



Interim Condensed Consolidated Financial Statements

SEPTEMBER 30, 2024

Interim condensed consolidated statements of financial position

[in thousands of United States dollars]

	September 30, 2024	December 31, 2023
	\$	\$
Assets		
Cash	20,297	23,239
Restricted funds	1,880	34
Finance receivables [note 4]	478,292	598,225
Accounts receivable	54,420	96,034
Taxes receivable	13,066	11,136
Other assets [note 5]	24,637	22,887
Retained reserve interest	41,974	38,000
Continuing involvement asset	71,844	70,382
Notes receivable [note 12]	23,483	24,631
Derivative financial instruments [note 13]	55	—
Leasehold improvements and other equipment, net [note 6]	17,285	18,729
Intangible assets, net	121,594	105,049
Deferred tax assets	6,242	9,413
Goodwill [note 7]	128,096	126,837
Assets held-for-sale	—	140,237
Total assets	1,003,165	1,284,833
Liabilities and Equity		
Liabilities		
Accounts payable and accrued liabilities [note 5]	47,709	57,434
Continuing involvement liability	71,844	70,382
Derivative financial instruments [note 13]	26,095	20,017
Borrowings [note 8]	625,757	900,599
Other liabilities [note 15]	16,339	26,913
Total liabilities	787,744	1,075,345
Equity		
Shareholders' equity	210,816	209,488
Non-controlling interest	4,605	—
Total Equity	215,421	209,488
	1,003,165	1,284,833

See accompanying notes

On behalf of the Board:

(signed) "William W. Lovatt"

 William W. Lovatt
 Director

(signed) "Steven K. Hudson"

 Steven K. Hudson
 Director

Interim condensed consolidated statements of operations
[in thousands of United States dollars, except for per share amounts]

	Three-month period ended September 30, 2024	Three-month period ended September 30, 2023	Nine-month period ended September 30, 2024	Nine-month period ended September 30, 2023
	\$	\$	\$	\$
Revenues				
Loan origination revenues	37,827	18,258	88,308	54,259
Servicing revenue	17,492	8,461	36,941	21,721
Interest income	11,039	17,944	45,254	56,135
Other revenue (loss) [note 11]	78	1,027	3,549	(652)
	66,436	45,690	174,052	131,463
Operating expenses and other				
Compensation and benefits	18,745	16,649	53,873	47,749
General and administrative expenses	11,561	9,674	30,710	29,021
Interest expense	14,202	19,727	47,384	58,089
Depreciation and amortization	2,458	2,005	6,685	5,455
Share-based compensation [note 10]	4,091	4,825	10,240	11,623
Other expenses [note 11]	4,335	9,468	10,476	36,988
	55,392	62,348	159,368	188,925
Income (loss) before income taxes	11,044	(16,658)	14,684	(57,462)
Provision for (recovery of) income taxes	2,895	(12,084)	5,543	(4,736)
Net income (loss) for the period	8,149	(4,574)	9,141	(52,726)
Attributable to:				
Shareholders' equity	8,144	(4,574)	9,136	(52,726)
Non-controlling interest	5	—	5	—
	8,149	(4,574)	9,141	(52,726)
Income (loss) per common share				
Basic [note 14]	0.02	(0.02)	0.01	(0.23)
Diluted [note 14]	0.02	(0.02)	0.01	(0.23)

See accompanying notes

Interim condensed consolidated statements of comprehensive income (loss)

[in thousands of United States dollars]

	Three-month period ended September 30, 2024	Three-month period ended September 30, 2023	Nine-month period ended September 30, 2024	Nine-month period ended September 30, 2023
	\$	\$	\$	\$
Net income (loss) for the period	8,149	(4,574)	9,141	(52,726)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges <i>[note 13]</i>	4,328	1,688	(336)	2,713
Net unrealized foreign exchange loss	(160)	(498)	(903)	(457)
	4,168	1,190	(1,239)	2,256
Deferred tax expense	—	(8)	33	(113)
Total other comprehensive income (loss)	4,168	1,182	(1,206)	2,143
Comprehensive income (loss) for the period	12,317	(3,392)	7,935	(50,583)

See accompanying notes

Interim condensed consolidated statements of changes in equity

[in thousands of United States dollars]

	Common share capital	Preferred share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total shareholders' equity	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2022	586,227	67,052	79,013	(504,319)	(34,298)	193,675	—	193,675
Employee stock option expense	—	—	1,640	—	—	1,640	—	1,640
Employee restricted stock unit expense	—	—	634	—	—	634	—	634
Common share issuance [note 9]	70,818	—	—	—	—	70,818	—	70,818
Preferred share issuance Series E [note 9]	—	57,073	—	—	—	57,073	—	57,073
Comprehensive (loss) income for the period	—	—	—	(52,726)	2,143	(50,583)	—	(50,583)
Dividends – preferred shares [note 9]	—	—	—	(4,126)	—	(4,126)	—	(4,126)
Dividends – common shares [note 9]	—	—	—	(5,508)	—	(5,508)	—	(5,508)
Balance, September 30, 2023	657,045	124,125	81,287	(566,679)	(32,155)	263,623	—	263,623
Balance, December 31, 2023	656,908	124,012	81,952	(624,836)	(28,548)	209,488	—	209,488
Employee stock options expense	—	—	3,098	—	—	3,098	—	3,098
Employee restricted stock unit expense	—	—	156	—	—	156	—	156
Non-controlling interest	—	—	—	—	—	—	4,600	4,600
Common share issuance [note 9]	1,613	—	—	—	—	1,613	—	1,613
Comprehensive income (loss) for the period	—	—	—	9,136	(1,206)	7,930	5	7,935
Dividends – preferred shares [note 9]	—	—	—	(5,277)	—	(5,277)	—	(5,277)
Dividends – common shares [note 9]	—	—	—	(6,192)	—	(6,192)	—	(6,192)
Balance, September 30, 2024	658,521	124,012	85,206	(627,169)	(29,754)	210,816	4,605	215,421

See accompanying notes

ECN Capital Corp.

Interim condensed consolidated statements of cash flows

[in thousands of United States dollars]

	Nine-month period ended September 30, 2024	Nine-month period ended September 30, 2023
	\$	\$
Operating activities		
Net income (loss) for the period	9,141	(52,726)
Items not affecting cash:		
Share-based compensation [note 10]	10,240	11,623
Depreciation and amortization	6,685	5,455
Amortization of intangible assets	5,770	5,685
Accretion of deferred purchase consideration	263	384
Amortization of deferred financing costs	5,221	4,442
Loss on sale of fixed assets	—	2,040
	37,320	(23,097)
Changes in operating assets and liabilities:		
Change in finance receivables, net [note 4]	110,882	65,654
Change in accounts payable [note 5]	(19,194)	(26,794)
Change in accounts receivable, net	42,409	61,034
Change in taxes payable / receivable	(1,930)	(518)
Other operating assets and liabilities	(30,105)	(13,015)
Cash provided by operating activities	139,382	63,264
Investing activities		
Acquisitions, net of cash acquired [note 3]	(2,345)	(2,489)
Sale of Red Oak [note 3]	149,288	—
Purchase of leasehold improvements and other equipment	(795)	(17,209)
Proceeds from sale of equipment	—	61,000
Decrease in notes receivable	2,443	2,234
Cash provided by investing activities	148,591	43,536
Financing activities		
Common shares issuances	1,613	70,818
Preferred share issuance	—	57,073
Payments of lease liabilities	(2,624)	(2,555)
Payments of deferred financing costs	(799)	(996)
Repayments on term senior credit facility, net	(307,907)	(176,702)
Issuance (repayment) of other borrowings [note 8]	32,117	(33,769)
Dividends paid	(11,469)	(9,634)
Cash used in financing activities	(289,069)	(95,765)
Net (decrease) increase in cash during the period	(1,096)	11,035
Cash and restricted funds, beginning of period	23,273	12,715
Cash and restricted funds, end of period	22,177	23,750

See accompanying notes

ECN Capital Corp.

Interim condensed consolidated statements of cash flows (continued)

[in thousands of United States dollars]

Cash and restricted funds reported in the interim condensed consolidated statements of cash flows:	Nine-month period ended	Nine-month period ended
	September 30, 2024	September 30, 2023
	\$	\$
Cash	20,297	23,750
Restricted funds	1,880	—
Total	22,177	23,750

Supplemental cash flow information:	Nine-month period ended	Nine-month period ended
	September 30, 2024	September 30, 2023
	\$	\$
Cash taxes paid	3,786	4,787
Cash interest paid	44,449	50,879
Cash interest received	44,195	52,838

See accompanying notes

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

1. Corporate Information

ECN Capital Corp. ("ECN Capital" or the "Company") is a leading provider of business services to North American-based institutional investor, insurance company, pension plan, bank and credit union partners (collectively, its "Partners"). ECN Capital originates, manages and advises on credit assets on behalf of its Partners, specifically consumer (manufactured housing and recreational vehicle and marine) loans and commercial (floorplan and rental) loans. Its Partners are seeking high-quality assets to match with their deposits, term insurance or other liabilities. These services are offered through two operating segments: (i) Manufactured Housing Finance, and (ii) Recreational Vehicle and Marine ("RV and Marine") Finance. Headquartered in South Florida and Toronto, the registered office is located at 199 Bay Street, Suite 4000, Toronto, Ontario, Canada. ECN Capital has approximately 680 employees and operates principally in the U.S. The Company is a public corporation and trades on the Toronto Stock Exchange ("TSX") under the symbol "ECN."

2. Basis of Presentation and Summary of Material Accounting Policies

Statement of compliance

These interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), 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, 2023, which include information necessary or useful to understanding the Company's business and financial statement presentation.

The accounting policies in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2023.

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

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors (the "Board") of the Company on November 7, 2024.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

New and amended standards

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements* ("IFRS 18") was issued in April 2024 to be effective for years beginning on January 1, 2027 and to be applied retrospectively for comparative figures. The standard replaces IAS 1 *Presentation of Financial Statements* ("IAS 1") while carrying forward many elements of IAS 1 unchanged. IFRS 18 introduces three sets of new requirements for the presentation of financial statements and disclosures within financial statements:

- Introduction of a specific structure for statements of operations, to include three defined categories of income and expenses: operating, investing and financing activities, with defined subtotals including operating profit and income before financing and income taxes;
- Required disclosure of management-defined performance measures ("MPM") with a reconciliation between these measures and totals or subtotals specified by IFRS Accounting Standards. MPMs are defined as subtotals of income and expenses not specified by IFRS Accounting Standards that are used in public communications to communicate management's view of the Company's financial performance; and
- Enhanced guidance on organizing information and determining whether to provide the information in the financial statements or in the notes. IFRS 18 also requires enhanced disclosure of operating expenses based on their characteristics, including their nature, function or both.

The Company is assessing the impact of this standard on the Company's consolidated financial statements.

Critical accounting estimates and use of judgements

The preparation of these interim condensed consolidated financial statements in accordance with IFRS requires management to make estimates and exercise judgements that affect the reported amounts of assets and liabilities at the date of the interim condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The estimates and judgements are made based on information available as at the date the interim condensed consolidated financial statements are issued.

The Company is involved in various lawsuits, claims and proceedings incident to the operation of its businesses. Although the outcome of litigation cannot be predicted with certainty, and some lawsuits, claims or proceedings may be disposed of unfavorably to the Company, it is management's opinion that none of these will have a material adverse effect on the Company's financial position, results of operations or cash flows.

Seasonality of operations

The Company's business segments are impacted by seasonality, with the second and third quarters of the year being the strongest performing quarters. As a result, higher revenues and

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

operating profits are usually expected during the second and third quarters as compared to the first and fourth quarters.

Comparative figures

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

3. Business Acquisitions and Disposals

Acquisition of Paramount Capital Holdings, LLC

On August 31, 2024, the Company acquired a 54% majority interest in Paramount Capital Holdings, LLC, which operates Paramount Servicing Group, ("Paramount") a consumer loan servicing company, for total consideration of approximately \$5.0 million, including cash consideration of \$4.2 million and deferred contingent consideration of \$840, subject to final working capital adjustments. This acquisition executes on the Company's strategic objective to establish servicing capabilities for its RV and Marine Finance segment, which strengthens and diversifies the business.

The Company has recognized 100% of the fair value of the net assets acquired in its interim condensed consolidated statements of financial position from the date of acquisition. The 46% minority ownership of Paramount is represented as non-controlling interest, as a component of total equity.

The table below presents the preliminary allocation of fair values to the net assets acquired.

Consideration:	
Cash	\$ 4,160
Fair value of deferred contingent consideration	840
Total consideration	5,000
Fair value of identifiable assets and liabilities:	
Cash	285
Restricted cash	1,925
Accounts receivable and other assets	2,813
Intangible assets	7,400
Goodwill	798
Accounts payable and other liabilities	(3,621)
Non-controlling interest	(4,600)
Net assets acquired	5,000

The Company has agreed to a deferred purchase price earn-out plan that is based on achievement of prescribed earnings. The fair value of the contingent purchase consideration of \$840 has been recorded as a liability.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

Acquisition-related costs were \$1,924, including advisory fees, legal, accounting, due diligence and other transaction-related expenses. The allocation to goodwill of \$798 is primarily attributable to senior management's ability to support the continued growth of the business. The Company expects that all of the goodwill will be deductible for tax purposes.

Operating results attributable to Paramount are included in the Company's interim condensed consolidated statements of operations from the date of acquisition, August 31, 2024. Paramount contributed approximately \$767 in total revenues and \$10 in net income during the three and nine-month periods ended September 30, 2024. The minority interest portion of the net income of Paramount has been recognized as an increase of \$5 to non-controlling interest, and a reduction of consolidated net income attributable to shareholders' equity.

Acquisition of First Approval Source, LLC

On March 28, 2024, the Company acquired all of the outstanding membership interests in First Approval Source, LLC ("FAS"), an RV and marine finance company, for total consideration of \$800, including cash consideration of \$670 and deferred contingent consideration of \$130. This acquisition expands the Company's reach in its RV and Marine Finance segment and acquires a front-end and underwriting technology platform.

The table below presents the final allocation of fair values to the net assets acquired. Adjustments to the preliminary purchase price allocation were not material.

Consideration paid:

Cash	\$	670
Fair value of deferred contingent consideration		<u>130</u>
Total consideration		<u>800</u>

Fair value of identifiable assets and liabilities:

Cash	44
Accounts receivable	82
Intangible assets	348
Goodwill	461
Accounts payable and other liabilities	<u>(135)</u>
Net assets acquired	<u>800</u>

The Company has agreed to a deferred purchase price earn-out plan that is based on achievement of prescribed origination volumes. The fair value of the contingent purchase consideration of \$130 has been recorded as a liability.

The allocation to goodwill of \$461 is primarily attributable to senior management's ability to maintain and grow its dealer and funding relationships in support of the continued growth of the business. The Company expects that all of the goodwill will be deductible for tax purposes.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

Operating results attributable to FAS are included in the Company's interim condensed consolidated statements of operations from the date of acquisition and were not material to the Company's consolidated operating results for the three and nine-month periods ended September 30, 2024.

Acquisition of Wake Lending, LLC

On January 31, 2023, the Company acquired all of the outstanding equity interests in Wake Lending, LLC ("Wake Lending"), an RV and marine finance company, for total consideration of \$2.5 million. This acquisition expands the Company's geographic presence of the RV and Marine Finance segment.

The table below presents the final allocation of fair values to the net assets acquired. Adjustments to the preliminary purchase price allocation were not material.

Consideration paid:	
Cash	\$ <u>2,500</u>
Fair value of identifiable assets and liabilities:	
Cash	1
Accounts receivable	8
Goodwill	1,391
Intangible assets	<u>1,100</u>
Net assets acquired	<u><u>2,500</u></u>

The allocation to goodwill of \$1.4 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. The Company expects that all of the goodwill will be deductible for tax purposes.

Operating results attributable to Wake Lending are included in the Company's interim condensed consolidated statements of operations from the date of acquisition and were not material to the Company's consolidated operating results for the three and nine-month periods ended September 30, 2024 and September 30, 2023.

Sale of Red Oak RV and Marine Inventory Finance platform

On February 21, 2024, the Company completed the sale of its Red Oak RV and Marine Inventory Finance platform ("Red Oak"), which operated through Triad Financial Services ("Triad"), to a third-party investor for cash proceeds of \$153.3 million. Adjustments to the preliminary sale price were not material. Transaction expenses related to the sale of Red Oak were approximately \$4.0 million. For the three and nine-month periods ended September 30, 2024, no gain or loss was recorded as the purchase price approximated carrying value. Red Oak did not meet the criteria to be classified as discontinued operations.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

4. Finance Receivables

The following table presents the Company's finance receivables based on the type of contract:

	<u>September 30, 2024</u>	<u>December 31, 2023</u>
	\$	\$
Commercial (floorplan and rental) loans	174,567	149,696
RV and Marine loans	9,372	9,615
Gross finance receivables at amortized cost	183,939	159,311
Allowance for credit losses	(572)	(1,484)
Net finance receivables at amortized cost	183,367	157,827
Held-for-trading financial assets	294,925	440,398
Total finance receivables	478,292	598,225

Commercial (floorplan and rental) loans

Commercial loans are comprised entirely of secured loans issued by Triad to finance manufactured housing dealer inventory and community-owned manufactured housing rental units. Floorplan loans to dealers are secured by first priority, fully perfected liens in the underlying units that are financed by Triad. Triad is also the beneficiary of a full manufacturer's repurchase guarantee on each Triad-financed unit. Rental loans to communities are also secured by a first priority lien in the underlying unit financed by Triad, and Triad receives an assignment of each rental contract.

RV and Marine loans

RV and Marine loans are primarily comprised of high-quality retail marine loans that are secured by first priority, fully perfected liens in the underlying financed units.

Held-for-trading financial assets

The loans balance as at September 30, 2024 includes \$226.4 million (December 31, 2023 - \$382.5 million) in manufactured housing loans and \$68.5 million (December 31, 2023 - \$57.9 million) in RV and Marine loans, which are classified as held-for-trading. Finance receivables are classified as held-for-trading if the related loans were originated with the intention of selling the instrument in the near term. Held-for-trading finance receivables are measured on the interim condensed consolidated financial statements at fair value through profit or loss. These loans are considered Level 3 assets, and the Company measures the fair value of these loans based on a valuation model using internal inputs. Upon origination, the Company's internal valuation may determine a fair value that is in excess of the origination or transaction value of the loan. In these circumstances, the Company will not recognize such gains until the fair value estimated by the internal model is substantiated by a market-observable event such as an executed sales contract.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

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

	September 30, 2024		December 31, 2023	
	\$	%	\$	%
31 - 60 days past due	89	0.05	—	—
61 - 90 days past due	—	—	—	—
Greater than 90 days past due	1,995	1.08	1,280	0.80
Total past due	2,084	1.13	1,280	0.80
Current	181,855	98.87	158,031	99.20
Total investment	183,939	100.00	159,311	100.00

The following table presents the weighted average interest rate of the finance receivables:

	September 30, 2024	December 31, 2023
Net investment	\$183,939	\$159,311
Weighted average interest rate	10.55 %	10.61 %

The following tables provide net investments in finance receivables segregated by stage:

	September 30, 2024			
	Stage 1	Stage 2	Stage 3	Total
	(Performing)	(Under-performing)	(Non-performing)	
	\$	\$	\$	\$
Low risk	82,752	—	—	82,752
Medium risk	99,097	—	—	99,097
High risk	6	89	—	95
Default	—	—	1,995	1,995
Gross carrying amount	181,855	89	1,995	183,939

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
	(Performing)	(Under-performing)	(Non-performing)	
	\$	\$	\$	\$
Low risk	50,873	—	—	50,873
Medium risk	106,956	—	—	106,956
High risk	202	—	—	202
Default	—	—	1,280	1,280
Gross carrying amount	158,031	—	1,280	159,311

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

Low risk: Loans that have below average probability of default with credit risk that is lower than the Company's risk appetite and risk tolerance levels. While the Company does originate loans under this category, these loans may have lower yield due to high credit quality.

Medium risk: Loans that have an average probability of default with credit risk that is within the Company's risk appetite and risk tolerance. The Company actively originates loans under this category due to higher yields.

High risk: Loans that were originated within the Company's risk appetite but have subsequently experienced an increase in credit risk that is outside of the Company's typical risk appetite and risk tolerance levels. The Company will generally not originate loans in this category.

Default: Loans that are over 90 days past due or loans for which there is objective evidence of impairment.

Allowance for credit losses

The Company's allowance for credit losses is shown in the table below:

	Stage 1 (Performing)	Stage 2 (Under- performing)	Stage 3 (Non- performing)	Total
	\$	\$	\$	\$
Balance as at December 31, 2022	1,066	—	—	1,066
Recovery of credit losses	(2)	—	—	(2)
Stage transfers	(1)	1	—	—
Balance as at March 31, 2023	1,063	1	—	1,064
Provision for credit losses	(267)	—	670	403
Stage transfers	(2)	—	2	—
Balance as at June 30, 2023	794	1	672	1,467
Provision for credit losses	(6)	(1)	288	281
Transfer to assets held-for-sale	(407)	—	—	(407)
Balance as at September 30, 2023	381	—	960	1,341
Balance as at December 31, 2023	204	—	1,280	1,484
Provision for credit losses	95	36	—	131
Charge-offs	—	—	(1,280)	(1,280)
Stage transfers	(2)	2	—	—
Balance as at March 31, 2024	297	38	—	335
Provision for credit losses	(53)	—	89	36
Stage transfers	—	(38)	38	—
Balance as at June 30, 2024	244	—	127	371
Provision for credit losses	(8)	4	205	201
Balance as at September 30, 2024	236	4	332	572

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

During the nine-month period ended September 30, 2024, the Company charged off a \$1.28 million balance that was fully provisioned in 2023.

5. Other Assets and Accounts Payable and Accrued Liabilities

The following table presents the assets reported in other assets:

	September 30, 2024	December 31, 2023
	\$	\$
Investments in securities	10,524	11,104
Prepaid expenses and other assets ^[1]	14,113	11,783
Total	24,637	22,887

[1] Prepaid expenses and other assets include \$0.2 million and \$1.3 million of outstanding receivables due from officers of the Company as at September 30, 2024 and December 31, 2023, respectively.

The following table presents the liabilities reported in accounts payable and accrued liabilities:

	September 30, 2024	December 31, 2023
	\$	\$
Accounts payable and accrued liabilities	24,192	28,083
Accrued payroll and share-based compensation liabilities	23,517	29,351
Total	47,709	57,434

Accounts payable and accrued liabilities of \$24,192 as at September 30, 2024 include a provision of \$1,557 related to asset disposal, litigation and corporate restructure costs recognized in connection with the Company's previously announced cost reduction program.

6. Leasehold Improvements and Other Equipment

The following table presents the Company's fixed assets and right-of-use assets included in leasehold improvements and other equipment:

	September 30, 2024	December 31, 2023
	\$	\$
Leasehold improvements and other equipment	3,953	3,758
Right-of-use assets	13,332	14,971
Total	17,285	18,729

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

7. Goodwill

Changes in the Company's goodwill balance for the nine-month periods ended September 30, 2024 and for the year ended December 31, 2023 were as follows:

	September 30, 2024	December 31, 2023
	\$	\$
Balance, beginning of period	126,837	125,446
Additions from acquisitions	1,259	1,391
Balance, end of period	128,096	126,837

8. Borrowings

Borrowings consist of the following as at September 30, 2024 and December 31, 2023:

	September 30, 2024	December 31, 2023
	\$	\$
Term senior credit facility	433,574	738,328
Senior unsecured debentures	160,104	162,271
Other	32,079	—
Total	625,757	900,599

Term senior credit facility

The Company is party to a \$800 million term senior credit facility, amended June 27, 2024, which is syndicated to a group of six Canadian, U.S. and international banks with a maturity date of December 6, 2025. The facility bears interest at the prime rate plus 1.0% or one-month bankers' acceptance rate plus 2.0% per annum on outstanding Canadian dollar-denominated balances and U.S. base rate plus 1.0% per annum or one-month secured overnight financing rate plus 2.0% per annum on outstanding U.S. dollar-denominated balances. The term senior credit facility is secured by a general security agreement in favor of the lenders consisting of a first priority interest on all property. Subsequent to September 30, 2024, the Company executed an extension to its term senior credit facility. See Note 18, *Subsequent Event*, for further details.

The Company was in compliance with all financial and reporting covenants with all of its lenders as at September 30, 2024.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

The following table summarizes the Company's outstanding balance on its term senior credit facility:

	September 30, 2024		December 31, 2023	
	Balance outstanding	Weighted average interest rate ⁽¹⁾	Balance outstanding	Weighted average interest rate ⁽¹⁾
	\$	%	\$	%
Term senior credit facility	440,283	6.99	748,190	7.49
Deferred financing costs	(6,709)		(9,862)	
Total secured borrowings	433,574		738,328	

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

As at September 30, 2024, the unutilized balance of the facility was \$359,717 (December 31, 2023 - \$151,810).

Senior unsecured debentures

As at September 30, 2024, the Company had outstanding listed senior unsecured debentures with an aggregate principal of C\$221.25 million (the "Debentures"), consisting of C\$75.0 million of debentures due December 31, 2025, which bear interest at a rate of 6.0% per annum, C\$86.25 million of debentures due December 31, 2026, which bear interest at a rate of 6.0% per annum, and C\$60.0 million due December 31, 2027, which bear interest at a rate of 6.25% per annum. The Company has the option to satisfy its obligations to repay the principal and accrued interest of each of the debentures at redemption or maturity by issuing and delivering that number of common shares in the capital of the Company in accordance with the terms of the respective indentures.

The following table summarizes the outstanding balance of the Company's Debentures:

	September 30, 2024	December 31, 2023
	\$	\$
6.0% senior unsecured debentures due 2025	55,455	56,633
6.0% senior unsecured debentures due 2026	63,773	65,127
6.25% senior unsecured debentures due 2027	44,364	45,306
	163,592	167,066
Deferred financing costs	(3,488)	(4,795)
Total unsecured debentures	160,104	162,271

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

Other

Other borrowings of \$32,079 as at September 30, 2024 consists of borrowings by Triad under a \$52.5 million revolving credit facility to fund the purchase of Triad's participated interest in securitized manufactured housing floorplan loans with a Partner. The facility bears interest at the applicable commercial paper rate plus 1.85%, and is secured by Triad's participation interest in the securitized loans. For the three-month period ended September 30, 2024, the weighted average interest rate was 7.30%.

9. 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

The following table summarizes the Company's outstanding common shares:

	Common shares	
	Shares #	Amount \$
Balance, December 31, 2022	245,382,585	586,227
Common share issuance	33,550,000	69,756
Exercise of options and share units	1,014,157	1,062
Balance, September 30, 2023	279,946,742	657,045
Balance, December 31, 2023	279,946,742	656,908
Exercise of share units	1,173,481	1,613
Balance, September 30, 2024	281,120,223	658,521

Common share dividends

During the three and nine-month periods ended September 30, 2024, the Company declared \$2,088 and \$6,192 or C\$0.01 and C\$0.03, respectively, per common share in dividends (September 30, 2023 - \$1,825 and \$5,508 or C\$0.01 and C\$0.03, respectively, per common share). The Company's common share dividends are designated to be eligible dividends for income tax purposes.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

Preferred shares

The following tables summarize the Company's outstanding preferred share capital:

	Series C		Series E	
	Preferred shares		Preferred shares	
	Shares	Amount	Shares	Amount
	#	\$	#	\$
Balance, December 31, 2022	3,712,400	67,052	—	—
Preferred share issuance	—	—	27,450,000	57,073
Balance, September 30, 2023	3,712,400	67,052	27,450,000	57,073
Balance, December 31, 2023	3,712,400	67,052	27,450,000	56,960
Balance, September 30, 2024	3,712,400	67,052	27,450,000	56,960

On September 26, 2023, the Company issued 27,450,000 Series E convertible preferred shares ("Series E Preferred Shares") on a private placement basis in connection with the strategic partnership entered into with Skyline Champion. See Note 12. *Related Party Transactions*, for further details.

The Series E Preferred Shares are initially convertible on a one-for-one basis into an aggregate of 27,450,000 common shares based on an initial liquidation preference and conversion price equal to the share issue price, which are subject to customary anti-dilution adjustments. The Series E Preferred Shares are convertible at any time at the option of Skyline Champion, are redeemable at the option of the Company in connection with a change of control of the Company and will automatically convert into common shares on the fifth anniversary of closing of the private placement, in each case subject to a conversion cap in the event that, as a result of any conversion, Skyline Champion would hold in excess of 19.9% of outstanding common shares.

The holder of the Series E Preferred Shares are entitled to receive cumulative cash dividends at a rate of 4.0% per annum on the liquidation preference, payable semi-annually, vote on an as-converted basis for all matters on which holders of common shares vote and will vote together as a single class with the common shares. The Series E Preferred Shares will not be transferable other than to affiliates of Skyline Champion or with the prior approval of the Board of Directors of the Company.

The Company's outstanding Series C convertible preferred shares ("Series C Preferred Shares") are redeemable by the Company in whole or in part at their par value of C\$25.00 per share on June 30, 2027 and on June 30 of every fifth year thereafter. Holders of Series C Preferred Shares are entitled to receive a fixed annual cash dividend at a rate of 7.937%.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

Preferred share dividends

During the three and nine-month periods ended September 30, 2024, the Company declared \$1,354 and \$4,063 or C\$0.4960625 and C\$1.4881875, respectively, per Series C Preferred Share, in dividends (September 30, 2023 - \$1,378 and \$4,126, or C\$0.4960625 and C\$1.4881875, respectively, per Series C Preferred Share). During the three and nine-month periods ended September 30, 2024, the Company paid \$1,214 or C\$0.0605 dividends (September 30, 2023 - nil) per Series E Preferred Share. The Company's preferred share dividends are designated to be eligible dividends for income tax purposes.

Normal Course Issuer Bids

On September 19, 2024, the TSX approved the renewal of the Company's Normal Course Issuer Bid (the "Common Share Bid") for common shares of the Company and the Company's Normal Course Issuer Bid (the "Preferred Share Bid" and, together with the Common Share Bid, the "NCIBs") for the Company's Series C Preferred Shares for commencement on September 23, 2024. Pursuant to the NCIBs, the Company may repurchase up to an additional 15,472,849 common shares and 371,240 Series C Preferred Shares, representing approximately 10% of the public float of each of the common shares and Series C Preferred Shares, respectively. The NCIBs will end on the earlier of September 22, 2025 or the completion of purchases under the applicable NCIB.

During the three and nine-month periods ended September 30, 2024 and September 30, 2023, the Company did not purchase any of its common shares or Series C Preferred Shares pursuant to the NCIBs.

10. Share-Based Compensation

Share-based compensation expense consists of the following for the three and nine-month periods ended September 30, 2024 and September 30, 2023:

	Three-month period ended		Nine-month period ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Performance share units and restricted share units	2,415	3,662	6,058	9,215
Deferred share units	710	73	1,084	767
Stock options	966	1,090	3,098	1,641
Share-based compensation	4,091	4,825	10,240	11,623

During the three and nine-month periods ended September 30, 2024, the Company granted 123,827 and 5,493,969 performance share units ("PSUs"), respectively, to senior executives and employees of the Company.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

During the three and nine-month periods ended September 30, 2024, the Company granted 234,309 and 762,886 deferred share units ("DSUs"), respectively, to members of the Company's Board of Directors.

During the three-month period ended September 30, 2024, the Company granted 963,467 stock options with a weighted average exercise price of C\$2.00 per share. During the nine-month period ended September 30, 2024, the Company granted 10,675,517 stock options with a weighted average exercise price of C\$2.08 per share to employees of the Company.

11. Other Revenue (Loss) and Other Expenses

Other revenue (loss) consists of the following for the three and nine-month periods ended September 30, 2024 and September 30, 2023:

	Three-month period ended		Nine-month period ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Earnings (loss) on investments	(331)	(28)	286	(828)
Unrealized (loss) on interest rate swap	(1,125)	—	—	—
Sublease income	28	111	233	309
Foreign exchange and other	1,506	944	3,030	(133)
Total other revenue (loss)	78	1,027	3,549	(652)

Other expenses consist of the following for the three and nine-month periods ended September 30, 2024 and September 30, 2023:

	Three-month period ended		Nine-month period ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Amortization of intangible assets	1,956	1,901	5,770	5,685
Accretion of deferred purchase consideration	5	128	263	384
Asset disposal, litigation and corporate restructure costs	—	975	—	19,639
Provision for assets held-for-sale	—	4,000	—	4,000
Transaction, corporate development and other costs	2,374	2,464	4,443	7,280
Total other expenses	4,335	9,468	10,476	36,988

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

Transaction, corporate development and other costs of \$2,374 for the three-month period ended September 30, 2024 primarily relates to acquisition of Paramount and business development initiatives. Transaction, corporate development and other costs of \$4,443 for the nine-month period ended September 30, 2024 primarily relate to the acquisitions of Paramount and FAS, business development initiatives and the Company's review of strategic alternatives, which was completed in the first quarter of 2024.

12. Related Party Transactions

Strategic Partnership and Investor Rights Agreement with Skyline Champion Corporation

On September 26, 2023, the Company completed a transaction pursuant to which Champion Canada Holdings Inc., a wholly-owned subsidiary of Skyline Champion, has made an approximately \$138 million (C\$185 million) equity investment in ECN Capital on a private placement basis (the "Private Placement") in exchange for 33,550,000 common shares of ECN Capital and 27,450,000 mandatory convertible Series E Preferred Shares of ECN Capital. Following closing, Skyline Champion owns an approximately 19.9% indirect equity interest in ECN Capital (assuming the conversion of all Series E Preferred Shares).

Upon closing of the Private Placement, a member of the Board of Directors of Skyline Champion was appointed to the Board of Directors and Credit and Risk Committee of ECN Capital. In addition, ECN Capital and Skyline Champion also entered into an investor rights agreement providing for, among other things, customary piggy-back registration rights, preemptive rights, standstill and voting support obligations and certain other rights and restrictions, including a right to match in connection with unsolicited offers to acquire ECN Capital or Triad.

In connection with the Private Placement, ECN Capital and Skyline Champion have formed Champion Financing LLC, ("Champion Financing") a captive finance company that is 51% owned by an affiliate of Skyline Champion and 49% owned by Triad. Champion Financing provides a tailored retail finance loan program for customers and a new branded floorplan offering for Skyline Champion, its affiliates and their independent retailers in the manufactured home finance space and operates with services by Triad. The Company accounts for its investment in Champion Financing under the equity method of accounting.

Notes receivable

Notes receivable of \$23,483 as at September 30, 2024 (December 31, 2023 - \$24,631) represent loans to certain employees and officers of the Company granted in order to help finance the purchase of the Company's shares. Interest is accrued on the loans based on applicable U.S. interest rates, and the principal is payable on demand in the event of non-payment of interest. The notes receivable are secured by ECN Capital shares purchased with full recourse to the employee/officer.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

The changes in notes receivable for the nine-month periods ended September 30, 2024 and September 30, 2023 were as follows:

	September 30, 2024	September 30, 2023
	\$	\$
Notes receivable, beginning of period	24,631	31,613
Additions	1,375	—
Interest income	245	334
Repayments (interest and principal)	(2,443)	(4,291)
Transfers to other assets ^[1]	—	(3,465)
Foreign exchange	(325)	(29)
Notes receivable, end of period	23,483	24,162

[1] These amounts primarily include loans to former employees that were repaid pursuant to a fixed repayment schedule.

Other related party transactions

The Company is party to a five-year lease agreement, expiring September 30, 2027, with a member of management of a subsidiary company to lease office space for use in the normal course of business. Payments under the lease agreement were approximately \$263 and \$263 for the nine-month periods ended September 30, 2024 and September 30, 2023, respectively.

During the nine-month period ended September 30, 2024, an officer of the Company purchased \$1,010 of loans from the Company through a participation interest in a flow agreement on the same market terms as a third party investor.

13. 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, foreign exchange forward agreements to manage foreign currency exposure, and total return swaps to manage the variability in cash flows associated with forecasted future obligations on vesting of DSUs, RSUs and PSUs attributable to changes in the Company's stock price.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

Cash flow hedges

The Company's interest rate cap agreement, foreign exchange forward agreements and total return swaps are designated in hedging relationships and, as such, the gains or losses of the hedging derivative are offset by the gains or losses of the hedged item. There is an economic relationship between the hedged items and the hedging instruments as the terms of the contracts match the terms of the forecasted transactions.

The following table presents the fair value changes related to the cash flow hedges included in the Company's results for the three and nine-month periods ended September 30, 2024 and September 30, 2023:

	Three-month period ended		Nine-month period ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Fair value (loss) gain recorded in other revenue	(436)	900	345	(415)
Fair value gain (loss) recorded in other comprehensive income (loss)	4,328	1,688	(336)	2,713

Notional amounts and fair values of derivative instruments

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

	September 30, 2024		December 31, 2023	
	Notional principal	Fair value	Notional principal	Fair value
	\$	\$	\$	\$
Derivative assets				
Interest rate contracts	260,000	55	—	—
Foreign exchange agreements	—	—	—	—
	260,000	55	—	—
Derivative liabilities				
Interest rate contracts	25,000	1,544	25,000	1,362
Foreign exchange agreements	169,897	447	170,947	595
Total return swaps	49,860	24,104	45,383	18,060
	244,757	26,095	241,330	20,017

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

14. Earnings (loss) per Share

	Three-month period ended		Nine-month period ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
	\$	\$	\$	\$
Net income (loss) for the period	8,149	(4,574)	9,141	(52,726)
Cumulative dividends on preferred shares	1,354	1,378	5,277	4,126
Net income (loss) attributable to common shareholders	6,795	(5,952)	3,864	(56,852)
Weighted average number of common shares outstanding - basic	281,120,223	247,007,972	280,694,675	246,038,232
Basic earnings (loss) per share	\$ 0.02	\$ (0.02)	\$ 0.01	\$ (0.23)
Total basic earnings (loss) per share	\$ 0.02	\$ (0.02)	\$ 0.01	\$ (0.23)
Weighted average number of common shares outstanding - diluted	309,143,318	247,922,972	308,673,639	246,474,577
Diluted earnings (loss) per share	\$ 0.02	\$ (0.02)	\$ 0.01	\$ (0.23)
Total diluted earnings (loss) per share	\$ 0.02	\$ (0.02)	\$ 0.01	\$ (0.23)

For the three and nine-month periods ended September 30, 2024 11,315,350 and 13,837,709, respectively, (September 30, 2023 - 4,758,442 and 3,643,563, respectively) potentially dilutive stock options were excluded from the computation of diluted earnings (loss) per share because their effect would have been anti-dilutive.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

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:

	September 30, 2024	December 31, 2023
	\$	\$
Borrowings on term senior credit facility and other	465,653	738,328
Accounts payable and accrued liabilities	47,709	57,434
Other liabilities ^[1]	16,339	26,913
	529,701	822,675
Senior unsecured debentures ^[2]	160,104	162,271
Total equity	215,421	209,488
	905,226	1,194,434

[1] Other liabilities primarily include a \$976 (December 31, 2023 - \$9.7 million) deferred purchase consideration liability related to the acquisition of Paramount and FAS, and a \$15.4 million (December 31, 2023 - \$17.1 million) lease liability.

[2] In accordance with the terms of the indentures, the Company has the option to satisfy its obligations to repay the principal and interest of its senior unsecured debentures by issuing common shares in the capital of the Company.

16. Fair Value Measurements

IFRS 13, *Fair Value Measurement*, requires disclosure of a three-level hierarchy for fair value measurement based upon transparency of inputs used in the valuation of an asset or liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in an active market for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are not based on observable market data.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

(a) Assets and liabilities measured at fair value on a recurring basis

The following tables present the level within the fair value hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis:

	September 30, 2024			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	20,297	—	—	20,297
Restricted funds	1,880	—	—	1,880
Held-for-trading financial assets	—	—	294,925	294,925
Investments in securities	—	10,524	—	10,524
Retained reserve interest	—	—	41,974	41,974
Derivative financial instruments, net	—	(26,040)	—	(26,040)
Total	22,177	(15,516)	336,899	343,560

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	23,239	—	—	23,239
Restricted funds	34	—	—	34
Held-for-trading financial assets	—	—	440,398	440,398
Investments in securities	—	11,104	—	11,104
Retained reserve interest	—	—	38,000	38,000
Derivative financial instruments, net	—	(20,017)	—	(20,017)
Total	23,273	(8,913)	478,398	492,758

Transfers between levels of the fair value hierarchy are recognized at the date of the event that caused the transfer. There were no transfers between levels of the fair value hierarchy for the periods presented.

Retained reserve interest

The fair value of the retained reserve interest asset represents the present value of the amount the Company expects to recover from the amounts placed on deposit in a reserve account with respect to loans sold by Triad. The Company estimates the fair values using a discounted cash flow approach using assumptions for loan loss and prepayment rates and discount rates, which are all Level 3 inputs. A significant increase or decrease in loan loss assumptions, prepayment rates, or discount rates would result in a lower or higher, respectively, fair value measurement of the retained reserve interest asset.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

The following table presents the estimated impact of a change in each of these key assumptions on the fair value of the retained reserve interest asset as at September 30, 2024.

Assumption	September 30, 2024	
	Change	Amount
	basis points	\$
Charge-off rate	5	2,700
Prepayment rate	100	1,500
Discount rate	100	3,000

Held-for-trading financial assets

The fair value of held-for-trading financial assets is estimated to approximate carrying value. These finance receivables are classified as Level 3 financial instruments, whereby fair value is determined using valuation techniques and inputs not based on observable market data.

The assertion that the carrying value of held-for-trading financial assets approximates fair value requires the use of estimates and significant judgement. The underlying assets are credit-scored and/or valued based on internal models that are not necessarily used in market transactions. The fair value of any of these balances would be affected by a potential buyer's assessment of the transaction's credit quality, payment history, yield, term, documents and other legal matters and other subjective considerations. The value received in a fair market sale transaction would be based on the terms of the sale, the buyer's views of the economic and industry conditions, the Company's and the buyer's tax considerations and other factors.

The fair value of finance receivables classified as assets held-for-trading is determined based on bids received on these loans in a private market. A significant increase or decrease in market interest rates and/or yields on comparable finance assets would result in a lower or higher, respectively, fair value measurement of held-for-trading financial assets. Based on its exposure as at September 30, 2024, the Company estimates that a hypothetical 50 basis point increase in interest rates may result in a decrease of approximately \$1.4 million in the carrying value of its held-for-trading financial assets.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

(b) Reconciliation of Level 3 fair value measurements of financial instruments

The changes in the Company's Level 3 assets measured at fair value on a recurring basis for the nine-month periods ended September 30, 2024 and September 30, 2023 were as follows:

	Held-for-trading financial assets	Retained reserve interest
	\$	\$
Balance, December 31, 2022	219,734	36,479
Issues	658,826	8,333
Sales	(516,065)	—
Settlements	(6,428)	(7,056)
Change in fair value included in earnings	(12,883)	—
Balance, September 30, 2023	343,184	37,756
Balance, December 31, 2023	440,398	38,000
Issues	756,979	6,144
Sales	(884,517)	—
Settlements	(17,935)	(2,170)
Balance, September 30, 2024	294,925	41,974

(c) Assets measured at fair value on a non-recurring basis

As at September 30, 2024, the Company did not have any assets or liabilities measured at fair value on a non-recurring basis.

As at December 31, 2023, the Company assessed the fair value of the assets held-for-sale related to its Red Oak RV and Marine Inventory Finance platform, which the Company entered into an agreement to sell subsequent to December 31, 2023. Fair value less costs to sell as at December 31, 2023 was measured based on the related sale contract value and estimated costs associated with the sale. As a result of the assessment, a provision of approximately \$4.0 million was recorded, which primarily represents estimated costs to sell the business. No impairment loss was recorded related to the underlying loan portfolio, as the carrying value approximated fair value. The Company completed the sale transaction on February 21, 2024. See Note 3, *Business Acquisitions and Disposals*, for further details.

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

17. Segmented Information

Operating segments

ECN Capital's operating results of continuing operations are categorized into two core operating segments and a Corporate segment. The Company's core operating segments consist of: (i) Manufactured Housing Finance; and (ii) RV and Marine Finance. The Company's Chief Operating Decision Maker, 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 and reporting segment for financial reporting purposes.

The financial reporting of ECN Capital's two core 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 three and nine-month periods ended September 30, 2024 and September 30, 2023 are shown in the following tables:

	For the three-month period ended September 30, 2024			
	Manufactured Housing Finance	RV and Marine Finance	Corporate	Total continuing operations
	\$	\$	\$	\$
Revenues				
Loan origination revenues	31,424	6,403	—	37,827
Servicing revenue	15,318	2,174	—	17,492
Interest income and other revenue	9,251	2,274	(408)	11,117
Total revenue	55,993	10,851	(408)	66,436
Operating expenses and other				
Compensation and benefits	13,800	3,912	1,033	18,745
General and administrative expenses	8,184	1,845	1,532	11,561
Interest expense	5,709	1,270	7,223	14,202
Depreciation and amortization	1,635	525	298	2,458
Share-based compensation	234	920	2,937	4,091
Other expenses	310	1,651	2,374	4,335
	29,872	10,123	15,397	55,392
Income (loss) before income taxes	26,121	728	(15,805)	11,044

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

	For the nine-month period ended September 30, 2024			
	Manufactured Housing Finance	RV and Marine Finance	Corporate	Total continuing operations
	\$	\$	\$	\$
Revenues				
Loan origination revenues	70,576	17,732	—	88,308
Servicing revenue	34,767	2,174	—	36,941
Interest income and other revenue	41,312	6,122	1,369	48,803
Total revenue	146,655	26,028	1,369	174,052
Operating expenses and other				
Compensation and benefits	41,085	9,865	2,923	53,873
General and administrative expenses	21,615	4,162	4,933	30,710
Interest expense	23,814	3,694	19,876	47,384
Depreciation and amortization	4,180	1,376	1,129	6,685
Share-based compensation	1,882	1,928	6,430	10,240
Other expenses	930	5,103	4,443	10,476
	93,506	26,128	39,734	159,368
Income (loss) before income taxes	53,149	(100)	(38,365)	14,684

	For the three-month period ended September 30, 2023			
	Manufactured Housing Finance	RV and Marine Finance	Corporate	Total continuing operations
	\$	\$	\$	\$
Revenues				
Loan origination revenues	13,383	4,875	—	18,258
Servicing revenue	8,461	—	—	8,461
Interest income and other revenue (loss)	16,200	1,516	1,255	18,971
Total revenue	38,044	6,391	1,255	45,690
Operating expenses and other				
Compensation and benefits	12,850	2,186	1,613	16,649
General and administrative expenses	7,441	746	1,487	9,674
Interest expense	13,391	954	5,382	19,727
Depreciation and amortization	1,163	194	648	2,005
Share-based compensation	1,021	177	3,627	4,825
Other expenses	4,310	1,719	3,439	9,468
	40,176	5,976	16,196	62,348
(Loss) income before income taxes	(2,132)	415	(14,941)	(16,658)

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

	For the nine-month period ended September 30, 2023			
	Manufactured Housing Finance	RV and Marine Finance	Corporate	Total continuing operations
	\$	\$	\$	\$
Revenues				
Loan origination revenues	38,494	15,765	—	54,259
Servicing revenue	21,721	—	—	21,721
Interest income and other revenue (loss)	52,036	3,048	399	55,483
Total revenue	112,251	18,813	399	131,463
Operating expenses and other				
Compensation and benefits	36,217	6,827	4,705	47,749
General and administrative expenses	22,160	2,119	4,742	29,021
Interest expense	39,283	1,815	16,991	58,089
Depreciation and amortization	3,013	686	1,756	5,455
Share-based compensation	3,072	718	7,833	11,623
Other expenses	4,930	5,139	26,919	36,988
	108,675	17,304	62,946	188,925
Income (loss) before income taxes	3,576	1,509	(62,547)	(57,462)

Total assets and total liabilities by segment as at September 30, 2024 and December 31, 2023 are shown in the following tables:

	September 30, 2024			
	Manufactured Housing Finance	RV and Marine Finance	Corporate	Total
	\$	\$	\$	\$
Total assets	687,189	258,889	57,087	1,003,165
Total liabilities	349,337	73,698	364,709	787,744

	December 31, 2023			
	Manufactured Housing Finance	RV and Marine Finance	Corporate	Total
	\$	\$	\$	\$
Total assets	989,050	240,694	55,089	1,284,833
Total liabilities	680,679	70,482	324,184	1,075,345

ECN Capital Corp.

Notes to interim condensed consolidated financial statements

[in thousands of U.S. dollars, except where otherwise noted and per share amounts]

September 30, 2024

18. Subsequent Event

Extension of Term Senior Credit Facility

On October 22, 2024, the Company executed an extension of its term senior credit facility, which provides for an aggregate of \$770 million in revolving funding through October 22, 2027.

