ECN CAPITAL

Interim Condensed Consolidated Financial Statements

MARCH 31, 2018

Interim condensed consolidated statements of financial position

[unaudited, in thousands of United States dollars]

	March 31, 2018	December 31, 2017	January 1, 2017
		Restated [note 2]	Restated [note 2]
	$	$	$
Assets			
Cash	**15,928**	17,295	34,147
Restricted funds [note 7]	**26,310**	59,411	101,937
Finance receivables [note 4]	**395,771**	389,890	2,523,258
Equipment under operating leases [note 5]	**863,763**	903,716	1,950,258
Inventories [note 6]	**130,354**	93,806	104,282
Short-term receivables and other assets	**124,462**	118,723	28,459
Retained reserve interest	**18,752**	17,999	—
Notes receivable [note 12]	**44,144**	46,411	30,288
Derivative financial instruments [note 14]	**917**	2,680	8,479
Leasehold improvements and other equipment	**16,018**	16,087	2,839
Intangible assets	**135,002**	135,741	477
Deferred tax assets	**32,495**	29,836	5,770
Goodwill	**283,941**	279,602	3,396
Total assets excluding assets held-for-sale	**2,087,857**	2,111,197	4,793,590
Assets held-for-sale	**7,673**	681,919	—
Total assets	**2,095,530**	2,793,116	4,793,590
Liabilities and shareholders' equity			
Liabilities			
Accounts payable and accrued liabilities	**91,830**	135,773	62,748
Derivative financial instruments [note 14]	**1,126**	1,766	2,219
Secured borrowings [note 7]	**543,721**	1,142,374	3,354,875
Deferred tax liabilities	**17,239**	14,811	12,929
Total liabilities	**653,916**	1,294,724	3,432,771
Shareholders' equity	**1,441,614**	1,498,392	1,360,819
	2,095,530	2,793,116	4,793,590

Interim condensed consolidated statements of operations

[unaudited, in thousands of United States dollars except for per share amounts]

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2017
		Restated [note 2]
	$	$
Revenues		
Origination	**13,432**	—
Servicing	**8,580**	—
Rental revenues	**16,991**	42,702
Interest income	**3,863**	7,469
Other revenue *[note 10]*	**3,120**	4,235
	45,986	54,406
Interest expense	**8,306**	19,220
Depreciation of equipment under operating lease	**6,728**	13,224
Provision for credit losses [note 4]	**52**	88
Net financial income	**30,900**	21,874
Operating and other expenses		
Compensation and benefits	**11,571**	4,123
General and administrative expenses	**10,200**	5,284
Amortization of intangibles	**3,154**	—
Share-based compensation *[note 9]*	**3,410**	1,616
Separation and reorganization costs *[note 11]*	**—**	1,947
Business acquisition costs	**250**	—
	28,585	12,970
Income before income taxes from continuing operations	**2,315**	8,904
Provision for income taxes	**161**	1,144
Net income from continuing operations	**2,154**	7,760
Net income from discontinued operations *[note 3]*	**1,137**	89,471
Net income for the period	**3,291**	97,231
Basic		
Continuing operations *[note 13]*	**$ —**	$ 0.02
Discontinued operations *[note 13]*	**$ —**	$ 0.23
Total basic earnings per share *[note 13]*	**$ —**	$ 0.25
Diluted		
Continuing operations *[note 13]*	**$ —**	$ 0.02
Discontinued operations *[note 13]*	**$ —**	$ 0.23
Total diluted earnings per share *[note 13]*	**$ —**	$ 0.25

See accompanying notes

Interim condensed consolidated statements of comprehensive income

[unaudited, in thousands of United States dollars]

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2017 Restated [note 2]
	$	$
Net income for the period	**3,291**	97,231
Other comprehensive (loss) income		
Cash flow and foreign exchange hedges [note 14]	**675**	3,644
Net unrealized foreign exchange loss	**(2,987)**	(881)
	(2,312)	2,763
Deferred tax (recovery) expense	**(265)**	1,119
Total other comprehensive (loss) income	**(2,047)**	1,644
Comprehensive income for the period	**1,244**	98,875

See accompanying notes

ECN Capital Corp.

Interim condensed consolidated statements of changes in shareholders' equity

[unaudited, in thousands of United States dollars]

	Common share capital	Preferred share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
			Restated [note 2]			
	$	$	$	$	$	$
Balance, December 31, 2016	1,056,738	72,477	88,858	212,456	(69,710)	1,360,819
Comprehensive income for the period	—	—	—	97,231	1,644	98,875
Employee stock options exercised	433	—	—	—	—	433
Employee stock options expense	—	—	2,737	—	—	2,737
Dividends - Preferred shares	—	—	—	(1,646)	—	(1,646)
Dividends - Common shares	—	—	—	(2,926)	—	(2,926)
Balance, March 31, 2017	1,057,171	72,477	91,595	305,115	(68,066)	1,458,292
Balance, December 31, 2017 - Restated [note 2]	**1,023,479**	**144,918**	**96,437**	**248,914**	**(15,356)**	**1,498,392**
Adjustment to opening retained earnings - IFRS 9 [note 4]	**—**	**—**	**—**	**(6,951)**	**—**	**(6,951)**
Employee stock options expense	**—**	**—**	**1,535**	**—**	**—**	**1,535**
Common share repurchases *[note 8]*	**(46,991)**	**—**	**—**	**—**	**—**	**(46,991)**
Comprehensive income (loss) for the period	**—**	**—**	**—**	**3,291**	**(2,047)**	**1,244**
Dividends – Preferred shares *[note 8]*	**—**	**—**	**—**	**(2,593)**	**—**	**(2,593)**
Dividends – Common shares *[note 8]*	**—**	**—**	**—**	**(3,022)**	**—**	**(3,022)**
Balance March 31, 2018	**976,488**	**144,918**	**97,972**	**239,639**	**(17,403)**	**1,441,614**

See accompanying notes

Interim condensed consolidated statements of cash flows

[unaudited, in thousands of United States dollars]

	Three-month period ended March 31, 2018	Three-month period ended March 31, 2017 Restated [note 2]
	$	$
Operating activities		
Net income for the period from continuing operations	**2,154**	7,760
Items not affecting cash:		
Share-based compensation	**3,410**	1,617
Depreciation of property, equipment and leasehold improvements	**500**	138
Amortization of intangible assets	**3,154**	8
Amortization of equipment under operating leases, deferred lease and finance costs	**9,024**	17,497
Change in asset valuation reserve	**—**	(311)
Provision for credit losses	**52**	88
	18,294	26,797
Changes in non-cash operating assets and liabilities:		
Investment in finance receivables	**—**	(93,239)
Reduction in finance receivables	**63,630**	1,407,813
Investment in equipment under operating leases	**13,448**	(46,598)
Proceeds on disposal of equipment under operating leases	**—**	38,348
Other non-cash operating assets and liabilities	**(165,625)**	(1,316,992)
Cash (used in) provided by operating activities – continuing operations	**(70,253)**	16,129
Investing activities		
Decrease (increase) in restricted funds	**31,804**	(18,072)
Purchase of property, equipment and leasehold improvements	**—**	(811)
Proceeds on disposal of property, equipment and leasehold improvements and intangible assets	**—**	112
Decrease in notes receivable	**2,267**	1,875
Cash proceeds from sale of Canadian C&V Finance	**684,937**	—
Cash provided by (used in) investing activities – continuing operations	**719,008**	(16,896)
Financing activities		
Issuance of share capital	**—**	431
Common share repurchases	**(46,991)**	—
Repayment of secured borrowings, net of deferred financing costs	**(598,653)**	(15,754)
Dividends paid or accrued	**(5,615)**	(4,548)
Cash used in financing activities – continuing operations	**(651,259)**	(19,871)
Net changes in cash utilized by discontinued operations	**1,137**	(1,806)
Net decrease in cash during the period	**(1,367)**	(22,444)
Cash, beginning of period	**17,295**	34,476
Cash, end of period from continuing operations	**15,928**	12,032
Supplemental cash flow information		
Cash taxes paid	**28,528**	491
Cash interest paid	**9,238**	31,547

See accompanying notes

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of United States dollars, except where otherwise noted and per share amounts]

March 31, 2018

1. Corporate Information and Basis of Presentation

ECN Capital Corp. [“ECN Capital” or the “Company”] is an independent financial services company that is an originator, asset manager and business adviser to senior Canadian and United States ("U.S.") based financial institutions. The Company's legacy businesses originate a broad range of equipment and capital assets by way of secured loans, financial leases, conditional sales contracts, and operating leases. Headquartered in Toronto, the registered office is located at 181 Bay Street, Suite 2830, Toronto, Ontario, Canada. ECN Capital has approximately 450 employees and operates in Canada and the United States. The Company is a public corporation and trades on the Toronto Stock Exchange under the symbol “ECN”.

As a result of the completion of the sale of the Company's Canada Commercial and Vendor ["C&V"] Finance business in the first quarter of 2018 and the business acquisitions completed in 2017, the Company's business operations will be conducted primarily in U.S. dollars. Consequently, effective January 1, 2018, the Company has changed its functional and presentation currency to U.S. dollars. See note 2 for further details.

Statement of compliance

These interim condensed consolidated financial statements are prepared in accordance with *International Accounting Standard 34, Interim Financial Reporting*, as issued by the International Accounting Standards Board.

These interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements. They should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2017, which include information necessary or useful to understanding the Company’s business and financial statement presentation.

These interim condensed consolidated financial statements are presented in thousands of U.S. dollars, except where otherwise noted.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 9, 2018.

2. Summary of Significant Accounting Policies

a) Change in functional and presentation currency

The functional currency of each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment. Prior to January 1, 2018, the Company's consolidated financial statements were presented in Canadian dollars, which was also the Company's functional currency. The functional currency of the Company’s material subsidiaries were either Canadian or U.S. dollars, depending upon the primary economic environment in which each subsidiary operated.

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of United States dollars, except where otherwise noted and per share amounts]

March 31, 2018

Effective January 1, 2018, the Company changed its presentation and functional currency to U.S. dollars from Canadian dollars. The functional currencies of the Company's material subsidiaries continue to be either Canadian or US dollars. These currency changes principally to the business acquisitions and disposals discussed in note 3, including the sale of the Company's Canadian C&V Finance business in January 2018 and the acquisition of two US based businesses in the latter portion of 2017.

The interim condensed consolidated financial statements for all years presented have been translated into U.S. dollars in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates which requires prospective treatment of functional currency changes and retrospective application of changes in presentation currency. The interim condensed consolidated statements of income and consolidated statements of comprehensive income have been translated into the presentation currency using the average exchange rates prevailing during each quarterly reporting period. All assets and liabilities have been translated using the period end closing exchange rates. All resulting exchange differences have been recognized in accumulated other comprehensive income. The balance sheet amounts previously reported in Canadian dollars have been translated into US dollars as at January 1, 2017 and December 31, 2017 using the period-end closing rates of 1.3427 CAD/USD and 1.2571 CAD/USD, respectively. In addition, shareholders' equity balances have been translated using historical rates based on rates in effect on the date of material transactions.

Consolidated Statements of Financial Position

	As at December 31, 2017		As at January 1, 2017	
	As reported	Restated	As reported	Restated
	C$	US$	C$	US$
Assets				
Cash and restricted funds	96,427	76,706	182,720	136,084
Other current assets	2,557,561	2,034,491	6,253,634	4,657,506
Assets-held-for-sale	857,240	681,919	—	—
Total assets	**3,511,228**	**2,793,116**	6,436,354	4,793,590
Liabilities and shareholders' equity				
Liabilities				
Accounts payable and accrued liabilities	170,680	135,773	84,252	62,748
Derivative financial instruments	2,222	1,766	2,980	2,219
Secured borrowings	1,436,078	1,142,374	4,504,591	3,354,875
Deferred tax liabilities	18,619	14,811	17,360	12,929
Total liabilities	**1,627,599**	**1,294,724**	4,609,183	3,432,771
Shareholders' equity	**1,883,629**	**1,498,392**	1,827,171	1,360,819
	3,511,228	**2,793,116**	6,436,354	4,793,590

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of United States dollars, except where otherwise noted and per share amounts]

March 31, 2018

Interim condensed consolidated statements of operations

	Three-month period ended March 31, 2017	
		Restated
	C$	$
Revenues	54,480	41,182
Interest expense	25,426	19,220
Provision for credit losses	117	88
Net financial income	28,937	21,874
Operating expenses and other costs	17,157	12,970
Income from continuing operations before income taxes	11,780	8,904
Provision for income taxes	1,514	1,144
Net income from continuing operations	10,266	7,760
Net income from discontinued operations	118,364	89,471
Net income for the period	128,630	97,231

b) Adoption of IFRS 9, *Financial Instruments* ["IFRS 9"]

The Company adopted IFRS 9 effective January 1, 2018 in place of IAS 39, *Financial Instruments: Recognition and Measurement ["IAS 39"]*, as required by the International Accounting Standards Board. As permitted under IFRS 9, the Company did not restate its prior period comparative consolidated financial statements. Any changes to carrying amounts as a result of adopting IFRS 9 have been recognized in the Company's opening January 1, 2018 retained earnings.

Allowance for credit losses

The new standard replaces the existing incurred loss model used for measuring the allowance for credit losses with an expected loss model. Expected credit loss allowances are measured at either: i) 12-month expected credit loss when a loan is performing; or ii) lifetime credit loss, when credit financial instruments have experienced a significant increase in credit risk since inception or when the asset is not performing. This differs from an incurred loss model where lifetime credit losses were only recognized when there was objective evidence of impairment. Under IFRS 9, lifetime credit losses are generally recognized earlier.

In order to meet the requirements of IFRS 9, the Company has segregated its loan portfolio into 3 stages reflecting their exposure to credit loss as follows:

Stage 1 - assets are performing;

Stage 2 - assets are underperforming as there has been a significant increase in their credit risk since inception;

Stage 3 -assets are non-performing and therefore impaired.

The Company utilizes internal risk rating changes, delinquency and other identifiable risk factors to determine when there has been a significant increase in the credit risk of a loan. The key inputs in the Company's measurement of credit loss allowances are: i) probability of default which estimates the likelihood of default over a given time horizon; ii) loss given default which estimates the loss arising where a default occurs at a given time; and iii) exposure at default which estimates the exposure at a future default date. Forward-looking information is considered when measuring expected credit losses including macroeconomic factors as relevant.

The Company has recorded a $6,951 million increase to its allowance for credit losses with the offset charged to opening retained earnings. See note 4 for further details.

Classification and measurement

Under IFRS 9, all financial assets must be classified at initial recognition at either: i) fair value through profit or loss ("FVTPL"), ii) amortized cost, iii) in the case of debt financial instruments, measured at fair value through other comprehensive income ("FVOCI"), iv) in the case of equity financial instruments, designated at FVOCI, or v) in the case of financial instruments designated at FVTPL, based on the contractual cash flow characteristics of the financial assets and the business model under which the financial assets are managed. All financial assets and derivatives are required to be measured at fair value with the exception of financial assets measured at amortized cost. Financial assets are required to be reclassified when and only when the business model under which they are managed has changed. All reclassifications are to be applied prospectively from the reclassification date.

The IFRS 9 classification and measurement model requires that all debt instrument financial assets that do not meet a "solely payment of principal and interest" ("SPPI") test, including those that contain embedded derivatives, be classified at initial recognition as FVTPL. For debt instrument financial assets that meet the SPPI test, classification at initial recognition is determined based on the business model under which these instruments are managed. Debt instruments that are managed on a "held for trading" or "fair value" basis are classified as FVTPL. Debt instruments that are managed on a "hold to collect and for sale" basis are classified as FVOCI for debt. Debt instruments that are managed on a "hold to collect" basis are classified as amortized cost.

Consistent with IAS 39, all financial assets held by the Company under IFRS 9 are initially measured at amortized cost and subsequently measured at amortized cost with the exception of derivative financial instruments. Derivatives continue to be measured at FVTPL under IFRS 9, except to the extent that they are designated in a hedging relationship, in which case the IAS 39 hedge accounting requirements continue to apply.

There were no material changes to the carrying values of financial instruments as a result of the transition to the classification and measurement requirements of IFRS 9. The classification and measurement provisions of IFRS did not have a material impact on the Company's consolidated financial statements.

c) Adoption of IFRS 15, *Revenue from Contracts with Customers* ["IFRS 15"]

On January 1, 2018, the Company adopted IFRS 15 which clarifies revenue recognition principles, provides a robust framework for recognizing revenue and cash flows arising from contracts with customers, and enhances qualitative and quantitative disclosure requirements. IFRS 15 does not apply to lease contracts, financial instruments and other related contractual rights and obligations and insurance contracts. As a result, there were no financial adjustments or additional disclosures required to the Company's interim condensed consolidated financial statements.

d) Segment Reporting

Effective January 1, 2018, the Company has introduced a Corporate segment to its financial reporting and no longer allocates corporate office costs to its operating business segments. This change is a result of the Company's continuing strategic transformation, whereby its corporate office is no longer integrated with its legacy businesses and has transitioned to focus on public company reporting, treasury and capital allocation, and managing shareholder and capital markets relationships. This approach is intended to ensure that the Company's business segments' results include all applicable revenue and expenses associated with the conduct of their business and depicts how management views those results. Prior period amounts have been restated to reflect the changes to the Company's segment reporting. Please refer to note 16 for a full description of our business segments.

[unaudited, in thousands of United States dollars, except where otherwise noted and per share amounts]

3. Business acquisitions and disposals

Assets held-for-sale - Canada C&V Finance business
On October 30, 2017, the Company announced that it had entered into a definitive agreement with CWB Financial Group ["CWB"] to sell the Company's Canada C&V Finance assets, with the closing being subject to customary regulatory approvals. Accordingly, as at December 31, 2017, C$857.2 million of finance receivables were classified as assets held-for-sale and the Company recorded a pre-tax loss of C$14.6 million primarily due to the write-off of associated goodwill, break fees on financing arrangements and employee severance costs. The transaction closed on January 31, 2018 and the Company received cash proceeds of C$843.5 million resulting in no further impact to net income during the period ended March 31, 2018.

Acquisition of Triad Financial Services, Inc.
On December 29, 2017, the Company completed the acquisition of Triad Financial Services, Inc. ["Triad"]. Under the terms of the agreement, the Company paid cash consideration of $100 million in cash for Triad. In addition, the Company has entered into an incentive compensation plan with senior management that will be based on the achievement of a prescribed rate of return on average equity over the next five years.

The table below presents the preliminary allocation of fair values to the net assets acquired as at December 29, 2017. The Company will finalize the purchase price allocation in 2018.

	$
Consideration paid:	
Cash	**100,321**
Fair value of identifiable assets and liabilities:	
Cash and cash equivalents	**5,770**
Restricted cash	**11,955**
Accounts receivable and other	**14,638**
Retained reserve interest	**17,999**
Fixed assets	**974**
Intangible assets	**18,600**
Goodwill	**48,475**
Accounts payable and other liabilities	**(18,090)**
Net assets acquired	**100,321**

Acquisition-related costs related to this transaction were $2.2 million, including legal, accounting, due diligence and other transaction-related expenses. The allocation to goodwill of $48.5 million is primarily attributable to senior management's ability to maintain and grow both its dealer and funding relationships in support of the continued growth of the business. Triad did not contribute any earnings in 2017 as the transaction closed on December 29, 2017.

Acquisition of Service Finance

On September 7, 2017, the Company completed the acquisition of Service Finance Holdings, LLC ["Service Finance"] for cash consideration of $309 million.

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of United States dollars, except where otherwise noted and per share amounts]

March 31, 2018

The table below presents the final allocation of fair values to the net assets acquired as at September 7, 2017.

Consideration paid:	**$**
Cash	**309,416**
Fair value of contingent consideration	**33,273**
Total consideration	**342,689**
Fair value of identifiable assets and liabilities:	
Cash and cash equivalents	**5,318**
Accounts receivable and other	**18,870**
Fixed assets	**874**
Intangible assets	**117,274**
Goodwill	**220,411**
Accounts payable and other liabilities	**(20,058)**
Net assets acquired	**342,689**

The Company has agreed to a deferred purchase price earn-out plan with the vendors that is based on the achievement of a prescribed return on average equity targets. The estimated fair value of the contingent purchase consideration of $33.3 million has been recorded as a liability. Subsequent changes in the estimated fair value of the liability will be recorded in the consolidated statements of operations.

Acquisition-related costs related to the transaction were $15.2 million, including investment banking fees of $8.9 million, and legal, accounting, due diligence and other transaction-related expenses of $6.3 million. The allocation to goodwill of $220.4 million is primarily attributable to Service Finance's senior management team's ability to bring new customers on to its core platform and establish new business platforms. Service Finance contributed $10.6 million in pre-tax operating income in 2017.

Sale of Railcar Assets

Consistent with the Company's strategic plan to redeploy capital into higher yield businesses, on August 4, 2017 ECN Capital closed a transaction to sell approximately 1,550 railcar assets to ITE Management L.P. for cash proceeds of approximately US$173 million. On September 26, 2017, the Company closed a separate transaction to sell approximately 8,400 railcars (in its Element Rail Leasing II Portfolio) to Napier Park Global Capital US LP for cash proceeds of approximately US$935 million (collectively, the "Railcar Dispositions"). The total book value of the railcar assets sold was approximately US$1.15 billion and represent approximately 65% of the Company's railcar portfolio. The Railcar Dispositions resulted in a total loss on sale of $62.8 million, and an after-tax loss of $39.6 million comprised of a 2% or $21.3 million after tax loss on the book value of finance assets, deferred financing write-offs, swap and foreign exchange losses of $13.9 million (of which $8.6 million of these costs were previously recorded in AOCI and therefore did not affect overall book value in the third quarter); and transaction-related costs of $4.4 million.

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of United States dollars, except where otherwise noted and per share amounts]

March 31, 2018

Sale of Aviation Finance Advisory Business

On May 31, 2017, the Company closed a transaction with Stellwagon Group, the commercial aviation finance advisory and asset management business of Acasta Enterprises Inc. ["Acasta"], to sell the Company's Commercial Aviation Advisory Business. As part of the transaction, certain key employees of the ECN Commercial Aviation Advisory and the office in Stamford, CT transitioned to Acasta. In connection with the transaction, the Company received 3,037,500 shares of Acasta and recorded a gain of C$2.3 million which is stated net of a reserve of C$8.0 million to reflect the impact of a twelve-month hold period on the Acasta shares, transaction-related costs of C$7.2 million, and transaction-related compensation expenses of C$4.8 million for employees retained by Acasta.

On March 27, 2018, Acasta closed its previously announced sale of Stellwagen Group. As part of this transaction, the Company transferred its 3,037,500 shares of Acasta in exchange for 9,643 units (9.6% equity ownership) of Stellwagen Holdings LLC ("Stellwagen"). The Company measures its investment in Stellwagen at fair value, whereby the initial fair value was measured principally based on the Acasta share value as at the date the transaction was originally announced ($14.4 million). No gain or loss was recorded during the quarter as a result of the transaction. Subsequent to initial recognition, the fair value of the Company's investment in Stellwagen will be measured using a combination of market multiples on projected earnings and discounted cash flow analysis. The Company's fair value estimate will also be updated to reflect any arm's length market transactions involving Stellwagen shares.

Sale of U.S. C&V Finance Business

In the first quarter of 2017, the Company entered into two separate transactions resulting in the sale of its U.S. C&V Finance business. The transactions were structured as asset sales and cover the exclusivity of the Company's C&V Finance business in the United States. The total sale price of $1,531 million for the U.S. C&V Finance business include cash proceeds of $1,522 million and a performance-based contingent amount of $9.2 million that has been included in other assets. The fair value of the performance-based contingent amount is re-evaluated on a quarterly basis.

The gain on sale of business of $141.1 million includes foreign exchange gains of $5.3 million relating to hedges entered into to reduce foreign exchange risk on the sale proceeds. Gain on sale of business is stated net of transaction costs of $18.5 million and transaction-related compensation expenses of $4.9 million for employees retained by the purchasers of the U.S. C&V Finance business.

Discontinued Operations

Discontinued operations for the period ended March 31, 2018 include the results of the Company's Canada C&V Finance business unit for results of operations prior to its January 31, 2018 sale. For the period ended March 31, 2017, discontinued operations included the results of operations of the Company's Canada and U.S. C&V business units. The results of discontinued operations for the periods ended March 31 are as follows:

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of United States dollars, except where otherwise noted and per share amounts]

March 31, 2018

	Three-month Period-Ended March 31 2018 $	Three-month Period-Ended March 31 2017 $
Revenues	**3,707**	34,274
Interest expense	**713**	12,328
Provision for credit losses	**—**	4,497
Net financial income	**2,994**	17,449
Operating expenses and other costs		
Salaries, wages and benefits	**930**	6,946
General and administrative expenses	**515**	3,224
Share-based compensation	**2**	1,263
Separation and reorganization costs	**—**	1,585
Gain on business disposals	**—**	(141,059)
	1,447	(128,041)
Income from discontinued operations before income taxes	**1,547**	145,490
Provision for income taxes	**410**	56,019
Net income from discontinued operations	**1,137**	89,471

Notes to interim condensed consolidated financial statements

[unaudited, in thousands of United States dollars, except where otherwise noted and per share amounts]

March 31, 2018

4. Finance receivables

The following tables present finance receivables based on the type of contract:

	March 31, 2018		
	Leases	Loans	Total
	$	$	$
Minimum lease payments	**90,039**	**250,701**	**340,740**
Non-guaranteed residual values	**41,977**	**—**	**41,977**
Gross investment	**132,016**	**250,701**	**382,717**
Unearned income	**(33,611)**	**(28,425)**	**(62,036)**
Net investment	**98,405**	**222,276**	**320,681**
Unamortized deferred costs and subsidies	**1,335**	**737**	**2,072**
Security deposits	**(2,105)**	**(654)**	**(2,759)**
Other receivables	**2,936**	**82,004**	**84,940**
Allowance for credit losses	**(2,927)**	**(6,236)**	**(9,163)**
Total finance receivables	**97,644**	**298,127**	**395,771**

	December 31, 2017		
	Leases	Loans	Total
	$	$	$
Minimum lease payments	98,841	317,563	416,404
Non-guaranteed residual values	42,194	—	42,194
Gross investment	141,035	317,563	458,598
Unearned income	(36,758)	(30,488)	(67,246)
Net investment	104,277	287,075	391,352
Unamortized deferred costs and subsidies	1,096	724	1,820
Security deposits	(2,091)	(655)	(2,746)
Other receivables	702	922	1,624
Allowance for credit losses	(1,989)	(171)	(2,160)
Total finance receivables - continuing operations	101,995	287,895	389,890

Notes to interim condensed consolidated financial statements

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March 31, 2018

The following table presents the delinquency status of the net investment in finance receivables of continuing operations, by contract balance:

	March 31, 2018		December 31, 2017	
	$	%	$	%
31 - 60 days past due	**—**	**—**	710	0.18
61 - 90 days past due [1]	**3,481**	**1.09**	305	0.08
Greater than 90 days past due	**—**	**—**	—	—
Total past due	**3,481**	**1.09**	1,015	0.26
Current	**317,200**	**98.91**	390,337	99.74
Total net investment, continuing operations [2]	**320,681**	**100.00**	391,352	100.00

[1] The increase in the 61-90 days past due relates to a single aviation account. Subsequent to March 31, 2018, the Company has reached an agreement in principal with the borrower to restructure the terms of the loan such that payments will resume and additional collateral will be provided to further secure the loan.

[2] There were no finance receivables outstanding as at March 31, 2018 related to discontinued operations. For December 31, 2017, amounts have been adjusted to exclude discontinued operations.

The following table presents selected characteristics of the finance receivables of continuing operations:

	March 31, 2018		December 31, 2017	
	Leases	Loans	Leases	Loans
	$	$	$	$
Net investment, continuing operations	**$98,405**	**$222,276**	$104,277	$287,075
Weighted average fixed interest rate	**6.08%**	**6.77%**	6.12%	5.42%
Weighted average floating interest rate	**n/a**	**6.00%**	n/a	4.26%
Percentage of portfolio with fixed interest rate	**100.00%**	**68.34%**	100.00%	64.68%

[1] There were no finance receivables outstanding as at March 31, 2018 related to discontinued operations . For December 31, 2017, amounts have been adjusted to exclude discontinued operations.

Notes to interim condensed consolidated financial statements

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The following table provides net investments in finance receivables segregated by Stage. Finance receivables reported in both Stage 1 and 2 are secured by collateral.

	As at March 31, 2018			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Low risk	**97,651**	**—**	**—**	**97,651**
Medium risk	**216,488**	**6,534**	**—**	**223,022**
High risk	**—**	**8**	**—**	**8**
Total	**314,139**	**6,542**	**—**	**320,681**

	As at December 31, 2017			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Low risk	152,858	—	—	152,858
Medium risk	236,682	1,774	—	238,456
High risk	—	37	—	37
Total	389,540	1,811	—	391,351

Allowance for credit losses

The reconciliation of the Company's closing allowance for credit losses in accordance with IAS 39 as at December 31, 2017 and the January 1, 2018 allowance for credit losses in accordance with IFRS 9 is shown in the table below:

	As at March 31, 2018			
	Stage 1 (Performing)	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	Total
Balance as at December 31, 2017				**2,160**
IFRS 9 transition adjustment				**6,951**
Balance as at January 1, 2018	**5,220**	**3,891**	**—**	**9,111**
Provision for credit losses	**52**	**—**	**—**	**52**
Impact of Foreign exchange rates	**—**	**—**	**—**	**—**
Balance as at March 31, 2018	**5,272**	**3,891**	**—**	**9,163**

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March 31, 2018

An analysis of the Company's allowance for credit losses for continuing operations is as follows:

	Three Months Ended March 31, 2018	Year ended December 31, 2017
	$	$
Allowance for credit losses, beginning of period	**2,160**	3,482
Opening balance sheet adjustment - IFRS 9	**6,951**	—
Provision for credit losses	**52**	1,639
Charge-offs, net of recoveries	**—**	(2,933)
Impact of foreign exchange rates	**—**	(28)
Allowance for credit losses, end of period	**9,163**	2,160
Allowance as a percentage of finance receivables	**2.86%**	0.55%

[unaudited, in thousands of United States dollars, except where otherwise noted and per share amounts]

5. Equipment under operating leases

The Company acts as a lessor in connection with equipment under operating leases and recognizes the leased assets in its interim condensed consolidated statements of financial position. The lease payments received, net of depreciation, are recognized in income as rental revenue, net.

	March 31, 2018	December 31, 2017
	$	$
Cost	**934,024**	979,883
Accumulated depreciation	**(70,261)**	(76,167)
Net carrying amount of equipment under operating leases	**863,763**	903,716

6. Inventories

The following table presents the assets currently held in inventory for realization or awaiting new lease arrangements and presented at their net estimated realizable value. The majority of railcar inventory items represent current purchases where the Company is negotiating new lease arrangements.

	Railcar	Aviation	Continuing operations	Discontinued operations [2]	Total
	$	$	$	$	$
At December 31, 2016	42,135	44,431	86,566	17,716	104,282
Net additions during the year	52,498	4,240	56,738	(12,574)	44,164
Valuation reserve	—	(311)	(311)	—	(311)
Foreign exchange rate adjustments	(621)	(47)	(668)	236	(432)
At March 31, 2017	94,012	48,313	142,325	5,378	147,703
At December 31, 2017	34,572	52,870	87,442	6,364	93,806
Net additions/removals during the period [1]	**8,770**	**30,949**	**39,719**	**(4,446)**	**35,273**
Valuation reserve	**—**	**1,359**	**1,359**	**—**	**1,359**
Foreign exchange rate adjustments	**—**	**—**	**—**	**(84)**	**(84)**
At March 31, 2018	**43,342**	**85,178**	**128,520**	**1,834**	**130,354**

[1] The addition to aviation inventory reflects an aircraft that was returned on the maturity of an operating lease. Subsequent to quarter end, the Company reached an agreement in principal to sell this aircraft to a third-party buyer.
[2] Canada and U.S. C&V Finance inventories represent discontinued operations.

Notes to interim condensed consolidated financial statements

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7. Secured borrowings

	March 31, 2018			
	Balance outstanding	**Weighted average interest rate [1]**	**Pledged finance receivables and equipment under operating leases**	**Cash reserves**
	$	**%**	**$**	**$**
Asset-backed securities	**290,284**	**3.57**	**397,517**	**7,803**
Term senior credit facility [2]	**267,888**	**3.63**	**—**	**—**
	558,172	**3.60**	**397,517**	**7,803**
Deferred financing costs	**(14,451)**			
Total secured borrowings	**543,721**			

	December 31, 2017			
	Balance outstanding	**Weighted average interest rate [1]**	**Pledged finance receivables and equipment under operating leases**	**Cash reserves**
	$	**%**	**$**	**$**
Life insurance company term funding facilities	115,806	2.89	116,544	16,915
Securitization programs	304,349	2.39	326,434	3,326
Asset-backed securities	293,481	3.56	399,197	7,857
Term senior credit facility [2]	444,681	3.30	—	—
	1,158,317	3.08	842,175	28,098
Deferred financing costs	(15,943)			
Total secured borrowings	1,142,374			

[1] Represents the weighted average stated interest rate of outstanding debt at period-end, and excludes amortization of deferred financing costs, premiums or discounts, stand-by fees and the effects of hedging.

[2] The revolving senior credit facility is secured by a general security agreement in favour of the lenders consisting of first priority interest on all property.

The Company was in compliance with all financial and reporting covenants with all of its lenders as at March 31, 2018.

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March 31, 2018

Life insurance company term funding facilities

During the quarter, in connection with the sale of the Company's Commercial and Vendor business, the Company paid the outstanding principal in full, totaling C$137,853, and terminated the Life insurance company term funding facilities.

At December 31, 2017 the Company had committed lines of funding in the amount of C$195,580 of which C$145,580 was utilized providing the Company with access to C$50,000.

Securitization programs

During the quarter, in connection with the sale of the Company's Commercial and Vendor (C&V) business, the Company repaid the outstanding balance of C$371,994 and terminated its securitization program related to the business sold.

Asset-backed securities

There were $290,284 of term notes outstanding as at March 31, 2018 [December 31, 2017 - $293,481].

Term senior credit facility

The Company’s $2,200,000 term senior credit facility is syndicated to a group of 13 Canadian, US and international banks with a maturity date of December 31, 2020 .

At March 31, 2018, the Company had available capacity of $1,932,112 [December 31, 2017 - $1,755,319].

Restricted funds

	March 31, 2018	December 31, 2017
	$	$
Restricted - cash in collection accounts	**18,507**	31,313
Restricted - cash reserves	**7,803**	28,098
	26,310	59,411

[unaudited, in thousands of United States dollars, except where otherwise noted and per share amounts]

8. Share capital

The Company is currently authorized to issue [i] an unlimited number of common shares without nominal or par value and [ii] an unlimited number of preferred shares, issuable in series.

	Common shares	
	Shares	**Amount**
	#	**$**
Balance, December 31, 2016	387,112,489	1,056,738
Exercise of options	1,009,293	433
Balance, March 31, 2017	388,121,782	1,057,171
Balance, December 31, 2017	377,628,587	1,023,479
NCIB repurchases	(15,543,538)	(46,991)
Exercise of options	33,788	—
Balance, March 31, 2018	362,118,837	976,488

Normal Course Issuer Bid

On June 30, 2017, the Toronto Stock Exchange approved the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"). Pursuant to the NCIB, the Company may repurchase up to 36,999,219 common shares, representing approximately 10% of the "public float" as at June 29, 2017. The NCIB period commenced on July 5, 2017 and will end on the earlier of July 4, 2018, and the completion of purchases under the NCIB. During the period-ended March 31, 2018, the Company purchased 15,543,538 common shares for a total of $47.0 million or C$3.76 per common share (period-ended March 31, 2017 - purchased nil common shares].

Preferred share dividends

The following table summarizes the Company's outstanding preferred share capital:

	Preferred shares	
	Shares	**Amount**
	#	**$**
Balance, December 31, 2016	4,000,000	72,477
Issuance of shares, net of costs	4,000,000	72,441
Balance, December 31, 2017	8,000,000	144,918
Balance, March 31, 2018	**8,000,000**	**144,918**

On December 2, 2016, the Company issued through a public offering, 4,000,000 6.50% Cumulative 5-year Minimum Rate Reset Preferred Shares, Series A ["Series A shares"], at a price of C$25.00 per preferred share for gross proceeds of C$100,000. The issuance included pre-tax transaction costs of C$3,659 [or after-tax transaction costs of C$2,685].

Notes to interim condensed consolidated financial statements

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March 31, 2018

On May 25, 2017, the Company issued through a public offering, 4,000,000 6.25% Cumulative 5-year Minimum Rate Reset Preferred Shares, Series C ["Series C shares"], at a price of C$25.00 per preferred share for gross proceeds of C$100,000. The issuance included pre-tax transaction costs of C$3,537 [or after-tax transaction costs of C$2,919].

During the period ended March 31, 2018, the Company paid $1,284 [after tax cost of $1,321] or C $0.40625 per Series A share in preferred share dividends. During the period ended March 31, 2017, the Company paid $1,601 [after tax cost of $1,646] or C$0.52979 per Series A share in preferred share dividends.

During the period ended March 31, 2018, the Company paid $1,236 [after tax cost of $1,272] or $0.390625 per Series C share in preferred share dividends [March 31, 2017 - nil].

Common share dividends

During the period ended March 31, 2018, the Company paid a $3,022 or C$0.01 per common share [March 31, 2017- $2,926 or C$0.01 per common share].

Notes to interim condensed consolidated financial statements

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March 31, 2018

9. Share-based compensation

Share-based compensation expense consists of the following for the periods ended:

	Three-month period ended	
	March 31, 2018	**March 31, 2017**
	$	**$**
[a] Stock options	**1,187**	1,527
[b] Deferred share units	**6**	89
[c] Performance share units and restricted share units	**2,217**	—
Share-based compensation - continuing operations	**3,410**	1,616

[a] Stock options

The changes in the number of stock options during the periods were as follows:

	Number of options	Weighted average exercise price
	#	**C$**
Outstanding, December 31, 2016	**30,953,592**	2.64
Granted	4,200,000	3.57
Forfeited	(109,505)	3.24
Exercised	(2,046,470)	2.21
Outstanding, March 31, 2017	**32,997,617**	2.79
Outstanding, December 31, 2017	**31,610,112**	2.83
Forfeited	(67,534)	3.14
Exercised	(194,999)	2.96
Outstanding, March 31, 2018	**31,347,579**	2.82

[b] Deferred Share Units ["DSU"]

	Deferred share units
	#
Outstanding, December 31, 2017	772,980
Dividends	2,240
Outstanding, March 31, 2018	775,220

As at March 31, 2018, the fair value of DSUs recorded on the interim condensed consolidated statements of financial position as accounts payable and accrued liabilities was $2,543 [December 31, 2017 - $2,600].

Notes to interim condensed consolidated financial statements

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March 31, 2018

10. Other revenue

Other revenue consists of the following for the periods ended March 31:

	Three-month period ended	
	March 31, 2018	**March 31, 2017**
	$	**$**
Syndication fees	**62**	1,824
Capital advisory fees	**—**	783
Other interest income	**2,394**	—
Prepayment charges	**—**	876
Other	**664**	752
Total other revenue, continuing operations	**3,120**	4,235

11. Separation and reorganization costs

There were no separation and reorganization costs for the three month period ended March 31, 2018. During the three month period ended March 31, 2017, there was $1,947 in separation and reorganization costs related to the termination of corporate office space commitments allocated to continuing operations.

12. Related party transactions

Notes receivable

Notes receivable of $44,144 as at March 31, 2018 [December 31, 2017 - $46,411] represent loans to certain employees and officers of the Company granted in order to help finance the purchase of of the Company's shares post-separation. The loans bear interest at a rate of Canadian prime less 50 basis points with interest payable monthly or annually. The principal is payable on demand in the event of non-payment of interest, and the notes receivable are secured by the Element Fleet Management Corp. and ECN Capital shares purchased with full recourse to the employee/officer.

The changes in the notes receivable during the periods were as follows:

	Three Months Ended March 31, 2018	**Year ended December 31, 2017**
	$	**$**
Notes receivable, beginning of period	**46,411**	32,351
Additions	**—**	17,378
Interest income	**408**	841
Repayments (interest and principal)	**(1,965)**	(4,569)
Foreign exchange	**(710)**	410
Notes receivable, end of period	**44,144**	46,411

Notes to interim condensed consolidated financial statements

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March 31, 2018

13. Earnings per share

	Three-month period ended	
	March 31, 2018	**March 31, 2017**
	$	$
Net income from continuing operations attributable to shareholders	**2,154**	7,760
Cumulative dividends on preferred shares	**2,520**	1,602
Net income from continuing operations attributable to common shareholders	**(366)**	6,158
Net income from discontinued operations attributable to common shareholders	**1,137**	89,471
Total net income attributable to common shareholders	**771**	**95,629**
Weighted average number of common shares outstanding - basic	**366,015,740**	387,302,206
Basic earnings per share from continuing operations	$ —	$ 0.02
Basic earnings per share from discontinued operations	**—**	$ 0.23
Total earnings per share	**$ —**	**$ 0.25**
Weighted average number of common shares outstanding - diluted	**372,648,015**	394,787,661
Diluted earnings per share from continuing operations	**$ —**	$ 0.02
Diluted earnings per share from discontinued operations	**$ —**	$ 0.23
Total diluted earnings per share	**$ —**	**$ 0.25**

Instruments outstanding as at March 31, 2018 that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they were anti-dilutive, include 6,981,163 stock options for the three-month period ended March 31, 2018 [three-month period ended March 31, 2017 - 1,750,194].

[unaudited, in thousands of United States dollars, except where otherwise noted and per share amounts]

14. Derivative financial instruments

In the normal course of business, and consistent with its risk management program, the Company enters into interest rate derivatives to manage interest rate risk and foreign exchange forward agreements to manage foreign currency exposure. All derivative instruments are designated in hedging relationships.

Cash flow hedging relationships

The following table presents the fair value changes related to the cash flow hedges included in the Company's results for the periods ended March 31:

	Three-month period ended	
	March 31, 2018	**March 31, 2017**
	$	**$**
Foreign exchange agreements recorded in other revenues	**244**	(4,495)
Fair value gains recorded in other comprehensive income (loss)	**675**	3,644

Notional amounts and fair values of derivative instruments

The following table summarizes the notional principal and fair values of the derivative financial instruments outstanding:

	As at March 31, 2018		As at December 31, 2017	
	Notional principal	**Fair value**	**Notional principal**	**Fair value**
	$	**$**	**$**	**$**
Derivative assets				
Interest rate contracts	**112,351**	**912**	361,368	2,151
Foreign exchange agreements	**38,663**	**5**	337,284	529
	151,014	**917**	698,652	2,680
Derivative liabilities				
Interest rate contracts	**79,289**	**897**	405,844	1,745
Foreign exchange agreements	**3,993**	**229**	13,727	21
	83,282	**1,126**	419,571	1,766

Offsetting of derivative assets and liabilities

The following table presents a summary of the Company's derivative portfolio, which includes the gross amounts of recognized financial assets and liabilities; the amounts offset in the interim condensed consolidated statements of financial position; the net amounts presented in the interim condensed consolidated statements of financial position; the amounts subject to an enforceable master netting agreement or similar agreement that were not included in the offset amount above; and the amount of cash collateral received or pledged.

[unaudited, in thousands of United States dollars, except where otherwise noted and per share amounts]

	March 31, 2018	December 31, 2017
	$	$
Derivative assets		
Gross amounts of financial instruments recognized on the interim condensed consolidated statements of financial position	**917**	2,680
Amounts subject to an enforceable master netting agreement	**474**	(1,970)
	443	4,650
Derivative liabilities		
Gross amounts of financial instruments recognized on the interim condensed consolidated statements of financial position	**1,126**	1,766
Amounts subject to an enforceable master netting agreement	**474**	(1,970)
	652	3,736

15. Capital disclosures

The Company's objectives when managing capital are to ensure sufficient liquidity to support its financial objectives and strategic plans, to ensure its financial covenants are met and to maximize shareholder value.

The Company's capitalization is as follows:

	March 31, 2018	December 31, 2017
	$	$
Secured borrowings	**543,721**	1,142,374
Accounts payable and accrued liabilities	**91,830**	135,773
	635,551	1,278,147
Shareholders' equity	**1,441,614**	1,498,392
	2,077,165	2,776,539

16. Segmented information

[a] Operating segments

ECN Capital's operating results are categorized into four operating and reporting segments and a Corporate segment. The operating segment consists of: [a] Home Improvement; [b] Manufactured Housing [c] Rail Finance; and [d] Aviation Finance. The Company's Chief Operating Decision Maker ("CODM"), the CEO, reviews the operating results, assesses performance and makes capital allocation decisions at the business segment level. Therefore, each of the Company's business segments is an operating segment for financial reporting purposes. The Home Improvement segment originates, sells and services primarily prime and super-prime retail installment contracts to finance home improvement projects in the United States. The Manufactured Home originates, sells, and manages primarily prime and super-prime loans to consumers for the purchase of manufactured homes throughout the U.S. The Rail Finance segment, with a focus on vendor relationships with rail manufacturers, provides leases and other secured financing for railcars for the North American rail industry. The Aviation Finance segment provides leases and other secured financing for corporate airplanes and helicopters.

The business segments are based upon the types of assets leased and serviced and the types of clients served. The financial reporting of ECN Capital's four business segments is consistent with the manner in which management currently evaluates the operating segment performance.

The interim condensed consolidated statements of operations by segment for the periods ended March 31 are shown in the tables below:

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March 31, 2018

	For the three-month period ended March 31, 2018					
	Home Improvement	Manufactured Housing	Rail Finance	Aviation Finance	Corporate	Total
	$	$	$	$	$	$
Revenues						
Origination	7,110	6,322	—	—	—	13,432
Servicing	7,209	1,371	—	—	—	8,580
Rental	—	—	11,979	5,012	—	16,991
Interest	—	—	(92)	3,955	—	3,863
Other revenues	440	762	26	(285)	2,177	3,120
	14,759	8,455	11,913	8,682	2,177	45,986
Interest expense	387	28	2,927	—	4,964	8,306
Depreciation of equipment under operating lease	—	—	3,814	2,914	—	6,728
Provision for credit losses	—	—	—	52	—	52
Net financial income	14,372	8,427	5,172	5,716	(2,787)	30,900
Operating expenses						
Compensation and benefits	3,784	3,986	216	175	3,410	11,571
General and administrative expenses	2,224	2,069	1,202	777	3,928	10,200
Amortization of intangibles	2,025	310	—	—	819	3,154
Share-based compensation[note 9]	—	—	—	—	3,410	3,410
Business acquisition Costs	—	—	—	—	250	250
	8,033	6,365	1,418	952	11,817	28,585
Income before income taxes from continuing operations	6,339	2,062	3,754	4,764	(14,604)	2,315

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March 31, 2018

	For the three-month period ended March 31, 2017			
	Rail Finance	Aviation Finance	Corporate	Total
	$	$	$	$
Revenues				
Rental	36,706	5,996	—	42,702
Interest	(6)	7,475	—	7,469
Other revenues	1,744	818	1,673	4,235
	38,444	14,289	1,673	54,406
Interest expense	12,810	591	5,819	19,220
Depreciation of equipment under operating lease	9,071	4,153	—	13,224
Provision for credit losses	—	88	—	88
Net financial income	16,563	9,457	(4,146)	21,874
Operating expenses				
Compensation and benefits	1,076	1,174	1,873	4,123
General and administrative expenses	2,724	928	1,632	5,284
Share-based compensation	370	112	1,134	1,616
Separation and reorganization costs	—	—	1,947	1,947
	4,170	2,214	6,586	12,970
Income before income taxes from continuing operations	12,393	7,243	(10,732)	8,904

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March 31, 2018

17. Subsequent events

Acquisition of The Kessler Group
On May 10, 2018, the Company entered into a definitive agreement to invest in The Kessler Group ("Kessler"). Kessler is the market leader in managing, advising and structuring credit card and other consumer portfolios for credit card issuers, banks, credit unions, processors and payment networks. Under the terms of the agreement, the Company will invest $221.2 million in Kessler. In addition, the Company has entered into an incentive compensation plan with senior management that will be based on the achievement of a prescribed rate of return on average equity over the next five years.

Substantial Issuer Bid
On April 16, the Company completed its modified "Dutch auction" substantial issuer bid ("SIB")to purchase for cancellation up to C$115 million of its outstanding common shares from shareholders for cash. The Company purchased 31,944,444 shares at a purchase price of C$3.60 per share for an aggregate purchase price of approximately C$115 million excluding fees and expenses. After giving effect to the SIB, the Company has approximately 330,149,996 shares issued and outstanding.

18. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

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