

ELEMENT FINANCIAL CORPORATION
TERMS OF THE OFFERING
FEBRUARY 26, 2014

A final base shelf prospectus containing important information relating to the securities described in this document has been filed with the securities regulatory authorities in each of the provinces of Canada. A copy of the final base shelf prospectus, any amendment to the final base shelf prospectus and any applicable shelf prospectus supplement that has been filed, is required to be delivered with this document.

This document does not provide full disclosure of all material facts relating to the securities offered. Investors should read the final base shelf prospectus, any amendment and any applicable shelf prospectus supplement for disclosure of those facts, especially risk factors relating to the securities offered, before making an investment decision.

Copies of the final base shelf prospectus, and any applicable shelf prospectus supplement, may be obtained from GMP Securities L.P.

CUMULATIVE 5-YEAR RATE RESET PREFERRED SHARES, SERIES C

Issuer:	Element Financial Corporation (“Element” or the “Company”).
Offering:	Treasury offering of 5,000,000 Cumulative 5-Year Rate Reset Preferred Shares, Series C (the “Series C Preferred Shares”).
Gross Proceeds:	\$125,000,000.
Issue Price:	\$25.00 per Series C Preferred Share.
Type of Transaction:	Bought deal public offering pursuant to a supplement to the Company’s final base shelf prospectus dated December 6, 2013 in all provinces of Canada.
Over-Allotment Option:	The Company will grant an option, exercisable by the underwriters up to 30 days after the Closing Date, to purchase at the Issue Price up to an additional 250,000 Series C Preferred Shares (representing \$6,250,000). All references to Series C Preferred Shares include any Series C Preferred Shares that may be sold pursuant to the Over-Allotment Option.
Rating:	Unrated.
Use of Proceeds:	The Company intends to use the net proceeds of the Offering to originate and finance, directly or indirectly, finance assets and for general corporate purposes.
Initial Dividend Rate:	6.50% per annum, payable quarterly for the Initial Fixed Rate Period (as defined below).
Dividends:	<i>Initial Fixed Rate Period:</i> • Fixed, cumulative, preferential cash dividends payable quarterly on the last day of March, June, September and December (provided that, should any such day not be a business day, such dividends will be payable on the next succeeding business day) at an annual rate of \$1.625 per Series C Preferred

Share, for the initial five-year period ending on June 30, 2019 (the “Initial Fixed Rate Period”). The first of such dividends, if declared, shall be payable on June 30, 2014 and shall be \$0.51199 per Series C Preferred Share, based on the anticipated closing of the treasury offering of the Series C Preferred Shares on March 7, 2014.

Subsequent Fixed Rate Periods:

- For every five-year period after the Initial Fixed Rate Period (a “Subsequent Fixed Rate Period”), Element will determine on the 30th day prior to the first day of a Subsequent Fixed Rate Period, the annual fixed dividend rate applicable to that Subsequent Fixed Rate Period (the “Annual Fixed Dividend Rate”)
- The Annual Fixed Dividend Rate will be equal to the 5-Year Government of Canada Bond Yield (“GCAN5YR”), as quoted on Bloomberg (see quote for “GCAN5YR <INDEX>”) or comparable sources at 10:00 a.m. (Toronto time) on the 30th day prior to the first day of a Subsequent Fixed Rate Period, plus 4.81%.
- Fixed, cumulative preferential cash dividends payable quarterly on the last day of March, June, September and December at the Annual Fixed Dividend Rate. Should any such day of March, June, September or December not be a business day, such dividends will be payable on the next succeeding business day.

Conversion:

Election to Convert:

- On June 30, 2019 and on June 30 every five years thereafter (each, a “Series C Conversion Date”), the holders of Series C Preferred Shares will have the right to elect to convert (subject to the Automatic Conversion provision described below) any or all of their Series C Preferred Shares into an equal number of Cumulative Floating Rate Preferred Shares, Series D (the “Series D Preferred Shares”). Should any such June 30 not be a business day, the Series C Conversion Date will be the next succeeding business day.

Election Notice:

- Holders of Series C Preferred Shares who elect to convert their Series C Preferred Shares into Series D Preferred Shares on the Series C Conversion Date are required to provide Element with written notice (an “Election Notice”) on a date not earlier than the 30th day and not later than 5:00 p.m. (Toronto time) on the 15th day preceding the applicable Series C Conversion Date. Once received by Element, an Election Notice is irrevocable.

Automatic Conversion:

- If Element determines that, after taking into account any Election Notices, including all election notices in respect of the Series D Preferred Shares, received by the Company during the time fixed therefor, there would be less than 500,000 Series C Preferred Shares issued and outstanding on the applicable Series C Conversion Date, then all of the issued and outstanding Series C Preferred Shares will automatically be converted on such Series C Conversion Date into an equal number of Series D Preferred Shares (“Automatic Conversion”).
- If (I) the Company determines that, after taking into account all Election Notices, including all Election Notices in respect of the Series C Preferred Shares, received by the Company during the time fixed therefor, there would be less than 500,000 Series D Preferred Shares outstanding on the applicable Series C Conversion Date, or (II) the Company gives notice of redemption of all outstanding Series C Preferred Shares, then holders of Series C Preferred Shares will not be entitled to convert their shares into Series D Preferred Shares.

Notice of Series C Conversion Date and next Annual Fixed Dividend Rate:

- Notice of a Series C Conversion Date and a form of Election Notice will be given by Element at least 30 days and not more than 60 days prior to the Series C Conversion Date.
- Notice of the Annual Fixed Dividend Rate applicable to the Series C Preferred Shares for the upcoming Subsequent Fixed Rate Period and the Floating Quarterly Dividend Rate applicable to the Series D Preferred Shares for the next succeeding Quarterly Floating Rate Period will be provided by Element on the 30th day prior to each Series C Conversion Date.

Not electing to convert and continuing to hold Series C Preferred Shares:

- If Element does not receive an Election Notice from a holder of Series C Preferred Shares during the time fixed therefor, then the Series C Preferred Shares held shall be deemed not to have been converted (except in the case of an Automatic Conversion).

Redemption:

The Series C Preferred Shares will not be redeemable prior to June 30, 2019. On June 30, 2019 and on June 30 every five years thereafter, on not more than 60 nor less than 30 days’ notice, Element may, subject to the terms of any shares ranking prior to the Series C Shares, to applicable law and to certain restrictions, at its option and without the consent of the holders, redeem all or any number of the then outstanding Series C Preferred Shares upon payment in cash for each Series C Preferred Share so redeemed of an amount equal to \$25.00 per Series C Preferred Share together with all accrued and unpaid dividends to, but excluding, the date

fixed for redemption. Should any such June 30 not be a business day, the redemption date in that year will be will be the next succeeding business day.

**Purchase for
Cancellation:**

Subject to applicable law and to certain exceptions, the Company may at any time purchase for cancellation all or any number of the Series C Shares outstanding from time to time at any price in the open market or by tender available to all holders of Series C Shares or by private agreement or otherwise.

**Rights on
Liquidation:**

In the event of the liquidation, dissolution or winding-up of the Company or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, each holder of Series C Preferred Shares will be entitled to receive an amount equal to \$25.00 per Series C Preferred Share, plus an amount equal to all accrued and unpaid dividends up to, but excluding, the date fixed for payment or distribution (less any tax required to be deducted and withheld by the Company), before any amount is paid or any assets of the Company are distributed to the holders of any shares ranking junior as to capital to the Series C Preferred Shares. Upon payment of such amounts, the holders of the Series C Preferred Shares will not be entitled to share in any further distribution of the assets of the Company.

Voting Rights:

The Series C Preferred Shares will not be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Company (except as otherwise prescribed by applicable law and except for meetings of the holders of Preferred Shares as a class and meetings of the shareholders as a series) unless and until the Company fails to pay four quarterly dividends on the Series C Preferred Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Company properly applicable to the payment of dividends. In that event and for only so long as any such dividends remain in arrears, the holders of the Series C Preferred Shares will be entitled to receive notice of and to attend all shareholders' meetings which takes place more than sixty (60) days after the date on which the first such failure first occurred, other than meetings at which only holders of another specified class or series are entitled to vote, and will be entitled to one vote for each Series C Preferred Share held. Upon payment of the entire amount of all Series C Preferred Share dividends in arrears, the voting rights of the holders of Series C Preferred Shares shall forthwith cease.

Priority:

The Series C Preferred Shares will rank on parity with the Preferred Shares of the Company of every other series and will rank in priority to the Common Shares and any other shares ranking junior to the Preferred Shares with respect to dividends and the distribution of assets among Element's shareholders in the event of liquidation, dissolution or winding-up of Element, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs.

**Tax on Series
C Preferred**

Element will elect to pay tax under Part VI.1 of the Income Tax Act (Canada) at such a rate that no tax under Part IV.1 of such Act will be payable by holders of

Shares:	the Series C Preferred Shares on dividends received (or deemed to be received) on such Series C Preferred Shares.
Eligibility:	Eligible for investment for RRSPs, RESPs, RRIFs, DPSPs, RDSPs and TFSAs.
Listing:	An application has been made to list the Series C Preferred Shares on the TSX.
Joint Bookrunners	GMP Securities L.P., National Bank Financial Inc., BMO Nesbitt Burns Inc., CIBC World Markets, RBC Capital Markets and TD Securities Inc.
Commission:	3.00% of the gross proceeds from the sale of all Series C Preferred Shares.
Closing Date:	On or about March 7, 2014.

CUMULATIVE FLOATING RATE PREFERRED SHARES, SERIES D

Issuer: Element Financial Corporation (“Element” or the “Company”).

Issue: Cumulative Floating Rate Preferred Shares, Series D (the “Series D Preferred Shares”)

Dividends: *Quarterly Dividend Payments:*

- Cumulative, preferential cash dividends payable quarterly on the last day of March, June, September and December (the “Quarterly Dividend Payment Date”) at the Floating Quarterly Dividend Rate (as defined below). Should any such day of March, June, September or December not be a business day, such Quarterly Dividend Payment Date shall be the next succeeding business day.

Floating Quarterly Dividend Rate:

- The Floating Quarterly Dividend Rate for a quarter will be equal to the three-month Canadian Treasury Bill Rate (“T-Bill Rate”) plus 4.81%, on an actual/365 day count basis. The T-Bill Rate will be calculated using the 3-month average results, as reported by the Bank of Canada, for the most recent auction preceding the date on which the Floating Quarterly Dividend Rate for such quarter is determined. Auction results are posted on Reuters page BOCBILL.
- The Floating Quarterly Dividend Rate for such quarter will be determined 30 days prior to the first day of the quarter by Element.

Conversion: *Election to Convert:*

- On June 30, 2024 and on June 30 every five years thereafter (the “Series D Conversion Date”), the holders of Series D Preferred Shares will have the right to elect to convert (subject to the Automatic Conversion provision described) any or all of their Series D Preferred Shares into an equal number of Cumulative 5-Year Rate Reset Preferred Shares, Series C (the “Series C Preferred Shares”). Should any such June 30 not be a business day, the Series D Conversion Date in that year will be the next succeeding business day.

Election Notice:

- Holders of Series D Preferred Shares who elect to convert their Series D Preferred Shares into Series C Preferred Shares on the Series D Conversion Date are required to provide Element with written notice (an “Election Notice”) on a date not earlier than the 30th day and not later than 5:00 p.m. (Toronto time) on the 15th day preceding the applicable Series D Conversion Date. Once received by Element, an Election Notice

is irrevocable.

Automatic Conversion:

- If Element determines that, after taking into account any Election Notices, including all election notices in respect of the Class C Preferred Shares, received by Element during the time fixed therefor there would be less than 500,000 Series D Preferred Shares issued and outstanding on the applicable Series D Conversion Date, then all of the issued and outstanding Series D Preferred Shares will automatically be converted on such Series D Conversion Date into an equal number of Series C Preferred Shares (“Automatic Conversion”).
- If (I) the Company determines that, after taking into account all Election Notices, including all Election Notices in respect of the Series D Preferred Shares, received by the Company during the time fixed therefor, there would be less than 500,000 Series C Preferred Shares outstanding on the applicable Series D Conversion Date, or (II) the Company gives notice of redemption of all outstanding Series D Preferred Shares, then holders of Series D Preferred Shares will not be entitled to convert their shares into Series C Preferred Shares.

Notice of Series D Conversion Date and next Annual Fixed Dividend Rate:

- Notice of a Series D Conversion Date and a form of Election Notice will be given by Element at least 30 days and not more than 60 days prior to the Series D Conversion Date.
- Notice of the Floating Quarterly Dividend Rate applicable to the Series D Preferred Shares for the next succeeding Quarterly Floating Rate Period and the annual fixed dividend rate on the Series C Preferred Shares (the “Annual Fixed Dividend Rate”) for the upcoming five-year period, after the initial period ending on June 30, 2019, (a “Subsequent Fixed Rate Period”) will be provided by Element on the 30th day prior to each Series D Conversion Date.

Not electing to convert and continuing to hold Series D Preferred Shares:

- If Element does not receive an Election Notice from a holder of Series D Preferred Shares during the time fixed therefor, then the Series D Preferred Shares shall be deemed not to have been converted (except in the case of an Automatic Conversion).

Redemption: On June 30, 2024 and on June 30 every five years thereafter, on not more than 60 nor less than 30 days’ notice, Element may, subject to the terms of any shares ranking prior to the Series D Shares, to applicable law and to certain restrictions, at its option and without the consent of the holders, at its option, redeem all or any number of the then outstanding Series D Preferred Shares upon payment in cash

for each Series D Preferred Share so redeemed of an amount equal to \$25.00 per Series D Preferred Share together with all accrued and unpaid dividends to, but excluding, the date fixed for redemption. Should any such June 30 not be a business day, the redemption date in that year will be the next succeeding business day. On any other date after June 30, 2019 that is not a Series D Conversion Date, on not more than 60 nor less than 30 days' notice, Element may, at its option, redeem all or any part of the then outstanding Series D Preferred Shares upon payment in cash for each Series D Preferred Share so redeemed for an amount equal to \$25.50 per Series D Preferred Share together with all declared and unpaid dividends to the date fixed for redemption; provided that any such date fixed for redemption shall be a business day.

Purchase for Cancellation: Subject to applicable law and to certain exceptions, the Company may at any time purchase for cancellation all or any number of the Series D Shares outstanding from time to time at any price in the open market or by tender available to all holders of Series D Shares or by private agreement or otherwise.

Rights on Liquidation: In the event of the liquidation, dissolution or winding-up of the Company or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, each holder of Series D Preferred Shares will be entitled to receive an amount equal to \$25.00 per Series D Preferred Share, plus an amount equal to all accrued and unpaid dividends up to, but excluding, the date fixed for payment or distribution (less any tax required to be deducted and withheld by the Company), before any amount is paid or any assets of the Company are distributed to the holders of any shares ranking junior to the Series D Preferred Shares. Upon payment of such amount, the holders of the Series D Preferred Shares will not be entitled to share in any further distribution of the assets of the Company.

Voting Rights: The Series D Preferred Shares will not be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Company (except as otherwise prescribed by applicable law and except for meetings of the holders of Preferred Shares as a class and meetings of the shareholders as a series) unless and until the Company fails to pay four quarterly dividends on the Series D Preferred Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Company properly applicable to the payment of dividends. In that event and for only so long as any such dividends remain in arrears, the holders of the Series D Preferred Shares will be entitled to receive notice of and to attend all shareholders' meetings which takes place more than sixty (60) days after the date on which the first such failure first occurred, other than meetings at which only holders of another specified class or series are entitled to vote, and will be entitled to one vote for each Series D Preferred Share held. Upon payment of the entire amount of all Series D Preferred Share dividends in arrears, the voting rights of the holders of Series D Preferred Shares shall forthwith cease.

Priority:	The Series D Preferred Shares will rank on parity with the Preferred Shares of every other series and will rank in priority to the Common Shares and any other shares ranking junior to the Preferred Shares with respect to dividends and the distribution of assets among Element's shareholders in the event of liquidation, dissolution or winding-up of Element, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs.
Eligibility:	Eligible for investment for RRSPs, RESPs, RRIFs, DPSPs, RDSPs and TFSAs.
Tax on Series D Preferred Shares:	Element will elect to pay tax under Part VI.1 of the Income Tax Act (Canada) at such a rate that no tax under Part IV.1 of such Act will be payable by holders of the Series D Preferred Shares on dividends received (or deemed to be received) on such Series D Preferred Shares.
Listing:	An application has been made to list the Series D Preferred Shares on the TSX.