2013 ANNUAL INFORMATION FORM

– March 28, 2014 –

ELEMENT FINANCIAL CORPORATION

FORWARD-LOOKING INFORMATION

Certain statements in this Annual Information Form, other than statements of historical fact, are forward-looking statements and may contain forward-looking information. Such statements are based upon Element Financial Corporation's ("Element" or the "Corporation") current internal expectations, estimates, projections, assumptions and beliefs. In some cases, words such as "plan", "expect", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements and forward-looking information. Forward-looking statements are provided for the purposes of assisting the reader in understanding Element's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements or information. In addition, this Annual Information Form may contain forward-looking statements and information attributed to third party industry sources. Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Such forward-looking statements and information in this Annual Information Form speak only as of the date of this Annual Information Form.

Forward-looking statements and information in this Annual Information Form include, but are not limited to, statements with respect to:

- Element's expectations regarding its revenue, expenses and operations;
- Element's anticipated cash needs and its needs for additional financing;
- Element's integration of its acquisitions including the GE Fleet Portfolio Acquisition, the Helicopter Assets Purchase and the Trinity Vendor Program (each as defined herein and collectively, the "2013 Significant Acquisitions")
- Element's plans for and timing of expansion of its services;
- Element's future growth plans (including growth resulting from acquisitions, such as the 2013 Significant Acquisitions);
- Element's expectations regarding its origination volumes;
- Element's ability to attract new customers and vendor relationships and develop and maintain relationships with existing customers;
- Element's anticipated delinquency rates and credit losses;
- Element's ability to attract and retain personnel;
- Element's expectations regarding its reduced reliance on third-party brokers for originations;
- Element's expectations regarding growth in certain verticals in which it operates;
- Element's expectations regarding expansion into new verticals;
- Element's competitive position and its expectations regarding competition;
- anticipated trends and challenges in Element's business and the markets in which it operates; and
- Element's expectation and ability to provide lease financing for up to US$2.0 billion worth of railcars over the next two years pursuant to the Trinity Vendor Program.

Although Element believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Element cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither Element nor any other person assumes responsibility for the accuracy or completeness of the forward-looking statements and information. Some of the risks and other factors, some of which are beyond Element's control, which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this Annual Information Form, include, but are not limited to:

- credit risks that may lead to unexpected losses;

- concentration of leases and loans to small and mid-sized companies that may carry more inherent risks;
- the concentration of leases and loans within a particular industry or region that may negatively impact Element’s financial condition;
- Element’s provision for credit losses that may prove inadequate;
- the collateral securing a loan or a lease that may not be sufficient;
- lack of funding that may limit Element’s ability to originate leases;
- inability to attract institutional investors to invest in Element’s special purpose funding vehicle to finance Aviation Finance’s deal flow;
- the concentration of debt financing sources that may increase Element’s funding risks;
- global financial markets and general economic conditions that may adversely affect Element’s results;
- Element’s credit facilities that may limit its operational flexibility;
- changes in interest rates that may adversely affect Element’s financial results;
- an unexpected increase in Element’s borrowing costs that may adversely affect its earnings;
- a competitive business environment that may limit the growth of Element’s business;
- competition for vendor equipment finance that may affect Element’s relationships with vendors;
- loss of key personnel that may significantly harm Element’s business;
- inability to realize benefits from growth (including growth related to acquisitions) that may harm Element’s financial condition;
- Element’s ability to successfully integrate each of the recently completed acquisitions into its operations and to achieve the anticipated benefits and synergies of such acquisitions;
- Element’s ability to successfully compete in the U.S. equipment financing marketplace;
- complications in managing acquisitions that may negatively affect Element’s operating results;
- Element has a brief operating history and Element has incurred losses in the past and may not achieve profitability in future periods;
- the market for Common Shares (as defined herein) and Preferred Shares (as defined herein) may be volatile and subject to wide fluctuations in response to numerous factors;
- Element’s quarterly net finance income and results of operations are difficult to forecast and may fluctuate substantially;
- litigation may negatively impact Element’s financial condition;
- the other factors considered under “Risk Factors” in this Annual Information Form; and
- the ability of the vendors under Element’s vendor financing programs, including the Trinity Vendor Program, to provide Element with sufficient and commercially attractive origination opportunities that meet Element’s credit underwriting standards and guidelines.

The above risks, uncertainties, assumptions and other factors could cause Element’s actual results, performance, achievements and experience to differ materially from Element’s expectations, future results, performances or achievements expressed or implied by the forward-looking statements.

An investor should read this Annual Information Form with the understanding that Element’s actual future results may be materially different from what is expected.

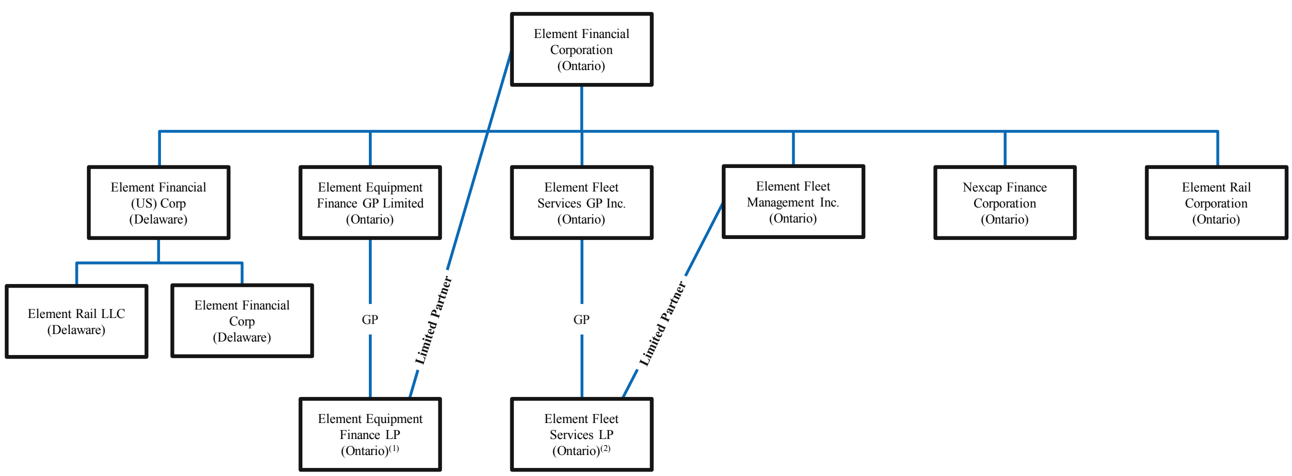
CORPORATE STRUCTURE

Element Financial Corporation was incorporated on May 11, 2007 under the *Business Corporations Act* (Ontario) (the "OBCA"). The head and registered office of Element is located at 161 Bay Street, Suite 4600, Toronto, Ontario, M5J 2S1.

On August 23, 2011, Element restated its Articles of Incorporation. On December 15, 2011, Element filed Articles of Amalgamation under the OBCA, giving effect to the amalgamation of Element and Mira II Acquisition Corp. ("Mira"), a capital pool company (a "CPC") listed on the TSX Venture Exchange (the "TSXV"). The entity continuing from the amalgamation was "Element Financial Corporation". On December 16, 2011, the Common Shares were listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "EFN". On January 1, 2013, Element completed an internal reorganization by way of a short form vertical amalgamation pursuant to Articles of Amalgamation under the OBCA.

Element was issued a certificate and articles of amendment effective December 17, 2013, providing for the creation of its Series A Shares (as defined herein) and Series B Shares (as defined herein). Subsequently, Element was issued a certificate and articles of amendment effective February 28, 2014 providing for the creation of its Series C Shares (as defined herein) and Series D Shares (as defined herein and collectively with the Series A Shares, the Series B Shares and the Series C Shares, the "Preferred Shares").

The organization chart below indicates the inter-corporate relationships of the Corporation and its material subsidiary entities (and including their jurisdiction of incorporation in parenthesis) as of the date hereof. All such subsidiaries are wholly-owned.



Notes:

(1) Element Equipment Finance LP was established as a funding vehicle to expand Element's existing securitization and syndication arrangements.

(2) Element Fleet Services LP was established in connection with a revolving securitization funding facility to which an affiliate of the Corporation has transferred and will transfer financial assets and related property or interests therein.

DEVELOPMENT OF THE BUSINESS OVER THE LAST THREE YEARS

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April 2011 Unit Offering

On April 5, 2011, Element raised $75.0 million from the issuance of 18,750,000 units of Element at a price of $4.00 per unit, which units consisted of Pre-Amalgamation Common Shares (as defined herein) and rights to acquire Pre-Amalgamation Common Shares. In connection with such financing, Element was able to secure an additional debt commitment from The Manufacturers Life Insurance Company, Inc. and a new revolving credit facility from a Schedule I Canadian bank.

Alter Moneta Acquisition

As of August 1, 2011, Element acquired substantially all of the assets and assumed certain liabilities of the Alter Moneta Group L.P. for approximately $160.2 million pursuant to an asset purchase agreement dated July 26, 2011 (the "Alter Moneta Acquisition"). In addition to a mature finance asset portfolio of leases and loans, the Alter Moneta Acquisition provided Element with an established back-office staff and systems with the capability to manage and process a large North American equipment finance portfolio and handle significant growth in business originations. The Alter Moneta Acquisition also provided Element with an experienced lease financing team and proven origination and asset management experience in the Province of Québec. In addition, the Alter Moneta Acquisition further enabled Element to expand its existing sales force into Québec to establish a national origination team.

October 2011 Private Placement

On October 28, 2011, Element completed a private placement of 41,700,000 subscription receipts (the "Subscription Receipts") at a price of $4.20 per Subscription Receipt for $175.1 million (the "October 2011 Private Placement"). Each Subscription Receipt entitled the holder to receive, for no additional consideration, one common share of Element (the "Pre-Amalgamation Common Shares") immediately prior to the completion of the Amalgamation (as defined herein). Holders of Pre-Amalgamation Common Shares issued pursuant to the October 2011 Private Placement were entitled to receive, pursuant to the terms of the Amalgamation Agreement (defined below), one common share of the resulting amalgamated Element (the "Common Shares") for each Pre-Amalgamation Common Share so held.

Amalgamation and Qualifying Transaction

On October 28, 2011, Element and Mira entered into an amalgamation agreement (the "Amalgamation Agreement"), pursuant to which Element and Mira, a CPC listed on the TSX, would merge by way of an amalgamation under the OBCA pursuant to Articles of Amalgamation (the "Amalgamation") and, among other things, the shareholders of Element would hold the significant majority of the outstanding Common Shares and the name of the resulting issuer would be "Element Financial Corporation".

On December 15, 2011, the Amalgamation was completed with Element Financial Corporation being the continuing entity. Upon completion of the Amalgamation, Element's shareholders held approximately 99% of the issued and outstanding Common Shares. The Amalgamation constituted a reverse take-over of Mira by Element. Concurrent with the completion of the Amalgamation, on December 16, 2011, the Common Shares were listed for trading on the TSX under the symbol "EFN".

Element's Financial Position at Year End 2011

At December 31, 2011, Element had total assets of $416.7 million and shareholders' equity of $238.3 million.

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May 2012 Special Warrant Offering

On May 31, 2012, Element issued, on a private placement basis, 16,595,900 special warrants (the "May 2012 Special Warrants") at a price of $5.25 per May 2012 Special Warrant for gross proceeds of approximately $87.1 million. Each May 2012 Special Warrant entitled the holder to receive, upon exercise or deemed exercise thereof, for no additional consideration, one Common Share. The distribution of the Common Shares underlying the May 2012 Special Warrants was qualified by a prospectus dated August 9, 2012 and the underlying Common Shares were issued on August 14, 2012.

TLSI Acquisition

On June 29, 2012, Element completed the acquisition of TLSI Holdings Inc. ("TLSI"), the holding company of Transportaction Lease Systems Inc. ("TLS"), from The Bank of Nova Scotia and the company's other minority shareholders for aggregate consideration of approximately $154.6 million plus debt (the "TLSI Acquisition"). Element filed a business acquisition report dated July 17, 2012 in respect of the TLSI Acquisition.

The core business acquired pursuant to the TLSI Acquisition was providing vehicle fleet leasing and management solutions and related service programs to Canadian companies, including service cards, remarketing, maintenance management and accident services. At the time of the TLSI Acquisition, TLS was Canada's fourth largest fleet leasing company.

On January 1, 2013, TLS amalgamated with TLSI and two inactive subsidiaries of TLS. The continuing entity, organized pursuant to the *Canada Business Corporations Act,* was TLS. On July 3, 2013, TLS combined its operations with the acquired portfolio and operational resources from the GE Fleet Portfolio Acquisition and filed articles of amendment pursuant to the *Canada Business Corporations Act* to amend its name to Element Fleet Management Inc. ("Fleet Management"). See "*Development of the Business Over the Last Three Years – 2013 – GE Fleet Portfolio Acquisition"* for more details.

TLS Securitization Arrangement

In connection with financing the purchase price of the TLSI Acquisition, TLS entered into a securitization arrangement (the "TLS Securitization Arrangement"), under which eligible TLS vehicles and related lease assets may be sold from time to time to a newly formed special purpose entity (the "TLS Partnership"), which in turn raises debt capital to finance its purchases. Element has guaranteed the obligations of TLS (now Fleet Management) under the TLS Securitization Arrangement.

The first transaction under the TLS Securitization Arrangement closed on June 29, 2012 and involved a sale of substantially all of TLS' vehicles and related lease assets to the TLS Partnership and the issuance by the TLS Partnership of approximately $400.0 million of floating rate asset-backed notes. The asset-backed notes were purchased by a securitization conduit administered by a Schedule I Canadian Bank. The $400.0 million of initial proceeds from the TLS Securitization Arrangement were applied to repay indebtedness incurred at closing to repay TLS approximately $373.0 million of outstanding indebtedness and to enable Element to pay the balance of the purchase price for the TLSI Acquisition.

November 2012 Special Warrant Offering

On November 23, 2012, Element issued, on a private placement basis, 19,500,000 special warrants (the "November 2012 Special Warrants") at a price of $5.65 per November 2012 Special Warrant for gross proceeds of approximately $110.2 million. Each November 2012 Special Warrant entitled the holder to receive, upon exercise or deemed exercise thereof, for no additional consideration, one Common Share. The distribution of the Common Shares underlying the November 2012 Special Warrants was qualified by a prospectus dated February 5, 2013 and the underlying Common Shares were issued on February 6, 2013.

CoActiv Acquisition

On November 30, 2012, Element completed the acquisition of CoActiv Capital Partners, Inc. ("CoActiv") from Marubeni Corporation and Marubeni America Corporation (collectively, "Marubeni") for aggregate consideration of approximately $300.0 million including repayment of debt to Marubeni (the "CoActiv Acquisition"). On March 6, 2013, Element and Marubeni agreed on an immaterial adjustment of the purchase price payable pursuant to a stock purchase agreement dated November 8, 2012. Element filed a business acquisition report dated January 15, 2013, in respect of the CoActiv Acquisition.

The CoActiv Acquisition added to Element's expertise in and ability to deliver manufacturer supported equipment financing programs. Through the manufacturer and franchisor supported sales programs, the CoActiv Acquisition provided Element with an established and diversified base of more than 11,000 customer accounts in the U.S. and Canada that included a wide range of end users from Fortune 500 companies to small and medium sized businesses and local municipalities.

CoActiv Securitization Transactions

Concurrent with the closing of the CoActiv Acquisition, CoActiv and Element Funding U.S., LLC, a special purpose entity, entered into a financing with a U.S. subsidiary of a Schedule I Canadian bank, and CoActiv Capital Partners Canada Inc. ("CoActiv Canada") entered into a securitization funding transaction with a Canadian asset-backed securitization conduit administered by an affiliate of a Schedule I Canadian bank (collectively, the "CoActiv Securitization Transactions"). Pursuant to the CoActiv Securitization Transactions, each of CoActiv and CoActiv Canada sold or concurrently leased, as applicable, substantially all of its finance assets in consideration for a purchase price or prepayment of rents in the aggregate amount of approximately $199.3 million.

Element has agreed to guarantee the performance of certain obligations of CoActiv and Element Funding U.S., LLC in connection with the CoActiv Securitization Transactions. Following the amalgamation of Element and CoActiv Canada completed on January 1, 2013, obligations of CoActiv are now obligations of Element.

Nexcap Acquisition

On December 27, 2012, Element entered into a share purchase agreement (the "Nexcap Share Purchase Agreement") to acquire all of the outstanding shares in the capital of Nexcap Finance Corporation ("Nexcap") for approximately $20.0 million plus the assumption of Nexcap's existing net debt (the "Nexcap Acquisition"). Pursuant to the Nexcap Share Purchase Agreement, Element acquired all of the outstanding shares in the capital of Nexcap from the Sherk Family Trust, 1397225 Ontario Limited and Mid Canada Asset Management Corp. The Nexcap Acquisition closed on January 18, 2013.

The Nexcap Acquisition provided Element with access to an established business with originations where more than 75 percent of the historical values were derived from various vendor finance relationships operated for leading technology and transportation equipment manufacturers in Canada.

Element filed a business acquisition report dated January 29, 2013, in respect of the Nexcap Acquisition.

Element's Financial Position at Year End 2012

At December 31, 2012, Element had total assets of $1.5 billion and shareholders' equity of $423.4 million.

2013

March 2013 Equity Financing

On March 12, 2013, Element closed its bought deal offering of 22,310,000 Common Shares, at a price of $7.75 per Common Share, for aggregate gross proceeds of approximately $172.9 million. The net proceeds of this offering were used to finance the origination of finance assets and for general corporate purposes.

Element Added to S&P/TSX Composite Index

On March 18, 2013, Element's Common Shares were added to the S&P/TSX Composite Index.

June 2013 Special Warrant Offering

On June 18, 2013, Element issued, on a private placement basis, 29,612,500 special warrants (the "June 2013 Special Warrants") at a price of $10.15 per June 2013 Special Warrant for gross proceeds of approximately $300.6 million (the "June 2013 Special Warrant Offering"). Each June 2013 Special Warrant entitled the holder to receive, upon exercise or deemed exercise thereof, for no additional consideration, one Common Share. The distribution of the Common Shares underlying the June 2013 Special Warrants was qualified by a prospectus dated August 13, 2013 and the underlying Common Shares were issued on August 14, 2013.

GE Fleet Portfolio Acquisition

On June 28, 2013, the Corporation completed the acquisition of General Electric Capital Corporation's Canadian fleet portfolio and its operational resources (the "GE Portfolio") for net cash consideration of $559.2 million (the "GE Fleet Portfolio Acquisition"). The GE Fleet Portfolio Acquisition increased the Corporation's total assets by $562.8 million of which approximately $487.3 million was finance receivables and $75.5 million was goodwill and intangible assets. The acquired portfolio and operational resources were subsequently combined with the operations of TLS, re-branded under Fleet Management and will further advance the Corporation's Canadian fleet services growth strategy. The Corporation also entered into a strategic alliance agreement (the "Strategic Alliance") with GE Capital Fleet Services. Under the Strategic Alliance, the two companies will collaborate primarily on the pursuit of Canada/U.S. cross-border fleet management opportunities. In conjunction with the acquisition, the Corporation entered into a new revolving floating rate facility for $500 million to support the acquisition as well as the ongoing originations from the acquired operations.

Element filed a business acquisition report dated August 6, 2013, in respect of the GE Fleet Portfolio Acquisition.

Establishment of the Element Equipment Finance Fund and Sale of Inaugural Tranche

On June 28, 2013, a new special purpose limited partnership, Element Equipment Finance LP (the "Finance LP"), was established as a funding vehicle to expand Element's existing securitization and syndication arrangements. The Finance LP proposes to acquire and/or lease equipment and related financial assets generated under secured equipment financing transactions in the $1.5 million to $25.0 million range and will be capitalized with equity and debt from Element and debt from institutional investor partners.

On June 28, 2013, the Finance LP completed the issuance and sale of its inaugural tranche of US$48.5 million aggregate principal amount of unrated notes consisting of three classes: senior, junior and subordinated notes (collectively, the "Notes") to a US-based investment management firm. The Notes are backed by a first-priority security interest in loans and leases relating to fixed-wing and rotary aviation equipment deployed by North American-based operators. In September 2013, Finance LP received ratings on each of the senior, junior and subordinated notes, respectively from S&P of BBB, BBB-, and BB. Element expects to seek additional debt or debt and equity financing by issuing and selling subsequent tranches of securities of the Finance LP to institutional investors with increasingly diversified risk/return objectives.

Revolving Credit Facility

On August 26, 2013, the Corporation established a US$585.0 million revolving credit facility (the "Revolving Credit Facility") to fund the Corporation's planned origination activity into 2014.

December 2013 Equity Financing

On December 17, 2013, Element completed a bought deal offering of 33,465,000 Common Shares, at a price of $13.75 per Common Share for aggregate gross proceeds of approximately $460.1 million. The net proceeds of this offering were used to originate and finance, directly or indirectly, finance assets (including the Helicopter Assets (as defined herein) and Railcar Assets (as defined herein)) and for general corporate purposes.

December 2013 Preferred Share Financing

On December 17, 2013, Element completed a bought deal offering of 4,000,000 6.60% Cumulative 5-Year Rate Reset Preferred Shares, Series A of the Corporation (the "Series A Shares"), at a price of $25.00 per Series A Share, for aggregate gross proceeds of approximately $100.0 million. The Series A Shares are convertible, in certain circumstances, on a one-for-one basis into Cumulative Floating Rate Preferred Shares, Series B of the Corporation (the "Series B Shares"). On December 23, 2013, Element issued a further 600,000 Series A Shares at a price of $25.00 per Series A Share, for aggregate gross proceeds of $15.0 million, pursuant to the exercise of the over-allotment option. The net proceeds of this offering were used to originate and finance, directly or indirectly, finance assets (including the Helicopter Assets and certain Railcar Assets) and for general corporate purposes.

Bridge Credit Facility

On December 19, 2013, the Corporation entered into a US$600.0 million committed bridge credit facility to provide bridge financing for Railcar Assets originated through the Trinity Vendor Program while the Corporation develops more permanent financing structures.

Helicopter Finance Assets Acquisition

On December 19, 2013, Element acquired finance assets consisting of lease and loan arrangements secured by 57 individual helicopters primarily located in the United States (the "Helicopter Assets") for US$242.7 million (the "Helicopter Assets Purchase") from, *inter alia*, General Electric Capital Corporation ("GE Capital") and Path Air L.L.C. ("Path Air"), a division of GE Capital.

The individual helicopters underlying the Helicopter Assets are operated by a diversified base of customers across a variety of industries primarily based in the United States, including air medical services, offshore oil and gas, and other energy sectors. The top five customers under the lease and loan arrangements forming the Helicopter Assets represent approximately 77% of the Helicopter Assets, based on original equipment cost. All but two of the leases are fixed rate.

Upon closing of the Helicopter Assets Purchase, the Helicopter Assets had no history of credit losses, none of the Helicopter Assets was delinquent or in arrears, and the Helicopter Assets had a credit profile that is aligned with Element's existing book of aviation financings. Element reviewed Helicopter Assets against Element's credit underwriting standards and requirements. The Helicopter Assets are comprised of longer-term leases, with the shortest lease term being five years and with the longest lease term being fifteen years. The weighted average remaining lease term is 6.2 years. The lease values for the Helicopter Assets range in size from $757,000 to $26.5 million.

The 57 helicopters underlying the Helicopter Assets (and forming the collateral) are models from the following manufacturers: Eurocopter, Sikorsky, and Bell. 75% of the helicopters underlying the Helicopter Assets are less than ten years old, with 38% of the helicopters underlying the Helicopter Assets being less than six years old.

While the acquisition of the Helicopter Assets did not trigger the asset test or the investment test (as such tests are defined in NI 51-102) for the purposes of determining whether the Helicopter Assets Purchase was a “significant acquisition” under Part 8 of NI 51-102 for Element, the acquisition of the Helicopter Assets did trigger the “profit or loss” test (as such test is defined in NI 51-102) as the estimated income from the Helicopter Assets is greater than 20% of the absolute value Element’s loss in 2012 and for the 12 months ended September 30, 2013. The losses reflected in Element’s financial results for these periods were directly impacted by acquisition costs related to the completion of the several significant transactions in 2012 and 2013. Element has applied for an exemption from the requirement under Part 8 of NI 51-102 to prepare a business acquisition report with respect to the Helicopter Assets Purchase.

Trinity Vendor Program

Overview

On December 9, 2013, Element established a new vendor finance program (the “Trinity Vendor Program”) with Trinity Industries Inc. to enter into lease financing transactions with Trinity Industries Leasing Company and/or affiliates (“Trinity”) over a two year period. Under the terms of the Trinity Vendor Program, Element and Trinity have formed a strategic alliance whereby Element will be presented with preferred opportunities from time to time to enter into lease financings (the “Leases”) for railcars manufactured by Trinity (the “Railcars”, and together with the Leases, the “Railcar Assets”). Trinity will offer Element the right to assume railcar financing transactions on financial terms to be agreed upon by the parties at the time of offer. Under the terms of the Trinity Vendor Program, (i) TrinityRail Asset Management Company, LLC will provide Element with new business and general advisory services, including assisting Element with analyzing the operating and financial performance of the Railcar Assets and advising Element on the status of the railcar and railcar leasing markets, and (ii) Trinity will be responsible for performing operating, maintenance and servicing on behalf of Element in respect of the Railcar Assets.

The identification of the Railcar Assets offered by Trinity to Element under the Trinity Vendor Program may include Leases for newly manufactured railcars, existing railcars and secondary market purchases from third parties identified by Trinity, and shall be based on predetermined diversification criteria, including limits on railcar type, use, Lease duration, average age and credit quality of the lessee. Offers of qualifying railcar assets are to be made to Element by Trinity from time to time for the duration of the Trinity Vendor Program. Trinity and Element will meet on a quarterly basis to report on and consult with respect to material business and process issues under the Trinity Vendor Program.

In connection with the Trinity Vendor Program, Element has acquired approximately US$501.0 million of existing Railcars under Leases to a diversified Trinity customer base under a US$105.3 million tranche closing completed on December 19, 2013 and a US$396.0 million second tranche closing completed on January 28, 2014 (collectively, the “Trinity Tranche Closings”). The Leases assumed by Element are consistent with the diversification criteria established by Element at the time of entering into the Trinity Vendor Program.

Railcar Assets

As a result of the Trinity Tranche Closings, Element has Leases secured by 4,878 Railcars. The Railcars were leased to approximately 63 customers (the "Lessees"). Based on the Leases of the Railcars currently in effect, the single largest Lessee (by monthly revenue) accounts for approximately 7.6% of Element’s monthly leasing revenue as of the second closing date of the Trinity Tranche Closings.

Lessees

The Lessees consist of entities rated by S&P (or, in certain instances, entities whose parents and/or affiliates are rated by S&P) and/or by another rating agency, as well as unrated entities. As of the second closing date of the Trinity Tranche Closings, approximately 46% of the Lessees (or their parent and/or affiliate) were rated, while approximately 54% of the Lessees were an unrated entity. However, there can be no assurance that the ratings assigned to the affiliate or parent or sublessee are reflective of the creditworthiness of the Lessee.

Leases

Under Trinity's procedures, railcars are leased to a Trinity customer pursuant to a master railcar lease agreement which specifies general terms applicable to the lease of all railcars to be leased to such customer and one or more riders/supplements are entered into from time to time which describe the specific railcars to be leased by the customer, together with the applicable term and lease rates applicable to such railcars. The rider incorporates the terms of the master railcar lease agreement which, together with such incorporated terms, evidences and constitutes a Lease. As of the respective closing dates of the Trinity Tranche Closings, none of the Leases were in default.

In general, the Leases have terms ranging from three years to ten years. As of the second closing date of the Trinity Tranche Closings, the remaining Lease terms on the Railcars averaged approximately 4.6 years on a weighted average basis (based on the number of Railcars) without taking into account the exercise of any purchase options. In addition, as of the second closing date of the Trinity Tranche Closings, the initial Lease rates for the Railcars averaged approximately $807 per month on a weighted average basis (based on the number of railcars) per Railcar.

While the acquisition of the Railcar Assets would not trigger the asset test or the investment test (as such tests are defined in NI 51-102) for the purposes of determining whether the Trinity Tranche Closings would be a "significant acquisition" under Part 8 of NI 51-102 for Element, the acquisition of the Railcar Assets would trigger the "profit or loss" test (as such test is defined in NI 51-102) as the estimated income from the Railcar Assets is greater than 20% of the absolute value of Element's loss for the financial year ended December 31, 2013. Element has applied for exemptive relief from requirements of Part 8 of NI 51-102 with respect to the Railcar Assets acquired pursuant to the Trinity Tranche Closings.

Element's Financial Position at Year End 2013

At December 31, 2013, Element had total assets of $3.45 billion and shareholders' equity of $1.45 billion.

2014 RECENT DEVELOPMENTS

Element Added to FTSE Global Equity Index Series

On March 6, 2014, Element announced that the Common Shares will be added to the FTSE Global Equity Index Series effective after the close of business on March 21, 2014.

March 2014 Preferred Share Financing

On March 7, 2014, Element completed a bought deal offering of 5,000,000 6.50% Cumulative 5-Year Rate Reset Preferred Shares, Series C of the Corporation (the "Series C Shares"), at a price of $25.00 per Series C Share, for aggregate gross proceeds of approximately $125.0 million (the "2014 Preferred Share Offering"). The Series C Shares are convertible, in certain circumstances, on a one-for-one basis into Cumulative Floating Rate Preferred Shares, Series D of the Corporation (the "Series D Shares"). On March 24, 2014, Element issued a further 126,400 Series C Shares at a price of $25.00 per Series A Share, for aggregate gross proceeds of $3.16 million, pursuant to the partial exercise of the over-allotment option. The net proceeds of this offering were used to originate and finance, directly or indirectly, finance assets and for general corporate purposes.

Finance LP Completes Sale of Second Tranche

On March 19, 2014, the Finance LP completed the issuance and sale of an additional tranche of US$40.8 million aggregate principal amount of notes to certain institutional investors.

Trinity Vendor Program

Element closed the acquisition of an approximately US$118 million third tranche of Railcar Assets under the Trinity Vendor Program on March 27, 2014.

DESCRIPTION OF THE BUSINESS

Element is an independent financial services company that originates, co-invests in and manages asset-based financings with operations in both Canada and the United States. Element originates the financing of a broad range of equipment and capital assets by way of secured loans, financial leases, conditional sales contracts and operating leases. Element originates the vast majority of its equipment financings through relationships with equipment vendors. Element distinguishes itself from traditional lenders such as banks and finance companies in that it:

- offers select, asset-based financing services rather than providing full-service lending;
- originates primarily through vendor relationships with equipment manufacturers; and
- funds its activities through commitments from institutional investors rather than accepting deposits from the public.

Element is led by Steven Hudson, the Chairman and Chief Executive Officer of Element. Mr. Hudson has extensive experience in the equipment finance industry, including 14 years as chief executive officer of Newcourt Credit Group Inc. ("Newcourt"), a company he founded. Under Mr. Hudson's leadership, Newcourt went public in early 1994, completed numerous acquisitions and experienced significant organic growth prior to the merger of Newcourt with The CIT Group, Inc. in 1999. Under Mr. Hudson's leadership, Newcourt completed a number of acquisitions, including AT&T Capital Corporation, Commcorp Financial Services Inc. (CIBC Equipment Leasing) and the asset finance operations of Lloyd's Bank and grew its portfolio of finance assets to approximately $35.0 billion at the time of its sale to CIT.

Bradley Nullmeyer was appointed President of the Corporation, effective September 1, 2012. In addition to overseeing Element's North American operations, Mr. Nullmeyer has primary responsibility for building out Element's vendor finance unit. Mr. Nullmeyer was one of Newcourt's founding partners and was responsible for growing Newcourt's vendor finance origination volumes. During the 1994 to 1999 period, Mr. Nullmeyer established several world-class vendor finance programs for major equipment manufacturers including Dell Computers, Western Star Trucks, Avaya (formerly Lucent Technologies) and Snap-on Corporation.

Element has an experienced executive management team with seasoned executives leading each of Element's core business verticals having an average of approximately 20 years of diversified asset finance and equipment finance industry experience. Element utilizes its management team's extensive experience in the equipment financing industry to maintain and expand relationships with equipment vendors and direct relationships with customers.

OVERVIEW OF ASSET-BASED FINANCE INDUSTRY

Element currently operates in two distinct segments of the asset-based finance market: (i) commercial finance and (ii) corporate finance.

Commercial Finance

The commercial finance segment of the asset-based finance market involves the provision of direct and indirect financing for the acquisition of commercial equipment. This segment of the asset-based finance market involves financing the sale of equipment from the manufacturer, distributor, or dealer to the ultimate end-user of the equipment. Asset-based financing within the commercial finance segment of the market is provided by a wide variety of market participants, including banks, captive finance companies and independent finance companies.

The commercial finance segment of the market has experienced strong growth in recent years as a result of increased capital and infrastructure spending, increased machinery and equipment expenditures and the continuing trend of consolidation in the industry as larger participants build market share through acquisitions and the outsourcing by equipment manufacturers, dealers and distributors of their asset-based financing requirements. Within the commercial finance market, the Corporation is focusing its activities on establishing formal vendor finance programs as a basis for originating asset finance business.

Vendor finance programs are agreements with equipment manufacturers, dealers, distributors and professional organizations (collectively, "vendors") which provide a finance company with preferred access to financing transactions relating to a vendor's equipment. These financings are generally offered to: (i) the ultimate end-user of the equipment; and (ii) the vendor's dealers and distributors through inventory or "floorplan" financing. Vendor finance arrangements provide a steady, reliable flow of new business with lower costs of origination than asset-based financings marketed directly to end-users. Vendors often provide various forms of support to the finance company under these programs, including credit support and equipment repurchase and remarketing arrangements. Vendor finance programs can also take the form of a referral relationship which is less formal and typically does not include credit support from the vendor. For vendors, these programs are attractive because the financing is tailored to the vendor's particular product line and industry, thereby helping to promote equipment sales. The close relationship between credit sources and the vendor allows the vendor to maintain contact with the customer. These programs are often a less expensive alternative to a vendor maintaining its own captive finance company.

Element generally operates vendor finance programs in the transportation and construction finance, commercial and industrial finance, healthcare equipment finance, office products and technology, franchise finance and golf equipment finance markets across North America. As part of its growth strategy, Element is focusing its activities on establishing vendor finance programs as its main origination channel.

Corporate Finance

The corporate finance segment of the asset-based finance market generally involves large structured asset finance transactions. Financing in this market is required by corporations, institutions and government acquiring capital assets such as rotary and fixed-wing aircraft, railway rolling stock and transportation fleets. Element competes in the corporate finance segment of the asset based finance market through its Aviation Finance Vertical. The corporate finance segment of the asset-based finance market is characterized by transactions that are generally of a higher value, longer duration and more complex in their structure, underwriting, funding and management than transactions originated in the commercial finance segment of the market. Funding is usually provided by banks, other private market lenders such as life insurance companies and through public capital markets. The principal intermediaries in the corporate finance market are investment bankers. Most transactions involve syndications, whereby several institutional investors participate in the financing.

The corporate finance market has experienced strong growth over the past several years. This growth is the result of: (i) the extended aging of existing equipment stocks that were not replaced as planned following the 2008 financial crisis, and (ii) corporate and institutional borrowers seeking to diversify their sources of debt capital by dealing directly with asset-based lenders. See "*Description of the Business – Competition*" for a description of Element's competitors in the corporate finance market.

OVERVIEW OF ELEMENT'S BUSINESS VERTICALS

Element has organized its activities and operations around four core verticals: (i) Commercial and Vendor Finance (formerly Element Finance), (ii) Aviation Finance (formerly Element Capital), (iii) Fleet Management (formerly Element Fleet) and (iv) Rail Finance.

Commercial and Vendor Finance

Commercial and Vendor Finance is Element's vertical servicing the mid-ticket finance segment of the equipment finance industry. The mid-ticket finance segment involves financing for the acquisition of equipment ranging in value from approximately $10,000 to over $5.0 million. The equipment financing industry is the second largest provider of debt financing to business customers and consumers after banks and credit unions. In general, the Canadian and U.S. equipment finance industry is served by three main industry participants: independent lease finance companies like Element (including U.S.-based commercial leasing companies), captive finance companies owned by manufacturers and distributors, and banks.

Element has identified three key objectives for the development of its equipment financing business: (i) target specific segments of the equipment finance market and establish separate business units to cover each segment; (ii) as Element's market presence grows, expand its vendor finance business by increasing the number of its vendor relationships; and (iii) expand Element's equipment finance origination capabilities through targeted organic and acquisitive growth.

Element primarily originates its equipment finance assets directly through its relationships with equipment vendors. Unlike many of its competitors, Element does not rely on third-party brokers to originate its business due to the higher incidence of losses from this type of business. To further assure the quality of its equipment finance assets, Element emphasizes the creditworthiness of the ultimate lessee or borrower, the value of the financed assets and the creditworthiness of the vendor. The Commercial and Vendor Finance segment has assembled an industry-leading sales force, and has employees covering Canada and the United States with offices in Toronto, Montreal, Calgary, and Horsham, Pennsylvania.

Element serves the Commercial and Vendor Finance market through its five specialized business unit platforms:

- Transportation and Construction Finance – provides vendor finance in the transportation, construction and material handling markets;

- Commercial and Industrial Finance – provides vendor finance in the commercial and industrial markets;

- Healthcare Finance – provides vendor finance and direct end-user financing products designed to service the healthcare sector seeking financing for equipment, business acquisition and working capital;

- Office Products and Technology Finance – provides vendor finance in the office products and technology equipment markets; and

- Franchise Finance – provides finance arrangements to assist franchisee networks fund the cost of equipment related to capital campaigns, re-model costs and re-imaging programs.

Element believes that the diversification of its existing business unit platforms will reduce its exposure to economic cycles and provide a more predictable and stable source of revenue.

Aviation Finance

The Aviation Finance segment originates large aviation financing and leasing transactions that range in size from $5.0 million to over $150.0 million with a duration ranging from 36 to 120 months. These transactions typically apply to the financing of high-value assets such as a corporate jets or helicopters. Element originates these larger, longer-duration aviation financing transactions through its teams of knowledgeable aviation finance specialists who have established networks of contacts with both manufacturers and end-users of various types of equipment.

In the Aviation Finance vertical, all significant transactions presently originated by it require the formation of a funding syndicate that is purpose-built for each financing transaction. In addition to Element, these syndicates are typically comprised of one or more other institutional funding partners or multiple partners participating in various funding tranches each with varying characteristics in terms of relative risk and return.

Aviation Finance contributes to the Corporation's revenue and earnings by earning: (i) interest income on the portion of its own equity that is contributed to the funding syndicate for each transaction that it originates; (ii) spread income over the cost of funds that it pays to its institutional funding partners; (iii) fee income from the borrower for underwriting and funding the transaction; and (iv) fee income from the other syndicate participants for administering the transaction on their behalf over the term of the investment.

In terms of the allocation of any credit losses in these syndicated transactions, syndication participants purchase on a *pari passu* basis a portion of the initial transaction. Similarly, credit losses are attributable to the owner of the transaction on a *pari passu* basis reflecting their actual contribution in the transaction. Element therefore only assumes credit losses for its own assets and provides no credit enhancements to the syndication participants.

As its transactions are larger and require longer lead times to close (relative to those in Element's other business units), Aviation Finance's contribution to the Corporation's reported origination volumes from quarter to quarter are expected to be asymmetrical until the transaction flows from this business vertical normalize on a percentage basis, relative to the origination volumes from the Corporation's other business verticals.

On December 19, 2013, the Corporation acquired the Helicopter Assets from GECC and Path Air, a division of GECC. Element believes that the Helicopter Assets Purchase represents a diversification of the assets in Aviation Finance's existing portfolio through further expansion into the United States (with an expanded customer base presenting new opportunities) and continued expansion into an attractive segment of the aviation finance market. This portfolio acquisition and associated customer list acquisition adds further scale and scope to Aviation Finance's position in the civil aviation equipment financing and leasing marketplace. See "*Development of the Business Over the Last Three Years – 2013 – Helicopter Finance Assets Acquisition*".

See "*Description of the Business – Competition*" for a description of Element's competitors in the aviation finance market.

Fleet Management

Fleet Management's core business is providing vehicle fleet leasing and management solutions and related service programs to Canadian companies, including service cards, remarketing, maintenance management and accident services. Fleet Management was established as a new business vertical following the completion of the acquisition of TLSI on June 29, 2012. See "*Development of the Business Over the Last Three Years – 2012 – TLSI Acquisition*". At the time of the TLSI Acquisition, TLS was Canada's fourth largest fleet leasing company (originally established in 1980) and provided Element with a portfolio of more than $430.0 million of lease assets. The TLSI Acquisition accelerated Element's growth through the addition of its established origination platform and through the creation of cross-selling opportunities for Element's existing clients. Element's extensive familiarity with the fleet management business, gained through senior management's prior involvement with Newcourt Fleet Management, assisted Element in integrating this new vertical. On June 28, 2013, the Corporation completed the GE Fleet Portfolio Acquisition. At the time of the acquisition, the GE Portfolio provided Element with a portfolio of more than $480 million of lease and loan assets in addition to Fleet Management's then existing portfolio. In addition, the Corporation entered into the Strategic Alliance with GE Capital Fleet Services. See "*Development of the Business Over the Last Three Years – 2013 – GE Fleet Portfolio Acquisition*". As a result of this acquisition, Fleet Management now manages close to $1.0 billion in finance assets and is now the largest vehicle fleet leasing business in Canada. Fleet Management has a national focus with offices in Mississauga, Montreal, Edmonton, Calgary, Vancouver and a presence in Winnipeg.

Fleet Management enhances the diversification of Element's operations by providing a low-risk earnings stream that is complemented by significant fee based revenue, including cost management and fleet optimization services. The vehicle fleet leasing industry is traditionally characterized by a number of attractive industry fundamentals. Traditionally, there has been a high barrier to entry, as a national service network is difficult to replicate while the value-added service offerings help reinforce strong customer relationships. Furthermore, as the recent economic downturn has caused customers to keep their fleet vehicles for longer periods of time, a significant growth opportunity is expected to emerge as customers replace and upgrade their aging fleets.

See "*Description of the Business – Competition*" for a description of Element's competitors in the vehicle fleet leasing and fleet management solutions market.

Rail Finance

Rail Finance provides railcar leasing through its relationships with railcar manufacturers and vendors. Rail Finance was launched in December 2013 when the Corporation entered into a strategic alliance agreement with Trinity to provide lease financing for up to US$2.0 billion worth of railcars over the next two years. Under the terms of the Trinity Vendor Program, Element will be presented with preferred opportunities to enter into Leases for Railcars over the period of the Trinity Vendor Program. See "*Development of the Business Over the Last Three Years – 2013 – Trinity Vendor Finance Program*". In connection with the Trinity Vendor Program, Element has acquired approximately US$619.3 million of existing Railcars under Leases to a diversified Trinity customer base under a US$105.3 million tranche closing completed on December 19, 2013, a US$396 million second tranche closing completed on January 28, 2014, and a US$118 million third tranche closing completed on March 27, 2014. The Leases assumed by Element are consistent with the diversification criteria established by Element at the time of entering into the Trinity Vendor Program.

Railcar leasing is characterized by leases and assets that have longer term and lessees with strong credit quality. In addition, the strategic alliance with Trinity enables the Company to enter the railcar financing segment with limited investment in overhead and a low operating expense base required to grow and manage the portfolio.

See "*Description of the Business – Competition*" for a description of Element's competitors in the railcar leasing market.

GROWTH STRATEGY

Element's primary objectives are to (i) enhance its current position as a provider of mid-ticket equipment financing through its Commercial and Vendor Finance vertical, (ii) strengthen its funding capacity within the large-equipment finance market through its Aviation Finance vertical, (iii) continue cross-selling integrated services and expanding volumes to new and existing customers within its Fleet Management vertical, and (iv) grow its Rail Finance vertical through its strategic alliance with Trinity and new vendor finance programs.

Element's growth strategy is based on three broad initiatives: (i) capitalizing on organic opportunities by leveraging established customer relationships and by continuing to "build out" its existing capabilities on both sides of the Canadian-U.S. border; (ii) developing new strategic vendor relationships with manufacturers, dealers and distributors; and (iii) completing selected tuck-in acquisitions, that can broaden the Corporation's base of vendor and dealer relationships, and transformational acquisitions, that move the Corporation toward its mission of becoming North America's most successful independent equipment finance company.

This approach to organic, new vendor, and acquisitive growth is founded upon a number of considerations:

- Following the Significant Acquisitions, Element is now operationally capable of serving equipment vendors that have customers on both sides of the Canada-US border.
- While the Significant Acquisitions continued to expand Element's presence in the United States particularly the Helicopter Assets Purchase and the Trinity Vendor Program, the Corporation's capabilities in some business verticals are more developed in Canada than is now the case within its U.S. operations and the opposite is also true in other areas.
- As Element's relationships with existing vendors mature, it hopes to transition those into more extensive and integrated service offerings.
- As an integral part of its growth strategy, Element is focusing its activities on establishing vendor finance programs as its main origination channel.
- With the strategic transactions and activities completed by Element in 2012 and 2013 including the Significant Acquisitions, Element now has the operational infrastructure in place to increase the number of independent equipment manufacturers, dealers and distributors that rely on Element to provide equipment finance transactions for their customers.
- Element believes that the 2008 market disruption within the North American equipment finance industry continues to provide opportunities for Element to expand its origination staff by hiring experienced teams with well-established origination relationships and to pursue strategic and accretive acquisition opportunities. Element intends to continue pursuing a disciplined approach to such opportunities.

Capitalize on Organic Opportunities

Leverage Existing Customer Relationships

With the 2013 Significant Acquisitions, Element further expanded existing operational capabilities within the U.S. to complement its existing Canadian capabilities. The Corporation has enhanced its ability to provide equipment financing for Element's existing vendor relationships on both sides of the border and compete in the U.S. market. Following its numerous acquisitions in 2012 and 2013, Element has been in discussions with several existing vendor relationships to better serve their needs in this manner. Examples of this strategy have already been realized and the Corporation is encouraged by the interest expressed by existing relationships in expanding Element's business on both sides of the Canada-U.S. border.

Deepen Existing Capabilities

Element intends to build upon the mutual strengths of each of its Canadian and U.S. operations in a disciplined manner and in a way that leverages the skills and expertise of management and personnel on either side of the border to create a North American leasing platform. Element also intends to continue building these strengths in each geographic region by hiring experienced teams and by way of additional acquisitions as described below.

Hire/Expand New Origination Teams

Element intends to expand upon its industry-leading sales force by continuing to hire experienced and established origination staff with proven equipment vendor relationships and portfolio opportunities, as well as retaining talented underwriting, administration and financial reporting executives and managers.

Element believes that the 2008 market disruption created a market dislocation which left a number of undercapitalized participants in the equipment finance market with experienced teams and established origination platforms looking for opportunities to partner with a well-capitalized firm. Management believes that there continues to exist an opportunity for Element to further build out its origination platforms by attracting experienced teams with established relationships in the North American equipment finance market.

Funding Vehicle for Aviation Finance

During 2012, Element established the Aviation Finance vertical. This involved hiring a new team and putting in place the related credit, syndication, operational and governance structures. In June 2013, Element established the Finance LP as a funding vehicle to expand Element's existing securitization and syndication arrangements. See "*Development of the Business Over the Last Three Years – 2013 – Establishment of the Element Equipment Finance Fund and Sale of Inaugural Tranche*". With these building blocks now in place, a focus for Element in 2014 will be on expanding access to financing for large financing transactions applicable to this segment.

On June 28, 2013, the Finance LP completed the issuance and sale of its inaugural tranche of US$48.5 million aggregate principal amount of unrated Notes consisting of three classes: senior, junior and subordinated notes. In September 2013, Finance LP received ratings on each of the senior, junior and subordinated notes, respectively from S&P of BBB, BBB-, and BB. Element expects to seek additional debt or debt and equity financing by issuing and selling subsequent tranches of securities of the Finance LP to institutional investors with increasingly diversified risk/return objectives. On March 19, 2014, the Finance LP completed and issuance and sale of an additional tranche of US$40.8 million aggregate principal amount of notes to certain institutional investors.

Fleet Services

Element established the Fleet Management business vertical following the completion of the TLSI Acquisition in June 2012. The GE Portfolio Acquisition in June 2013 further expanded the Fleet Management business vertical by providing Element with a portfolio of more than $480 million of lease and loan assets in addition to Fleet Management's then existing portfolio, as well as a Strategic Alliance with GE Capital Fleet Services that allows the two companies to collaborate on the pursuit of Canada/U.S. cross-border fleet management opportunities. Fleet Management's core business is providing vehicle fleet leasing and management solutions and related service programs to Canadian companies, including service cards, remarketing, maintenance management and accident services. Fleet Management enhances the diversification of Element's operations by providing a low-risk earnings stream that is complemented by significant fee-based revenue, including cost management and fleet optimization services. Within the Fleet Management business, Element intends to expand cross-selling efforts for its service programs, obtain new Fleet Management customers and increase origination volumes with existing Fleet Management customers. In addition, Element intends to leverage existing Fleet Management customer relationships to also become customers within the Company's other verticals. For further information related to Fleet Management, see "*Description of the Business – Overview of Element's Business Verticals – Fleet Management*".

Element believes that these organic growth efforts described above will provide Element with a balanced origination team possessing national coverage and regional diversification and breadth of service capabilities and asset-type expertise in both Canada and the U.S.

Develop New Strategic Vendor Relationships

Element believes its executive management team's experience in the equipment financing industry provides Element with access to key decision makers at equipment vendors across North America, thereby enabling it to develop and enhance equipment vendor relationships in each of Element's core verticals. As previously discussed, Element is focusing its activities on establishing vendor finance programs as its main origination channel as an integral part of its growth strategy.

As part of developing and enhancing vendor relationships, Element seeks to establish itself effectively as a business partner of its vendors through the establishment of commercial arrangements, including joint ventures, designed to develop, promote and administer equipment financing programs for such vendors' customers. Element typically provides the vendor with assistance and advice as to interest rates, down payments, repayment maturities, documentation, collections, liquidations, marketing and related matters. Although Element seeks and often obtains a preferred relationship with vendors pursuant to these programs, these arrangements do not obligate Element to approve any financing transactions which do not meet its credit standards or require the vendor to refer all of its financing transactions to Element.

Element currently has a number of vendor finance programs in place in Canada and the United States, with a broad range of customers and leading manufacturers across each of the Commercial and Vendor Finance, Fleet Management and Aviation Finance verticals.

Pursue Strategic Acquisitions and Other Partnerships

Element is positioned to capitalize on opportunities to expand its business through potential acquisition and partnership opportunities that arise from the market dislocation that began in 2008 and the regulatory response to that dislocation as it has affected regulated financial institutions. Element believes that this market dislocation, though perhaps moderating recently, will continue to present acquisition and partnership opportunities for Element. Element believes that it has excellent access to capital, a highly experienced management team and a broad network of relationships that provide it with a strong capability to opportunistically complete accretive transactions and develop long-term strategic partnerships.

Pursue Strategic Acquisitions

Since early 2010, Element has undertaken a prudent and disciplined approach in reviewing numerous acquisition opportunities. While Element takes a disciplined approach to opportunities it is willing to pursue, it believes that significant strategic and accretive opportunities exist. This strategic pursuit resulted in Element completing two significant acquisitions during the financial year ended December 31, 2013 (the GE Fleet Portfolio Acquisition and GE Helicopter Assets Purchase), as well as establishing the Trinity Vendor Program and the completion of the respective tranche closings thereunder.

Element's acquisitive growth objectives are currently focused on:

- acquisitions of independent equipment leasing companies within Element's core equipment and vendor markets;
- acquisitions of captive finance companies and portfolios; and
- acquisitions of leasing businesses and portfolios from financial institutions.

Element's focus for these acquisitive growth objectives will concentrate on opportunities within the North American market that are within Element's core verticals and that possess processing capabilities and strong local management teams. As part of Element's strategy, Element may acquire established origination teams and platforms in order to provide increased national coverage and regional diversification and/or strengths in desirable business verticals.

Further, acquisition activities will be focused on businesses or portfolios that are a strategic fit in terms of back-office, systems and originations capabilities, have the required infrastructure to continue to operate and grow independently without straining Element's existing infrastructure and offer accretion to Element from a net income and return on equity perspective. For example, Element believes that the Helicopter Assets Purchase will be beneficial to the Corporation and the Aviation Finance vertical for a number of reasons, including that it represents a diversification of the assets in Aviation Finance's existing aviation finance portfolio through further expansion into the United States (with an expanded customer base presenting new opportunities) and continued expansion into an attractive segment of the aviation finance market.

Element's experienced management team has successfully completed numerous industry acquisitions and integrations. Element management's experience provides Element with a disciplined approach to acquisition opportunities. Element believes that Element management's past experience in the equipment financing and financial services industries provides Element with the skills and experience to effectively identify and evaluate acquisition opportunities.

Explore Partnering Opportunities with Financial Institutions

Element expects that opportunities may exist over the next few years for it to partner with major financial institutions through financing arrangements or the creation of "private label" equipment leasing business. Element believes that such potential partners may show interest in the equipment finance segment due to the ability to drive business through a leasing platform. Given Element's broad experience and track record in equipment financing and leasing, it believes that financial institutions seeking to invest in the equipment finance segment will view Element as an attractive strategic partner, and that such partnerships with major financial institutions could provide Element with additional funding and client bases that would amplify its origination capabilities.

FUNDING MODEL

From its inception in 2007 to December 31, 2013, Element obtained approximately \$4.9 billion in aggregate equity capital and committed debt financing. In 2013 alone, Element substantially strengthened its balance sheet by increasing its equity capital by over \$1.0 billion in gross proceeds pursuant to three equity financings and one private placement of special warrants. Furthermore, in early 2014, Element completed the 2014 Preferred Share Offering for gross proceeds of approximately \$128.2 million (including over-allotment exercise). This substantially enhanced equity base is expected to allow Element to leverage its balance sheet with additional debt capital, to support growth in equipment finance asset originations.

The funding strategy used for the various equipment finance assets that Element originates is determined by the nature of the underlying assets and execution efficiency. The funding model uses a combination of Element's own cash resources, secured borrowing facilities (see "*Description of the Business - Funding Arrangements*") and syndications. The size, duration, and single obligor limits of the equipment finance asset influences the funding decision. In general, Commercial and Vendor Finance's mid-ticket business units originate assets that match the investment quality and duration required by Canadian life insurance companies and, as a result, Element has implemented term funding facilities with certain life insurance companies and Canadian Schedule I banks (the "Term Funding Facilities"). The large-ticket Aviation Finance transactions are better suited to a syndication funding model (see "*Description of the Business - Funding Arrangements Future Funding Arrangements*"). The Fleet Management assets have a shorter duration, lower asset size and are suited to the revolving secured borrowing funding structure. As there is overlap in the nature of the assets financed by each of these business units, the funding models are not exclusive to any such business unit.

There are a number of steps involved in the funding of Element's equipment finance assets:

(i) Element originates and funds equipment finance transactions in accordance with its specific credit underwriting guidelines for each vertical (including business units within such vertical, as applicable). The Corporation can use a combination of available cash on hand and/or its full recourse warehouse facility with BMO Nesbitt Burns Inc. (the "Warehouse Line") to fund the asset (see "*Description of the Business - Funding Arrangements*").

(ii) For equipment finance assets of less than $5.0 million, Element accumulates equipment finance transactions for a period of time, typically in the range of one to four weeks, and packages the transactions in discrete tranches for funding through one of its Term Funding Facilities. For equipment finance assets of greater than $5.0 million, Element may syndicate *pari passu* participating interests in the asset, and retains servicing responsibilities.

(iii) The proceeds received from the Term Funding Facilities are used by Element to repay any amounts borrowed under the Warehouse Line, and any cash reserve requirements within the permanent funding facility, with the remaining balance of the term funding proceeds released to Element.

(iv) Transactions are match funded on a duration, currency and interest rate basis, with the financing term equal to the amortization of the underlying equipment finance transactions. Fixed and floating interest rates are matched through aligning the assets and funding facility and through interest rate swaps. Element recognizes interest income and associated interest expense over the term of the equipment finance transactions.

As part of its planning and corporate governance process, Element, on an on-going basis, monitors developments in the capital markets to ensure efficient structures and execution of its funding arrangements. (See "*Description of the Business - Funding Arrangements*").

Funding Arrangements

The Corporation's primary sources of funding are: (i) cash flows from operating activities; (ii) the Warehouse Line (consisting of the Revolving Credit Facility and Bridge Credit Facility); (iii) the Term Funding Facilities; (iv) the revolving secured borrowings; and (v) equity. As at December 31, 2013, Element had shareholders' equity of $1.45 billion, and secured borrowings of $1.89 billion. Growth in the Corporation's lease originations will require the ongoing availability of secured borrowings sufficient to accommodate such growth.

Shareholders' Equity

As at December 31, 2013, Element had shareholders' equity of $1.45 billion, as summarized in the chart below:

(in 000's)	**As at December 31, 2013 $**	As at December 31, 2012 $
Shareholders' equity		
Paid-up capital	**1,434,284**	330,578
Special Warrants	**Nil**	101,975
Contributed surplus	**25,059**	5,712
Comprehensive income / (loss)	**(3,304)**	(499)
Accumulated deficit	**(15,991)**	(14,341)
Total shareholders' equity	**1,446,656**	423,425

Secured Borrowings

The following table is a summary of the Corporation's secured borrowings as at December 31, 2013 and 2012:

(in 000's)	**2013**	2012
	$	$
Secured borrowings from Canadian life insurance companies/bank	**535,317**	309,609
Non-revolving secured borrowings from trusts/bank securitization conduits	**240,065**	36,884
Revolving secured borrowings from non-related financial services entities	**923,740**	579,981
	1,699,122	926,474
Revolving general borrowings, secured by the totality of Element's assets	**211,566**	68,899
	1,910,688	995,373
Deferred financing costs	**(16,778)**	(6,245)
	1,893,910	989,128

General Borrowing / Warehouse Facility

The general borrowing facilities are traditional full recourse facilities used by the Corporation for general corporate purposes including working capital and interim financing of eligible finance receivables. All borrowings are secured by a general security agreement providing security over all assets of an individual subsidiary or the Corporation (including a second charge on assets over which the securitization facility lenders have priority). The warehouse facilities are subject to cross-default against defaults under any other funding agreements. During the year ended December 31, 2013, the Corporation terminated its previous $125 million warehouse facility and replaced it with a revolving syndicated facility of $585 million. Additionally, the Corporation added a US $600 million facility to the revolving syndicated facility to enable the funding of railcar leases. See "*Development of the Business Over the Last Three Years – 2013 – Revolving Credit Facility and Bridge Credit Facility*".

Secured Borrowings – Term Funding Facilities

The Term Funding Facilities are structured as limited-recourse transactions with recourse only to the portfolios of finance receivables funded under these facilities, plus certain cash reserves. Recourse to the Corporation is limited to 2% of the amounts outstanding under the facilities for all but one of the arrangements which has no recourse. The Term Funding Facilities are not cross-collateralized to any facility with other lenders but are subject to cross-default against defaults in any other funding agreements. The Corporation has access to $680.0 million under these facilities of which $425.6 million is available at December 31, 2013.

Non-Revolving Secured Borrowings – From Trusts/Bank Securitization Conduits

The non-revolving secured borrowings borrowing facilities are made available from non-related trusts administered by Canadian Schedule I banks and from trusts/bank securitization conduits and are structured as either an outright sale of leases or a concurrent lease transaction and are non-recourse to the Corporation except for their related cash reserve accounts. These facilities were (i) established to finance specific Canadian assets acquired as part of the CoActiv Acquisition, (ii) assumed on the Nexcap Acquisition on January 18, 2013, and (iii) established through a syndication agreement for a portion of the then outstanding Fleet Management revolving facility during the quarter ended June 30, 2013. The balance outstanding under these facilities is $240.1 million and $25.6 million was available as at December 31, 2013.

Revolving Secured Borrowings from Trusts/Bank Securitization Conduits and other Financial Services Entities

The Corporation has numerous sources of capital available to it by way of securitization conduits or other secured borrowing facilities. The Corporation's current revolving facilities consist of:

- A revolving floating rate secured borrowing facility from a Canadian trust in the amount of $350 million to fund certain eligible pools of assets from Fleet Management. As at December 31, 2013, an amount of $235.5 million had been drawn against this facility.

- On July 2, 2013, the Corporation established a $500 million revolving floating rate secured borrowing facility with a Canadian trust to fund eligible pools of assets originated by the acquired GE Portfolio leasing operations. As at December 31, 2013, $342.3 million had been drawn on the facility.

- A U.S. dollar revolving floating rate secured borrowing facility from a U.S. bank securitization conduit was established upon the CoActiv Acquisition in the principal amount of U.S. $250 million to fund eligible pools of assets then acquired and ongoing new business originated by this new subsidiary. As at December 31, 2013, an amount of U.S. $238.4 million had been drawn against this facility.

- A U.S. dollar revolving floating rate secured borrowing facility with U.S. institutional investors to fund pools of eligible finance assets originated by Aviation Finance. As at December 31, 2013, the facility had issued notes for U.S. $88.0 million.

- A revolving fixed rate secured borrowing agreement with a Canadian trust for $50.0 million was assumed on the Nexcap Acquisition. On September 16, 2013 this facility was repaid in full, however, the facility is still available.

Element's available sources of liquidity as at December 31, 2013 are shown in the following chart:

(in 000's)	**As at December 31, 2013**	As at December 31, 2012
	$	$
Cash and cash equivalents	**12,401**	9,997
General borrowings / warehouse facilities		
Facility	**1,247,160**	125,000
Utilized against Facility	**211,566**	68,899
	1,035,594	56,101
Secured borrowings – term funding facilities		
Facilities available	**680,000**	360,748
Utilized against available facilities	**254,431**	136,898
	425,569	223,850
Non-revolving secured borrowings from trusts/bank securitization		
Facility	**265,635**	61,111
Utilized against facilities	**240,066**	36,884
	25,569	24,227
Revolving secured borrowings from trusts/bank securitization conduits and other financial services entities		
Facility	**1,259,497**	683,725
Utilized against facility	**923,740**	579,981
	335,757	103,744
Total available sources of capital, end of period	**1,834,890**	417,919

The Corporation has significant resources available to continue funding projected growth. Finance receivables are securitized on a regular basis to ensure cash is always available to fund new transactions. Cash levels are monitored closely by management. In addition, the Corporation adheres to a strict policy of matching the maturities of owned finance assets and the related debt as closely as possible in order to manage its liquidity position.

The contractual maturity of the secured borrowings outstanding as at December 31, 2013 and 2012, versus maturity of the finance receivables is as follows:

(in 000's)	**2013**			**2012**		
	Secured borrowings **$**	Finance receivables **$**	**%**	Secured borrowings **$**	Finance receivables **$**	**%**
Maturity						
Within 1 year	**579,598**	**921,424**	**62.9**	345,116	420,032	82.2
In 1 to 3 years	**859,651**	**1,167,557**	**73.6**	453,593	620,874	73.1
In 3 to 5 years	**231,879**	**586,894**	**39.5**	125,576	229,075	54.8
After 5 years	**27,994**	**302,625**	**9.3**	2,189	30,022	7.3
	1,699,122	**2,978,500**	**57.0**	926,474	1,300,003	71.3

Other Contractual Obligations

In addition to the obligations relating to secured borrowings previously discussed, the Corporation has the following contractual obligations relating its head office and regional offices under operating leases:

(in 000's)	Total **$**	Less than 1 year **$**	1 to 5 years **$**	After 5 years **$**
Operating leases	13,238	1,644	6,293	5,301

Derivatives and Hedging

From time to time, the Corporation enters into derivative transactions primarily in order to hedge interest rate exposure resulting from its floating rate debt obligations. The Corporation will enter into interest rate swap transactions whereby the Corporation will pay a fixed rate of interest and receive a floating rate of interest, with the notional amounts of the derivatives matched to the expected amortization of the related debt. The Corporation has designated these instruments as cash flow hedges and the changes in fair value of the effective portions of the hedging instrument are recognized through other comprehensive income, and interest settlements on these interest rate swaps are applied to the related interest expense on the debt through the statement of operations.

The Corporation will also enter into foreign exchange forward agreements to hedge its exposures to foreign currency risk on foreign denominated finance receivables and its net investment in foreign subsidiaries. Fair value changes on the foreign exchange forward agreements and settlements on the foreign exchange forward contracts are recognized through other comprehensive income, and are transferred to income on the settlement of the related hedged finance receivable or on the disposition of the related foreign subsidiary.

As at December 31, 2013, the Corporation had net derivative liabilities of $3.0 million on notional balances of $1,269.0 million. For the year ended December 31, 2013, the fair value changes recorded in net income was ($1.9) million and in other comprehensive income was $(3.6) million for derivatives designated as cashflow hedges.

COMPETITION

Element's markets are highly competitive and characterized by various competitive factors. In Canada and the United States, Element faces competition from a number of industry participants in the commercial finance market, including independent lease finance companies, captive finance companies owned by manufacturers and distributors, Canadian and U.S. banks and third-party brokers.

Element believes it is well positioned to compete with its competitors by means of having an experienced management team with a track record of success, access to capital, a large and highly experienced in-house sales team with rapid customer response times and a creative structuring approach, as well as strong relationships with end-user customers and vendors and financial institution partnerships.

Element's principal competitors in the North American commercial finance market include, among others, CIT, GE Capital, De Lage Landen, Wells Fargo, and subsidiaries of Schedule I Canadian and U.S. banks.

In the corporate finance market, dominant U.S. participants have curtailed their activities in both the U.S. and Canada. Canadian and U.S. banks are still very active in their respective markets but are financing with tighter credit conditions, longer processes and more restrictive terms. The corporate finance market is more difficult to penetrate than the commercial finance market because it requires: (i) an origination network that is developed over many years from serving the manufacturers and end-users of a particular asset class; (ii) a deep level of knowledge regarding underwriting and structuring credit, based on the manner in which the values of these assets change over time as a result of age, use, maintenance, technological innovation and economic cycles; and (iii) knowledge of and access to funding sources in which the originator has developed a working relationship that allows syndicate structures to be put together efficiently on a transaction-by-transaction basis.

Element's primary competitors in the North American corporate finance market include GE Capital, CIT, Key Equipment Finance, HSBC, PNC Equipment Finance, Bank of America Equipment Finance, and other Canadian and U.S. banks.

The competition in the fleet business is likely to remain aggressive. U.S. participants are expected to attempt to leverage their U.S. customer relationships to win business of such customers' Canadian subsidiaries and have assigned Canadian sales teams in furtherance of this strategy. Canadian participants can be expected to try to prevent a loss of business to U.S. participants. Due to cost to customers of changing fleet service providers, the ability of participants to retain existing customers is relatively strong in the fleet leasing market.

Element's competitors in the vehicle fleet leasing and fleet management solutions market include Canadian-based fleet management companies, such as Foss National Leasing and Jim Pattison Lease, as well as Canadian subsidiaries of U.S.-based fleet management companies, such as ARI and PHH Arval.

Element's primary competitors in the rail finance market include GE Capital Railcar Services, CIT Group, GATX Corporation, and Macquarie Rail Inc.

EMPLOYEES

As of December 31, 2013, Element and its subsidiaries had 412 employees. None of Element's employees is represented by a collective bargaining agreement and it has never experienced any work stoppages. Element has employment, non-solicitation and non-competition agreements with each of its senior executives and originators. Element considers its relations with its employees to be good and views its employees as an important competitive advantage. Historically, Element has been successful in retaining its key employees including members of its senior management team. Element's senior management team has an in depth knowledge of equipment finance, and of the independent financial services industry in general.

RISK FACTORS

An investment in the securities of Element involves significant risks. Investors should carefully consider the risks described below before deciding to purchase Element's securities. If any of the following or other risks occur, Element's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted.

RISKS RELATING TO ELEMENT'S BUSINESS

Global Financial Markets and General Economic Conditions May Adversely Affect Element's Results

Recent events in the financial markets have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, financial developments seemingly unrelated to Element or to its industry may materially adversely affect Element over the course of time. For example, general volatility in the equity markets could hurt Element's ability to raise capital for the financing of acquisitions or other reasons.

Moreover, a reduction in credit, combined with reduced economic activity, may materially adversely affect businesses and industries that collectively constitute a significant portion of Element's customer base and may make it more difficult for Element to maintain new business origination and the credit quality of new business at the levels currently forecast. As a result, these customers may need to reduce their purchases and reliance on Element's services, or Element may experience greater difficulty in receiving payment for its services. Delinquencies, non-accruals and credit losses generally increase during economic slowdowns or recessions. Therefore, to the extent that economic and business conditions are unfavourable, Element's non-performing assets may become elevated and the value of Element's portfolio is likely to decrease.

Adverse economic conditions also may decrease the estimated value of the collateral securing some of Element's loans and leases. Further or prolonged economic slowdowns or recessions could lead to financial losses in Element's portfolio and a decrease in Element's net finance income, net income and book value. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on Element's business, operating results, and financial condition.

Lack of Funding May Limit Element's Ability to Originate Leases

Element is dependent upon its ability to secure funding for its loans and leases to customers and to fund its existing obligations. While Element actively pursues new sources of funding, there can be no assurance that such additional financing will be obtained. In the past, Element has obtained the cash required for its operations through the issuance of equity interests to institutional and accredited investors, by borrowing money through the Term Funding Facilities and Warehouse Line, and the syndication and securitization of certain of Element's leases and loans. Element may not be able to continue to access these or other sources of funds.

At December 31, 2013, Element had liquidity of $1.835 billion available to fund future originations. The Corporation believes that it will be able to continue to increase these facilities as the Corporation and its origination volumes continue to grow.

Concentration of Debt Financing Sources May Increase Element's Funding Risks

Element has obtained the secured borrowings from a number of financial institutions. Element's reliance on such financial institutions for a significant amount of its funding exposes Element to funding risks. If these financial institutions decided to terminate these secured borrowing arrangements, Element's operations could be materially adversely affected.

Inability to Attract and Retain Employees May Limit Element's Ability to Grow Its Business

If Element is not able to attract and retain top employees, its ability to compete may be harmed. Element's success is also highly dependent on its continuing ability to identify, hire, train, retain and motivate highly qualified management, technical, sales and marketing personnel. In order to grow Element's business, it must attract and retain qualified personnel, especially origination and credit personnel with relationships with referral sources and an understanding of the equipment financing businesses and the industries in which Element's borrowers operate. In addition, in Element's effort to attract and retain critical personnel, Element may experience increased compensation costs that are not offset by either improved productivity or higher prices for Element's services.

Many of the financial institutions that Element competes for experienced personnel may be able to offer more attractive terms of employment. If any of Element's key origination personnel leave, Element's new equipment finance origination volume from their business contacts may decline or cease. In addition, Element invests significant time and expense in training its employees, which increases their value to competitors who may seek to recruit them and increases the costs of replacing them. These factors may have a material adverse effect on Element's ability to grow its business.

Loss of Key Personnel May Significantly Harm Element's Business

Element's performance is substantially dependent on the performance of its executive officers and key employees, including those referred to under "Directors and Officers". Further, Element does not maintain "key person" life insurance policies on any of its employees. The loss of the services of any of Element's executive officers or other key employees could significantly harm Element's business. Element provides a competitive compensation package, which includes profit sharing and medical benefits as it continuously seeks to align the interest of employees and shareholders.

Competition for Vendor Equipment Finance May Affect Element's Relationships with Vendors

The vendor equipment finance business of Element is dependent upon its ability to enter into and maintain exclusive or preferred relationships with vendors. This market is highly competitive and there can be no assurance that such relationships can be maintained.

A Competitive Business Environment May Limit the Growth of Element's Business

Element's market segments are highly competitive and characterized by competitive factors that vary based upon product and geographic region. Element competes with a wide variety of competitors in Canada and the United States that include independent lease finance companies, captive finance companies owned by manufacturers and distributers, Canadian and U.S. banks and third-party brokers.

Element competes primarily on the basis of pricing, terms and structure. If Element is unable to match its competitors' terms, Element could lose market share. Should Element match competitors' terms, it is possible that it could experience lower returns and/or increased losses. Element also may be unable to match competitors' terms as a result of Element's current or future financial condition. In addition, some of Element's competitors offer a broader range of financial, lending and banking services than Element does and can leverage their existing customer relationships to offer and sell services that compete directly with Element's services. For example, the competition in the fleet business is likely to remain aggressive as U.S. participants are expected to attempt to leverage their U.S. customer relationships to win business of such customers' Canadian subsidiaries and have assigned Canadian sales teams in furtherance of this strategy. Further, some of Element's competitors have greater financial, technical, marketing, origination and other resources than Element does. They may also have greater access to capital than Element does and at a lower cost than is available to Element. As a result of competition, Element may not be able to attract new customers, retain existing customers or sustain the rate of growth that Element has experienced to date, and Element's ability to profitably expand its portfolio and grow future revenue may decline. If Element's existing customers choose to use competing sources of credit to refinance their debt, Element's portfolio could be adversely affected.

Change in Interest Rates May Adversely Affect Element's Financial Results

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

In order to mitigate interest rate risk, the Corporation structures its secured borrowing arrangements to maintain a fixed interest rate spread between the interest paid on both the term funding facilities and the revolving facilities and the interest received on the underlying finance receivables. This fixed interest rate spread is achieved by match funding transactions on both a duration and interest rate basis. In some instances, matching the interest rate basis requires that the Corporation enters into interest rate swaps in order to align the interest rate variability.

The Corporation does experience short-term interest rate risk on these finance receivables during the period between fixing the contractual rate under the finance contracts with its customers and the locking of the interest rate under its funding facilities. During this time, an upward movement in Government of Canada Bond rates can negatively impact the spread on the transaction. In order to mitigate this risk, the Corporation carefully monitors its borrowing costs to ensure its rates reflect appropriate spreads to insulate against sudden unexpected interest rate movements. In order to further mitigate risk, the Corporation undertakes regular securitizations under its secured borrowing arrangements to ensure its finance contracts are appropriately match-funded by its secured borrowing, which reduces the warehouse period and the likelihood that a significant movement in bond rates will negatively impact the spreads on such transactions. The Corporation also maintains adequate balance sheet liquidity to allow it flexibility in developing a strategy of holding versus securitizing such finance assets.

After considering the fixed interest rate spread on the secured borrowing programs and high exposure to fixed rate finance receivables described above, the Corporation's interest rate risk is limited to cash and restricted cash, floating rate finance receivables which are neither hedged nor part of a match-funded secured borrowing arrangement, and its senior revolving credit facility. Based on its exposure as at December 31, 2013, the Corporation estimates that a 50 basis point increase or decrease in interest rates would not have a significant impact on the Corporation's earnings.

Credit Facilities May Limit Element's Operation Flexibility

Element's credit facilities, including its various securitization facilities, the Revolving Credit Facility and its current bridge facility, contain financial and non-financial covenants, such as requirements that Element comply with one or more of tangible net worth, consolidated debt to shareholders equity ratio, loan loss ratios and change of control provisions. Complying with such covenants may at times necessitate that Element forego other favourable business opportunities, such as acquisitions. Moreover, Element's failure to comply with any of these covenants would likely constitute a default under such facilities and could give rise to an acceleration of some, if not all, of Element's then outstanding indebtedness, which would have a material adverse effect on Element's business.

As of December 31, 2013, Element had $1.91 billion in debt outstanding, and Element expects this amount to grow as it increases originations. From time to time, Element may owe amounts under its Warehouse Line and may otherwise increase its debt to fund the growth of Element's business. While Element match funds its borrowings under the secured borrowing facilities, if the matched income earning assets securing the leases or loans underperform Element may to some extent have to utilize cash flow or capital resources to fund its debt service payments. If Element's cash flow and capital resources are insufficient to service amounts owed under the secured borrowing facilities, the Warehouse Line or any future indebtedness, as applicable, Element may be forced to reduce or delay capital expenditures, dispose of assets, issue equity or incur additional debt to obtain necessary funds, or restructure its debt, any or all of which could have a material adverse effect on Element's business, financial condition and results of operations. In addition, Element cannot guarantee that it would be able to take any of these actions on terms acceptable to Element, or at all, that these actions would enable Element to continue to satisfy its capital requirements or that these actions would be permitted under the terms of Element's various debt agreements.

Inability to Realize Benefits from Growth May Harm Element's Financial Condition

Element's inability to realize the potential benefits from its growth strategy may adversely impact its operating results. Element's ability to realize such benefits will be based on its management of growth and will require it to continue to build its operational, financial and management controls, human resource policies, and reporting systems and procedures. Element's ability to manage its growth will depend in large part upon a number of factors, including the ability of Element to rapidly:

- secure additional sources of funding to undertake strategic acquisitions, while implementing a prudent capital structure for Element;
- expand Element's internal operational and financial controls significantly, so that it can maintain control over operations and provide support to other functional areas as the number of personnel and size of its business increases;
- attract and retain qualified personnel in order to continue to develop Element's origination platforms and provide services that respond to evolving customer needs;
- develop support capacity for customers as sales increase, so that Element can provide post-sales support without diverting resources from origination efforts; and
- expand its network of vendor relationships to create an enhanced presence in the evolving marketplace for Element's services.

Element's inability to achieve any of these objectives could harm its business, financial condition and/or results of operations.

Expansion into the United States

The 2013 Significant Acquisitions further expanded Element's business and operations in the U.S. equipment financing marketplace. The business of equipment financing in the U.S. is highly fragmented and competitive. This may impede Element's ability to sustain its U.S. operations at its current levels or generate growth in revenues or operation income, which could have a material adverse impact on Element. Further, revenues, operating costs and capital expenditures with respect to operations in the U.S. may be denominated in U.S. dollars. As a result, a portion of Element's operations will be exposed to fluctuations in the exchange rate. Element has adopted a strategy to off-set its exposure to fluctuations in the exchange rate and any risks related thereto; however, there can be no assurance that such strategy will eliminate all or any of its exposure to such fluctuations which may have a material adverse effect on Element's business and results of operations.

Element has Grown Very Rapidly

Element has increased its assets from approximately $47.1 million as at March 31, 2011 to approximately $3.455 billion as at December 31, 2013.

Element's growth over the last two years has caused, and if its growth rate continues will continue to cause, significant demands on Element's credit underwriting, accounting, legal and operational infrastructure, and increased expenses. Element's future growth will depend, among other things, on its ability to maintain an operating platform and management systems sufficient to address its growth and will require Element to incur additional expenses and to commit additional senior management and operational resources. As a result, Element may face challenges in: (i) maintaining adequate financial and business controls; (ii) managing the credit underwriting process and monitoring credit risks and losses or delinquencies in Element's asset portfolio; (iii) implementing new or updated information and financial systems and procedures; and (iv) training, managing and appropriately sizing its work force and other components of its business on a timely and cost-effective basis. There can be no assurance that Element will be able to manage its expanding operations effectively or that it will be able to continue to grow, and any failure to do so could adversely affect its ability to generate revenue and control its expenses.

Risks Relating to Significant Acquisitions

While Element conducted substantial due diligence in connection with each of the TLSI Acquisition, the CoActiv Acquisition, the Nexcap Acquisition, the GE Fleet Portfolio Acquisition and the Helicopter Assets Purchase (collectively, the "Significant Acquisitions"), there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities for which Element is not sufficiently indemnified pursuant to the respective provisions of the applicable share or asset purchase agreement. Any such unknown or undisclosed risks or liabilities in respect of the Significant Acquisitions could materially and adversely affect Element's financial performance and results of operations.

Element currently anticipates that each of the 2013 Significant Acquisitions will be accretive; however, this expectation is based on preliminary estimates which may materially change. Element could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits anticipated in each of the 2013 Significant Acquisitions. All of these factors could cause dilution to Element's earnings per share or decrease or delay the anticipated accretive effect of the Significant Acquisitions and cause a decrease in the market price of Common Shares.

Risks Involved With Integrating Acquisitions

In addition to the anticipated benefits, the completed 2013 Significant Acquisitions also pose additional risks to Element's business. The success of the 2013 Significant Acquisitions will depend, in part, on the ability of Element to realize the anticipated benefits of the 2013 Significant Acquisitions, including cost savings and through complementary growth opportunities. Element cannot be certain that it will successfully integrate each of the 2013 Significant Acquisitions or that the Significant Acquisitions will ultimately benefit Element. Any failure to successfully integrate the 2013 Significant Acquisitions or failure to achieve the anticipated benefits of the 2013 Significant Acquisitions could have a material adverse effect on Element's business and results of operations.

Risks Relating to the Trinity Vendor Program

Element cannot be certain that the Trinity Vendor Program will be successful or that the Trinity Vendor Program will ultimately benefit Element. The success of the Trinity Vendor Program and benefit to Element will depend, in part, on the ability of Element to complete subsequent lease financings of Railcars offered by Trinity, and on the quality of the Railcar Assets acquired. The terms offered by Trinity on future tranches of Railcar Assets may not be acceptable to Element, and the predetermined diversification criteria for such assets including limits on Railcar Asset type, use, Lease duration, average age and credit quality of the lessee may not benefit Element. Trinity may fail to provide, or not meet expected service standards with respect to, the services it has agreed to provide to and on behalf of Element, including (i) new business and general advisory services, including assisting Element with analyzing the operating and financial performance of the Railcar Assets and advising Element on the status of the railcar and railcar leasing markets, and (ii) performing operating, maintenance and servicing on behalf of Element in respect of the Railcar Assets. These and other risks arising from the Trinity Vendor Program could have a material adverse effect on Element's business and results of operations and cause a decrease in the market price of Element's listed securities.

Complications in Managing Acquisitions May Negatively Affect Element's Operating Results

Element does not currently have any agreement or commitments to acquire any businesses. However, Element continues to seek opportunities to acquire or invest in businesses that could expand, complement or otherwise relate to Element's current or future business. Element may also consider, from time to time, opportunities to engage in joint ventures or other business collaborations with third-parties to address particular market segments. These activities create risks such as: (i) the need to integrate and manage the businesses, operations, services, personnel and systems acquired with Element's own business, (ii) additional demands on Element's resources, systems, procedures and controls, (iii) disruption of Element's ongoing business, (iv) diversion of management's attention from other business concerns, and (v) potential for additional regulatory scrutiny. Moreover, these transactions could involve: (i) substantial investment of funds or financings by issuance of debt or equity securities; (ii) substantial investment with respect to technology transfers and operational integration; and (iii) the acquisition or disposition of businesses. Also, such activities could result in one-time charges and expenses and have the potential to either dilute the interests of shareholders of Element or result in the issuance of, or assumption of, debt. Such acquisitions, investments, joint ventures or other business collaborations may involve significant commitments of Element's financial and other resources. Any such activity may not be successful in generating revenue, income or other returns to Element, and the resources committed to such activities will not be available to Element for other purposes. Moreover, if Element is unable to access capital markets on acceptable terms or at all, Element may not be able to consummate acquisitions, or may have to do so on the basis of a less than optimal capital structure. Element's inability: (i) to take advantage of growth opportunities for its business, or (ii) to address risks associated with acquisitions or investments in businesses, may negatively affect Element's operating results. Additionally, any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges to earnings associated with any acquisition or investment activity, may materially reduce Element's earnings which, in turn, may have an adverse material effect on the price of Element's securities. If Element does complete such transactions, Element cannot be sure that they will ultimately strengthen its competitive position or that they will not be viewed negatively by customers, securities analysts or investors.

Credit Risks May Lead to Unexpected Losses

Element's net investment in finance assets for its own account and to be held for future term funding exposes Element to credit risk. Credit risk is the risk that Element will incur an unexpected loss because its customers and counterparties fail to discharge their contractual obligations. Credit risk arises principally through Element's finance receivables that are a result of transactions within the equipment finance industry and, as such, contain an element of credit risk in the event that obligors are unable to meet the terms of their agreements. Element is exposed to credit risk as it arises from events and circumstances outside of Element's control relating to adverse economic conditions, business failure or fraud. The types of fraud to which Element is exposed generally fall into one of three primary categories: (i) vendor/dealer fraud; (ii) customer fraud; and (iii) employee fraud. Excessive credit losses could adversely affect Element's ability to generate and fund new financings.

In order to manage credit risk, Element operates using a clearly identified set of policies and procedures throughout its business processes. This includes a detailed analysis of the value of collateral security, the applicant's financial condition and the ability to service the debt or lease obligations at inception and throughout the term of the lease or loan. Element also manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties on direct financing leases and loans.

Element's Provision for Credit Losses May Prove Inadequate

Element's business depends on the creditworthiness of its customers and their ability to fulfill their obligations to Element. Element maintains a provision for credit losses that reflects management's judgment of losses inherent in the portfolio. Element periodically reviews its provision for adequacy considering economic conditions and trends, collateral values, and credit quality indicators, including past charge-off experience and levels of past due loans, past due loan migration trends, and non-performing assets.

Element's provision for credit losses may prove inadequate and Element cannot assure that it will be adequate over time to cover credit losses in Element's portfolio because of adverse changes in the economy or events adversely affecting specific customers, industries or markets. Element reserves may not keep pace with changes in the creditworthiness of Element's customers or in collateral values. If the credit quality of Element's customer base declines, if the risk profile of a market, industry, or group of customers changes significantly, or if the markets for equipment or other collateral deteriorates significantly, any or all of which would adversely affect the adequacy of Element's reserves for credit losses, it could have a material adverse effect on Element's business, results of operations, and financial position.

While credit losses have been minimal to date, Element has and will continue to provide for credit losses based on industry specific historical losses considering the categories, segmentation and distribution of the assets being financed and its customer base.

The Collateral Securing a Loan or a Lease May Not Be Sufficient

While most of Element's loans and leases are secured by a lien on specified collateral of the customer, there is no assurance that Element has obtained or properly perfected its liens, or that the value of the collateral securing any particular loan will protect Element from suffering a partial or complete loss if the loan or lease becomes non-performing and Element moves to foreclose on the collateral. In such event, Element could suffer loan or lease losses which could have a material adverse effect on its revenue, net income, financial condition and results of operations.

When underwriting collateral, Element makes an estimate of the value of the collateral under a distressed disposition. The estimated realization value of equipment during the life of the lease is an important element in the leasing business. A decrease in the market value of leased equipment at a rate greater than the rate Element projected, whether due to rapid technological or economic obsolescence, unusual wear and tear on the equipment, excessive use of the equipment, recession or other adverse economic conditions, or other factors, would adversely affect the current realization values of such equipment.

Further, certain equipment realization values are dependent on the manufacturers' or vendors' warranties, reputation, and other factors, including market liquidity. The degree of realization risk varies by transaction type.

Concentration of Leases and Loans with a Particular Industry or Region May Negatively Impact Element's Financial Condition

Element specializes in certain broad industry segments, such as vehicle fleet management, aviation and railcar financing, manufacturing and industrial, transportation and construction, healthcare, golf equipment, office products and technology, and franchise finance. As a result, Element's portfolio currently has and may develop other concentrations of risk exposure related to those industry segments. If industry segments in which Element has a concentration of investments experience adverse economic or business conditions, Element's delinquencies, default rate and charge-offs in those segments may increase, which may negatively impact its financial condition and results of operations.

Concentration of Leases and Loans to Small and Mid-Sized Companies May Carry More Inherent Risk

Element's portfolio includes loans and leases to small and medium-sized, privately-owned companies, most of which do not publicly report their financial condition. Compared to larger, publicly-traded firms, loans to these types of companies may carry more inherent risk. The small and midsized companies that Element finances generally have more limited access to capital and higher funding costs, may be in a weaker financial position, may need more capital to expand or compete, and may be unable to obtain financing from public capital markets or from traditional sources, such as commercial banks. Additionally, because most of Element's customers do not publicly report their financial condition, Element is more susceptible to a customer's misrepresentation, which could cause Element to suffer losses on its portfolio. The failure of a customer to accurately report its financial position could result in Element providing loans or leases that do not meet its underwriting criteria, defaults in loan and lease payments, the loss of some or all of the principal of a particular loan or lease or non-compliance with loan or lease covenants. Accordingly, loans and leases made to these types of customers involve higher risks than loans and leases made to companies that have larger businesses, greater financial resources or are otherwise able to access traditional credit sources. Numerous factors may make these types of companies more vulnerable to variations in results of operations, changes impacting their industry and changes in general market conditions.

Element's Quarterly Net Finance Income and Results of Operations are Difficult to Forecast and May Fluctuate Substantially

Element's quarterly net finance income and results of operations are difficult to forecast. Element may experience substantial fluctuations in net finance income and results of operations from quarter to quarter. Investors should not rely on Element's results of operations in any prior reporting period to be indicative of its performance in future reporting periods. Many different factors could cause Element's results of operations to vary from quarter to quarter, including:

- the success of Element's origination activities;
- credit losses and default rates;
- Element's ability to enter into financing arrangements;
- competition;
- seasonal fluctuations in Element's business, including the timing of transactions;
- costs of compliance with regulatory requirements;
- the timing and effect of any future acquisitions;
- personnel changes;
- changes in accounting rules;
- changes in prevailing interest rates;
- general changes to the Canadian, U.S. and global economies; and
- political conditions or events.

Element bases its current and future operating expense levels and its investment plans on estimates of future net finance income, origination activity and rate of growth. Element expects that its expenses will increase in the future, and Element may not be able to adjust its spending quickly enough if its net finance income falls short of Element's expectations. Any shortfalls in Element's net finance income, origination activity or in its expected growth rates could result in decreases in its share price.

Element is a Recently Organized Corporation with a Brief Operating History and Element has Incurred Losses in the Past and May Not Achieve Profitability in Future Periods

Given Element's limited operating history, Element's shareholders have limited historical information upon which to evaluate its prospects generally and compared to a number of its competitors, including its ability to generate originations on favourable terms or to enter into profitable finance contracts. Element cannot assure its shareholders that it will be able to implement its business objectives, that any of its objectives will be achieved or that Element will be able to operate profitably. The results of Element's operations will depend on several factors, including the availability of opportunities for the acquisition, disposition and leasing of equipment, Element's ability to capitalize on any such opportunities, the creditworthiness of Element's counterparties, the level of volatility of interest rates and commodities, the availability of adequate short- and long-term financing, conditions in the financial markets and other economic conditions, particularly as these conditions impact independent finance companies. Element's limited historical operations place it at a competitive disadvantage that Element's competitors may exploit.

Element anticipates that its operating expenses may increase in the near future as it continues to invest in its business and integrate the 2013 Significant Acquisitions. These efforts may prove more expensive than Element currently anticipates, and Element may not succeed in increasing its revenue or origination volumes sufficiently to offset these higher expenses. Element cannot be certain that it will be able to attain or increase profitability on a quarterly or annual basis. If Element is unable to effectively manage these risks and difficulties as it encounters them, it may negatively impact Element's financial condition, results of operations or cash flows.

Litigation May Negatively Impact Element's Financial Condition

From time to time in the ordinary course of its business, Element may become involved in various legal proceedings, including commercial, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause Element to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on Element's business, operating results or financial condition.

RISKS RELATING TO OWNERSHIP OF COMMON SHARES

Volatile Market Price for Common Shares

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Element's control, including the following:

- actual or anticipated fluctuations in Element's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which Element operates;
- addition or departure of Element's executive officers and other key personnel;
- release or expiration of lock-up or other transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- origination volumes of Element or its competitors and the general demand for equipment financing from customers;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Element or its competitors;
- operating and share price performance of other companies that investors deem comparable to Element; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in Element's industry or target markets.

In recent years financial markets have experienced significant price and volume fluctuations and other volatility that has particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of Common Shares may decline even if Element's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, Element's operations could be adversely impacted and the trading price of Common Shares may be materially adversely affected.

No Dividends

Element's current policy is to retain earnings to finance the growth and development of its origination business and to otherwise reinvest in its business. Therefore, Element does not anticipate paying cash dividends on Common Shares in the near future. Element's dividend policy will be reviewed from time to time by its Board of Directors in the context of Element's earnings, financial condition and other relevant factors. Until the time that Element does pay dividends, which it may never do, Element's shareholders will not be able to receive a return, if any, on their Common Shares unless they sell them.

Future Capital Requirements

Element may need to raise additional funds through public or private debt or equity financings in order to:

- fund ongoing operations;
- take advantage of opportunities, including more rapid expansion of Element's business or the acquisition of complementary businesses; or
- respond to competitive pressures.

Any additional capital raised through the sale of equity will dilute Element's existing shareholders' percentage ownership of Common Shares. Capital raised through debt financing would require Element to make periodic interest payments and may impose restrictive covenants on the conduct of Element's business. Furthermore, additional financings may not be available on terms favourable to Element, or at all. A failure to obtain additional funding could prevent Element from making expenditures that may be required to implement Element's growth strategy and grow or maintain Element's operations.

While Element believes that its capacity to expand its existing secured borrowing facilities, its access to bank term and conduit funding combined with access to the issuance of equity will be sufficient to fund its normal operating and capital expenditures as Element grows, this ability to access necessary capital cannot be assured.

Future Sales of Common Shares by Existing Shareholders

Sales of a substantial number of Common Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, could reduce the market price of Common Shares.

Holders of options to purchase Common Shares ("Element Options") will have an immediate income inclusion for tax purposes when they exercise their Element Options (that is, tax is not deferred until they sell the underlying Common Shares). As a result, these holders may need to sell Common Shares purchased on the exercise of Element Options in the same year that they exercise their Element Options. This may result in a greater number of Common Shares being sold in the public market, and fewer long-term holds of Common Shares by Element's directors, management and employees.

Publication of Inaccurate or Unfavourable Research by Securities Analysts or Other Third-Parties

The trading market for Common Shares relies in part on the research and reports that securities analysts and other third-parties choose to publish about Element. Element does not control these analysts or other third-parties. The price of the Common Shares could decline if one or more securities analysts downgrade Element or if one or more securities analysts or other third-parties publish inaccurate or unfavourable research about Element or cease publishing reports about Element.

RISKS RELATING TO OWNERSHIP OF PREFERRED SHARES

The Market Value of the Preferred Shares will be Affected by a Number of Factors and, Accordingly, Their Trading Prices Will Fluctuate

From time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Preferred Shares for reasons unrelated to the Corporation's performance. The value of the Preferred Shares are also subject to market fluctuations based upon factors which influence the Corporation's operations, such as legislative or regulatory developments, competition, technological change and global capital market activity.

The value of Preferred Shares will be affected by the general creditworthiness of the Corporation. This Annual Information Form and the Corporation's Annual MD&A discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Corporation's business, financial condition or results of operations.

The market value of the Preferred Shares, as with other preferred shares, is primarily affected by changes (actual or anticipated) in prevailing interest rates. Prevailing yields on similar securities will affect the market value of the Preferred Shares. Assuming all other factors remain unchanged, the market value of the Preferred Shares would be expected to decline as prevailing yields for similar securities rise and would be expected to increase as prevailing yields for similar securities decline. Spreads over the Government of Canada Bond Yield, T-Bill Rate and comparable benchmark rates of interest for similar securities may affect the market value of the Preferred Shares.

The market value of Preferred Shares may also be affected by the Corporation's financial results and political, economic, financial and other factors that can affect the capital markets generally, the stock exchanges on which the Preferred Shares are traded and the market segment of which Element is a part.

The Corporation May Redeem the Preferred Shares

The Corporation may choose to redeem the Preferred Shares from time to time, in accordance with its rights, including when prevailing interest rates are lower than the yields borne by the Preferred Shares. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective yield as high as the yields on the Preferred Shares being redeemed. The Corporation's redemption right may also adversely impact a purchaser's ability to sell Preferred Shares as the optional redemption date or period approaches.

The Preferred Shares Do Not Have a Fixed Maturity Date, May Not Be Redeemed at the Holder's Option and May be Liquidated by the Holder Only in Limited Circumstances

None of the Preferred Shares have a fixed maturity date and they are not redeemable or retractable at the option of the holders of the Preferred Shares. The ability of a holder to liquidate its holdings of Preferred Shares may be limited.

Creditors of the Corporation Rank Ahead of Holders of the Preferred Shares in the Event of an Insolvency or Winding-up of the Corporation

Creditors of the Corporation would rank ahead of holders of Preferred Shares in the event of an insolvency or a winding-up of the Corporation.

The Preferred Shares rank equally with other Preferred Shares that may be outstanding in the event of an insolvency or a winding-up of the Corporation. If the Corporation becomes insolvent or is wound-up, the Corporation's assets must be used to pay debt, including inter-company debt, before payments may be made on Preferred Shares and other Preferred Shares.

The Dividend Rate on the Preferred Shares will Reset

The dividend rate in respect of the Preferred Shares will reset at future periods. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

The Declaration of Dividends on the Preferred Shares is at the Discretion of the Board of Directors

Holders of Preferred Shares do not have a right to dividends on such shares unless declared by the Board of Directors. The declaration of dividends is at the discretion of the Board of Directors even if the Corporation has sufficient funds, net of its liabilities, to pay such dividends.

The Corporation may not declare or pay a dividend if there are reasonable grounds for believing that: (i) the Corporation is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realizable value of the Corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of its outstanding shares. Liabilities of the Corporation will include those arising in the course of its business, indebtedness, including inter-company debt, and amounts, if any, that are owing by the Corporation under guarantees in respect of which a demand for payment has been made.

Credit Risk

The likelihood that holders of Preferred Shares will receive payments owing to them under the terms of such shares will depend on the financial health of the Corporation and its creditworthiness. Accordingly, there is no assurance that the Corporation will have sufficient capital to make the dividend payments owing to the holders of Preferred Shares, as the case may be. None of the Preferred Shares are rated by any credit rating agency.

Holders of the Preferred Shares Do Not Have Voting Rights Except Under Limited Circumstances

Holders of Preferred Shares will generally not have voting rights at meetings of the shareholders of the Company except under limited circumstances. Holders of Preferred Shares will have no right to elect the Board of Directors.

Investments in the Series B Shares and the Series D Shares, Given Their Floating Interest Component, Entail Risks Not Associated With Investments in the Series A Shares And The Series C Shares

Investments in the Series B Shares and the Series D Shares, given their floating interest component, entail risks not associated with investments in the Series A Shares and the Series C Shares. The resetting of the applicable rate on a Series B Share or Series D Share may result in a lower dividend compared to fixed rate Series A Shares or Series C Shares. The applicable rate on a Series B Share or Series D Share will fluctuate in accordance with fluctuations in the T-Bill Rate on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the Company has no control.

The Preferred Shares May Be Converted Or Redeemed Without The Holders' Consent in Certain Circumstances

An investment in the floating rate Preferred Shares (e.g. the Series B Shares and the Series D Shares), or in the fixed rate Preferred Shares (e.g. the Series A Shares and Series C Shares) , as the case may be, may become an investment in floating rate Preferred Shares, or in fixed rate Preferred Shares, respectively, without the consent of the holder in the event of an automatic conversion in the circumstances described in the Preferred Share prospectus supplements dated February 28, 2014 and December 10, 2013. Upon the automatic conversion of the fixed rate Preferred Shares into floating rate Preferred Shares, the dividend rate on the floating rate Preferred Shares will be adjusted quarterly by reference to the then 90-day Government of Canada treasury bill rate which may vary from time to time while, upon the automatic conversion of the floating rate Preferred Shares into fixed rate Preferred Shares, the dividend rate on the fixed rate Preferred Shares will be, for each five-year period, determined by reference to the five-year Government of Canada bond yield on the 30th day prior to the first day of each such five-year period. In addition, holders may be prevented from converting their fixed rate Preferred Shares into floating rate Preferred Shares, and vice versa, in certain circumstances.

DIVIDENDS

The Corporation has not declared any dividends on the Common Shares.

Under the terms of the Series A Shares, the holders will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the Corporation's board of directors from the date of issuance (being December 17, 2013) up to but excluding December 31, 2018 payable quarterly on the last business day of March, June, September and December in each year at an annual rate of $1.65 per share. On March 4, 2014, the Corporation declared an initial dividend on the Series A Shares in the amount of $0.4701 per Series A Share payable on March 31, 2014 to holders of record on March 17, 2014.

Under the terms of the Series C Shares, the holders will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the Corporation's board of directors from the date of issuance (being March 7, 2014) up to but excluding June 30, 2019 payable quarterly on the last business day of March, June, September and December in each year at an annual rate of $1.625 per share. The Corporation has not yet declared any dividends on the Series C Shares.

DESCRIPTION OF SHARE CAPITAL

GENERAL

The authorized capital of Element consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. As at March 24, 2014, there were 189,482,737 Common Shares issued and outstanding, 4,600,000 Series A Shares issued and outstanding and 5,126,400 Series C Shares issued and outstanding. The following is a summary of the rights, privileges, restrictions and conditions attaching to the Common Shares and the preferred shares (as a class).

COMMON SHARES

Each Common Share entitles the holder to (i) one vote at all meetings of shareholders (except meetings at which only holders of a specified class of shares are entitled to vote), (ii) to receive, subject to the holders of another class of shares, any dividend declared by Element, and (iii) to receive, subject to the rights of the holders of another class of shares, the remaining property of Element on the liquidation, dissolution or winding up of Element, whether voluntary or involuntary.

PREFERRED SHARES

The preferred shares of Element may at any time and from time to time be issued in one or more series. The directors of Element may fix, before the issuance thereof, the number of preferred shares of each series, the designation, rights, privileges, restrictions and conditions attaching to the preferred shares of each series, including, without limitation, any voting rights, any right to receive dividends (which may be cumulative or non-cumulative and variable or fixed) or the means of determining such dividends, the dates of payment thereof, any terms and conditions of redemption or purchase, any conversion rights, and any rights on the liquidation, dissolution or winding-up of Element, any sinking fund or other provisions, the whole to be subject to the issuance of a certificate of amendment setting forth the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares of the series.

The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of Element, whether voluntary or involuntary, rank on a parity with the preferred shares of every other series and be entitled to preference over the Common Shares. If any amount of cumulative dividends (whether or not declared) or declared non-cumulative dividends or any amount payable on any such distribution of assets constituting a return of capital in respect of the preferred shares of any series is not paid in full, the preferred shares of such series shall participate rateably with the Preferred Shares of every other series in respect of all such dividends and amounts.

Series A Shares

The holders of Series A Shares are entitled to receive fixed, cumulative, preferential cash dividends at an annual rate of $1.65 per share, payable quarterly on the last business day of March, June, September and December in each year, if, as and when declared by the Board, for the initial fixed rate period to but excluding December 31, 2018. The dividend rate will reset on December 31, 2018 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield plus 4.71 per cent. In the event of liquidation, dissolution or winding up of Element, the holders of Series A Shares shall be entitled to receive $25.00 per Series A Share, together with an amount equal to all accrued and unpaid dividends up to, but excluding, the date of payment or distribution (less any amounts deducted or withheld on the account of tax), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Series A Shares.

The Series A Shares are redeemable by Element in whole or in part, at its option, on December 31, 2018 and on December 31 of every fifth year thereafter at a price of $25.00 per share, together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any amounts deducted or withheld on account of tax). Subject to Element's right to redeem the Series A Shares as described in the preceding sentence, the holders of Series A Shares have the right to convert their shares into Series B Shares, subject to certain conditions, on December 31, 2018 and on December 31 of every fifth year thereafter. The holders of Series B Shares will be entitled to receive floating rate cumulative preferential cash dividends, payable quarterly on the last business day of March, June, September and December in each year, if, as and when declared by the Board, at a rate equal to the sum of the then 90-day Government of Canada treasury bill rate plus 4.71 per cent, and will have the right to convert their Series B Shares into Series A Shares, subject to certain conditions, on December 31, 2023 and on December 31 every five years thereafter. The Series B Shares are redeemable by Element in whole or in part, at its option, on any date after December 31, 2018, by payment in cash of a per share sum equal to: (i) $25.00 in the case of redemptions on December 31, 2023 and on December 31 every five years thereafter (each a "Series B Redemption Date"), or (ii) $25.50 in the case of redemptions on any date which is not a Series B Redemption Date after December 31, 2018, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any amounts deducted or withheld on account of tax).

Series C Shares

The holders of Series C Shares are entitled to receive fixed, cumulative, preferential cash dividends at an annual rate of $1.625 per share, payable quarterly on the last business day of March, June, September and December in each year, if, as and when declared by the Board, for the initial fixed rate period to but excluding June 30, 2019. The dividend rate will reset on June 30, 2019 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield plus 4.81 per cent. In the event of liquidation, dissolution or winding up of Element, the holders of Series C Shares shall be entitled to receive $25.00 per Series C Share, together with an amount equal to all accrued and unpaid dividends up to, but excluding, the date of payment or distribution (less any amounts deducted or withheld on the account of tax), before any amount is paid or any assets of the Corporation are distributed to the holders of any shares ranking junior as to capital to the Series C Shares.

The Series C Shares are redeemable by Element in whole or in part, at its option, on June 30, 2019 and on June 30 of every fifth year thereafter at a price of $25.00 per share, together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any amounts deducted or withheld on account of tax). Subject to Element's right to redeem the Series C Shares as described in the preceding sentence, the holders of Series C Shares have the right to convert their shares into Series D Shares, subject to certain conditions, on June 30, 2019 and on June 30 of every fifth year thereafter. The holders of Series D Shares will be entitled to receive floating rate cumulative preferential cash dividends, payable quarterly on the last business day of March, June, September and December in each year, if, as and when declared by the Board, at a rate equal to the sum of the then 90-day Government of Canada treasury bill rate plus 4.81 per cent, and will have the right to convert their Series C Shares into Series C Shares, subject to certain conditions, on June 30, 2024 and on June 30 every five years thereafter. The Series D Shares are redeemable by Element in whole or in part, at its option, on any date after June 30, 2019, by payment in cash of a per share sum equal to: (i) $25.00 in the case of redemptions on June 30, 2024 and on June 30 every five years thereafter (each a "Series D Redemption Date"), or (ii) $25.50 in the case of redemptions on any date which is not a Series D Redemption Date after June 30, 2019, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any amounts deducted or withheld on account of tax).

MARKET FOR SECURITIES

TRADING PRICE AND VOLUME

The Common Shares are currently listed on the TSX under the trading symbol "EFN". The following table sets forth the reported intraday high and low prices and the trading volume for the Common Shares on the TSX on a monthly basis for 2013.

Month	High ($)	Low ($)	Volume
December	14.84	13.81	20,179,001
November	14.84	12.78	14,871,859
October	13.46	12.66	13,408,682
September	13.65	12.29	18,037,905
August	13.54	11.69	18,403,340
July	13.05	12.06	17,793,761
June	12.04	10.70	21,259,127
May	11.34	9.25	23,371,417
April	9.48	8.28	11,892,037
March	9.45	8.60	19,592,515
February	8.78	7.84	14,056,143
January	8.08	7.03	24,904,244

The Series A Shares are currently listed on the TSX under the trading symbol "EFN.PR.A" and commenced trading on the TSX on December 17, 2013. The following table sets forth the reported intraday high and low prices and the trading volume for the Common Shares on the TSX on a monthly basis for 2013.

Month	High ($)	Low ($)	Volume
December (17-31)	25.17	24.65	549,724

There were no Series C Shares issued and outstanding as of December 31, 2013, and as such no trading or volume information is available for that time period. The Series C Shares are listed on the TSX under the trading symbol "EFN.PR.C" and commenced trading on the TSX on March 7, 2014.

PRIOR SALES

On June 18, 2013, the Company issued, on a private placement basis, 29,612,500 special warrants (the "June 2013 Special Warrants") at a price of $10.15 per June 2013 Special Warrant. The distribution of the Common Shares underlying the June 2013 Special Warrants was qualified by a prospectus dated August 13, 2013 and the Common Shares underlying such June 2013 Special Warrants were issued on August 14, 2013.

DIRECTORS AND OFFICERS

DIRECTORS

The following table sets forth the full name, province or state and country of residence and principal occupations for each current director of the Corporation: The term of each director's service as a director of the Corporation lasts until Element's next annual meeting of shareholders.

Name and Province/State and Country of Residence	Director since	Principal Occupation
Steven K. Hudson[(3)] Toronto, Ontario, Canada	2010	Chairman and Chief Executive Officer of the Corporation since 2011; previously Chief Executive Officer of Herbal Magic Inc. from 2009 to 2011 and Chief Executive Officer of Cameron Capital Corp. from 2005 to 2009. Founder and former CEO of Newcourt Credit Group Inc.
Dr. Steven Small, ICD.D[(3)] Toronto, Ontario, Canada	2010	Practicing anaesthesiologist and Executive Vice Chair of the Corporation; Chairman of Capital Partners Corporation; director of Knightsbridge Human Capital Solutions and Herbal Magic.
Paul Stoyan, ICD.D[(1)] Toronto, Ontario, Canada	2010	Chairman of Gardiner Roberts LLP, a Canadian law firm; Lead Director of the Corporation.
Phillip Arthur[(1) (2)] Toronto, Ontario, Canada	2013	Corporate Director; a director of The Standard Life Assurance Company of Canada; previously a senior partner at Ernst & Young LLP from 1970 to 2008.
Harold Bridge, ICD.D[(2)(3)] Oakville, Ontario, Canada	2011	Chairman and Chief Executive Officer of Kathar Enterprises Inc., a Toronto-based firm that provides corporate finance, mergers & acquisitions and financial advisory services to national and international clients; previously a senior partner at Deloitte & Touche LLP from 1974 until 2006.
Gordon Giffin[(1)] Toronto, Ontario, Canada	2013	Senior Partner at McKenna Long & Aldridge LLP, an international law firm; served as the nineteenth U.S. Ambassador to Canada from 1997 to 2001.
Michael D. Harris, ICD.D Toronto, Ontario, Canada	2010	Senior Business Advisor at Fasken Martineau, a Canadian law firm; previously Senior Business Advisor at Cassels Brock & Blackwell LLP, a Canadian law firm, and Goodmans LLP, a Canadian law firm, from 2002 to 2010; Premier of Ontario from 1995-2002.
Pierre Lortie, ICD.D[(3)] St-Lambert, Québec, Canada	2011	Senior Business Advisor at Dentons Canada LLP, a Canadian law firm; a director of Arianne Resources Inc., Canam Group Inc. and Tembec Inc.
Stephens B. Lowden[(2)] Port Carling, Ontario, Canada	2010	Corporate Director; a director of The Becker Milk Company Limited, SCITI Rocs Trust, SCITI Trust and Canadian Resources Income Trust.

(1) Member of the Compensation and Corporate Governance Committee.

(2) Member of the Audit Committee.

(3) Member of the Credit Committee.

OFFICERS

The following table sets forth the full name, province or state and country of residence and principal occupations for each current officer of the Corporation other those already listed under "Directors" above.

Name and Province/State and Country of Residence	**Principal Occupation**
Bradley Nullmeyer Toronto, Ontario, Canada	President since 2012; previously the Co-Chief Executive Officer of OTEC Research from 2007 to 2012; previously co-founder of Newcourt with lead responsibility for acquisitions, vendor finance programs and joint ventures and President of Vendor Finance for CIT USA.
Michel Béland Toronto, Ontario, Canada	Chief Financial Officer and Chief Administration Officer of the Corporation since 2011; previously the Chief Operating Officer and Chief Financial Officer of MMV Financial Inc., a private equity-backed specialty finance company from 2007 to 2011 and Senior Vice President and Chief Financial Officer at Isacsoft Inc. from 2003-2007. Previously Chief Financial Officer and Senior Vice President Operations Newcourt Credit Group USA.
Bruce Smith Toronto, Ontario, Canada	Chief Operating Officer of the Corporation since 2011; previously the Managing Director and Senior Vice President of Vendor Finance at CIT Financial Ltd. from 2006 to 2011.
J. Stephen Sands Toronto, Ontario, Canada	Chief Credit Officer of the Corporation since 2007; previously held senior operational and credit underwriting position at Mercado Capital Corporation from 2004 to 2007.
Todd Hudson Etobicoke, Ontario, Canada	Executive Vice President, Originations of the Corporation since 2009; previously President of Hathway Financial, a finance company that specialized in small to mid-sized commercial credits in the transportation, construction and industrial equipment markets from 2003 to 2009.
Tony Bergeron Verdun, Québec, Canada	Executive Vice President, Aviation Finance, since 2011; previously Senior Vice President at GE Capital, a company offering equipment loans, equipment leasing, cash flow programs, asset financing and other financial services in more than 35 countries worldwide. Held various strategic positions from 1997 to 2011 at GE Capital in the General Aviation, Transportation, Construction and Manufacturing industry segments.
Jim Nikopoulos Toronto, Ontario, Canada	Vice President, General Counsel & Corporate Secretary since 2013; previously Vice President and General Counsel of TeraGo Inc., a TSX-listed company offering broadband and data communications services to business customers, from 2007 to 2013.

VOTING SECURITIES

As at December 31, 2013, the directors and officers of Element as a group owned, or controlled or directed, directly or indirectly 7,133,467 Common Shares, representing 3.8% of the issued and outstanding Common Shares.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of Element, except as otherwise disclosed elsewhere in this annual information form, no director or executive officer of Element, no person or company that beneficially owns, controls or directs, directly or indirectly, more than 10% of the outstanding securities of Element and no associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years that has materially affected or is expected to materially affect Element or its subsidiaries.

AUDIT COMMITTEE

AUDIT COMMITTEE MANDATE

The mandate of the Audit Committee is attached as Appendix A to this Annual Information Form.

COMPOSITION OF AUDIT COMMITTEE

The members of the Audit Committee are Harold D. Bridge (Chair), Stephens B. Lowden and Phillip Arthur. Each member of the Audit Committee is independent (as defined in National Instrument 52-110 – *Audit Committees* (“NI 52-110”)) and none receives, directly or indirectly, any compensation from Element other than for service as a member of the Board of Directors and its committees. All members of the Audit Committee are financially literate (as defined under NI 52-110).

RELEVANT EDUCATION AND EXPERIENCE OF AUDIT COMMITTEE MEMBERS

In addition to each member’s general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

Harold Bridge

Mr. Bridge is the Chairman and Chief Executive Officer of Kathar Enterprises Inc., a corporate finance, merger & acquisitions, corporate governance, and financial advisory services firm. From 1974 to 2006, Mr. Bridge served as a partner in the financial advisory, audit and consulting services practice at Deloitte & Touche LLP and as Executive Vice President and Director at Deloitte & Touche Corporate Finance Canada Inc. Mr. Bridge has served as Chairman of the International Examination Review Board for the Corporate Finance Designation (CF) for the Canadian Institute of Chartered Accountants (CICA). Mr. Bridge has lectured on corporate finance, mergers and acquisitions, taxation and leasing issues at the World Bank, the Conference Board of Canada, Queen’s University and the University of Toronto as Associate Professor of Accounting and Special Lecturer in Advanced Accounting and Finance. Mr. Bridge holds a Bachelor of Commerce degree in Finance & Accounting from the University of Toronto, a Masters of Business Administration degree in Finance and Operations Research from Queen’s University, is a Fellow Chartered Professional Accountant, an ICD.D designation from the Institute of Corporate Directors & Rotman School of Management and a Corporate Finance designation from the CICA.

Philip Arthur

Mr. Arthur has served as a director of Element since June 2013 and is a member of the Audit Committee as well as the Compensation and Corporate Governance Committee. He has more than 43 years of accounting and business experience having retired from Ernst & Young LLP in 2008, where he began his career in 1970 and became a partner in 1980. Mr. Arthur has worked with clients in many industries, but has specialized in serving financial institutions. Mr. Arthur is immediate past Chair of the Bridgepoint Foundation Board of Directors and a member and Audit Committee Chair of the Board of Directors of The Standard Life Assurance Company of Canada. He is also Chair of the Insurance Accounting Task Force of the Canadian Accounting Standards Board. Mr. Arthur holds a Bachelor of Arts and Masters of Business Administration degrees from the University of Toronto and is a Fellow Chartered Professional Accountant.

Stephens B. Lowden

Mr. Lowden has over 30 years of experience as a financial consultant in corporate finance, mergers and acquisitions, divestitures, process improvement, marketing, strategic planning, governance and executive compensation. Mr. Lowden previously served as Managing Partner of Ernst & Young LLP Toronto, and as Executive Partner of the firm. He left private practice to serve as President of Gardiner Group Capital and Vice

Chairman and CEO of Gardiner Oil and Gas. Mr. Lowden is a Fellow Chartered Professional Accountant and holds a Bachelor of Commerce degree from the University of Toronto.

PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has adopted requirements regarding pre-approval of non-audit services as part of its Audit Committee Mandate. The Audit Committee Mandate requires that the Audit Committee must approve in advance any retainer of the auditors to perform any non-audit service to Element (together with all non-audit service fees) that it deems advisable in accordance with applicable requirements and Board approved policies and procedures. The Audit Committee must consider the impact of such service and fees on the independence of the auditor. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee; however, the decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

AUDIT FEES

Ernst & Young LLP has served as Element's auditing firm since August 11, 2010. Fees payable by Element for the fiscal years ended December 31, 2013 and December 31, 2012 to Ernst & Young LLP and its affiliates were $1,515,781 and $813,931, respectively, as follows:

	Year Ended December 31, 2013	**Year Ended December 31, 2012**
Audit Fees	$545,000	$455,000
Audit-Related Fees	$529,344	$214,531
Tax Fees	$441,437	Nil
Other Fees	Nil	$144,400
TOTAL	$1,515,781	$813,931

The nature of each category of fees is described below.

Audit Fees

Audit fees were paid for professional services rendered by the auditor in connection with the audit of Element's annual financial statements for the years ended December 31, 2013 and December 31, 2012, respectively. In addition, audit fees were paid for services provided in connection with the review of Element's interim financial statements.

Audit Related Fees

Audit-related fees were paid for services that are reasonably related to the performance of the audit or review of Element's financial statements and are not reported under the audit fee items above. Audit-related fees include services provided in connection with the multiple issuances of share capital, services provided in connection with various business acquisitions, special attest services relating to certain secured borrowing arrangements and financial reporting related translation services.

Tax Fees

Tax fees were paid for tax compliance, including assistance with the completion of routine tax schedules and calculations. Tax fees also relate to research and advisory work on various corporate tax matters, including acquisition related matters.

Other Fees

Other fees were paid for services other than audit fees, audited-related fees and tax fees described above. Other fees in the prior fiscal period relate primarily to due diligence services provided to Element in relation to certain business acquisitions.

PROCEDURES FOR COMPLAINTS

In accordance with NI 52-110, Element has established procedures for the receipt, retention and treatment of complaints received by Element regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of Element of concerns regarding questionable accounting or auditing matters. For further information respecting these procedures, see *"Appendix A – Element Financial Corporation Audit Committee Mandate"* of this Annual Information Form.

TRANSFER AGENT, REGISTRAR AND DIVIDEND DISBURSING AGENT

The Common Shares and Preferred Shares are transferable at the principal offices of its transfer agent, registrar and dividend disbursing agent, Computershare Investor Services Inc. in Toronto, Ontario.

EXPERTS

Ernst & Young LLP is Element's external auditor. Ernst & Young LLP has advised that it is independent with respect to Element within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

MATERIAL CONTRACTS

Except for those contracts entered into in the ordinary course of business, Element has entered into the following material contracts:

- the underwriting agreement dated February 22, 2013 between Element and a syndicate of underwriters in connection with the March 2013 equity offering (see *"Development of the Business Over the Last Three Years – 2013 – March 2013 Equity Financing"*);
- the underwriting agreement dated June 18, 2013 between the Corporation and a syndicate of underwriters in connection with the June 2013 Special Warrant Offering (see *"Development of the Business Over the Last Three Years – 2013 – June 2013 Special Warrant Offering"*);
- the Asset Purchase Agreement dated May 31, 2013 among GE Vehicle and Equipment Leasing, General Electric Capital. Canada and Element in connection with the GE Fleet Portfolio Acquisition (see "*Development of the Business Over the Last Three Years – 2013 – GE Fleet Portfolio Acquisition"*);
- the underwriting agreements dated December 10, 2013 between the Corporation and the syndicates of underwriters in connection with the December 2013 equity and preferred share offerings (see *"Development of the Business Over the Last Three Years – 2013 – December 2013 Equity Financing and December 2013 Preferred Share Financing"*); and
- the underwriting agreement dated February 28, 2014 between the Corporation and the syndicate of underwriters in connection with the 2014 Preferred Share Offering.

Copies of such material contracts are available under Element's profile on SEDAR at www.sedar.com.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the ordinary course of business, Element and certain of its subsidiaries are party to legal proceedings. Element believes that each such proceeding constitutes a routine legal matter incidental to the business conducted by Element or its subsidiaries. Although Element cannot determine the ultimate outcome of any outstanding claims, based on its current knowledge, Element does not expect that the ultimate disposition of any of these proceedings will have a material adverse effect on its consolidated earnings, cash flow or financial position.

During the financial year ended December 31, 2013: (i) there have been no penalties or sanctions imposed against Element by a court relating to securities legislation or by a securities regulatory authority; (ii) there have been no other penalties or sanctions imposed by a court or regulatory body against Element that would likely be considered important to a reasonable investor in making an investment decision; and (iii) Element has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

ADDITIONAL INFORMATION

Additional information relating to Element may be found on SEDAR at www.sedar.com. Information including directors' and officers' remuneration and indebtedness, principal holders of Element's securities and securities authorized for issuance under Element's stock option plan is, where applicable, contained in its latest Management Proxy Circular. Additional financial information is provided in the financial statements for the year ended December 31, 2013 and the accompanying Management's Discussion and Analysis dated February 20, 2014, which have been filed on SEDAR.

APPENDIX A

ELEMENT FINANCIAL COPORATION
AUDIT COMMITTEE MANDATE

1. Introduction

The Audit Committee (the "**Committee**" or the "**Audit Committee**") of Element Financial Corporation ("**Element**" or the "**Corporation**") is a committee of the Board of Directors (the "**Board**"). The Committee shall oversee the accounting and financial reporting practices of the Corporation and the audits of the Corporation's financial statements and exercise the responsibilities and duties set out in this Audit Committee Mandate (this "**Mandate**").

This Mandate was adopted by the Board on December 14, 2011, and became effective immediately upon the completion of the listing of the Corporation's common shares on the Toronto Stock Exchange.

2. Membership

Number of Members

The Committee shall be composed of three or more members of the Board.

Independence of Members

Each member of the Committee must be independent. "Independent" shall have the meaning, as the context requires, given to it in National Instrument 52-110 Audit Committees, as may be amended and/or replaced from time to time.

Chair

At the time of the annual appointment of the members of the Audit Committee, the Board shall appoint a Chair of the Audit Committee. The Chair shall be a member of the Audit Committee, preside over all Audit Committee meetings, coordinate the Audit Committee's compliance with this Mandate, work with management to develop the Audit Committee's annual work-plan and provide reports of the Audit Committee to the Board.

Financial Literacy of Members

At the time of his or her appointment to the Committee, each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Term of Members

The members of the Committee shall be appointed annually by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed, or ceases to be a member of the Board. Unless a Chair is elected by the Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

3. Meetings

Number of Meetings

The Committee may meet as many times per year as necessary to carry out its responsibilities.

Calling of Meetings

The Chair, any member of the Audit Committee, the external auditors, the Chair of the Board or Lead Director, or the Chief Executive Officer or the Chief Financial Officer may call a meeting of the Audit Committee by notifying the Corporation's Secretary who will notify the members of the Audit Committee. The Chair shall chair all Audit Committee meetings that he or she attends, and in the absence of the Chair, the members of the Audit Committee present may appoint a chair from their number for a meeting.

Minutes; Reporting to the Board

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Chair may report orally to the Board on any matter in his or her view requiring the immediate attention of the Board.

Attendance of Non-Members

The external auditors are entitled to attend and be heard at each Committee meeting. In addition, the Committee may invite to a meeting any officers or employees of the Corporation, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with management in separate sessions to discuss any matters that the Committee or such individuals consider appropriate.

Meetings without Management

The Committee shall hold unscheduled or regularly scheduled meetings, or portions of meetings, at which management is not present.

Procedure

The procedures for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those applicable to meetings of the Board.

Access to Management and Outside Advisors

In discharging the forgoing duties and responsibilities, the Audit Committee shall have unrestricted access to management and employees of the Corporation and to the relevant books, records and systems of the Corporation as considered appropriate. The Audit Committee shall have the authority to retain external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities. The Corporation shall provide appropriate funding, as determined by the Board, for the services of these advisors.

4. Duties and Responsibilities

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board and that the Board is authorized to delegate by applicable laws and regulations. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by any exchange upon which securities of the Corporation are traded, or any governmental or regulatory body exercising authority over the Corporation, as are in effect from time to time (collectively, the "**Applicable Requirements**").

Financial Reports

(a) **General**

The Audit Committee is responsible for overseeing the Corporation's financial statements and financial disclosures. Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements and financial disclosures and for the appropriateness of the accounting principles and the reporting policies used by the Corporation. The auditors are responsible for auditing the Corporation's annual consolidated financial statements and for reviewing the Corporation's unaudited interim financial statements.

(b) **Review of Annual Financial Reports**

The Audit Committee shall review the annual consolidated audited financial statements of the Corporation, the auditors' report thereon and the related management's discussion and analysis of the Corporation's financial condition and results of operation ("**MD&A**"). After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the annual financial statements and the related MD&A.

(c) **Review of Interim Financial Reports**

The Audit Committee shall review the interim consolidated financial statements of the Corporation, the auditors' review report thereon and the related MD&A. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval the interim financial statements and the related MD&A.

(d) **Review Considerations**

In conducting its review of the annual financial statements or the interim financial statements, the Audit Committee shall:

(i) meet with management and the auditors to discuss the financial statements and MD&A;

(ii) review the disclosure in the financial statements;

(iii) review the audit report or review report prepared by the auditors;

(iv) discuss with management, the auditors and legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements;

(v) review the accounting policies followed and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management;

(vi) review any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under Canadian generally accepted principles applicable to publicly accountable enterprises;

(vii) review any material changes in accounting policies and any significant changes in accounting practices and their impact on the financial statements as presented by management;

(viii) review management's report on the effectiveness of internal controls over financial reporting;

(ix) review the factors identified by management as factors that may affect future financial results;

(x) review results of the Corporation's audit committee whistleblower hotline program; and

(xi) review any other matters related to the financial statements that are brought forward by the auditors, management or which are required to be communicated to the Audit Committee under accounting policies, auditing standards or Applicable Requirements.

(e) **Approval of Other Financial Disclosures**

The Audit Committee shall review and, if advisable, approve and recommend for Board approval financial disclosure in a prospectus or other securities offering document of the Corporation, press releases disclosing, or based upon, financial results of the Corporation and any other material financial disclosure, including financial guidance provided to analysts, rating agencies or otherwise publicly disseminated.

Auditors

(a) **General**

The Audit Committee shall be responsible for oversight of the work of the auditors, including the auditors' work in preparing or issuing an audit report, performing other audit, review or attest services or any other related work.

(b) **Nomination and Compensation**

The Audit Committee shall review and, if advisable, select and recommend for Board approval the external auditors to be nominated and the compensation of such external auditor. The Audit Committee shall have ultimate authority to approve all audit engagement terms and fees, including the auditors' audit plan.

(c) **Resolution of Disagreements**

The Audit Committee shall resolve any disagreements between management and the auditors as to financial reporting matters brought to its attention.

(d) **Discussions with Auditors**

At least annually, the Audit Committee shall discuss with the auditors such matters as are required by applicable auditing standards to be discussed by the auditors with the Audit Committee.

(e) **Audit Plan**

At least annually, the Audit Committee shall review a summary of the auditors' annual audit plan. The Audit Committee shall consider and review with the auditors any material changes to the scope of the plan.

(f) **Quarterly Review Report**

The Audit Committee shall review a report prepared by the auditors in respect of each of the interim financial statements of the Corporation.

(g) **Independence of Auditors**

At least annually, and before the auditors issue their report on the annual financial statements, the Audit Committee shall obtain from the auditors a formal written statement describing all relationships between the auditors and the Corporation; discuss with the auditors any disclosed relationships or services that may affect the objectivity and independence of the auditors; and obtain written confirmation from the auditors that they are objective and independent within the meaning of the applicable Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of chartered accountants to which the auditors belong and other Applicable Requirements. The Audit Committee shall take appropriate action to oversee the independence of the auditors.

(h) **Evaluation and Rotation of Lead Partner**

At least annually, the Audit Committee shall review the qualifications and performance of the lead partner(s) of the auditors and determine whether it is appropriate to adopt or continue a policy of rotating lead partners of the external auditors.

(i) **Requirement for Pre-Approval of Non-Audit Services**

The Audit Committee shall approve in advance any retainer of the auditors to perform any non-audit service to the Corporation (together with all non-audit service fees) that it deems advisable in accordance with Applicable Requirements and Board approved policies and procedures. The Audit Committee shall consider the impact of such service and fees on the independence of the auditor. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any member of the Audit Committee to whom this authority has been delegated must be presented to the full Audit Committee at its next scheduled Audit Committee meeting.

(j) **Approval of Hiring Policies**

The Audit Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

(k) **Financial Executives**

The Committee shall review and discuss with management the appointment of key financial executives and recommend qualified candidates to the Board, as appropriate.

Internal Controls

(l) **General**

The Audit Committee shall review the Corporation's system of internal controls.

(m) **Establishment, Review and Approval**

The Audit Committee shall require management to implement and maintain appropriate systems of internal controls in accordance with Applicable Requirements, including internal controls over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Audit Committee shall consider and review with management and the auditors:

(i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Corporation's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non- financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;

(ii) any significant changes in internal controls over financial reporting that are disclosed, or considered for disclosure, including those in the Corporation's periodic regulatory filings;

(iii) any material issues raised by any inquiry or investigation by the Corporation's regulators;

(iv) the Corporation's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Corporation to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other employees who have a significant role in financial reporting; and

(v) any related significant issues and recommendations of the auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

Compliance with Legal and Regulatory Requirements

The Audit Committee shall review reports from the Corporation's Secretary and other management members on: legal or compliance matters that may have a material impact on the Corporation; the effectiveness of the Corporation's compliance policies; and any material communications received from regulators. The Audit Committee shall review management's evaluation of and representations relating to compliance with specific applicable law and guidance, and management's plans to remediate any deficiencies identified.

Audit Committee Hotline Whistleblower Procedures

The Audit Committee shall establish for (a) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters. Any such complaints or concerns that are received shall be reviewed by the Audit Committee and, if the Audit Committee determines that the matter requires further investigation, it will direct the Chair of the Audit Committee to engage outside advisors, as necessary or appropriate, to investigate the matter and will work with management and the general counsel to reach a satisfactory conclusion.

Audit Committee Disclosure

The Audit Committee shall prepare, review and approve any audit committee disclosures required by Applicable Requirements in the Corporation's disclosure documents.

Delegation

The Audit Committee may, to the extent permissible by Applicable Requirements, designate a sub-committee to review any matter within this Mandate as the Audit Committee deems appropriate.

5. No Rights Created

This Mandate is a statement of broad policies and is intended as a component of the flexible governance framework within which the Audit Committee, functions. While it should be interpreted in the context of all applicable laws, regulations and listing requirements, as well as in the context of the Corporation's Articles and By-laws, it is not intended to establish any legally binding obligations.

6. Mandate Review

The Committee shall review and update this Mandate annually and present it to the Board for approval.