not performed an audit or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants has not been performed. Future oriented financial information relied upon in this document is based on assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.*