



2016 ANNUAL INFORMATION FORM

– March 30, 2017 –

ECN CAPITAL CORP.

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FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Information Form, other than statements of historical fact, are forward-looking statements within the meaning of applicable securities laws and may contain forward-looking information. Such statements are based upon ECN Capital Corp.'s ("ECN Capital" or the "Corporation") and its management's 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 ECN Capital'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:

- ECN Capital's expectations regarding its revenue, expenses and operations;
- ECN Capital's anticipated cash needs and its needs for additional financing;
- ECN Capital's integration of any future acquisitions;
- ECN Capital's future growth plans, including growth resulting from acquisitions;
- ECN Capital's future performance following a disposition of its assets (including the pending sale of the U.S. commercial and vendor finance business), including its ability to redeploy capital/proceeds of sale in other commercial finance opportunities and its ability to strengthen its balance sheet, reduce leverage or increase book value;
- ECN Capital's expectations regarding its origination volumes;
- ECN Capital's ability to attract vendor relationships and new customers and develop and maintain relationships with existing customers;
- ECN Capital's anticipated delinquency rates and credit losses;
- ECN Capital's ability to attract and retain personnel;
- ECN Capital's expectations regarding growth in certain verticals in which it operates;
- ECN Capital's estimates and expectations regarding its financial results, capitalization, condition and operations following the Separation Transaction (as defined below) and future prospects as an independent company;
- the anticipated effects and expected benefits of the Separation Transaction;
- ECN Capital's future objectives and strategies;
- ECN Capital's stated intention to establish funds that allow institutional investors to have direct access to ECN Capital's proprietary vendor finance programs;
- ECN Capital's ability to pay dividends on its common shares and preferred shares;
- ECN Capital's competitive position and its expectations regarding competition; and
- the anticipated trends and challenges in ECN Capital's business and the markets in which it operates.

Although ECN Capital 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. ECN Capital cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither ECN Capital 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 ECN Capital'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, including, but not limited to, those set forth under "*Risk Factors*".

CORPORATE STRUCTURE

Name, Address and Incorporation

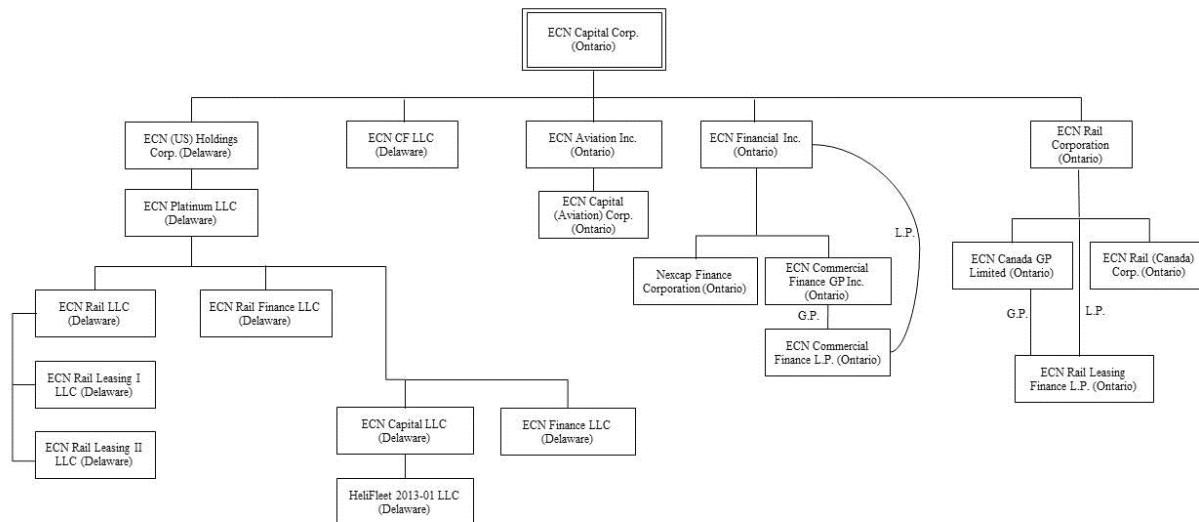
ECN Capital was incorporated under the *Business Corporations Act* (Ontario) (the "OBCA") on July 22, 2016. ECN Capital's registered and head office is located at 161 Bay Street, Suite 3600, Toronto, Ontario M5J 2S1. ECN Capital expects to move its registered and head office to 181 Bay Street, Suite 2800, Toronto, Ontario M5J 2V1 in April 2017.

On October 3, 2016, ECN Capital, Element Financial Corporation ("Element") and 2510204 Ontario Inc. completed the Separation Transaction pursuant to section 182 of the OBCA under which Element reorganized into two separate publicly traded companies: (i) Element Fleet Management Corp. ("Element Fleet") and (ii) ECN Capital. In connection with the Separation Transaction, holders of common shares of Element ("Element Common Shares") ultimately received one new common share of Element Fleet and one new common share of ECN Capital (a "Common Share") in exchange for each Element Common Share. As a result of the Separation Transaction and related transactions, the commercial and vendor finance, rail finance and aviation finance businesses of Element and its affiliates, including the assets and liabilities pertaining thereto, were transferred to ECN Capital. On October 4, 2016, ECN Capital restated its Articles of Incorporation. References to ECN Capital include the Commercial Finance Business (as defined below), as it operated prior to the Separation Transaction.

Prior to the completion of the Separation Transaction, ECN Capital did not have assets or liabilities, did not conduct operations and did not issue any shares in its capital stock. As a result of the Separation Transaction, ECN Capital became a reporting issuer in each of the Provinces of Canada. ECN Capital's Common Shares commenced trading on the Toronto Stock Exchange (the "TSX") under the ticker symbol "ECN" on a regular-way basis on October 4, 2016.

On December 1, 2016, ECN Capital amended its articles to provide for the creation of its 6.50% Cumulative 5-Year Minimum Rate Reset Preferred Shares, Series A (the "Series A Shares") and Cumulative Floating Rate Preferred Shares, Series B (the "Series B Shares" and together with the Series A Shares, the "Preferred Shares"). See "*General Development of the Business – Equity Offerings*".

The organizational chart below indicates the inter-corporate relationships of the Corporation and its material subsidiaries (and includes their jurisdiction of incorporation in parenthesis) as of the date hereof. The chart does not include the subsidiaries that will be sold in connection with the pending sale of the U.S. C&V Business (as defined below). See "*General Development of the Business – Strategic Transactions*". All such subsidiaries are wholly-owned.



The assets and revenues of any unnamed subsidiary of ECN Capital did not exceed 10% of ECN Capital's assets or have revenues exceeding 10% of the total consolidated revenues attributable to ECN Capital's assets as at and for the year ended December 31, 2016. In the aggregate, such subsidiaries did not account for 20% of ECN Capital's assets or total consolidated revenues attributable to ECN Capital's assets as at and for the year ended December 31, 2016.

GENERAL DEVELOPMENT OF THE BUSINESS

ECN Capital's business is currently operated across North America in three verticals of the equipment finance market: commercial and vendor finance, rail finance and commercial aviation finance (the "Commercial Finance Business"). ECN Capital 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. ECN Capital originates the vast majority of its commercial and vendor financings through relationships or programs with vendors, in which ECN Capital originates its business by executing master lease and service agreements with end user customers. ECN Capital originates its rail leases and loans through the Trinity Vendor Program (as defined below), as well as through direct originations.

ECN Capital distinguishes itself from traditional lenders such as banks and finance companies in that it: (i) offers select, asset-based financing services rather than providing full-service lending, as well as provides significant services regarding utilization of financed assets; (ii) originates primarily through vendor relationships or programs with equipment manufacturers; (iii) funds its activities through commitments from institutional investors rather than accepting deposits from the public; and (iv) manages equipment finance funds on behalf of institutional investors.

ECN Capital is led by its chief executive officer, Steven Hudson. Mr. Hudson has over 30 years of experience and success in the equipment and asset finance industry, including most recently serving as the chief executive officer of Element from 2011 until completion of the Separation Transaction. During Mr. Hudson's time as chief executive officer of Element, Element became one of North America's leading fleet management and equipment finance companies, increasing its portfolio of assets from approximately \$50.0 million to approximately \$24.0 billion as a result of numerous acquisitions, including Element's US\$1.4 billion acquisition of PHH Corporation's fleet management services business in 2014 and Element's \$8.9 billion acquisition of GE Capital Corporation's fleet management operations in the United States, Mexico and Australia & New Zealand in 2015, and also through significant organic growth. Mr. Hudson previously served for 14 years as chief executive officer of Newcourt Credit Group Inc., 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 Group.

ECN Capital has an experienced executive management team with seasoned executives leading each of ECN Capital's core business verticals with decades of diversified equipment finance and asset finance industry experience. ECN Capital utilizes its management team's extensive experience in the equipment financing industry to maintain and expand relationships and programs with equipment vendors and direct relationships with customers.

Prior to effecting the Separation Transaction and following a strategic review of its aviation finance business in early 2016, ECN Capital determined to discontinue the majority of its "on balance sheet" aviation finance business and to sell, manage to maturity or transition to a future aviation fund its portfolio of aviation assets.

Strategic Transactions

The following material acquisitions/dispositions and strategic transactions relating to ECN Capital have been completed in the last three years:

- Pending Sale of U.S. C&V Business: On February 21, 2017, ECN Capital announced that it entered into an asset purchase agreement to sell its U.S. commercial and vendor finance business (the "U.S. C&V Business") to PNC Bank, National Association ("PNC") for cash proceeds of approximately US\$1.253 billion, a premium of approximately 16.5% over the US\$1.075 billion book value of the assets. The assets sold by ECN Capital include a portfolio of construction, transportation, industrial, franchise and technology loans and leases. As part of the sale, PNC agreed to offer employment to all of the employees of ECN Capital's U.S. C&V Business and retained the lease on the existing office in Horsham, Pennsylvania. The sale is subject to customary closing conditions and approvals and is expected to close by the end of the first quarter. For further details on the transactions resulting in the sale of the U.S. C&V Business, see note 25 in the consolidated audited financial statements of ECN Capital for the year ended December 31, 2016 (the "2016 Financial Statements").
- Separation Transaction: On February 16, 2016, the Board of Directors of Element approved a plan to separate into two publicly traded companies (the "Separation Transaction"). The plan involved the separation of the portion of Element and its subsidiaries comprising the Commercial Finance Business from the existing corporate structure into ECN Capital Corp., a newly created publicly-traded company. The fleet management business of Element (the "Fleet Management Business") continues to operate within the then existing corporate structure which has been renamed Element Fleet Management Corp. The separation of Element into ECN Capital and Element Fleet was implemented through a court approved plan of arrangement and was approved at a special meeting of the Element shareholders on September 20, 2016 and received final approval from the Ontario Supreme Court of Justice on September 21, 2016. The Separation Transaction was effective on October 3, 2016 and trading of ECN Capital common shares began on a regular-way basis on October 4, 2016.
- Element Commercial Aircraft Fund. On June 22, 2015, Element completed the closing of a US\$1.21 billion debt offering of ECAF I Ltd., Series 2015-1 Notes. Element acted as structurer in the formation of the ECAF I Ltd. and sourced the third-party institutional equity co-investors in the ECAF I Ltd. The Corporation also acts as the on-going administrator to the ECAF I Fund and retained BBAM Aviation Services Limited, an affiliate of BBAM Limited Partnership, to act as servicer with respect to the portfolio under the terms of a multi-year contract. The asset backed securities offering was comprised of three tranches of notes with two classes (representing 87% of the aggregate notes) carrying an A (sf) rating from Standard & Poor's Financial Services LLC ("S&P") and A- (sf) rating from Fitch Ratings, Inc. ("Fitch") and the remaining notes carrying a BBB (sf) rating from S&P and a BBB (sf) rating from Fitch. The notes are secured by a portfolio of commercial passenger aircraft manufactured by Boeing Company and Airbus Group SE.

- Trinity Strategic Alliance. On December 9, 2013, the Corporation established the Trinity Vendor Program with Trinity Industries Inc. (“Trinity”) to enter into lease financing transactions with Trinity over a two year period (which subsequently renewed in October 2015 for an additional four year period). Under the terms of the Trinity Vendor Program, ECN Capital and Trinity formed a strategic alliance whereby ECN Capital is presented with opportunities from time to time to enter into lease financings for railcars manufactured by Trinity. Trinity also offers ECN Capital 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) Trinity Rail Asset Management Company, LLC provides ECN Capital with new business and general advisory services, including assisting ECN Capital with analyzing the operating and financial performance of the Railcar Assets (as defined below) and advising ECN Capital on the status of the railcar and railcar leasing markets, and (ii) Trinity is responsible for performing operating, maintenance and servicing on behalf of ECN Capital in respect of the Railcar Assets.

Preferred Share Offering

On December 2, 2016, ECN Capital completed a bought deal offering of 4,000,000 6.50% Cumulative 5-Year Minimum Rate Reset Preferred Shares, Series A of the Corporation, 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 the Series B Shares. The net proceeds from the offering were used to originate and finance, directly and indirectly, finance assets and for general corporate purposes.

Funding Arrangements

In conjunction with the Separation Transaction and pursuant to a credit agreement dated September 23, 2016, a syndicate of lenders and Bank of Montreal, as Administrative Agent maintain a US\$2.5 billion senior revolving credit facility maturing on September 30, 2019 (the “Senior Credit Facility”) in favour of ECN Capital and ECN Capital US Holdings Corp., ECN Capital’s wholly-owned U.S. subsidiary, as borrowers. Such facility provides for advances denominated in U.S. and Canadian dollars and is available for general corporate purposes including to fund its current and future finance assets. A portion of the initial advance under the Senior Credit Facility was used to repay intercompany debt owed to Element Fleet. As at December 31, 2016, the Corporation had access to \$1.6 billion of unused and available financing under the Senior Credit Facility.

Credit Ratings

- KBRA Rating. On October 3, 2016, following completion of the Separation Transaction, ECN Capital was assigned an issuer rating of “BBB” with a stable outlook by Kroll Bond Rating Agency (“KBRA”). On February 21, 2017, following the announcement of the sale of the U.S. C&V Business, KBRA affirmed ECN Capital’s issuer rating of “BBB” with a stable outlook. See “*Ratings*” for additional information.
- DBRS Rating. On October 3, 2016, following completion of the Separation Transaction, ECN Capital was assigned an issuer rating of “BBB (low)” with a stable trend by DBRS Limited (“DBRS”). On February 22, 2017, following the announcement of the sale of the U.S. C&V Business, DBRS affirmed ECN Capital’s issuer rating of “BBB (low)” with a stable trend. The Series A Shares were also rated Pfd-3 (low) by DBRS. See “*Ratings*” for additional information.

Dividends

Following completion of the Separation Transaction, the ECN Capital Board approved an initial quarterly dividend of \$0.01 per outstanding Common Share. See “*Dividends*”.

DESCRIPTION OF THE BUSINESS

ECN Capital's Business Verticals

ECN Capital has organized its activities and operations around three core business verticals: (i) commercial and vendor finance, (ii) rail finance and (iii) aviation finance.



Commercial and Vendor Finance

Commercial and vendor finance is ECN Capital's vertical servicing the mid-ticket finance segment of the equipment finance industry. Commercial and vendor finance, in conjunction with manufacturers and distributors, delivers financing and leasing solutions to end-user customers in the transportation, construction, commercial, industrial, health care, franchise, technology, office products and energy sectors. The mid-ticket finance segment involves financing for the acquisition of equipment ranging in value from approximately \$10,000 to over \$10.0 million. In general, the Canadian equipment finance industry is served by three main industry participants: independent lease finance companies like ECN Capital, captive finance companies owned by manufacturers and distributors, and banks.

ECN Capital has identified four key objectives for the development of its commercial and vendor finance business: (i) target specific segments of the equipment finance market and establish separate business units to cover each segment; (ii) evaluate opportunities to expand its vendor finance business by increasing the number of vendor relationships; (iii) continue to expand ECN Capital's equipment finance origination capabilities through targeted organic and acquisitive growth; and (iv) evaluate opportunities to monetize assets when valuations are favourable.

ECN Capital primarily originates its equipment finance assets directly through its relationships or programs with equipment vendors. Unlike many of its competitors, ECN Capital does not rely on third party brokers to originate its business. To further assure the quality of its equipment finance assets, ECN Capital 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 vertical has assembled an industry-leading sales force, and has employees covering Canada with offices in Mississauga, Montréal and Calgary.

On February 21, 2017, ECN Capital announced that it entered into an agreement to sell its U.S. C&V Business to PNC for cash proceeds of approximately US \$1.253 billion. As part of the transaction, PNC has agreed to offer employment to all of the employees of the business as well as retaining the property lease on the existing operating office. See "*General Development of the Business – Strategic Transactions*".

ECN Capital will continue to operate in the Canadian commercial and vendor finance market and will pursue cross border vendor alliances which are not in conflict with the purchase agreement with PNC. As at December 31, 2016, the Canadian commercial and vendor finance business had assets of approximately \$1.0 billion.

Rail Finance

The rail finance vertical focuses on vendor relationships with rail manufacturers to provide railcar leasing and other secured financing for the North American rail industry. Financing opportunities are sourced through both the Corporation's direct origination channel and participation in the secondary market. Rail finance was launched in December 2013 when Element entered into the Trinity Vendor Program, a strategic alliance agreement with Trinity,

a leading North American manufacturer of railcars. The program was renewed in October 2015 for an additional four-year period.

Pursuant to the terms of a vendor finance program (the “Trinity Vendor Program”) with Trinity, ECN Capital is presented with opportunities to enter into lease financings (“Leases”) with Trinity and/or affiliates for railcars manufactured by Trinity (“Railcars”, and together with the Leases, the “Railcar Assets”). The Leases assumed by ECN Capital are consistent with the diversification criteria established by Element at the time of entering into the Trinity Vendor Program.

The identification of the Railcar Assets offered by Trinity to ECN Capital under the Trinity Vendor Program include Leases for newly manufactured railcars, existing railcars and secondary market purchases from third parties identified by Trinity, and are 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 made to ECN Capital by Trinity from time to time. Trinity and ECN Capital meet on a quarterly basis to report on and consult with respect to material business and process issues under the Trinity Vendor Program.

The lessees under the Trinity Vendor Program 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.

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.

Trinity also offers ECN Capital 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) Trinity Rail Asset Management Company, LLC provides ECN Capital with new business and general advisory services, including assisting ECN Capital with analyzing the operating and financial performance of the Railcar Assets and advising ECN Capital on the status of the railcar and railcar leasing markets; and (ii) Trinity is responsible for performing operating, maintenance and servicing on behalf of ECN Capital in respect of the Railcar Assets.

Starting in 2015, ECN Capital also established direct origination capabilities through the creation of a dedicated rail investment team operating out of offices in Toronto and Chicago. The group’s mandate is to internally source Railcar Asset investment opportunities that consist of newly manufactured railcars, existing railcars and secondary market purchases from third parties. Railcar Asset lease structures, terms and lessee counter-parties are subject to similar diversification and investment criteria as the Trinity Vendor Program. ECN Capital is responsible for overseeing all aspects of railcar asset management in respect of the railcars in both direct origination and secondary market purchases, but has entered into an agreement with a third party to perform select railcar management services.

Railcar asset fundamentals include: long economic useful lives; generation of stable, predictable cash flow through long-term leases; strong replacement demand expected as railcars age; low credit defaults due to high credit quality of obligors; and low residual value risk.

In early 2016, management decided to reduce or defer originations from the Trinity Vendor Program and its direct originations business in order to be well positioned to capitalize on market opportunities in the secondary market. Having regard to the railcar asset fundamentals outlined above, ECN Capital continues to pursue strategic opportunities and assess optimal ownership structures requiring its rail finance business.

Aviation Finance

Historically, the aviation finance vertical provided leases and other secured financing arrangements for corporate airplanes and helicopters and financing ranging in size from approximately \$5.0 million to \$150.0 million. ECN Capital originated 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. Following a strategic review of its aviation finance business in early 2016, the Commercial Finance Business determined to discontinue the majority of its “on balance sheet” aviation finance business and to sell, manage to maturity or transition to a future aviation fund, its portfolio of aviation assets. During 2016, ECN Capital reduced the portfolio by \$395 million through asset sales, contractual run off and customer pre-payments.

In June 2015, management completed the closing of a US\$1.21 billion debt offering for the ECAF I Ltd. secured by a portfolio of commercial passenger aircraft manufactured by Boeing Company and Airbus Group SE. Element acted as structurer in the formation of the ECAF I Fund and sourced the third-party institutional equity co-investors in the ECAF I Ltd.

Growth Strategy

During their over 30 years of experience, ECN Capital’s management has pursued a strategy of successfully deploying capital within asset classes that comprise the specialty finance sector. This strategy is comprised of four key drivers:

1. Building robust specialty finance businesses that have grown and prospered even in difficult cycles and acting opportunistically within a specific framework to maximize returns through the cycle;
2. Originating and servicing portfolios of financial assets with yield, growth and credit characteristics that have consistently delivered superior risk-adjusted returns to holders of Common Shares (“Shareholders”);
3. Scaling robust businesses organically and through acquisitions that are competitively positioned to complement banks and institutional investors; and
4. Designing optimal capital structures that provide broad access to debt and equity funding sources.

ECN Capital’s growth strategy relating to its “on balance sheet” Commercial Finance Business is based on four broad initiatives: (i) capitalizing on organic and direct origination opportunities by leveraging established customer relationships and by continuing to “build out” its existing capabilities in North America; (ii) developing new strategic vendor relationships and programs with manufacturers, dealers and distributors; (iii) pursuing and completing acquisitions that can broaden the base of vendor and dealer relationships; and (iv) capitalizing on opportunities to monetize assets when valuations are favourable.

Competition

ECN Capital’s markets are highly competitive and characterized by various competitive factors that vary by business vertical and by region.

ECN Capital’s competitors in the commercial finance segment in Canada include other independent equipment finance companies and regional and national banks. Competitors service this market through either the direct distribution channel, whereby the end-user of the equipment is the main customer, or through the vendor origination channel, whereby the equipment manufacturer or dealer/distributor network is the main customer.

ECN Capital 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.

In respect of the rail and aviation financing, ECN Capital's competitors include intermediaries that are known to have expertise in arranging and structuring portfolios of these specialized assets.

As ECN Capital continues to view the asset management business broadly, ECN Capital expects that its competitors will include private equity focused asset managers, including mid-cap alternative asset managers operating in Canada and the U.S. ECN Capital will compete in this market on a transaction-by-transaction and fund-by-fund basis through its deep knowledge of asset values through multiple business cycles and its established access to the institutional investors that are known to participate in funding structures.

Funding Model

The funding strategy for the various "on balance sheet" commercial finance assets originated by ECN Capital is determined by the nature of the underlying commercial finance assets and execution efficiency. ECN Capital's primary sources of funding are: (i) cash flows from operating activities; (ii) securitizations, (iii) syndications; (iv) revolving secured borrowings, such as the Senior Credit Facility; (v) asset sales; and (vi) equity.

Various factors influence the funding decision, including the size, duration and character of the underlying equipment finance assets, and any limitations imposed by the funding sources, including in some cases obligor and asset-based concentration limits. ECN Capital's funding strategies outlined below may not be the only financing source for a particular business unit. An important liquidity measure for ECN Capital is its ability to maintain diversified funding sources to support its operations. ECN Capital also ensures match funding on both a duration and interest rate basis for its secured funding arrangements. For additional information regarding the Corporation's funding sources, see the 2016 Financial Statements and the annual management discussion and analysis of ECN Capital for the year ended December 31, 2016 (the "2016 MD&A"). The 2016 Financial Statements and 2016 MD&A are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") (www.sedar.com).

ECN Capital's funding model for its business verticals is as follows:

Commercial and Vendor Finance - Commercial and vendor finance's business units originate assets that match the investment quality and duration and are financed through revolving secured borrowings, securitizations, funding facilities established with certain Canadian life insurance companies and syndications.

Rail Finance – Rail finance assets have longer durations and larger asset sizes and are initially financed through revolving secured borrowings, which are then repaid by the issuance of asset-backed notes secured by Railcar Assets. ECN Capital, through indirect wholly-owned subsidiaries, has established a securitization program to fund Railcar Assets. Under this program, ECN Capital's subsidiaries issue secured railcar equipment notes that are secured by Canadian, U.S. and Mexican Railcar Assets. The notes are comprised of various classes, with the senior notes rated A (sf) by S&P. ECN Capital plans to finance additional Railcar Assets originated under the Trinity Vendor Program through further issuances of secured railcar equipment notes.

Aviation Finance – Historically, aviation finance transactions have been typically funded through the revolving secured borrowings and syndicated funding. As noted previously, ECN Capital is discontinuing its "on balance sheet" aviation finance business to which these funding arrangements are applicable.

Employees

ECN Capital has approximately 230 employees in the U.S. and Canada. None of ECN Capital's employees is represented by a collective bargaining agreement and (including during the period where the Commercial Finance Business was operated by Element) has never experienced any work stoppages. ECN Capital has employment, non-solicitation and non-competition agreements with each of its senior executives and originators. ECN Capital considers its relations with its employees to be strong and views its employees as an important competitive advantage. Historically, ECN Capital has been successful in retaining its key employees including members of its senior management team. ECN Capital's senior management team has an in depth knowledge of equipment finance, and of the independent financial services industry in general.

Pursuant to the pending sale of the U.S. C&V Business to PNC, PNC has agreed to offer employment to all of the employees (including senior management) of ECN Capital's U.S. C&V Business. See "*General Development of the Business – Strategic Transactions*". Following completion of the sale of the U.S. C&V Business, ECN Capital will have approximately 130 employees.

Separation Agreement and Transition Services Agreement

Element and ECN Capital entered into a separation agreement dated October 3, 2016 (the "Separation Agreement"), a transition services agreement dated October 3, 2016 (the "Transition Services Agreement") and several ancillary agreements which provide for, among other things, the transfer of the Commercial Finance Business and certain arrangements governing the separation of the Fleet Management Business and the Commercial Finance Business.

Pursuant to the Separation Agreement, Element and ECN Capital entered into the Transition Services Agreement in which Element and ECN Capital agreed to provide each other, on a transitional basis, certain tax, accounting, finance and real estate services in order to facilitate the orderly transfer of the Commercial Finance Business to ECN Capital and to assist ECN Capital's transition to a public company.

DIVIDENDS

The declaration and payment of dividends is at the sole discretion of the Corporation's Board of Directors (the "Board") and may vary depending on a variety of factors and conditions. The Board reviews ECN Capital's dividend policy periodically in the context of the Corporation's earnings, financial condition and other relevant factors. See "*Risk Factors*".

Common Share Dividends

On October 3, 2016, ECN Capital declared an initial quarterly dividend of \$0.01 per outstanding Common Share. A quarterly dividend of \$0.01 per Common Share was declared on March 7, 2017 and is payable on April 14, 2017 to shareholders of record on the close of business on March 31, 2017.

Preferred Share Dividends

Under the terms of the Series A Shares, the holders are entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the Corporation's Board from the date of issuance (being December 2, 2016) up to but excluding December 31, 2021 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. A quarterly dividend of \$0.52979 per Series A Share was declared on March 7, 2017 and is payable on March 31, 2017 to Shareholders of record on the close of business on March 20, 2017.

DESCRIPTION OF SHARE CAPITAL

General

The authorized capital of ECN Capital consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. As at March 6, 2017, there were 387,172,622 Common Shares issued and outstanding, 4,000,000 Series A Shares issued and outstanding and nil Series B 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 ECN Capital, and (iii) to receive, subject to the rights of the holders of

another class of shares, the remaining property of ECN Capital on the liquidation, dissolution or winding up of ECN Capital, whether voluntary or involuntary.

For purposes of the *Income Tax Act* (Canada), the estimated adjusted cost base to a Resident Participating Shareholder (as defined in the Element Financial Corporation's Management Information Circular dated July 28, 2016) of each Element Financial Corporation Common Share held immediately prior to completion of the statutory plan of arrangement giving effect to the Separation Transaction should be allocated as follows: 79.44% to the Element Fleet Management Corp. common share and 20.56% to the ECN Capital common share received by a Resident Participating Shareholder pursuant to the statutory plan of arrangement. For further detail, see ECN Capital's news release dated October 19, 2016.

Preferred Shares

The preferred shares of ECN Capital may at any time and from time to time be issued in one or more series. The directors of ECN Capital 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 ECN Capital, 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 ECN Capital, 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 and Series B Shares

The holders of Series A 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 December 31, 2021. The dividend rate will reset on December 31, 2021 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield plus 5.44 per cent, provided that, in any event, such dividend rate shall not be less than 6.50%. In the event of liquidation, dissolution or winding up of ECN Capital, 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 ECN Capital in whole or in part, at its option, on December 31, 2021 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 ECN Capital'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, 2021 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 5.44 per cent, provided that, in any event, such dividend rate shall not be less than 6.50%, and will have the right to convert their Series B Shares into Series A Shares, subject to certain conditions, on December 31, 2026 and on December 31 every five years thereafter. The

Series B Shares are redeemable by ECN Capital in whole or in part, at its option, on any date after December 31, 2021, by payment in cash of a per share sum equal to: (i) \$25.00 in the case of redemptions on December 31, 2026 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, 2021, 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).

RATINGS

The following credit rating information is being provided as it relates generally to the Corporation’s financing costs, liquidity and operations. More specifically, credit ratings impact the Corporation’s ability to obtain short-term and long-term financing and can affect the cost of such financing.

DBRS Limited

On October 3, 2016, following completion of the Separation Transaction, DBRS assigned ECN Capital an issuer rating of “BBB (low)” with a stable trend and a rating of Pfd-3 (low) to the Series A Shares. On February 22, 2017, following the announcement of the sale of the U.S. C&V Business, DBRS affirmed ECN Capital’s issuer rating of “BBB (low)” with a stable trend.

DBRS has different rating scales for corporate ratings and preferred shares. DBRS rating approach is based on a combination of quantitative and qualitative considerations. The following descriptions have been sourced from information made publicly available by DBRS.

DBRS corporate rating analysis begins with an evaluation of the fundamental creditworthiness of the issuer, which is reflected in an “issuer rating”. Issuer ratings address the overall credit strength of the issuer, and the scale ranges from AAA (highest credit quality) to D (very highly speculative) categories. BBB is the fourth highest of ten DBRS categories. Unlike ratings on individual securities or classes of securities, issuer ratings are based on the entity itself and do not include consideration for security or ranking. An issuer rating of BBB (low) means that the issuer has adequate credit quality, that the issuer’s capacity for the payment of financial obligations is considered acceptable, and that the issuer may be vulnerable to future events. With the exception of the AAA and D categories, DBRS also uses “high” or “low” designations to indicate the relative standing of an issuer within a particular rating category, while the absence of either a “high” or “low” designation indicates the rating is in the middle of the category.

The DBRS preferred share rating scale is used in the Canadian securities market and is meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner, with respect to both dividend and principal commitments. The scale ranges from Pfd-1 (superior credit quality) to D (default) and each rating category is denoted by the subcategories “high” and “low”. The absence of either a “high” or “low” designation indicates the rating is in the middle of the category. Pfd-3 is the third highest of six DBRS categories. Preferred shares rated Pfd-3 (low) are of adequate credit quality, and while protection of dividends and principal is still considered acceptable, the issuing entity is more susceptible to adverse changes in financial and economic conditions, and there may be other adverse conditions present which detract from debt protection. Pfd-3 (low) ratings generally correspond with companies whose senior bonds are rated in the higher end of the BBB category.

Rating trends provide guidance in respect of DBRS’ opinion regarding outlook for the rating in question. A “stable” trend indicates that a rating is not likely to change.

KBRA Rating

On October 3, 2016, following completion of the Separation Transaction, KBRA assigned an issuer rating of “BBB” to the Corporation with a stable outlook. On February 21, 2017, following the announcement of the sale of the U.S. C&V Business, KBRA affirmed ECN Capital’s issuer rating of “BBB” with a stable outlook. The following descriptions have been sourced from information made publicly available by KBRA.

KBRA's credit ratings are on a long-term credit rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of rating. A "BBB" rating is the fourth highest of KBRA's ten rating categories. A rating of "BBB" signifies that KBRA has determined the issuer to be of medium quality with some risk of loss due to credit-related events. Issuers and obligations in this category may experience credit losses during stress environments. KBRA may append "+" or "-" modifiers to ratings in the AA through CCC range to indicate, respectively, lower and upper risk levels within the broader category, KBRA may also assign rating outlooks, which take on the following four states: positive, negative, stable and developing.

KBRA's credit ratings are intended to reflect both the probability of default and severity of loss in the event of default, with greater emphasis on probability of default at higher rating categories. For obligations, the determination of expected loss severity is, among other things, a function of the seniority of the claim. Generally speaking, issuer-level ratings assume a loss severity consistent with a senior unsecured claim.

General

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating organization. Credit ratings may not reflect the potential impact of all risks on the value of securities. The Corporation cannot know for certain that a rating will remain in effect for any given period of time or that a rating agency will not revise or withdraw it entirely in the future.

The Corporation paid customary fees to the rating agencies noted above in connection with the above-mentioned ratings.

MARKET FOR SECURITIES

The following tables report the intraday high and low prices and trading volumes for each class of issued and outstanding securities of ECN Capital listed on the TSX for the periods specified.

Common Shares

The Common Shares are currently listed on the TSX under the trading symbol "ECN". 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 since trading began on a regular-way basis on October 4, 2016 up to March 29, 2017.

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
March (1-29).....	3.70	3.37	32,873,530
February.....	3.70	2.97	43,795,735
January.....	3.30	3.03	28,943,089
December.....	3.36	2.95	25,520,452
November	3.22	2.60	49,987,814
October (4-31)	3.59	2.85	93,633,395

Series A Shares

The Series A Shares are currently listed on the TSX under the trading symbol “ECN.PR.A”. The following table sets forth the reported intraday high and low prices and the trading volume for the Series A Shares on the TSX since trading began on December 2, 2016 up to March 29, 2017.

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
March (1-29).....	25.32	24.73	388,445
February.....	24.94	24.25	293,638
January.....	24.41	23.88	315,810
December (2-31).....	24.65	23.50	903,656

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth the full name, province or state and country of residence and principal occupations for each director of the Corporation as of the date hereof. Each director is elected at the annual meeting of shareholders or appointed pursuant to the provisions of the Corporation's by-laws and applicable laws to serve until the next annual meeting or until a successor is elected or appointed, subject to earlier resignation by the director.

Directors

Name and Province/State and Country of Residence	Director Since	Principal Occupation
William Lovatt ^{(1), (2), (3)} Winnipeg, Manitoba, Canada	2016	Chairman of ECN Capital's Board; prior to the Separation Transaction, Chairman of the board of directors of Element from March 2015 to October 2016; former Executive Vice-President and Chief Financial Officer of Great-West Lifeco Inc., The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company from 1997 to 2015 (35-year career with Great-West Life).
Steven Hudson ^{(3), (7)} Toronto, Ontario, Canada	2016	Chief Executive Officer of ECN Capital since October 2016; prior to the Separation Transaction, Chief Executive Officer of Element from March 2011 to October 2016; previously Chief Executive Officer of Cameron Capital Corporation from 2005 to 2010; founder and former CEO of Newcourt Credit Group Inc.
Gordon Giffin ^{(2), (7)} Atlanta, Georgia, U.S.A.	2016	Senior Partner and chair of the US Public Policy and Regulation Practice and co-chair of the Global Energy Sector team at Dentons LLP, an international law firm; prior to the Separation Transaction, director of Element; served as the nineteenth U.S. Ambassador to Canada from 1997 to 2001.
Pierre Lortie ^{(3), (6), (7)} St-Lambert, Québec, Canada	2016	Senior Business Advisor at Dentons LLP, an international law firm; prior to the Separation Transaction, director of Element; a director of Canam Group and Quest Rare Minerals Ltd.; previously held senior executive positions at Bombardier until December 2003, including President of each of Bombardier Transportation, Bombardier Capital, Bombardier International and Bombardier Aerospace, Regional Aircraft.
David Morris ^{(1), (4)} Beaconsfield, Québec, Canada	2016	Former partner at Deloitte & Touche LLP, an international accounting firm, after serving over 41 years with the firm (Retired).
Bradley Nullmeyer ⁽³⁾ Toronto, Ontario, Canada	2016	Chief Executive Officer of Element Fleet; prior to the Separation Transaction, President of Element from 2012; previously the Co-Chief Executive Officer of OTEC Research from 2007 to 2012 and co-founder of Newcourt with lead responsibility for acquisitions, vendor finance programs and joint ventures and President of Vendor Finance for CIT USA.
Paul Stoyan ^{(1), (2), (5)} Toronto, Ontario, Canada	2016	Chairman of Gardiner Roberts LLP, a Canadian law firm; prior to the Separation Transaction, director of Element.

Notes:

(1) Member of the Audit Committee.

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

(3) Member of the Credit and Risk Committee.

(4) Chair of the Audit Committee.

(5) Chair of the Compensation and Corporate Governance Committee.

(6) Chair of the Credit and Risk Committee.

(7) Ambassador Giffin was a director of AbitibiBowater Inc. from October 29, 2007 until his resignation on January 22, 2009; in April 2009, AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions in the United States Bankruptcy Court for the District of Delaware for relief under the provisions of Chapter 11 and Chapter 15 of the United States Bankruptcy Code, as amended, and sought creditor protection under the Companies' Creditors Arrangement Act with the Superior Court of Québec in Canada. Steven Hudson was a director of Herbal Magic Inc., which was deemed to have made an assignment in bankruptcy pursuant to the provisions of the *Bankruptcy and Insolvency Act* (Canada) on August 11, 2014 and 8942595 Canada Inc., the successor business to Herbal Magic Inc., which made an assignment into bankruptcy on August 11, 2015. Pierre Lortie who until June 2015 was Chairman of Biocean Canada Inc. which, on October 10, 2014, filed a Notice of Intention to make a proposal under the Bankruptcy and Insolvency Act (Canada).

Executive Officers

Name and Province/State and Country of Residence	Principal Occupation
Steven Hudson Toronto, Ontario, Canada	Chief Executive Officer of ECN Capital since October 2016; prior to the Separation Transaction, Chief Executive Officer of Element from March 2011 to October 2016; previously Chief Executive Officer of Cameron Capital Corporation from 2005 to 2010; founder and former CEO of Newcourt Credit Group Inc.
Jim Nikopoulos Toronto, Ontario, Canada	Chief Operating Officer of ECN Capital since October 2016; prior to the Separation Transaction, Senior Vice President, General Counsel & Corporate Secretary of Element; previously Senior Vice President and General Counsel and current chairman of the board of directors of TeraGo Inc.; previously a partner at Davies Ward Phillips and Vineberg LLP.
Grier Colter ⁽¹⁾ Toronto, Ontario, Canada	Chief Financial Officer of ECN Capital since March 2017; previously, Executive Vice President of ECN from January 2017 to March 2017; prior to joining ECN Capital, Vice President and Treasurer of Canadian Tire Corporation and Chief Financial Officer of Uranium One Inc.; previously held senior level positions at Barrick Gold Corporation and Moneris Solutions Corporation.
David McKerroll Toronto, Ontario, Canada	President, Aviation & Rail of ECN Capital since October 2016; prior to the Separation Transaction, President, Aviation & Rail for Element; previously Co-Chief Executive Officer of OTEC Research from 2007 to 2013; previously Group CEO of CIT Capital Finance and co-founder of Newcourt Credit Group Inc. and President of Newcourt Capital.

Notes:

(1) On March 7, 2017, the Corporation appointed Grier Colter as Chief Financial Officer of ECN Capital, replacing Michel Béland who retired from the Corporation on March 7, 2017.

Voting Securities

As at March 6, 2017, the directors and officers of ECN Capital as a group owned, or controlled or directed, directly or indirectly 14,215,945 Common Shares, representing 3.7% of the issued and outstanding Common Shares as of that date.

Conflicts of Interest

Certain directors and executive officers of ECN Capital are officers and directors of, or are associated with, other public and private companies. Such associations may give rise to conflicts of interest with ECN Capital from time to time. The OBCA requires, among other things, that the directors and executive officers of ECN Capital act honestly and in good faith with a view to the best interest of ECN Capital, to disclose any personal interest which they may have in any material contract or transaction which is proposed to be entered into with ECN Capital and, in the case of directors, to abstain from voting as a director for the approval of any such contract or transaction. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the OBCA.

As at the date hereof, the Corporation is not aware of any existing or potential material conflicts of interest between the Corporation and a director or officer of the Corporation.

PROMOTER

Under applicable Canadian securities laws, Element Fleet may have previously been considered a promoter of ECN Capital, within the two most recently completed financial years, in that it took the initiative in founding ECN Capital for the purpose of implementing the Separation Transaction.

As of the date hereof, Element Fleet does not beneficially own, control or direct, directly or indirectly, any voting or other equity securities of ECN Capital or its subsidiaries.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of ECN Capital, except as otherwise disclosed elsewhere in this Annual Information Form, no director or executive officer of ECN Capital, no person or company that beneficially owns, controls or directs, directly or indirectly, more than 10% of the outstanding securities ECN Capital 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 ECN Capital or its subsidiaries.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the ordinary course of business, ECN Capital and certain of its subsidiaries are party to legal proceedings. ECN Capital believes that each such proceeding constitutes a routine legal matter incidental to the business conducted by ECN Capital or its subsidiaries. Although ECN Capital cannot determine the ultimate outcome of any outstanding claims, based on its current knowledge, ECN Capital 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, 2016: (i) there have been no penalties or sanctions imposed against ECN Capital 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 ECN Capital that would likely be considered important to a reasonable investor in making an investment decision; and (iii) ECN Capital has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

TRANSFER AGENT AND REGISTRAR

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

INTEREST OF EXPERTS

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

AUDIT COMMITTEE INFORMATION

The audit committee of the Board (the "Audit Committee") is responsible for overseeing the accounting and financial reporting practices of the Corporation, the audits of the Corporation's financial statements, establishing and overseeing of any internal audit function and exercising the responsibilities and duties set out in the mandate of the Audit Committee. The members of the Audit Committee are David Morris (Chair), William Lovatt and Paul Stoyan. 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 ECN Capital other than

for service as a member of the Board and its committees. All members of the Audit Committee are financially literate (as defined under NI 52-110). The full text of the mandate of the Audit Committee is attached as Appendix A to this Annual Information Form.

Composition of the Audit Committee

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:

David Morris

Mr. Morris was appointed to ECN Capital's Board in October 2016 following completion of the Separation Transaction and serves as chair of the Audit Committee. Mr. Morris recently retired as a senior audit partner at Deloitte & Touche LLP after serving over 41 years with the Firm. Mr. Morris is a graduate of McGill University. He has extensive experience auditing global financial institutions and public companies. Mr. Morris has worked closely with senior management of these companies and with audit committees on a number of special engagements relating to mergers and acquisitions, due diligence and complex transactions. Mr. Morris also has a strong background with U.S. Securities and Exchange Commission registrants, including internal controls over financial reporting. Mr. Morris has acted as an advisor to senior management and directors throughout his career.

William Lovatt

Mr. Lovatt is the Chairman of ECN Capital's Board and is a member of Element Fleet's Board of Directors. Mr. Lovatt serves as a member of the Audit Committee, the Compensation and Corporate Governance Committee and the Credit and Risk Committee of the Board. Mr. Lovatt also served on Element's Board of Directors since December 2014, bringing with him 40 years of investment and senior management expertise. Mr. Lovatt is one of Canada's most respected financial services executives having served as Executive Vice President and Chief Financial Officer of Great-West Lifeco Inc., Great-West Life Assurance Company, London Life Insurance Company and Canada Life Assurance Company. Mr. Lovatt joined Great West-Life in 1979 serving in various positions in the insurer's investments department prior to being appointed Chief Financial Officer. Mr. Lovatt served as a member of the Accounting Standards Oversight Council from 2000 to 2008 and in 2009, following the global financial crisis, was asked to serve the Canadian Government on the Department of Finance's Advisory Committee on Liquidity in the Financial Markets. Mr. Lovatt received his Bachelor of Commerce (Hons.) degree from the University of Saskatchewan in 1975, his Chartered Financial Analyst designation in 1983 and became a Fellow Certified General Accountant in 2003.

Paul Stoyan

Mr. Stoyan was appointed to ECN Capital's Board in October 2016 following completion of the Separation Transaction and serves as a member of the Audit Committee and is chairman of the Compensation and Corporate Governance Committee. Mr. Stoyan is the Chairman of Gardiner Roberts LLP, a Canadian law firm. Mr. Stoyan practices business law with a special emphasis on mergers and acquisitions, corporate finance and corporate governance. Mr. Stoyan has worked extensively with various companies in the technology sector and has assisted such companies in various cross-border transactions, in going public and in establishing and enforcing corporate governance regimes. Mr. Stoyan serves on the board of directors of Enghouse Systems Limited, a publicly-traded software company listed on the TSX. He is a past director of the National Ballet School of Canada, and the Canadian Centre for Ethics and Corporate Policy. Mr. Stoyan is also Past Chair of the Business Law Section of the Ontario Bar Association. Mr. Stoyan has previously served as a director of Open Text Corporation, a publicly-traded software company listed on NASDAQ and the TSX. Mr. Stoyan holds a bachelor of laws from the University of Toronto and a bachelor of arts from the University of Toronto, where Mr. Stoyan was the Gold Medalist. Mr. Stoyan has earned the professional independent director designation (ICD.D) from the Institute of Corporate Directors and the University of Toronto's Rotman School of Management.

Pre-Approval Policies and Procedures

The Audit Committee 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 for ECN Capital (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 serves as the Corporation's auditing firm. Fees payable by ECN Capital for the fiscal year ended December 31, 2016 to Ernst & Young LLP and its affiliates were \$997,000 as follows:

	2016
Audit Fees	\$942,000
Audit-Related Fees	\$55,000
Tax Fees	\$Nil
Other Fees	\$Nil
TOTAL	\$997,000

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 ECN Capital's annual financial statements for the year ended December 31, 2016. In addition, audit fees were paid for services provided in connection with translation services and statutory and regulatory filings.

Audit Related Fees

Audit-related fees were paid for services that are reasonably related to the performance of the audit or review of ECN Capital's financial statements and are not reported under the audit fee items above. Audit-related fees in 2016 related to agreed-upon procedures engagements associated with certain secured borrowing arrangements.

MATERIAL CONTRACTS

Except for those contracts entered into in the ordinary course of business, the only material contract ECN Capital entered into within the most recently completed financial year, or prior to the most recently completed financial year and still in effect is the asset purchase agreement dated February 17, 2017 among ECN Financial LLC, PNC and ECN Capital relating to the pending sale of the U.S. C&V Business (see "*General Development of the Business – Strategic Transactions*"). A copy of the asset purchase agreement is available under ECN Capital's profile on SEDAR at www.sedar.com.

RISK FACTORS

An investment in the securities of ECN Capital involves significant risks. Investors should carefully consider the risks described below before deciding to purchase ECN Capital's securities. If any of the following or other risks occurs, ECN Capital's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In addition, a discussion of risks affecting ECN Capital and its businesses appears under the headings "*Risk Management*" in the 2016 MD&A, which discussions are incorporated by reference herein.

Risks Relating to ECN Capital in Connection with the Separation Transaction

ECN Capital's separate operating history as a stand-alone entity

ECN Capital was incorporated on July 22, 2016 and became a reporting issuer in all of the Provinces of Canada on October 3, 2016. The operating history of Element in respect of the ECN Capital Assets cannot be regarded as the operating history of ECN Capital. The ability of ECN Capital to raise capital, satisfy its obligations and provide a return to its shareholders is dependent on future performance. It is not be able to rely on the capital resources and cash flows of Element Fleet.

ECN Capital could be exposed to substantial tax liabilities if the tax-deferred spinoff requirements are not met

The tax treatment of the Separation Transaction is dependent on, among other things, the Separation Transaction complying with all of the requirements of the public company "butterfly reorganization" rules in section 55 of the *Income Tax Act* (Canada). Although the Separation Transaction was structured with the intent that it comply with these rules, there are certain requirements of these rules that depend on events occurring after completion of the Separation Transaction. If these requirements are not met, ECN Capital would recognize a taxable gain in respect of the Separation Transaction. If incurred, tax liabilities could be substantial and could have a material adverse effect on the financial position of ECN Capital, as applicable. No tax ruling has been requested or received from the authorities in Canada in respect of tax consequences of the Separation Transaction. In addition, if such requirements are not met due to an act of Element or ECN Capital, ECN Capital, as applicable, may in certain circumstances be required to indemnify the other party under the the arrangement agreement dated July 25, 2016 among, *inter alia*, Element and ECN Capital relating to, among other things, the Separation Transaction.

ECN Capital's indemnification obligations to Element Fleet following the Separation Transaction could be significant

Element Fleet and ECN Capital each agreed to indemnify the other for certain liabilities and obligations related to, among other things, in the case of ECN Capital, the Commercial Finance Business. These indemnification obligations could be significant. If Element Fleet or ECN Capital has to indemnify the other for any substantial obligations, it may not be able to satisfy those obligations, and this may materially adversely affect ECN Capital's financial position.

Element Fleet or ECN Capital may default in its obligations under the Separation Agreement, and/or ancillary agreements, including the Transition Services Agreement

ECN Capital currently depends on Element Fleet, and Element Fleet currently depends on ECN Capital, to undertake certain actions and provide certain services to facilitate the orderly transfer of the Commercial Finance Business to ECN Capital and the operation of ECN Capital as an independent public company. If Element Fleet or ECN Capital defaults in any of its obligations under the Separation Agreement and/or the ancillary agreements (including the Transition Services Agreement), ECN Capital's operations may be materially affected.

Risks Relating to ECN Capital's Business

Global financial markets and general economic conditions may adversely affect ECN Capital's results

ECN Capital is exposed to local, regional, national and international economic conditions and other events and occurrences beyond its control, including, but not limited to, the following: credit and capital market volatility, business investment levels, government spending levels, consumer spending levels, changes in laws, rules or regulations, trade barriers, commodity prices, currency exchange rates and controls, national and international political circumstances (including wars, terrorist acts or security operations), changes in interest rates, inflation rates, the rate and direction of economic growth, and general economic uncertainty. Unfavourable economic conditions could affect the jurisdictions in which ECN Capital owns assets and operates businesses, and may cause a reduction in: (i) securities prices, (ii) the liquidity of investments made by ECN Capital, (iii) the value or performance of the investments made by ECN Capital, and (iv) the ability of ECN Capital to raise or deploy capital, each of which could adversely impact ECN Capital's financial condition.

In general, a decline in economic conditions, either in the markets or industries in which ECN Capital participates, or both, will result in downward pressure on its operating margins and asset values as a result of lower demand and increased price competition for the services and products that ECN Capital provides. If global economic conditions deteriorate, ECN Capital's investment performance could suffer, resulting in, decreased cash flow from operations, which could materially adversely affect ECN Capital's liquidity position and the amount of cash it has on hand to conduct its operations. A reduction in ECN Capital's cash flow from operations could, in turn, require ECN Capital to rely on other sources of cash (such as the capital markets which may not be available to ECN Capital on acceptable terms, or debt and other forms of leverage). Adverse economic conditions also may decrease the estimated value of the collateral securing some of ECN Capital's loans and leases. Further or prolonged economic slowdowns or recessions could lead to financial losses in ECN Capital's portfolio and a decrease in ECN Capital'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 ECN Capital's business, operating results, and financial condition.

Moreover, a reduction in credit, combined with reduced economic activity, may materially adversely affect businesses and industries that collectively constitute a significant portion of ECN Capital's customer base and may make it more difficult for ECN Capital to maintain new business origination and the credit quality of new business at the levels currently forecasted. As a result, these customers may need to reduce their purchases and reliance on ECN Capital's services or ECN Capital 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, ECN Capital's non-performing assets may become elevated and the value of ECN Capital's portfolio is likely to decrease.

Lack of funding may limit ECN Capital's ability to operate and/or generate returns

ECN Capital employs debt and other forms of leverage in the ordinary course of business to enhance returns and finance operations. ECN Capital attempts to match the profile of any leverage to the associated assets and therefore is subject to the risks associated with debt financing and refinancing, including but not limited to the following: (i) ECN Capital's cash flow may be insufficient to meet required payments of principal and interest; (ii) payments of principal and interest on borrowings may leave ECN Capital with insufficient cash resources to pay operating expenses; (iii) if ECN Capital is unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavourable terms, ECN Capital may have difficulty completing acquisitions or may generate profits that are lower than would otherwise be the case; (iv) ECN Capital may not be able to refinance indebtedness on its assets at maturity due to company and market factors such as the estimated cash flow produced by its assets, the value of its assets, liquidity in the debt markets, and/or financial, competitive, business and other factors; and (v) if ECN Capital is unable to refinance its assets, the terms of a refinancing may not be as favourable as the original terms of the related indebtedness. If ECN Capital is unable to refinance its indebtedness on acceptable terms, or at all, ECN Capital may need to utilize available liquidity, which would reduce its ability to pursue new investment opportunities, or may require the disposal of one or more of its assets on disadvantageous terms, or raise equity causing dilution to existing shareholders. Regulatory changes may also result in higher borrowing costs and reduced access to credit.

A large proportion of ECN Capital's capital may be invested in physical assets and securities that can be hard to sell, especially if market conditions are poor. A lack of liquidity could limit ECN Capital's ability to vary its portfolio or assets promptly in response to changing economic or investment conditions.

Concentration of debt financing sources may increase ECN Capital's funding risks

ECN Capital's reliance on its Senior Credit Facility for a significant amount of its funding exposes ECN Capital to funding risks. If the Senior Credit Facility were to be terminated or not extended, ECN Capital's operations could be materially adversely affected.

Inability to attract and retain employees may limit ECN Capital's ability to grow its business

If ECN Capital is not able to attract and retain top employees, its ability to compete may be harmed. ECN Capital'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 ECN Capital's business, ECN Capital 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 ECN Capital's borrowers operate. In addition, in ECN Capital's effort to attract and retain critical personnel, ECN Capital may experience increased compensation costs that are not offset by either improved productivity or higher prices for ECN Capital's services.

Many of the financial institutions that ECN Capital competes with for experienced personnel may be able to offer more attractive terms of employment. If any of ECN Capital's key origination personnel leave, ECN Capital's new equipment finance origination volume from their business contacts may decline or cease. In addition, ECN Capital 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 ECN Capital's ability to grow its business.

Loss of key personnel may significantly harm ECN Capital's business

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

A competitive business environment may limit the growth of ECN Capital's business

ECN Capital's market segments are highly competitive and characterized by competitive factors that vary based upon product and geographic region. ECN Capital competes with a wide variety of competitors that include independent lease finance companies, captive finance companies owned by manufacturers and distributors, banks, third-party brokers and other large and mid-sized commercial asset management companies.

ECN Capital's funding facilities may limit ECN Capital's operation flexibility

ECN Capital's funding arrangements, including the Senior Credit Facility and certain securitization programs, contain financial and non-financial covenants such as minimum tangible net worth requirements, debt coverage and interest coverage ratios and change of control provisions in relation to ECN Capital. Such covenants could limit ECN Capital's ability to pursue future business opportunities and any non-compliance could give rise to an acceleration of related indebtedness, which in turn could have a material adverse effect on ECN Capital's business.

From time to time, ECN Capital may seek to increase its available fundings, including to fund the future growth of ECN Capital's business. Since ECN Capital's fundings are generally collateralized and serviced by corresponding pools of income earning assets, any underperformance of such assets may result in reduced availabilities or early repayment requirements. In such circumstances, ECN Capital would require alternative or replacement sources of fundings and, if applicable, could result in ECN Capital using other available cash flow sources and capital resources to satisfy related debt service obligations. A reduction in the availability of fundings could reduce or delay ECN Capital's capital expenditures, or could lead ECN Capital to dispose of assets, issue additional equity, incur additional debt or restructure existing debt, in each case on potentially disadvantageous terms and conditions and subject to prevailing market conditions at the relevant time. Accordingly, a loss of available funding could have a material adverse effect on ECN Capital's business, financial condition and results of operations.

ECN Capital is susceptible to liquidity risk

Liquidity risk is the risk that ECN Capital will not generate sufficient cash or cash equivalents in a timely and cost effective manner to satisfy its financial obligations as they come due. Growth in ECN Capital's portfolio requires on-going availability of secured financing and funding lines sufficient to accommodate projected growth objectives.

Inability to realize benefits from growth and through acquisitions may harm ECN Capital's financial condition

ECN Capital's inability to realize the potential benefits from its growth strategy and from the integration of its acquisitions may adversely impact ECN Capital's operating results. ECN Capital's ability to realize such benefits is based on its management of growth and its integration of acquisitions and requires ECN Capital to continue to build its operational, financial and management controls, human resource policies, and reporting systems and procedures. ECN Capital's ability to manage its growth and integrate acquisitions depends in large part upon a number of factors, including the ability of ECN Capital to:

- expand ECN Capital'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 ECN Capital's origination platforms and provide services that respond to evolving customer needs;
- develop support capacity for customers as sales increase, so that ECN Capital can provide post-sales support without diverting resources from origination efforts;
- secure additional sources of funding to undertake strategic acquisitions, while implementing a prudent capital structure for ECN Capital; and
- expand its network of vendor relationships to create an enhanced presence in the evolving marketplace for ECN Capital's services.

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

ECN Capital may not realize the anticipated benefits of the disposition of its U.S. Commercial and Vendor Finance business

ECN Capital has announced the sale of its U.S. C&V Finance business to PNC in order to realize certain benefits including: strengthen its balance sheet, reduce leverage, increase its tangible book value, and maintain its credit ratings. ECN Capital may not be able to realize all of these anticipated benefits, and the timeframe for realizing the benefits may depend partially on factors outside of ECN Capital's control. If ECN Capital fails to achieve some or all of the anticipated benefits of the disposition, it could have a material adverse effect on ECN Capital's competitive position, business, financial condition, results of operation and cash flows. In addition, ECN Capital may experience greater costs as a result of the disposition than expected, and the impact of the disposition on its revenue may be larger than projected. The asset purchase agreement for the pending sale of the U.S. C&V Business is subject to satisfaction of pre-closing conditions as well as regulatory and governmental approvals, which, if not satisfied or obtained, may prevent ECN Capital from completing the transaction. If the pending sale of the U.S. C&V Business does not close, ECN Capital may not have the funds available to pursue and complete certain strategic acquisitions pursuant to its growth strategy discussed above.

Complications in managing acquisitions may negatively affect ECN Capital's operating results

ECN Capital does not currently have any agreement or commitments to acquire any businesses. ECN Capital intends to seek opportunities to acquire or invest in businesses that could expand, complement or otherwise relate to the Commercial Finance Business. ECN Capital 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 ECN Capital's own business; (ii) additional demands on ECN Capital's resources, systems, procedures and controls; (iii) disruption of ECN Capital's on-going 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 ECN Capital or result in the issuance of, or assumption of, debt. Such acquisitions, investments, joint ventures or other business collaborations may involve significant commitments of ECN Capital's financial and other resources. Any such activity may not be successful in generating revenue, income or other returns to ECN Capital, and the resources committed to such activities will not be available to ECN Capital for other purposes. Moreover, if ECN Capital is unable to access capital markets on acceptable terms or at all, ECN Capital may not be able to consummate acquisitions, or may have to do so on the basis of a less than optimal capital structure.

ECN Capital's inability to take advantage of growth opportunities for its business (including the timely redeployment of capital following the realization of proceeds from the sale of assets) or to address risks associated with acquisitions or investments in businesses may negatively affect ECN Capital'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 ECN Capital's earnings which, in turn, may have an adverse material effect on the price of ECN Capital's securities. If ECN Capital does complete such transactions, ECN Capital 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

ECN Capital's net investment in finance assets for its own account and to be held for future term funding exposes ECN Capital to credit risk. Credit risk is the risk that ECN Capital will incur an unexpected loss because its customers and counterparties fail to discharge their contractual obligations. Credit risk arises principally through ECN Capital'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. ECN Capital is exposed to credit risk as it arises from events and circumstances outside of ECN Capital's control relating to adverse economic conditions, business failure or fraud. The types of fraud to which ECN Capital 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 ECN Capital's ability to generate and fund new financings.

In order to manage credit risk, ECN Capital 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. ECN Capital 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.

Credit ratings and credit risk may change

The credit ratings assigned to ECN Capital are not a comment on the market price of a security nor is it an assessment of ownership given various investment objectives. There can be no assurance that any credit rating assigned to ECN Capital will remain in effect for any given period of time and ratings may be upgraded, downgraded, placed under review, confirmed and discontinued by an applicable credit ratings agency at any time. Any credit ratings assigned to ECN Capital and any real or anticipated changes in such credit ratings may affect the market value of its securities and ECN Capital's ability to obtain short-term and long-term financing and the cost at which ECN Capital can access the capital markets.

ECN Capital's provision for credit losses may prove inadequate

ECN Capital's business depends on the creditworthiness of its customers and their ability to fulfill their obligations to ECN Capital. ECN Capital maintains a provision for credit losses that reflects management's judgment of losses inherent in the portfolio. ECN Capital 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.

ECN Capital's provision for credit losses may prove inadequate and ECN Capital cannot assure that its provision for credit losses will be adequate over time to cover credit losses in ECN Capital's portfolio because of adverse changes in the economy or events adversely affecting specific customers, industries or markets. ECN Capital credit reserves may not keep pace with changes in the creditworthiness of ECN Capital's customers or in collateral values. If the credit quality of ECN Capital'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 ECN Capital's reserves for credit losses, it could have a material adverse effect on ECN Capital's business, results of operations, and financial position.

While credit losses have been minimal to date, ECN Capital 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 ECN Capital's loans and leases are secured by a lien on specified collateral of the customer, there is no assurance that ECN Capital has obtained or properly perfected its liens, or that the value of the collateral securing any particular loan will protect ECN Capital from suffering a partial or complete loss if the loan or lease becomes non-performing and ECN Capital moves to foreclose on the collateral. In such event, ECN Capital 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, ECN Capital 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 ECN Capital 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.

Change in interest rates may adversely affect ECN Capital'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, ECN Capital structures its secured funding 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 matching funding transactions on both a duration and interest rate basis. In some instances, matching the interest rate basis requires that ECN Capital enter into interest rate swaps in order to align the interest rate variability.

ECN Capital 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 or U.S. bond rates can negatively impact the spread on the transaction. In order to mitigate this risk, ECN Capital seeks to monitor its borrowing costs to ensure its rates reflect appropriate spreads to insulate against sudden unexpected interest rate movements. In order to further mitigate risk, ECN Capital undertakes regular securitizations to ensure its finance contracts are appropriately match-funded by its secured funding arrangements, which reduces the warehouse period and the likelihood that a significant movement in bond rates will negatively impact the spreads on such transactions. ECN Capital also seeks to maintain 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, ECN Capital'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 Credit Facility.

Concentration of leases and loans with a particular industry or region may negatively impact ECN Capital's financial condition

ECN Capital is a commercial finance business focused on the commercial and vendor, rail and aviation sectors. As a result, ECN Capital has a significant concentration of risk exposure related to these industry segments. If these industry segments were to experience adverse economic or business conditions, ECN Capital's delinquencies, default rate and charge-offs 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

ECN Capital'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 mid-sized companies that ECN Capital 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 many of ECN Capital's customers do not publicly report their financial condition, ECN Capital is more susceptible to a customer's misrepresentation, which could cause ECN Capital to suffer losses on its portfolio. The failure of a customer to accurately report its financial position could result in ECN Capital 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.

ECN Capital's results are difficult to forecast and may fluctuate substantially

ECN Capital's quarterly and annual operating results are likely to fluctuate in the future. These fluctuations could cause ECN Capital's stock price to decline. In some future quarters or years, ECN Capital's financial or operating results may not meet the expectations of securities analysts and investors which could result in a decline in the price of the Common Shares. Many other different factors could cause ECN Capital's results of operations to fluctuate from quarterly and annually, including:

- the success of ECN Capital's origination activities, the timing of launch and market acceptance of ECN Capital's commercial finance products;
- credit losses and default rates;
- ECN Capital's ability to enter into financing arrangements;
- competition;
- seasonal fluctuations in ECN Capital'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 and foreign exchange rates;
- general changes to the North American and global economies; and
- political conditions or events.

ECN Capital 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. Any shortfalls in ECN Capital's net finance income and management, origination activity or in its expected growth rates could result in decreases in its share price.

The decision to pay dividends on Common Shares and/or Preferred Shares is subject to discretion

Although ECN Capital currently pays quarterly cash dividends on its Common Shares and Preferred Shares (see "Dividends"), these cash dividends may be reduced or suspended. The amount of cash available to ECN Capital to pay dividends, if any, can vary significantly from period to period for a number of reasons, including, among other things: ECN Capital's operational and financial performance; fluctuations in market prices; the amount of cash required or retained for debt service or repayment; amounts required to fund capital expenditures and working capital requirements; access to capital markets; foreign currency exchange rates and interest rates; and the other risk factors set forth in this Annual Information Form.

The decision whether or not to pay dividends and the amount of any such dividends are subject to the discretion of the Board, which regularly evaluates proposed dividend payments and the solvency test requirements of the OBCA and the requirements of the applicable law. In addition, the level of dividends per Common Share or Preferred Share will be affected by the number of outstanding Common Shares or Preferred Shares and other securities that may be entitled to receive cash dividends or other payments. Dividends may be increased, reduced or

suspended depending on the Corporation's operational success. The market value of Common Shares or Preferred Shares may deteriorate if ECN Capital is unable to meet dividend expectations in the future, and that deterioration may be material.

Information technology infrastructure security breaches may negatively impact ECN Capital

Any inability on ECN Capital's part to protect the security of its platforms or the privacy of confidential information could have a material adverse effect on ECN Capital's profitability by exposing ECN Capital to additional liability, increasing ECN Capital's expenses relating to resolution of these breaches, and deterring users from using ECN Capital's products. Despite the implementation of security measures, ECN Capital's information systems and operations and those of its contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. Such events could cause interruption of its operations. ECN Capital cannot ensure that its current security measures will effectively counter evolving security risks, prevent future slowdowns or disruptions, protect against extraordinary attacks or address the security and privacy concerns of existing and potential users. Any system failures, slowdowns or disruptions will likely result in unanticipated disruptions in service to ECN Capital's users, decreased levels of user satisfaction and significant negative effects on ECN Capital's reputation.

ECN Capital's business depends on the efficient and uninterrupted operation of computer and communications systems and networks, hardware and software systems and other information technology. If systems were to fail or ECN Capital was unable to successfully expand the capacity of these systems or was unable to integrate new technologies into its existing systems, its operations and financial results could suffer.

ECN Capital relies on third-party encryption and authentication technology to provide secure transmission of confidential information over the Internet. Advances in technological capabilities, new discoveries in the field of cryptography, or other events or developments, could result in a compromise or breach of the technology ECN Capital uses to protect sensitive data. If any such compromise of ECN Capital's security, or the security of ECN Capital's customers, were to occur, it could result in misappropriation of proprietary information or interruptions in operations, and have an adverse impact on ECN Capital's reputation or the reputation of ECN Capital's customers. If ECN Capital is unable to detect and prevent unauthorized use of sensitive or confidential data, its business, results of operations and financial condition could be materially and adversely affected.

Litigation may negatively impact ECN Capital's financial condition

From time to time in the ordinary course of its business, ECN Capital 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 ECN Capital to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on ECN Capital's business, operating results or financial condition. Specifically, ECN Capital's current dispute with Airbus Group SE regarding the Airbus helicopters (EC225 and AS332 L2) in ECN Capital's portfolio that have been grounded by aviation authorities could, if unsuccessful, negatively impact ECN Capital's financial condition.

Foreign currency risk creates exposure that may negatively impact ECN Capital

Foreign currency risk is the risk of exposure to foreign currency movements on ECN Capital's lending and/or net investment in foreign subsidiaries, whereby there is a risk the exchange rates (in particular the U.S. dollar/Canadian dollar rate) will be materially different when a loan or finance receivable is re-measured for accounting purposes, matures or when a foreign subsidiary is divested. ECN Capital mitigates and manages this risk on ECN Capital's lending portfolio by entering into foreign exchange forward contracts to reduce or hedge its exposure to foreign currency risk. ECN Capital currently partially hedges its net investment in foreign subsidiaries. ECN Capital is also exposed to foreign currency risk related to net income generated from foreign currency denominated assets and operations. This risk represents the impact of fluctuations to the average Canadian and respective foreign currency exchange rate used to translate ECN Capital's foreign currency denominated net income into Canadian dollar equivalent during each period. ECN Capital may mitigate and manage this type of foreign

currency risk by entering into foreign currency forward contracts to reduce or hedge this exposure to foreign currency risk.

Taxes

ECN Capital is a Canadian corporation which operates in multiple jurisdictions. As a result, it is subject to the tax laws and regulations of Canadian federal, provincial and local governments and of the governments of foreign jurisdictions in which ECN Capital operates, as well as to any income tax treaties between Canada and any such jurisdictions, and to the risk that those tax laws, regulations and treaties may change in the future. Any such changes could adversely affect the taxes payable, including withholding taxes, and the effective tax rate in the jurisdictions in which ECN Capital operates.

The determination of ECN Capital's provision for income taxes in Canada and elsewhere, including current and deferred tax assets and liabilities on ECN Capital's financial statements, require estimates, interpretation and significant judgment. Various internal and external factors may have favourable or unfavourable effects on future provisions for income taxes and ECN Capital's effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, results of audits by tax authorities, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, and changes in overall levels of income before taxes. Furthermore, new accounting pronouncements or new interpretation of existing accounting pronouncements can have a material impact on ECN Capital's effective income tax rate.

ECN Capital could be impacted by certain tax treatments for various revenue streams in different tax jurisdictions. If a tax authority has a different interpretation from ECN Capital's, it could potentially impose additional taxes, penalties or fines. This would potentially reduce the amounts of revenue ultimately received by ECN Capital.

ECN Capital, from time to time, has executed or may execute reorganization transactions impacting its tax structure. If a tax authority has a different interpretation from ECN Capital's, it could potentially impose additional taxes, penalties or fines.

ECN Capital may be treated as a passive foreign investment company (PFIC) for U.S. federal income tax purposes, in which case U.S. holders would be subject to a special, generally adverse tax regime.

ECN Capital has not made a determination as to whether it may be a PFIC for any taxable year.

The U.S. federal income tax consequences to U.S. holders of owning and disposing of Common Shares may be affected if ECN Capital were treated as a PFIC.

The PFIC rules, including the rules governing any elections that may potentially be made by a U.S. holder, are extremely complex. Each U.S. holder should consult its own tax advisor regarding the potential PFIC status of ECN Capital and how the PFIC rules (including elections that may be available thereunder) would affect the U.S. federal income tax consequences of the ownership and disposition of Common Shares.

Volatility of Common Share price

Market prices for commercial finance and asset management corporations have at times been volatile and subject to substantial fluctuations. The stock market, from time-to-time, experiences significant price and volume fluctuations unrelated to the operating performance of particular companies. Future announcements concerning ECN Capital or its competitors, including those pertaining to financing arrangements, government regulations, developments concerning regulatory actions affecting ECN Capital, litigation, additions or departures of key personnel, cash flow, and economic conditions and political factors in the U.S., Canada or other regions may have a significant impact on the market price of the Common Shares. In addition, there can be no assurance that the Common Shares will continue to be listed on the TSX.

The market price of the Common Shares could fluctuate significantly for many other reasons, including for reasons unrelated to ECN Capital's specific performance, such as reports by industry analysts, investor perceptions, or negative announcements by its customers, competitors or suppliers regarding their own performance, as well as general economic and industry conditions. For example, to the extent that other large companies within its industry experience declines in their stock price, the share price of the Common Shares may decline as well. In addition, when the market price of a company's shares drops significantly, shareholders often institute securities class action lawsuits against the company. A lawsuit against ECN Capital could cause it to incur substantial costs and could divert the time and attention of its management and other resources.

Sales of a substantial number of the Common Shares may cause the price of the Common Shares to decline.

Any sales of substantial numbers of the Common Shares in the public market or the exercise of significant amounts of Options or the perception that such sales or exercise might occur may cause the market price of the Common Shares to decline.

The issuance of the Common Shares to Shareholders whose investment profile may not be consistent with ECN Capital's business may lead to significant sales of the Common Shares or a perception that such sales may occur, either of which could have a material adverse effect on the market for and market price of the Common Shares.

Management of growth may strain ECN Capital's resources

ECN Capital's future growth, if any, may cause a significant strain on management, operational, financial and other resources. The ability to effectively manage growth will require ECN Capital to improve and/or expand its scientific, operational, financial and management information systems and to train, manage and motivate its employees. These demands may require the addition of new management personnel and the development of additional expertise by management. Any increase in resources devoted to product and business development without a corresponding increase in operational, financial and management information systems could have a material adverse effect on performance. The failure of ECN Capital's management team to effectively manage growth could have a material adverse effect on ECN Capital's business, financial condition and results of operations.

Dilution from further equity financing and declining share price

If ECN Capital raises additional financing through the issuance of equity securities (including securities convertible or exchangeable into equity securities) or completes an acquisition or merger by issuing additional equity securities, such issuance may substantially dilute the interests of Shareholders and reduce the value of their investment. The market price of the Common Shares could decline as a result of issuances of new shares or sales by Shareholders in the market or the perception that such sales could occur. Sales by Shareholders might also make it more difficult for ECN Capital itself to sell equity securities at a time and price that it deems appropriate.

Issue of Preferred Shares by ECN Capital

ECN Capital's Board has the authority to issue undesignated preferred shares and, before issue, to fix the designation of, and the rights and restrictions attached to, the preferred shares of each series, without consent from Shareholders. Preferred Shares could be issued without voting, dividend, liquidation, dissolution, winding-up and other rights superior to those of Common Shares. ECN Capital has previously issued two series of preferred shares (the Series A Shares and Series B Shares); see "*Description of Share Capital – Preferred Shares*".

Securities industry analyst research reports

The trading market for the Common Shares is influenced by the research and reports that industry or securities analysts publish about ECN Capital or any of its partners. If covered, a decision by an analyst to cease coverage of ECN Capital or fail to regularly publish reports on ECN Capital could cause ECN Capital to lose visibility in the financial markets, which in turn could cause the stock price or trading volume to decline. Moreover,

if an analyst who covers ECN Capital or any of its partners downgrades its or its partner's stock, or if operating results do not meet analysts' expectations, the stock price could decline.

Compliance with laws and regulations affecting public companies

Any future changes to the laws and regulations affecting public companies, compliance with existing provisions of National Instrument 52-109 — *Certification of Disclosure in Issuer's Annual and Interim Filings* ("NI 52-109") and the other applicable Canadian securities laws and regulation and related rules and policies, may cause ECN Capital to incur increased costs as it evaluates the implications of new rules and implements any new requirements. Delays or a failure to comply with the new laws, rules and regulations could result in enforcement actions, the assessment of other penalties and civil suits.

Any new laws and regulations may make it more expensive for ECN Capital to provide indemnities to ECN Capital's officers and directors and may make it more difficult to obtain certain types of insurance, including liability insurance for directors and officers. Accordingly, ECN Capital may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for ECN Capital to attract and retain qualified persons to serve on its Board or as executive officers. ECN Capital may be required to hire additional personnel and utilize additional outside legal, accounting and advisory services, all of which could cause general and administrative costs to increase beyond what ECN Capital currently has planned. ECN Capital is continuously evaluating and monitoring developments with respect to these laws, rules and regulations and it cannot predict or estimate the amount of the additional costs it may incur or the timing of such costs.

ECN Capital is required annually to review and report on the effectiveness of its internal control over financial reporting in accordance with NI 52-109. The results of this review are reported in ECN Capital's 2016 MD&A. ECN Capital's Chief Executive Officer and Chief Financial Officer are required to report on the effectiveness of ECN Capital's internal control over financial reporting.

Management's review is designed to provide reasonable assurance, not absolute assurance, that all material weaknesses existing within ECN Capital's internal controls are identified. Material weaknesses represent deficiencies existing in internal controls that may not prevent or detect a misstatement occurring which could have a material adverse effect on the quarterly or annual financial statements of ECN Capital. In addition, management cannot provide assurance that the remedial actions being taken by ECN Capital to address any material weaknesses identified will be successful, nor can management provide assurance that no further material weaknesses will be identified within its internal controls over financial reporting in future years.

If ECN Capital fails to maintain effective internal controls over its financial reporting, there is the possibility of errors or omissions occurring or misrepresentations in ECN Capital's disclosures which could have a material adverse effect on ECN Capital's business, its financial statements and the value of the Common Shares.

Public company requirements may strain ECN Capital's resources

As a public company, ECN Capital is subject to the reporting requirements of the *Securities Act* (Ontario), as amended, the regulations and rules thereto, including the national and multilateral instruments adopted as rules, decisions, rulings and orders promulgated under the Act and the published policy statements issued by the Ontario Securities Commission and the listing requirements of the TSX. The ever increasing obligations of operating as a public company will require significant expenditures and will place additional demands on management as ECN Capital complies with the reporting requirements of a public company. ECN Capital may need to hire additional accounting, financial and legal staff with appropriate public company experience and technical accounting and regulatory knowledge.

In addition, actions that may be taken by any significant shareholders, if any, may divert the time and attention of the Board and management from its business operations. Campaigns by significant investors to effect changes at publicly traded companies have increased in recent years. If a proxy contest were to be pursued by any Shareholder, it could result in substantial expense to ECN Capital and consume significant attention of management

and the Board. In addition, there can be no assurance that any shareholder will not pursue actions to effect changes in the management and strategic direction of ECN Capital, including through the solicitation of proxies from ECN Capital's stockholders.

ADDITIONAL INFORMATION

Additional information relating to ECN Capital may be found on SEDAR at www.sedar.com. Information including directors' and officers' remuneration and indebtedness, principal holders of ECN Capital's securities and securities authorized for issuance under ECN Capital's stock option plan will be, where applicable, contained in ECN Capital's Management Information Circular to be filed in connection with its upcoming meeting of shareholders and will be available on SEDAR. Additional financial information is provided in the financial statements as at and for the year ended December 31, 2016 and the accompanying Management's Discussion and Analysis dated March 6, 2017, which have been filed on SEDAR.

APPENDIX “A”

ECN CAPITAL CORP.

AUDIT COMMITTEE MANDATE

As of October 3, 2016

1. Introduction

The Audit Committee (the “**Committee**” or the “**Audit Committee**”) of ECN Capital Corp. (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**”).

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 accounting 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

(a) General

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

(b) 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.