

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus supplement, together with the accompanying short form base shelf prospectus dated December 6, 2013 to which it relates (the "Prospectus") and each document incorporated by reference in the Prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws. Accordingly, these securities may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States of America. See "Plan of Distribution".

**Information has been incorporated by reference in this prospectus supplement from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice President & General Counsel of Element Financial Corporation by sending a written request to 161 Bay Street, Suite 4600, Toronto, Ontario, M5J 2S1, telephone (416) 386-1067, and are also available electronically at [www.sedar.com](http://www.sedar.com).

**PROSPECTUS SUPPLEMENT  
TO THE SHORT FORM BASE SHELF PROSPECTUS DATED DECEMBER 6, 2013**

New Issue

February 28, 2014

**ELEMENT FINANCIAL CORPORATION**



**\$125,000,000  
5,000,000 6.50% Cumulative 5-Year Rate Reset Preferred Shares, Series C**

This prospectus supplement qualifies the distribution (the "Offering") of 5,000,000 6.50% Cumulative 5-Year Rate Reset Preferred Shares, Series C (the "Series C Shares") of Element Financial Corporation (the "Company" or "Element"). The holders of the Series C Shares will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the Company's board of directors (the "Board of Directors") for the initial period from and including the closing date of the Offering up to but excluding June 30, 2019 (the "Initial Fixed Rate Period") payable quarterly on the last Business Day (as defined herein) of March, June, September and December in each year at an annual rate of \$1.625 per share. The initial dividend, if declared, will be payable on June 30, 2014 and will be \$0.51199 per share, based on the anticipated closing date of the Offering of March 7, 2014 (the "Closing Date"). See "Details of the Offering".

For each five-year period after the Initial Fixed Rate Period (each, a "Subsequent Fixed Rate Period"), the holders of Series C Shares will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last Business Day of March, June, September and December in each year, in the amount per share per annum determined by multiplying the Annual Fixed Dividend Rate (as defined herein) applicable to such Subsequent Fixed Rate Period by \$25.00. The Annual Fixed Dividend Rate for the ensuing Subsequent Fixed Rate Period will be equal to the Government of Canada Yield (as defined herein) on the 30<sup>th</sup> day prior to the first day of such Subsequent Fixed Rate Period, plus 4.81%. See "Details of the Offering".

**Option to Convert Into Series D Shares**

Subject to the Company's right to redeem Series C Shares, the holders of Series C Shares will have the right, at their option, to convert their Series C Shares into Cumulative Floating Rate Preferred Shares, Series D (the "Series D Shares") subject to certain conditions, on June 30, 2019 and on June 30 every five years thereafter. The holders of Series D Shares will be entitled to receive floating rate cumulative preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last Business Day of March, June, September and December in each year (the initial quarterly dividend period and each subsequent quarterly dividend period is referred to as a "Quarterly Floating Rate Period"), in the amount per share determined by multiplying the applicable Quarterly Floating Dividend Rate (as defined herein) by \$25.00. The Quarterly Floating Dividend Rate will be equal to the sum of the T-Bill Rate (as defined herein) plus 4.81% (calculated on the basis of the actual number of days in the applicable Quarterly Floating Rate Period divided by 365) determined as of the 30<sup>th</sup> day prior to the first day of the applicable Quarterly Floating Rate Period. See "Details of the Offering".

Subject to the provisions described under "Details of the Offering – Description of the Series C Shares – Restrictions on Dividends and Retirement of Shares", on June 30, 2019, and on June 30 every five years thereafter, the Company may, at its option, redeem all or any part of the then outstanding Series C Shares by the payment of an amount in cash for each Series C Share so redeemed of \$25.00 plus all accrued and unpaid dividends up to, but excluding, the date fixed for redemption. See "Details of the Offering – Description of the Series C Shares – Redemption".

The Series C Shares and Series D Shares do not have a fixed maturity date and, other than as described herein, are not redeemable at the option of the holders thereof. See “Risk Factors”.

**The Underwriters (as defined herein) may offer the Series C Shares at a price lower than that stated below. See “Plan of Distribution”.**

GMP Securities L.P. (“GMP”), National Bank Financial Inc. (“NBF”), BMO Nesbitt Burns Inc. (“BMONB”), CIBC World Markets Inc. (“CIBC”), RBC Dominion Securities Inc. (“RBC”), and TD Securities Inc. (“TD”, and together with GMP, NBF, BMONB, CIBC and RBC, the “Joint Bookrunners”) Desjardins Securities Inc. Raymond James Ltd. and Manulife Securities Inc. (“MSI”) (collectively, with the Joint Bookrunners, the “Underwriters”), as principals, conditionally offer the Series C Shares, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement (as defined herein) referred to under “Plan of Distribution”, and subject to approval of certain legal matters on behalf of the Company by Blake, Cassels & Graydon LLP and on behalf of the Underwriters by Wildeboer Dellelce LLP. See “Plan of Distribution”. The offering price was determined by negotiation between the Company and the Joint Bookrunners on behalf of the Underwriters. In connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series C Shares at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be interrupted or discontinued at any time. See “Plan of Distribution”.

BMONB is an affiliate of a Canadian Schedule I bank (i) that is a member of the lending syndicate to the Company under a US\$600 million bridge credit facility (the “Bridge Credit Facility”); (ii) that is a member of the lending syndicate to the Company under a US\$585 million revolving credit facility (the “Revolving Credit Facility”); (iii) that is a lender to a U.S. affiliate of the Company under a U.S. securitization funding facility; and (iv) that, through an affiliate, is the lender to or investor or counterparty in separate Canadian securitization funding facilities pursuant to which the Company or its affiliates have transferred and will transfer financial assets and related property or interests therein under an established securitization platform. Such Canadian securitization funding facilities under the securitization platform are established with a Canadian asset backed conduit administered by BMONB. Each of CIBC, RBC and TD are affiliates of Canadian Schedule I banks that are members of the lending syndicate to the Company under the Bridge Credit Facility and the Revolving Credit Facility. MSI is an affiliate of a Canadian life insurance company that is a lender to the Company under the Term Funding Facility (as defined herein). Further, NBF is an affiliate of a Canadian Schedule I bank (i) that is a member of the lending syndicate to the Company under the Bridge Credit Facility and the Revolving Credit Facility, and (ii) that is an investor or a counterparty under the Amortizing TLS Syndication Pool (as defined herein). Consequently, the Company may be considered a “connected issuer” to each of BMONB, CIBC, RBC, TD, MSI and NBF within the meaning of National Instrument 33-105 - *Underwriting Conflicts*. See “Relationship between Element and Certain Underwriters”.

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### Price: \$25.00 per Series C Share

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	Price to the Public <sup>(1)</sup>	Underwriters’ Fee <sup>(1)(2)</sup>	Net Proceeds to the Company <sup>(1)(3)</sup>
Per Series C Share	\$25.00	\$0.75	\$24.25
Total	\$125,000,000	\$3,750,000	\$121,250,000

(1) The Company has granted to the Underwriters an over-allotment option (the “Over-Allotment Option”) to purchase on the same terms up to 250,000 additional Series C Shares, exercisable at any time until the date that is 30 days following the Closing Date (as defined herein). If the Over-Allotment Option is exercised in full, the total “Price to the Public”, “Underwriters’ Fee” and “Net Proceeds to the Company”, before deducting expenses of the Offering, would be \$131,250,000, \$3,937,500 and \$127,312,500, respectively. This prospectus supplement qualifies the grant of the Over-Allotment Option, as well as the distribution of the Series C Shares issuable upon exercise of the Over-Allotment Option. A purchaser who acquires any of the Series C Shares forming part of the Underwriters’ over-allocation position acquires such Series C Shares under this prospectus supplement regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

(2) Element has agreed to pay a fee equal to \$0.75 per share for each Series C Share sold (the “Underwriters’ Fee”).

(3) Before deduction of expenses of the Offering payable by the Company estimated at \$500,000.

<u>Underwriters’ Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	Option to acquire up to an additional 250,000 Series C Shares	30 days following the Closing Date	\$25.00 per Series C Share

**There is currently no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus supplement. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. See “Risk Factors”.**

Element's outstanding Cumulative 5-Year Rate Reset Preferred Shares, Series A (the "Series A Shares") are listed on the Toronto Stock Exchange (the "TSX") under the symbol "EFN.PR.A". The closing price of the Series A Shares on the TSX on February 27, 2014, the last full trading day before the date of this prospectus supplement, was \$25.27 per Series A Share. The TSX has conditionally approved the listing of the Series C Shares and Series D Shares (including the Series C Shares forming part of the Over-Allotment Option) on the TSX. Listing is subject to the Company fulfilling all of the requirements of the TSX on or before May 29, 2014.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering will occur on March 7, 2014 or on such other date as the Company and the Underwriters may agree (the "Closing Date"). A book-entry only certificate representing the Series C Shares distributed hereunder will be issued in registered form to CDS Clearing and Depository Services Inc. ("CDS"), or its nominee, and will be deposited with CDS on the Closing Date. A purchaser of the Series C Shares will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the shares are purchased. See "Book-Entry Only System".

The head and registered office of the Company is located at 161 Bay Street, Suite 4600, Toronto, Ontario, M5J 2S1. Unless otherwise specifically stated, all dollar amounts in this prospectus supplement are expressed in Canadian dollars.

The Series C Shares and Series D Shares, provided they are listed on a designated stock exchange for purposes of the *Income Tax Act* (Canada) (together with the regulations thereunder, the "Tax Act") (which currently includes the TSX) or provided the Company remains a "public corporation" for purposes of the Tax Act, if issued on the date of this prospectus supplement, would be on such date qualified investments under the Tax Act for trusts governed by a registered retirement savings plan ("RRSP"), registered retirement income fund ("RRIF"), deferred profit sharing plan, registered education savings plan, registered disability savings plan or tax-free savings account ("TFSA"). See "Eligibility for Investment."

Investors should rely only on the information contained in or incorporated by reference in this prospectus supplement. The Company has not authorized anyone to provide investors with different information. The Company is not offering the Series C Shares in any jurisdiction in which the offer is not permitted. Investors should not assume that the information contained in this prospectus supplement is accurate as of any date other than the date of this prospectus supplement.

**The Company's earnings coverage ratio for the twelve-month period ended December 31, 2013 was less than one-to-one. See "Earnings Coverage Ratio".**

**An investment in the Series C Shares is subject to certain risks. The risk factors included or incorporated by reference in the accompanying Prospectus and in this prospectus supplement should be carefully reviewed and considered by purchasers in connection with an investment in the Series C Shares. See "Note Regarding Forward-Looking Statements" and "Risk Factors" in the accompanying Prospectus and in this prospectus supplement and in the AIF (as defined herein).**

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## **IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS**

This document is in two parts. The first part is this prospectus supplement, which describes certain terms of the securities the Company is offering and adds to and updates certain information contained in the Prospectus and the documents incorporated by reference therein. The second part, the Prospectus, gives more general information, some of which may not apply to the Series C Shares offered hereunder. Defined terms or abbreviations used in this prospectus supplement that are not defined herein have the meanings ascribed thereto in the Prospectus.

You should rely only on the information contained in this prospectus supplement or incorporated by reference into the Prospectus. The Company has not, and the Underwriters have not, authorized anyone to provide you with different or additional information. The Company is not, and the Underwriters are not, making an offer to sell the Series C Shares in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement, the Prospectus or any documents incorporated by reference into the Prospectus, is accurate as of any date other than the date on the front of those documents as the Company's business, operating results, financial condition and prospects may have changed since that date.

### **NOTE REGARDING FORWARD-LOOKING STATEMENTS**

The Prospectus and this prospectus supplement and the documents incorporated by reference in the Prospectus contain certain forward-looking statements and forward-looking information which are based upon Element's current internal expectations, estimates, projections, assumptions and beliefs. In some cases, words such as "plan", "expect", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements and forward-looking information. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in the forward-looking statements or information. In addition, the Prospectus and this prospectus supplement and the documents incorporated by reference in the Prospectus may contain forward-looking statements and information attributed to third party industry sources. Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Such forward-looking statements and information in the Prospectus and this prospectus supplement speak only as of the date of this prospectus supplement, the date of the Prospectus or as of the date specified in the documents incorporated by reference in the Prospectus.

Forward-looking statements and information in the Prospectus and in this prospectus supplement and the documents incorporated by reference in the Prospectus include, but are not limited to, statements with respect to:

- Element's expectations regarding its revenue, expenses and operations;
- Element's anticipated cash needs and its needs for additional financing;
- Element's integration of the Helicopter Assets (as defined herein) pursuant to the Helicopter Assets Purchase (as defined herein) and related synergies thereto and anticipated results therefrom;
- Element's integration of the Railcar Assets (as defined herein) pursuant to the Trinity Vendor Program (as defined herein) and related synergies thereto;
- Element's plans for and timing of expansion of its services;
- Element's future growth plans (including growth resulting from acquisitions and growth related to the financing of the Railcar Assets under the Trinity Vendor Program);
- Element's expectations regarding its origination volumes;
- Element's ability to attract new customers and vendor relationships and develop and maintain relationships with existing customers;
- Element's anticipated delinquency rates and credit losses;
- Element's ability to attract and retain personnel;
- Element's expectations regarding its reduced reliance on third-party brokers for originations;
- Element's expectations regarding growth in certain verticals in which it operates;
- Element's competitive position and its expectations regarding competition; and
- anticipated trends and challenges in Element's business and the markets in which it operates.

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

- credit risks that may lead to unexpected losses;
- concentration of leases and loans to small and mid-sized companies that may carry more inherent risks;
- the concentration of leases and loans within a particular industry or region that may negatively impact Element's financial condition;
- Element's provision for credit losses that may prove inadequate;
- the collateral securing a loan or a lease that may not be sufficient;
- lack of funding that may limit Element's ability to originate leases and loans;
- the concentration of debt financing sources that may increase Element's funding risks;
- global financial markets and general economic conditions that may adversely affect Element's results;
- Element's credit facilities and securitization transactions that may limit its operational flexibility;
- changes in interest rates that may adversely affect Element's financial results;
- an unexpected increase in Element's funding costs that may adversely affect its earnings;
- a competitive business environment that may limit the growth of Element's business;
- competition for vendor equipment finance that may affect Element's relationships with vendors;
- loss of key personnel that may significantly harm Element's business;
- inability to realize benefits from growth (including growth related to acquisitions) that may impact Element's financial condition;
- Element's ability to successfully integrate the Helicopter Assets Purchase and Trinity Vendor Program into its operations and to achieve the anticipated benefits and synergies of such transactions;
- complications in managing acquisitions that may negatively affect Element's operating results;
- the fact that Element has a brief operating history and Element has incurred losses in the past and may not achieve profitability in future periods;
- the fact that Element's quarterly net finance income and results of operations are difficult to forecast and may fluctuate substantially;
- the fact that litigation may negatively impact Element's financial condition;
- the market value of Series C Shares and Series D Shares will be affected by a number of factors and, accordingly, their trading prices will fluctuate;
- the Company may redeem Series C Shares and Series D Shares;
- the Series C Shares and the Series D Shares do not have a fixed maturity date, may not be redeemed at the holder's option and may be liquidated by the holder only in limited circumstances;
- there is currently no trading market for the Series C Shares and the Series D Shares;
- creditors of the Company rank ahead of holders of Series C Shares and Series D Shares in the event of an insolvency or winding-up of the Company;
- dividend rates on the Series C Shares and the Series D Shares will reset;
- investments in the Series D Shares, given their floating interest component, entail risks not associated with investments in the Series C Shares;
- the Series C Shares and the Series D Shares may be converted or redeemed without the holders' consent in certain circumstances;
- credits risks that may lead to no payment of dividends;
- declaration of dividends on the Series C Shares and the Series D Shares is at the discretion of the Board of Directors and subject to applicable law;
- holders of the Series C Shares and the Series D Shares do not have voting rights except under limited circumstances;
- risks related to the use of *pro forma* financial information; and
- the other factors considered under "Risk Factors" in the Prospectus and in this prospectus supplement and in the AIF, which is incorporated by reference in the Prospectus.

Readers are cautioned that the foregoing list of factors is not exhaustive. **The forward-looking statements contained in the Prospectus and in this prospectus supplement and the documents incorporated by reference in the Prospectus and this prospectus supplement are expressly qualified by this cautionary statement. Neither Element nor the Underwriters are under any duty to update any of the forward-looking statements to conform such statements to actual results or to changes in Element's expectations except as otherwise required by applicable legislation.**

#### **DOCUMENTS INCORPORATED BY REFERENCE**

This prospectus supplement is deemed to be incorporated by reference into the Prospectus as of the date hereof and only for the purposes of the distribution of the Series C Shares offered hereby. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full details. See "Documents Incorporated by Reference" in the Prospectus. As of the date hereof, the following documents filed with the securities commissions or similar authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of the Prospectus and this prospectus supplement:

- (a) the template version of the term sheet for the Offering dated February 26, 2014 (the "Marketing Materials");
- (b) the audited financial statements of Element and the notes thereto as at and for the financial year ended December 31, 2013, together with the report of the auditors thereon (the "Audited 2013 Annual Financial Statements");
- (c) the management's discussion and analysis of financial condition and results of operations of Element for the financial year ended December 31, 2013, dated February 20, 2014 (the "Annual MD&A");
- (d) the material change report dated December 9, 2013 in respect of the Trinity Vendor Program (as defined herein);
- (e) the business acquisition report of Element dated August 6, 2013 relating to the recently completed GE Fleet Portfolio Acquisition (as defined herein) and the financial statements contained therein;
- (f) the material change report dated June 10, 2013 in respect of the GE Fleet Portfolio Acquisition (as defined herein);
- (g) the management information circular of Element dated May 1, 2013 in connection with the annual meeting of the shareholders of Element held on May 28, 2013;
- (h) the annual information form of Element for the financial year ended December 31, 2012 dated March 26, 2013 (the "AIF"); and
- (i) the material change report dated January 7, 2013 in respect of the acquisition of Nexcap Finance Company ("Nexcap").

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including those types of documents referred to above and press releases issued by Element referencing incorporation by reference into this prospectus supplement, if filed by Element with the provincial securities commissions or similar authorities in Canada after the date of this prospectus supplement and prior to the completion or termination of the Offering shall be deemed to be incorporated by reference into the Prospectus for purposes of the Offering. Documents referenced in any of the documents incorporated by reference in this prospectus supplement but not expressly incorporated by reference therein or herein and not otherwise required to be incorporated by reference therein or in this prospectus supplement are not incorporated by reference in this prospectus supplement. These documents are available through the internet on the System for Electronic Document Analysis and Retrieval ("SEDAR") which can be accessed at [www.sedar.com](http://www.sedar.com).

**Any statement contained in the Prospectus or this prospectus supplement or in a document incorporated or deemed to be incorporated by reference into the Prospectus or this prospectus supplement shall be deemed to be modified or superseded for purposes of the Prospectus or this prospectus supplement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference into the Prospectus or this prospectus supplement modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so**

**modified or superseded, to constitute part of the Prospectus or this prospectus supplement. For greater certainty, the business acquisition reports filed by Element for (i) the acquisition of TLS (as defined herein) dated July 17, 2012; (ii) the acquisition of CoActiv Capital Partners Inc. dated January 15, 2013; and (iii) the acquisition of Nexcap dated January 29, 2013, which are referred to in the Prospectus under the heading “Documents Incorporated by Reference” are not incorporated by reference in this prospectus supplement as Element has incorporated at least nine months of the operations of such acquired businesses into its Audited 2013 Annual Financial Statements.**

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Vice President & General Counsel of Element at 161 Bay Street, Suite 4600, Toronto, Ontario, M5J 2S1, telephone: (416) 386-1067.

## **MARKETING MATERIALS**

The Marketing Materials are not part of this prospectus supplement or the Prospectus to the extent that the contents of the Marketing Materials have been modified or superseded by a statement contained in the prospectus supplement or any amendment. The Marketing Materials have been modified by this prospectus supplement to reflect the upsize of the Offering from \$75 million to \$125 million and a decrease in the size of the Over-Allotment Option from 450,000 Series C Shares to 250,000 Series C Shares. The Company has prepared revised Marketing Materials, which have been blacklined to reflect these modifications, and can be viewed under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com). Any template version of “marketing materials” (as defined in National Instrument 41-101 - *General Prospectus Requirements*) filed with the securities commission or similar authority in each of the provinces and territories of Canada in connection with this Offering after the date hereof but prior to the termination of the distribution of the Series C Shares under this prospectus supplement (including any amendments to, or an amended version of, the Marketing Materials) is deemed to be incorporated by reference herein and in the Prospectus.

## **RECENT DEVELOPMENTS**

### **Trinity Vendor Finance Program**

#### ***Program Overview***

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

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

#### ***Initial Purchases***

In connection with the Trinity Vendor Program, Element has acquired approximately US\$501 million of existing Railcars under Leases to a diversified Trinity customer base (collectively, the “Tranche Closings”) under a US\$105 million tranche closing completed on December 19, 2013 and a US\$396 million second tranche closing completed on January 28, 2014 (with respect to each tranche, the “Trinity Closing Date”). The Leases assumed by Element are consistent with the diversification criteria established by Element at the time of entering into the Trinity Vendor Program.



### ***Financings***

Element financed the Tranche Closings using the US\$600 million committed Bridge Credit Facility that Element entered into on December 19, 2013 with a syndicate of financial institutions. This facility was established to provide bridge financing for Railcar Assets originated through the Trinity Vendor Program while the Company develops more permanent financing structures. Amounts outstanding under the Bridge Credit Facility are repayable on the first anniversary of the closing of the facility, subject to mandatory prepayments from the proceeds of any take-out financing during the term of the facility. Under the Bridge Credit Facility, Element has agreed to provide the lenders under the bridge credit agreement with a pledge of the Railcar Assets and a general security interest over Element's assets.

### ***Description of the Railcars***

As a result of the Tranche Closings, Element has Leases secured by 4,878 Railcars. The following table describes the percentage of the Railcars that were built in each of the calendar years indicated below:

#### **Breakdown by Year of Manufacture**

<b><u>Year of Manufacture</u></b>	<b><u>Number of Railcars</u></b>	<b><u>% of Total</u></b>
2006 or earlier .....	666	13.7%
2007.....	167	3.4%
2008.....	958	19.6%
2009.....	57	1.2%
2010.....	372	7.6%
2011.....	368	7.5%
2012.....	486	10.0%
2013.....	1,804	37.0%
	<u>4,878</u>	<u>100.0%</u>

### ***Description of the Lessees***

The Railcars were leased to approximately 63 customers (the "Lessees"). Based on the Leases of the Railcars currently in effect, the single largest Lessee (by monthly revenue) accounts for approximately 7.6% of Element's monthly leasing revenue as of the Trinity Closing Date.

The Lessees consist of entities rated by S&P (or, in certain instances, entities whose parents and/or affiliates are rated by S&P) and/or by another rating agency, as well as unrated entities. Set forth in the table below are the credit ratings (based on the applicable rating entity as described above), by number of Railcars, as of the Trinity Closing Date, for the Lessees or their parents, affiliates or sublessees, as applicable.

#### **Ratings of Lessees (or Parents, Affiliates or Sublessees, as applicable)<sup>(1)</sup>**

<b><u>Rating</u></b>	<b><u>% of Total</u></b>
AA .....	2.1%
AA-.....	0.8%
A+.....	0.5%
A.....	22.9%
BBB.....	2.9%
BBB-.....	8.1%
BB+.....	0.7%
BB.....	3.0%
BB-.....	4.5%
B.....	0.8%
Not Rated.....	<u>53.7%</u>

Total..... 100.0%

(1) This table reflects Lessees (or parents, affiliates or sublessees, as applicable) as of the Trinity Closing Date only. There can be no assurance that the ratings assigned to the affiliate or parent or sublessee are reflective of the creditworthiness of the Lessee.

**Description of the Leases**

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

**Term and Renewal**

In general, the Leases have terms ranging from three years to ten years. As of the Trinity Closing Date, the remaining Lease terms on the Railcars averaged approximately 4.6 years on a weighted average basis (based on the number of Railcars) without taking into account the exercise of any “early-out” options. The following table sets out the range of Lease terms, assuming an “early-out” option is not exercised, as of the Trinity Closing Date:

**Remaining Lease Term (Months)**

<u>Remaining Lease Term (months)</u>	<u>Number of Railcars</u>	<u>% of Total</u>	<u>Avg. Rental Rate</u>
Less than 12 .....	325	6.7%	7.9%
12-23 .....	430	8.8%	7.3%
24-35 .....	717	14.7%	9.7%
36-47 .....	657	13.5%	9.6%
48-59 .....	1,183	24.3%	9.2%
60-71 .....	299	6.1%	8.4%
72-83 .....	411	8.4%	10.5%
84-95 .....	370	7.6%	11.2%
96-107 .....	150	3.1%	10.6%
108-119 .....	22	0.5%	10.3%
120-131 .....	11	0.2%	10.4%
132-143 .....	227	4.6%	7.4%
144+ .....	76	1.5%	10.1%
	<u>4,878</u>	<u>100.0%</u>	

**Lease Rates**

The purchase price for the Railcar Assets was determined by Element based on the contractual rental payments for each of the individual Leases, the credit profile of the individual lessees underlying the Leases and the estimated fair value of the residual value of the Railcars forming the Railcar Assets at the end of their respective lease term. No other financial information was available on the Railcar Assets nor made available by Trinity nor was it considered material to Element’s determination of the purchase price for the Railcar Assets. The financial information provided by Trinity in respect of the Railcar Assets reflects all reasonable efforts and requests made by Element to obtain all necessary information regarding the Railcar Assets in connection with the Tranche Closings, including the financial information necessary for Element to determine the purchase price for the Railcar Assets.

As of the Trinity Closing Date, the initial Lease rates for the Railcars averaged approximately \$807 per month on a weighted average basis (based on the number of railcars) per Railcar and ranged as follows:

### Initial Lease Rate Stratification

Lease Rate	Number of Railcars	% of Total
< \$500.....	738	15.1%
\$500 - \$750.....	1,737	35.6%
\$751 - \$1,000.....	874	17.9%
\$1,001 - \$1,250.....	786	16.1%
\$1,251 - \$1,500.....	698	14.4%
> \$1,500.....	45	0.9%
Total	4,878	100.0%

#### *Historical Effect on Financial Position*

Based on the initial monthly lease rates disclosed above under “Description of the Leases – Lease Rates”, on an annualized basis Element estimates that the contractual rental payments produced by the Leases (net of accounting amortization of the underlying Railcar Assets) to be approximately \$31,506,000, assuming that each of the individual Leases comprising the Railcar Assets remains in effect for the duration of such period and no lessees takes advantage of any early termination rights available to them under such Leases during such period.

For illustrative purposes, if Element had owned the Railcar Assets for the 12 months preceding each Tranche Closing, and all such Railcar Assets had been in existence for such full prior 12 month period, Element estimates that the interest expense on the Portfolio would have been approximately \$15,969,000, based on the expectation that the Company would have been able to raise the appropriate level of funding to permit a 3:1 leverage ratio. As a result, if Element had owned the Railcar Assets for 12 months preceding the relevant Closing Date, and all such Railcar Assets had been in existence for such full prior 12 month period, Element estimates that its income before provision for credit losses, operating expenses and income taxes for the Portfolio on an annualized basis to the Closing Dates would have been approximately \$15,537,000.

The foregoing is an estimated illustration only and should not be interpreted by investors to be reflective of how the Railcar Assets will perform under Element’s ownership. This illustration does not reflect the actual income received by Trinity from the Leases for any particular historical period, as many of the Leases were held by Trinity for less than one full financial year and the annualized rental payments do not reflect any credit losses, actual debt costs, operating expenses or income taxes of Trinity. These annualized rental payments are also not a forecast of income to be received by Element from the Leases for any particular future period, as Element would expect to enter into securitization transactions with respect to any or all of such Leases on an ongoing basis or otherwise transact in such Leases at any time, each of which would have a significant impact on Element’s earnings from the Railcar Assets going forward. Furthermore, this estimated illustration does not reflect any credit losses, costs, operating expenses or income taxes of Element and are based on a retroactive assumed debt cost.

#### *No Financial Statements for the Railcar Assets*

There have been no financial statements prepared by Trinity in respect of the Railcar Assets acquired pursuant to the Tranche Closings. Historical carve-out financial information for the Railcar Assets is not available and it is not otherwise practical to produce such information.

Securities regulation in Canada requires that a public entity that files a prospectus and that has completed a significant acquisition include financial statements or other information about the acquisition in the prospectus, if the inclusion of the financial statements is necessary for the prospectus to contain full, true and plain disclosure of all the material facts relating to the securities being distributed. If such financial statements or other information is required, such requirement must be satisfied by including either (i) the financial statements or other information that will be required to be included in, or incorporated by reference into, a business acquisition report filed under Part 8 of NI 51-102 or (ii) satisfactory alternative financial statements or other information.

While the acquisition of the Railcar Assets would not trigger the asset test or the investment test (as such tests are defined in NI 51-102) for the purposes of determining whether the Tranche Closings would be a “significant acquisition” under Part 8 of NI 51-102 for Element, the acquisition of the Railcar Assets would trigger the “profit or loss” test (as such test is defined in NI 51-102) as the estimated income from the Railcar Assets is greater than 20% of the absolute value of Element’s loss for the financial year ended December 31, 2013.

The losses reflected in Element's financial results for the relevant period were directly impacted by acquisition costs related to the completion of the several significant transactions in 2013, including the GE Fleet Portfolio Acquisition. While Element's total assets as at December 31, 2013 were approximately \$3.45 billion, Element's net loss for the financial year ended December 31, 2013 was approximately \$1.65 million. Accordingly, Element believes that the "profit or loss" test in these circumstances produces an anomalous result that exaggerates the significance of the acquisition of the Railcar Assets and does not correlate to the actual significance of the acquisition of the Railcar Assets from a practical, commercial, business, operational or financial perspective. Element did not acquire any physical facilities, employees, marketing systems, sales forces, operating rights, production techniques or tradenames of Trinity in connection with the acquisition of the Railcar Assets.

Element believes that the inclusion of financial statements that would otherwise be required to be included in, or incorporated by reference into, a business acquisition report in respect of the acquisition of the Railcar Assets pursuant to NI 51-102 is not necessary in order for this prospectus to contain full, true and plain disclosure of all material facts relating to the Offering since: (i) the prospectus contains extensive disclosure about the Railcar Assets, including the illustrative example of the effect of the Railcar Assets on Element's financial position; (ii) as a practical, commercial, business, operational or financial matter, the Railcar Assets acquired in connection with the Tranche Closings are not significant to Element; (iii) any such financial statements would be based on a vast number of unsupported assumptions regarding the Railcar Assets and Trinity; (iv) such financial statements would potentially be misleading to investors as the effect on the financial position of Element is expected to vary significantly; and (v) such information would not otherwise represent material information to Element's shareholders in comparison to disclosure provided in this prospectus regarding Trinity, the Railcar Assets and the other current operations of Element. As a result, Element is relying on Item 10.2(3) of Form 44-101F1 and not including the financial statements that are otherwise required under Item 10.2(4) of Form 44-101F1. For the reasons outlined above, Element will apply for exemptive relief from requirements of Part 8 of NI 51-102 with respect to the Railcar Assets acquired pursuant to the Tranche Closings.

#### **Bridge Credit Facility**

On December 19, 2013, the Company entered into a US\$600 million committed bridge credit facility to provide bridge financing for Railcar Assets originated through the Trinity Vendor Program while the Company develops more permanent financing structures.

#### **Purchase of Helicopter Finance Assets**

On December 19, 2013, as described in more detail in the Prospectus, Element acquired finance assets (the "Helicopter Assets") consisting of lease and loan arrangements secured by 57 individual helicopters primarily located in the United States for US\$242.7 million (the "Helicopter Assets Purchase") from, *inter alia*, General Electric Capital Corporation ("GECC") and Path Air L.L.C. ("Path Air"), a division of GECC. Element has applied for an exemption from the requirement under Part 8 of NI 51-102 to prepare a business acquisition report with respect to the Helicopter Assets Purchase.

#### **December 2013 Equity Financing**

On December 17, 2013, Element completed a bought deal offering of 33,465,000 common shares, at a price of \$13.75 per common share for aggregate gross proceeds of approximately \$460 million. The net proceeds of this offering were used to originate and finance, directly or indirectly, finance assets (including the Helicopter Assets and Railcar Assets financed under the Trinity Vendor Program) and for general corporate purposes.

#### **December 2013 Preferred Share Financing**

On December 17, 2013, Element completed a bought deal offering of 4,000,000 Series A Shares, at a price of \$25.00 per Series A Share, for aggregate gross proceeds of approximately \$100 million. On December 23, 2013, Element issued a further 600,000 Series A Shares at a price of \$25.00 per Series A Share, for aggregate gross proceeds of \$15,000,000, pursuant to the exercise of the over-allotment option. The net proceeds of this offering were used to originate and finance, directly or indirectly, finance assets (including the Helicopter Assets and the Railcar Assets financed under the Trinity Vendor Program) and for general corporate purposes.

#### **Acquisition of the GE Fleet Portfolio**

On June 28, 2013, the Company completed the acquisition of GE Capital's Canadian fleet portfolio and its operational resources (the "GE Portfolio") for net cash consideration of \$559.2 million (the "GE Portfolio Acquisition"). The GE Portfolio Acquisition increased the Company's total assets by \$562.8 million of which approximately \$487.3 million was finance receivables and

\$75.5 million was goodwill and intangible assets. The acquired portfolio and operational resources have been combined with the operations of Transportation Lease Systems Inc. (“TLS”), re-branded under Element Fleet Management and will further advance the Company’s Canadian Fleet services growth strategy. The Company also entered into a strategic alliance agreement (the “Strategic Alliance”) with Element and GE Capital Fleet Services. Under the Strategic Alliance, the two companies will collaborate primarily on the pursuit of Canada/U.S. cross-border fleet management opportunities. In conjunction with the acquisition, the Company also increased the capacity of an existing revolving floating rate facility by \$450 million to support the acquisition as well as the ongoing originations from the acquired operations.

### Revolving Credit Facility

On August 26, 2013, the Company established a US\$585.0 million revolving credit facility to fund the Company’s planned origination activity into 2014.

### CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Element effective December 31, 2013: (i) prior to the Offering; and (ii) after giving effect to the Offering. This table is presented and should be read in conjunction with the Audited 2013 Annual Financial Statements.

<u>Designation</u>	<u>Outstanding as at December 31, 2013 prior to giving effect to the Offering</u>	<u>Outstanding as at December 31, 2013 after giving effect to the Offering</u>
<b>Cash</b> .....	\$12,401	\$133,151
<b>Debt</b>		
Accounts payable and accrued liabilities .....	\$80,917	\$80,917
Secured borrowings .....	\$1,893,910	\$1,893,910
<b>Total Debt</b> .....	<b>\$1,974,827</b>	<b>\$1,974,827</b>
<b>Shareholders’ Equity</b>		
Common Shares .....	\$1,336,269	\$1,336,269
Preferred Shares .....	\$110,387	\$231,137
<b>Total shareholders’ equity</b> .....	<b>\$1,446,656</b>	<b>\$1,567,406</b>
<b>Total capitalization</b> .....	<b>\$3,421,483</b>	<b>\$3,542,233</b>

### TRADING PRICE AND VOLUME

#### Series A Shares

The Series A Shares are currently listed on the TSX under the trading symbol “EFN.PR.A” and commenced trading on the TSX on December 17, 2013. The following table sets forth the reported intraday high and low prices and the trading volume for the Series A Shares on the TSX for the 12-month period prior to the date of this prospectus supplement.

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
<b>2014</b>			
February (1 - 27)	25.51	24.90	164,298
January	26.49	24.83	196,618
<b>2013</b>			
December (17 – 31)	25.17	24.65	549,724

On February 25, 2014, the last full trading day prior to the announcement of the Offering, the closing price of the Series A Shares on the TSX was \$25.40.

### PRIOR SALES

On December 17, 2013, Element issued 4,000,000 Series A Shares at a price of \$25.00 per Series A Share. On December 23, 2013, Element issued 600,000 Series A Shares at a price of \$25.00 per Series A Share pursuant to the exercise of the over-allotment option.

## USE OF PROCEEDS

The net proceeds from the issue and sale of the Series C Shares will amount to approximately \$120,750,000, assuming no exercise of the Over-Allotment Option, and approximately \$126,812,500 if the Over-Allotment Option is exercised in full and, in both cases, after deducting the Underwriters' Fee and estimated expenses of the Offering.

The Company intends to use the net proceeds of the Offering to originate and finance, directly or indirectly, finance assets and for general corporate purposes.

## DETAILS OF THE OFFERING

### Description of the Series C Shares

The following is a summary of certain provisions of the Series C Shares as a series.

#### *Definition of Terms*

The following definitions are relevant to the Series C Shares.

“Annual Fixed Dividend Rate” means, for any Subsequent Fixed Rate Period, the rate (expressed as a percentage rate rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up to 0.00001%)) equal to the sum of the Government of Canada Yield on the applicable Fixed Rate Calculation Date plus 4.81%.

“Bloomberg Screen GCAN5YR Page” means the display designated as page “GCAN5YR<INDEX>” on the Bloomberg Financial L.P. service (or such other page as may replace the GCAN5YR page) for purposes of displaying Government of Canada Yields.

“Business Day” means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Toronto, Ontario, for the transaction of banking business.

“Fixed Rate Calculation Date” means, for any Subsequent Fixed Rate Period, the 30<sup>th</sup> day prior to the first day of such Subsequent Fixed Rate Period.

“Government of Canada Yield” on any date means the yield to maturity on such date (assuming semi-annual compounding) of a Canadian dollar denominated non-callable Government of Canada bond with a term to maturity of five years as quoted as of 10:00 a.m. (Toronto time) on such date and which appears on the Bloomberg Screen GCAN5YR Page on such date; provided that, if such rate does not appear on the Bloomberg Screen GCAN5YR Page on such date, the Government of Canada Yield will mean the average of the yields determined by two registered Canadian investment dealers, selected by the Company, as being the yield to maturity on such date (assuming semi-annual compounding) which a Canadian dollar denominated non-callable Government of Canada bond would carry if issued in Canadian dollars at 100% of its principal amount on such date with a term to maturity of five years.

“Initial Fixed Rate Period” means the period from and including the Closing Date up to, but excluding, June 30, 2019.

“Subsequent Fixed Rate Period” means, for the initial Subsequent Fixed Rate Period, the period from and including June 30, 2019 up to, but excluding, June 30, 2024 and for each succeeding Subsequent Fixed Rate Period, the period from and including the day immediately following the end of the immediately preceding Subsequent Fixed Rate Period up to, but excluding, June 30 in the fifth year thereafter.

#### *Issue Price*

The Series C Shares will have an issue price of \$25.00 per share.

#### *Dividends*

During the Initial Fixed Rate Period, the holders of the Series C Shares will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last Business Day of March, June, September and December in each year during the Initial Fixed Rate Period, at an annual rate equal to \$1.625 per share. The initial dividend, if declared, will be payable on June 30, 2014 and will be \$0.51199 per share, based on the anticipated Closing Date of March 7, 2014.

During each Subsequent Fixed Rate Period after the Initial Fixed Rate Period, the holders of Series C Shares will be entitled to receive fixed, cumulative, preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last Business Day of March, June, September and December in each year during the Subsequent Fixed Rate Period, in an annual amount per share determined by multiplying the Annual Fixed Dividend Rate applicable to such Subsequent Fixed Rate Period by \$25.00.

The Annual Fixed Dividend Rate applicable to a Subsequent Fixed Rate Period will be determined by the Company as of the Fixed Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding on the Company and all holders of Series C Shares. The Company will, on the Fixed Rate Calculation Date (or the immediately following Business Day), give written notice of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period to the registered holders of the then outstanding Series C Shares.

Payments of dividends and other amounts in respect of the Series C Shares will be made by the Company to CDS, or its nominee, as the case may be, as registered holder of the Series C Shares. As long as CDS, or its nominee, is the registered holder of the Series C Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series C Shares for the purpose of receiving payment on the Series C Shares. Payments of dividends and all other amounts in respect of the Series C Shares will be less any amounts deducted or withheld on account of tax.

#### *Redemption*

Except as noted below, the Series C Shares will not be redeemable by the Company prior to June 30, 2019. On June 30, 2019 and on June 30 every five years thereafter (or, if such date is not a Business Day, the next succeeding day that is a Business Day), and subject to certain other restrictions set out below under the heading “Description of the Series C Shares – Restrictions on Dividends and Retirement of Shares”, the Company may, at its option, on at least 30 days’ and not more than 60 days’ prior written notice, redeem all or any number of the outstanding Series C Shares by payment in cash of a per share sum equal to \$25.00, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any amounts deducted or withheld on account of tax).

If less than all of the outstanding Series C Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a *pro rata* basis (disregarding fractions) or, if such shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the Board of Directors may, in its sole discretion, determine by resolution.

The Series C Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series C Shares. See “Risk Factors”.

#### *Conversion of Series C Shares into Series D Shares*

Subject to the right of the Company to redeem the Series C Shares as described above, each holder of Series C Shares will have the right, at its option, on June 30, 2019 and on June 30 every five years thereafter (each a “Series C Conversion Date”), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Company of evidence of payment of the tax (if any) payable, all or any of the Series C Shares into Series D Shares on the basis of one Series D Share for each Series C Share converted. If a Series C Conversion Date falls on a day that is not a Business Day, such Series C Conversion Date will be the immediately following Business Day. The conversion of Series C Shares may be effected upon written notice (each notice, an “Election Notice”) given by the registered holder of the Series C Shares not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Toronto time) on the 15<sup>th</sup> day preceding the applicable Series C Conversion Date. Once received by the Company, an Election Notice is irrevocable.

The Company will, at least 30 days and not more than 60 days prior to the applicable Series C Conversion Date, give notice in writing to the then registered holders of the Series C Shares of the Series C Conversion Date and a form of Election Notice. On the 30<sup>th</sup> day prior to each Series C Conversion Date (or the immediately following Business Day), the Company will give notice in writing to the then registered holders of the Series C Shares of the Annual Fixed Dividend Rate for the next succeeding Subsequent Fixed Rate Period and the Quarterly Floating Dividend Rate applicable to the Series D Shares for the next succeeding Quarterly Floating Rate Period (as these terms are defined below).

If the Company gives notice to the registered holders of the Series C Shares of the redemption on a Series C Conversion Date of all the Series C Shares, the Company will not be required to give notice as provided hereunder to the registered holders of the Series C Shares of the Annual Fixed Dividend Rate, the Quarterly Floating Dividend Rate or of the conversion right of holders of Series C Shares and the right of any holder of Series C Shares to convert such Series C Shares will cease and terminate in that event.

Holders of Series C Shares will not be entitled to convert their shares into Series D Shares if the Company determines that there would remain outstanding on a Series C Conversion Date fewer than 500,000 Series D Shares, after having taken into account the Election Notice in respect of all Series C Shares tendered for conversion into Series D Shares and the Election Notice in respect of all Series D Shares tendered for conversion into Series C Shares. The Company will give notice in writing to all affected holders of Series C Shares of their inability to convert their Series C Shares at least seven days prior to the applicable Series C Conversion Date. Furthermore, if the Company determines that there would remain outstanding on a Series C Conversion Date fewer than 500,000 Series C Shares, after having taken into account all Election Notices in respect of Series C Shares tendered for conversion into Series D Shares and all Election Notices in respect of Series D Shares tendered for conversion into Series C Shares, then, all, but not part, of the remaining outstanding Series C Shares will be automatically converted into Series D Shares on the basis of one Series D Share for each Series C Share, on the applicable Series C Conversion Date. The Company will give notice in writing to this effect to the then registered holders of such remaining Series C Shares at least seven days prior to the applicable Series C Conversion Date.

Upon exercise by a registered holder of its right to convert Series C Shares into Series D Shares (and upon an automatic conversion), the Company reserves the right not to issue Series D Shares to any person whose address is in, or whom the Company or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Company to take any action to comply with the securities or analogous laws of such jurisdiction.

#### *Purchase for Cancellation*

Subject to applicable law and to the provisions described below under “Restrictions on Dividends and Retirement of Shares”, the Company may at any time purchase for cancellation all or any number of the Series C Shares outstanding from time to time at any price in the open market (including purchases from or through an investment dealer or a firm holding membership on or that is a participant of a recognized stock exchange) or by tender available to all holders of Series C Shares or by private agreement or otherwise.

#### *Rights on Liquidation*

In the event of the liquidation, dissolution or winding-up of the Company or any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, whether voluntary or involuntary, subject to the prior satisfaction of the claims of all creditors of the Company and of holders of shares of the Company ranking prior to the Series C Shares, the holders of the Series C Shares will be entitled to receive an amount equal to \$25.00 per share, together with an amount equal to all accrued and unpaid dividends up to, but excluding, the date of payment or distribution (less any amounts deducted or withheld on the account of tax), before any amount is paid or any assets of the Company are distributed to the holders of any shares ranking junior as to capital to the Series C Shares. Upon payment of such amounts, the holders of the Series C Shares will not be entitled to share in any further distribution of the assets of the Company.

#### *Priority*

The Series C Shares rank senior to the Company’s common shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs. The Series C Shares rank on a parity with every other series of Preferred Shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs.

#### *Restrictions on Dividends and Retirement of Shares*

So long as any of the Series C Shares are outstanding, the Company will not, without the approval of the holders of the Series C Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Company ranking as to capital and dividends junior to the Series C Shares) on any shares of the Company ranking as to dividends junior to the Series C Shares;
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Company ranking as to capital and dividends junior to the Series C Shares, redeem or call for redemption, purchase for cancellation or otherwise pay off, retire or make any return of capital in respect of any shares of the Company ranking as to capital junior to the Series C



Shares;

(c) redeem or call for redemption, purchase for cancellation, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series C Shares then outstanding; or

(d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of any Preferred Shares ranking as to dividends or capital on a parity with the Series C Shares,

unless, in each such case, all accrued and unpaid dividends on the Series C Shares up to and including the dividend payable for the last completed period for which dividends were payable on the Series C Shares and on all other shares of the Company ranking prior to or on a parity with the Series C Shares with respect to the payment of dividends have been declared and paid or moneys set apart for payment.

#### *Shareholder Approvals*

In addition to any other approvals required by law (including any approvals required by the TSX), the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series C Shares as a series and any other approval to be given by the holders of the Series C Shares may be given by a resolution signed by all holders of the Series C Shares, or by a resolution passed by the affirmative vote of not less than two-thirds of the votes cast by the holders who voted in respect of that resolution at a meeting of the holders duly called for that purpose and at which the holders of at least 10% of the outstanding Series C Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series C Shares then present in person or represented by proxy would form the necessary quorum. At any meeting of holders of Series C Shares as a series, each such holder as at the applicable record date shall be entitled to one vote in respect of each Series C Share held by such holder.

#### *Issue of Additional Series of Preferred Shares*

The Company may issue other series of Preferred Shares ranking on a parity with the Series C Shares without the authorization of the holders of the Series C Shares.

#### *Voting Rights*

The holders of the Series C Shares will not (except as otherwise provided by law and, except as noted below, in respect of meetings of the holders of Preferred Shares as a class and meetings of holders of Series C Shares as a series) be entitled to receive notice of, attend, or vote at any meeting of shareholders of the Company, unless and until the Company shall have failed to pay four quarterly dividends on the Series C Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Company properly applicable to the payment of such dividends. In the event the Company shall have failed to pay four quarterly dividends, and for only so long as any such dividends remain in arrears, the holders of the Series C Shares as at the applicable record date will be entitled to receive notice of and to attend each meeting of the Company's shareholders which takes place more than 60 days after the date on which such non-payment of the fourth quarterly dividend on the Series C Shares occurred, other than meetings at which only holders of another specified class or series are entitled to vote, and be entitled to vote together with all of the voting shares of the Company on the basis of one vote in respect of each Series C Share held by such holder, until all such arrears of such dividends have been paid, whereupon such rights shall cease.

Subject to applicable law, holders of the Series C Shares will not be entitled to vote separately as a class or series on a proposal to amend the articles of the Company to (a) increase any maximum number of authorized shares of a class or series having rights or privileges equal to or superior to the Series C Shares or (b) create a new class or series of shares equal or superior to the Series C Shares.

#### *Tax Election*

The Series C Shares will be "taxable preferred shares" as defined in the Tax Act. The Company will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of the tax, under Part VI.1 of the Tax Act at a rate such that the corporate holders of Series C Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on such shares.

### *Business Day*

If any action is required to be taken by the Company in relation to the Series C Shares on a day that is not a Business Day, then such action will be required to be taken on the next succeeding day that is a Business Day.

### **Description of the Series D Shares**

The following is a summary of certain provisions attaching to the Series D Shares as a series.

#### *Definition of Terms*

The following definitions are relevant to the Series D Shares.

“Business Day” means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Toronto, Ontario, for the transaction of banking business.

“Quarterly Floating Dividend Rate” means, for any Quarterly Floating Rate Period, the rate (expressed as a percentage rate rounded to the nearest one hundred-thousandth of one percent (with 0.000005% being rounded up to 0.00001%) equal to the sum of the T-Bill Rate on the applicable Floating Rate Calculation Date plus 4.81% (calculated on the basis of the actual number of days in such Quarterly Floating Rate Period divided by 365).

“Floating Rate Calculation Date” means, for any Quarterly Floating Rate Period, the 30<sup>th</sup> day prior to the first day of such Quarterly Floating Rate Period.

“Quarterly Commencement Date” means the last day of each of March, June, September and December in each year.

“Quarterly Floating Rate Period” means, for the initial Quarterly Floating Rate Period, the period from and including June 30, 2019 up to, but excluding, September 30, 2019, and thereafter the period from and including the day immediately following the end of the immediately preceding Quarterly Floating Rate Period up to, but excluding, the next succeeding Quarterly Commencement Date.

“T-Bill Rate” means, for any Quarterly Floating Rate Period, the average yield expressed as a percentage per annum on three-month Government of Canada Treasury Bills, as reported by the Bank of Canada, for the most recent treasury bills auction preceding the applicable Floating Rate Calculation Date.

#### *Dividends*

The holders of the Series D Shares will be entitled to receive floating rate cumulative preferential cash dividends, if, as and when declared by the Board of Directors, payable quarterly on the last Business Day of March, June, September and December in each year, in the amount per share determined by multiplying the applicable Quarterly Floating Dividend Rate by \$25.00.

The Quarterly Floating Dividend Rate for each Quarterly Floating Rate Period will be determined by the Company on the applicable Floating Rate Calculation Date. Such determination will, in the absence of manifest error, be final and binding upon the Company and upon all holders of Series D Shares. The Company will, on the relevant Floating Rate Calculation Date (or the immediately following Business Day), give written notice of the Quarterly Floating Dividend Rate for the ensuing Quarterly Floating Rate Period to the registered holders of the then outstanding Series D Shares.

Payments of dividends and other amounts in respect of the Series D Shares will be made by the Company to CDS, or its nominee, as the case may be, as registered holder of the Series D Shares. As long as CDS, or its nominee, is the registered holder of the Series D Shares, CDS, or its nominee, as the case may be, will be considered the sole owner of the Series D Shares for the purpose of receiving payment on the Series D Shares. Payments of dividends and all other amounts in respect of the Series D Shares will be less any amounts deducted or withheld on account of tax.

#### *Redemption*

Except as noted below, the Series D Shares will not be redeemable by the Company on or prior to June 30, 2024. Subject to certain other restrictions set out below under the heading “Description of the Series D Shares – Restrictions on Dividends and Retirement of Shares”, the Company may, at its option, on at least 30 days’ and not more than 60 days’ prior written notice, redeem all or any number of the outstanding Series D Shares by payment in cash of a per share sum equal to (i) \$25.00 in the case of redemptions on

June 30, 2024 and on June 30 every five years thereafter (each a “Series D Redemption Date”), or (ii) \$25.50 in the case of redemptions on any date which is not a Series D Redemption Date after June 30, 2019, in each case together with all accrued and unpaid dividends thereon up to, but excluding, the date fixed for redemption (less any amounts deducted or withheld on account of tax). If a Series D Redemption Date falls on a day that is not a Business Day, such Series D Redemption Date will be the next succeeding day that is a Business Day.

If less than all of the outstanding Series D Shares are at any time to be redeemed, the particular shares to be redeemed shall be selected on a *pro rata* basis (disregarding fractions) or, if such shares are at such time listed on a stock exchange, with the consent of any applicable stock exchange, in such other manner as the Board of Directors may, in its sole discretion, determine by resolution.

The Series D Shares do not have a fixed maturity date and are not redeemable at the option of the holders of Series D Shares. See “Risk Factors”.

#### *Conversion of Series D Shares into Series C Shares*

Subject to the right of the Company to redeem the Series D Shares as described above, each holder of Series D Shares will have the right, at its option, on June 30, 2024 and on June 30 every five years thereafter (each a “Series D Conversion Date”), to convert, subject to the restrictions on conversion described below and the payment or delivery to the Company of evidence of payment of the tax (if any) payable, all or any of the Series D Shares into Series C Shares on the basis of one Series C Share for each Series D Share converted. If a Series D Conversion Date falls on a day that is not a Business Day, such Series D Conversion Date will be the immediately following Business Day. The conversion of Series D Shares may be effected upon an Election Notice given by the registered holder of the Series D Shares not earlier than the 30<sup>th</sup> day prior to, but not later than 5:00 p.m. (Toronto time) on the 15<sup>th</sup> day preceding the applicable Series D Conversion Date. Once received by the Company, an Election Notice is irrevocable.

The Company will, at least 30 days and not more than 60 days prior to the applicable Series D Conversion Date, give notice in writing to the then registered holders of the Series D Shares of the Series D Conversion Date and a form of Election Notice. On the 30<sup>th</sup> day prior to each Series D Conversion Date (or the next following Business Day), the Company will give notice in writing to the then registered holders of Series D Shares of the Quarterly Floating Dividend Rate for the next Quarterly Floating Rate Period and of the Annual Fixed Dividend Rate applicable to the Series C Shares for the next Subsequent Fixed Rate Period.

If the Company gives notice to the registered holders of the Series D Shares of the redemption on a Series D Conversion Date of all the Series D Shares, the Company will not be required to give notice as provided hereunder to the registered holders of the Series D Shares of the Annual Fixed Dividend Rate, the Quarterly Floating Dividend Rate or of the conversion right of holders of Series D Shares and the right of any holder of Series D Shares to convert such Series D Shares will cease and terminate in that event.

Holders of Series D Shares will not be entitled to convert their shares into Series C Shares if the Company determines that there would remain outstanding on a Series D Conversion Date fewer than 500,000 Series C Shares, after having taken into account the Election Notice in respect of all Series D Shares tendered for conversion into Series C Shares and the Election Notice in respect of all Series C Shares tendered for conversion into Series D Shares. The Company will give notice in writing to all affected holders of Series D Shares of their inability to convert their Series D Shares at least seven days prior to the applicable Series D Conversion Date. Furthermore, if the Company determines that there would remain outstanding on a Series D Conversion Date fewer than 500,000 Series D Shares, after having taken into account all Election Notices in respect of Series D Shares tendered for conversion into Series C Shares and all Election Notices in respect of Series C Shares tendered for conversion into Series D Shares, then, all, but not part, of the remaining outstanding Series D Shares will be automatically converted into Series C Shares on the basis of one Series C Share for each Series D Share, on the applicable Series D Conversion Date. The Company will give notice in writing to this effect to the then registered holders of such remaining Series D Shares at least seven days prior to the applicable Series D Conversion Date.

Upon exercise by a registered holder of its right to convert Series D Shares into Series C Shares (and upon an automatic conversion), the Company reserves the right not to issue Series C Shares to any person whose address is in, or whom the Company or its transfer agent has reason to believe is a resident of, any jurisdiction outside Canada, to the extent that such issue would require the Company to take any action to comply with the securities or analogous laws of such jurisdiction.

#### *Purchase for Cancellation*

Subject to applicable law and to the provisions described below under “Description of the Series D Shares – Restrictions on Dividends and Retirement of Shares”, the Company may at any time purchase for cancellation all or any number of the Series D Shares outstanding from time to time at any price in the open market (including purchases from or through an investment dealer or a firm

holding membership on or that is a participant of a recognized stock exchange) or by tender available to all holders of Series D Shares or by private agreement or otherwise.

#### *Rights on Liquidation*

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

#### *Priority*

The Series D Shares rank senior to the Company's common shares with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs. The Series D Shares rank on a parity with every other series of Preferred Shares of the Company with respect to priority in the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs.

#### *Restrictions on Dividends and Retirement of Shares*

So long as any of the Series D Shares are outstanding, the Company will not, without the approval of the holders of the Series D Shares:

- (a) declare, pay or set apart for payment any dividends (other than stock dividends payable in shares of the Company ranking as to capital and dividends junior to the Series D Shares) on any shares of the Company ranking as to dividends junior to the Series D Shares;
- (b) except out of the net cash proceeds of a substantially concurrent issue of shares of the Company ranking as to capital and dividends junior to the Series D Shares, redeem or call for redemption, purchase for cancellation or otherwise pay off, retire or make any return of capital in respect of any shares of the Company ranking as to capital junior to the Series D Shares;
- (c) redeem or call for redemption, purchase for cancellation, or otherwise pay off or retire for value or make any return of capital in respect of less than all of the Series D Shares then outstanding; or
- (d) except pursuant to any purchase obligation, sinking fund, retraction privilege or mandatory redemption provisions attaching thereto, redeem or call for redemption, purchase or otherwise pay off or retire for value or make any return of capital in respect of any Preferred Shares ranking as to dividends or capital on a parity with the Series D Shares,

unless, in each such case, all accrued and unpaid dividends on the Series D Shares up to and including the dividend payable for the last completed period for which dividends were payable on the Series D Shares and on all other shares of the Company ranking prior to or on a parity with the Series D Shares with respect to the payment of dividends have been declared and paid or moneys set apart for payment.

#### *Shareholder Approvals*

In addition to any other approvals required by law (including any approvals required by the TSX), the approval of all amendments to the rights, privileges, restrictions and conditions attaching to the Series D Shares as a series and any other approval to be given by the holders of the Series D Shares may be given by a resolution signed by all holders of the Series D Shares, or by a resolution passed by the affirmative vote of not less than two-thirds of the votes cast by the holders who voted in respect of that resolution at a meeting of the holders duly called for that purpose and at which the holders of at least 10% of the outstanding Series D Shares are present in person or represented by proxy or, if no quorum is present at such meeting, at an adjourned meeting at which the holders of Series D

Shares then present in person or represented by proxy would form the necessary quorum. At any meeting of holders of Series D Shares as a series, each such holder as at the applicable record date shall be entitled to one vote in respect of each Series D Share held by such holder.

#### *Issue of Additional Series of Preferred Shares*

The Company may issue other series of Preferred Shares ranking on parity with the Series D Shares without the authorization of the holders of the Series D Shares.

#### *Voting Rights*

The holders of the Series D Shares will not (except as otherwise provided by law and, except as noted below, in respect of meetings of the holders of Preferred Shares as a class and meetings of holders of Series D Shares as a series) be entitled to receive notice of, attend, or vote at, any meeting of shareholders of the Company, unless and until the Company shall have failed to pay four quarterly dividends on the Series D Shares, whether or not consecutive and whether or not such dividends have been declared and whether or not there are any monies of the Company properly applicable to the payment of such dividends. In the event the Company shall have failed to pay four quarterly dividends on the Series D Shares, and for only so long as any such dividends remain in arrears, the holders of the Series D Shares as at the applicable record date will be entitled to receive notice of and to attend each meeting of the Company's shareholders which takes place more than 60 days after the date on which such non-payment of the fourth quarterly dividend on the Series D Shares occurred, other than meetings at which only holders of another specified class or series are entitled to vote, and be entitled to vote together with all of the voting shares of the Company on the basis of one vote in respect of each Series D Share held by such holder, until all such arrears of such dividends shall have been paid, whereupon such rights shall cease.

Subject to applicable law, holders of the Series D Shares will not be entitled to vote separately as a class or series on a proposal to amend the articles of the Company to (a) increase any maximum number of authorized shares of a class or series having rights or privileges equal to or superior to the Series D Shares or (b) create a new class or series of shares equal or superior to the Series D Shares.

#### *Tax Election*

The Series D Shares will be "taxable preferred shares" as defined in the Tax Act. The Company will elect, in the manner and within the time provided under Part VI.1 of the Tax Act, to pay or cause payment of the tax, under Part VI.1 of the Tax Act at a rate such that the corporate holders of Series D Shares will not be required to pay tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on such shares.

#### *Business Day*

If any action is required to be taken by the Company in relation to the Series D Shares on a day that is not a Business Day, then such action will be required to be taken on the next succeeding day that is a Business Day.

### **BOOK-ENTRY ONLY SYSTEM**

The Series C Shares and Series D Shares will generally be issued in "book-entry only" form and must be purchased, transferred, converted or redeemed through participants ("Participants") in the depository service of CDS. Each of the Underwriters is a Participant or has arrangements with a Participant. On the Closing Date, the Company will cause one or more certificate(s) (including book-entry only certificates or such other form of evidence of ownership) representing the Series C Shares to be delivered to the Underwriters and registered in the name of CDS or such other name or names as the Underwriters may notify the Company. In general, no holder of Series C Shares and Series D Shares will be entitled to a certificate or other instrument from the Company or CDS evidencing that holder's ownership thereof, and no holder will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such holder. Each holder of Series C Shares will receive a customer confirmation of purchase from the registered dealer from which the Series C Shares are purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but, generally, customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Series C Shares and Series D Shares.

The ability of a beneficial owner of Series C Shares and Series D Shares to pledge such shares or otherwise take action with respect to such owner's interest in such shares (other than through a Participant) may be limited due to the lack of a physical certificate.

The Company has the option to terminate registration of the Series C Shares and Series D Shares through the book-based system, in which event certificates for Series C Shares and Series D Shares in fully registered form will be issued to the beneficial owners of such shares or their nominees.

## EARNINGS COVERAGE RATIO

### Twelve-Month Period Ended December 31, 2013

The following earnings coverage ratio for the Company has been calculated on a consolidated basis after giving *pro forma* effect to the Offering (excluding the Over-Allotment Option).

#### *Fixed Charge Coverage*

	<b>December 31, 2013</b>
Earnings coverage ratio on long-term debt and Preferred Shares .....	0.8 times

The Company's earnings coverage ratio for the twelve-month period ended December 31, 2013 was less than one-to-one. Additional earnings of \$16.2 million would be required to achieve a one-to-one earnings coverage ratio for the twelve-month period ended December 31, 2013.

The Company's dividend requirements on all of the Preferred Shares, after giving effect to the issue of the Preferred Shares to be distributed under this prospectus supplement (without giving effect to the exercise of the Over-Allotment Option), and adjusted to a before-tax equivalent, amounted to \$21.1 million using an income tax rate of 26.6% for the twelve-month period ended December 31, 2013. The actual effective tax rate for the twelve-month period ended December 31, 2013 was in excess of 100%, so the Company's Canadian statutory rate was used for the purposes of calculating the earnings coverage ratio. The Company's actual borrowing cost requirements were \$49.5 million for the twelve-month period ended December 31, 2013. The Company's profit or loss before borrowing costs and income tax for the twelve-month period ended December 31, 2013 was \$54.4 million, which is 0.8 times the Company's aggregate dividend and adjusted borrowing cost requirements for this period.

## PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "Underwriting Agreement") dated February 28, 2014 among the Company and the Underwriters, the Company has agreed to sell, and the Underwriters have severally, and not jointly or jointly and severally, agreed to purchase, as principals, subject to compliance with the terms and conditions contained therein and to all necessary legal requirements, on March 7, 2014 or such other date as may be agreed upon by the parties, all but not less than all of the 5,000,000 Series C Shares at an aggregate price of \$125,000,000 payable in cash to the Company against delivery of the Series C Shares. The summary of certain provisions of the Underwriting Agreement contained herein does not purport to be complete and is qualified in its entirety by reference to the provisions of the Underwriting Agreement, a copy of which has been filed with the securities commissions in Canada and is available on SEDAR at [www.sedar.com](http://www.sedar.com).

In consideration for their services in connection with the Offering, the Company has agreed to pay the Underwriters a fee equal to \$0.75 per Series C Share sold. The total Underwriters' Fee (assuming no exercise of the Over-Allotment Option) will be \$3,750,000. All fees payable to the Underwriters will be paid on account of services rendered in connection with the Offering and will be paid out of the proceeds of the Offering.

The Company has granted to the Underwriters the Over-Allotment Option, whereby they may purchase up to an additional 250,000 Series C Shares, being a number equal to 5% of the number of Series C Shares sold in the Offering. The Underwriters may exercise the Over-Allotment Option solely for the purpose of covering over-allotments and for market stabilization purposes as permitted pursuant to applicable Canadian securities laws. The Underwriters may exercise the Over-Allotment Option at any time until the date that is 30 days following the Closing Date. If the Underwriters exercise the Over-Allotment Option in full, the Underwriters will receive an aggregate fee of approximately \$3,937,500, being \$0.75 per Series C Share sold under the Offering (including the Over-Allotment Option). This prospectus supplement also qualifies the grant of the Over-Allotment Option and the distribution of the Series C Shares issuable upon the exercise of the Over-Allotment Option.

The Underwriting Agreement provides that the Underwriters may, at their discretion, terminate their obligations thereunder upon the occurrence of certain stated events or if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence (including terrorism) or any law or regulation, which in the opinion of the Underwriters, acting reasonably, materially adversely affects or involves, or might reasonably be expected to materially adversely affect or involve, the financial markets or the business, operations or affairs of the Company and its subsidiaries, taken as a whole. The Underwriters are, however, obligated to take up and pay for all the Series C Shares if any Series C Shares are purchased under the Underwriting Agreement.

The Underwriters may not, throughout the period of distribution, bid for or purchase the Series C Shares. The foregoing restriction is subject to certain exemptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Series C Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with the Offering, the Underwriters may effect transactions which stabilize or maintain the market price of the Series C Shares at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Pursuant to the Underwriting Agreement, Element has agreed that it will not for a period of ninety (90) days following the Closing Date, issue or announce the issue of any Preferred Shares or any securities convertible into or exchangeable for or exercisable to acquire Preferred Shares without the written consent of the Joint Bookrunners (on behalf of the Underwriters), such consent not to be unreasonably withheld or delayed, other than: (i) as contemplated by the Underwriting Agreement; or (ii) in connection with *bona fide* asset or share acquisitions by the Company in the normal course of business.

The Series C Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any state securities laws and may not be offered or sold within the United States or to U.S. Persons (as such term is defined in Regulation S under the U.S. Securities Act).

The Underwriters propose to offer the Series C Shares initially at the offering price specified on the cover page of this prospectus supplement. After the Underwriters have made a reasonable effort to sell all of the Series C Shares at the price specified on the cover page, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Series C Shares is less than the price paid by the Underwriters to the Company.

The determination of the terms of the distribution, including the issue price of the Series C Shares, was made through negotiations between the Company and the Joint Bookrunners on behalf of the Underwriters.

Element’s outstanding Series A Shares are listed on the TSX under the symbol “EFN.PR.A”. The closing price of the Series A Shares on the TSX on February 27, 2014, the last full trading day before the date of this prospectus supplement, was \$25.27 per Series A Share. The TSX has conditionally approved the listing of the Series C Shares and Series D Shares (including the Series C Shares forming part of the Over-Allotment Option) on the TSX. Listing is subject to the Company fulfilling all of the requirements of the TSX on or before May 29, 2014.

## **RELATIONSHIP BETWEEN ELEMENT AND CERTAIN UNDERWRITERS**

BMONB is an affiliate of a Canadian chartered bank that is a member of the lending syndicate to the Company under the Bridge Credit Facility and the Revolving Credit Facility. In addition, such Canadian chartered bank, through one or more affiliates, is the lender to or investor in (a) \$300 million aggregate securitization funding facilities under which the Company or its affiliates have transferred and will transfer financial assets and related property or interests therein (the “CoActiv Securitization Funding Facilities”), and (b) each of (i) a \$350 million revolving securitization funding facility pursuant to which an affiliate of the Company has transferred and will transfer financial assets and related property or interests therein (the “TLS Securitization Arrangements”), and (ii) a \$500 million revolving securitization funding facility which has been established under the Fleet Securitization Platform (the “GE Securitization Funding Facility”). Consequently, the Company may be considered a “connected issuer” to BMONB under applicable securities laws in certain Provinces and Territories of Canada. As at December 31, 2013, there was US\$74.0 million outstanding under the Bridge Credit Facility. The Company is in compliance with the terms of the Bridge Credit Facility and, since the execution of the Bridge Credit Facility, there has been no breach or waiver of a breach of the Bridge Credit Facility. Under the Bridge Credit Facility, the Company has agreed to provide the lenders under the bridge credit agreement with a general security interest over the Company’s assets, including the Railcar Assets. The financial position of the Company has not changed in any material adverse manner since the

Bridge Credit Facility was entered into. The Company has requested an amendment to the Bridge Credit Facility pursuant to which the lenders thereunder agree, among other things, to the payment of an increase in the maximum permitted annual dividend amount on its publicly-issued preferred shares, thereby permitting the dividends on the Series C Shares. The amendment is expected to be received from the lenders prior to the closing of the Offering. As at December 31, 2013, there was \$50.0 million and US\$75.0 million outstanding under the Revolving Credit Facility. The Company is in compliance with the terms of the Revolving Credit Facility and, since the execution of the Revolving Credit Facility, there has been no breach or waiver of a breach of the Revolving Credit Facility. The Revolving Credit Facility is secured by all of the undertaking and property of the Company pursuant to a general security agreement. The financial position of the Company has not changed in any material adverse manner since the Revolving Credit Facility was entered into. The Company has previously requested and received an amendment to its Revolving Credit Facility pursuant to which the lenders thereunder agreed, among other things, to the payment of an increase in the maximum permitted annual dividend amount on its publicly-issued preferred shares, thereby permitting the dividends on the Series A Shares. The Company has also requested an amendment to its Revolving Credit Facility pursuant to which the lenders thereunder agree, among other things, to the payment of dividends on the Series C Shares. The amendment is expected to be received from the lenders prior to the closing of the Offering. As at December 31, 2013, there was approximately \$235.5 million outstanding under the TLS Securitization Arrangement. The Company and the affiliates of the Company are in compliance with the terms of the TLS Securitization Arrangement and, since the execution of the TLS Securitization Arrangement, there has been no breach or waiver of a breach of the TLS Securitization Arrangement. The financial position of the Company has not changed in any material adverse manner since the TLS Securitization Arrangement was entered into. As at December 31, 2013, there was approximately \$265.0 million outstanding under the CoActiv Securitization Funding Facilities. The Company or its affiliates are in compliance with the terms of the CoActiv Securitization Funding Facilities and, since the execution of the CoActiv Securitization Funding Facilities, there has been no breach or waiver of a breach of the CoActiv Securitization Funding Facilities. The financial position of the Company has not changed in any material adverse manner since the CoActiv Securitization Funding Facilities were entered into. As at December 31, 2013 there was approximately \$342.3 million outstanding under the GE Securitization Funding Facility. The Company and the affiliates of the Company are in compliance with the terms of the GE Securitization Funding Facility and since the execution of the GE Securitization Funding Facility, there has been no breach or waiver of a breach of the GE Securitization Funding Facility. The financial position of the Company has not changed in any material adverse manner since the GE Securitization Funding Facility was entered into.

NBF is an affiliate of a Canadian chartered bank that is a member of the lending syndicate to the Company under the Bridge Credit Facility and the Revolving Credit Facility. In addition, such Canadian chartered bank is a member of the syndicate that lends to or invests in floating rate asset-backed notes (“Notes”) issued by Fleet LP on an amortizing and non-revolving basis and in respect of a static pool of eligible lease and loan assets from TLS (the “Amortizing TLS Syndication Pool”). The Amortizing TLS Syndication Pool is established under the Fleet Securitization Platform. Consequently, the Company may be considered a “connected issuer” to NBF under applicable securities laws in certain Provinces and Territories of Canada. As at December 31, 2013, there was an approximately \$115.5 million principal amount of Notes outstanding under the Amortizing TLS Syndication Pool held by a Canadian chartered bank that is an affiliate of NBF. The Company and the affiliates of the Company are in compliance with the terms of the Notes as issued in connection with the Amortizing TLS Syndication Pool and, since the establishment of the Amortizing TLS Syndication Pool, there has been no breach or waiver of a breach of the indenture under which the Notes were issued. The financial position of the Company has not changed in any material adverse manner since the Amortizing TLS Syndication Pool was established.

MSI is an affiliate of a Canadian life insurance company that is a lender to the Company under a term funding facility (the “Term Funding Facility”). Consequently, the Company may be considered a “connected issuer” to MSI under applicable securities laws in certain Provinces and Territories of Canada. As at December 31, 2013, there was approximately \$133.1 million outstanding under the Term Funding Facility. The Company is in compliance with the terms of the Term Funding Facility and, since the execution of the Term Funding Facility, there has been no breach or waiver of a breach of the Term Funding Facility. Indebtedness under the Term Funding Facility is secured by the portfolio of finance receivables under the Term Funding Facility, including cash reserves. The financial position of the Company has not changed in any material adverse manner since the Term Funding Facility was entered into.

CIBC, RBC and TD are affiliates of Canadian chartered banks that are members of the lending syndicate to the Company under the Bridge Credit Facility and the Revolving Credit Facility.

The decision to issue the Series C Shares and the determination of the terms of the distribution, including the price of the Series C Shares, were made through negotiations between the Company and the Underwriters. The lenders or investors, as applicable, under any of the Bridge Credit Facility, Revolving Credit Facility, the TLS Securitization Arrangement, the CoActiv Securitization Funding Facilities, the GE Securitization Funding Facility, the Amortizing TLS Syndication Pool or the Term Funding Facility did not have any involvement in such decision or determination, but have been advised of the issuance and terms thereof.



The Company intends to use the net proceeds of the Offering to originate and finance, directly or indirectly, finance assets, (including those assets to be financed under the Trinity Vendor Program) and for general corporate purposes. The net proceeds from the Offering have not and will not be applied for the benefit of any lenders to or investors or counterparties under any of the Bridge Credit Facility, the Revolving Credit Facility, the TLS Securitization Arrangement, the CoActiv Securitization Funding Facilities, the GE Securitization Funding Facility, the Amortizing TLS Syndication Pool or the Term Funding Facility. As a consequence of this issuance, each of BMONB, NBF, CIBC, RBC, TD and MSI received their respective proportionate share of the Underwriters' Fee.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and of Wildeboer Dellelce LLP, counsel to the Underwriters, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a holder of Series C Shares acquired pursuant to this prospectus supplement and Series D Shares acquired upon conversion of the Series C Shares (a "Holder") who, for purposes of the Tax Act and at all relevant times, is or is deemed to be a resident of Canada, deals at arm's length with the Company and the Underwriters and is not affiliated with the Company or the Underwriters, holds any Series C Shares or Series D Shares as capital property and is not exempt from tax under Part I of the Tax Act. Generally, the Series C Shares and the Series D Shares will be capital property to a Holder provided the Holder does not hold such shares in the course of carrying on a business and does not acquire them as part of an adventure or concern in the nature of a trade. Certain Holders who might not otherwise be considered to hold Series C Shares or Series D Shares as capital property may, in certain circumstances, be entitled to have them and every other "Canadian security", as defined in the Tax Act, owned by such Holders in the taxation year of the election or any subsequent taxation year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a Holder (i) that is a "financial institution" for purposes of the "mark to market property" rules in the Tax Act, (ii) that is a "specified financial institution" (as defined in the Tax Act) that receives or is deemed to receive, alone or together with persons with whom it does not deal at arm's length (and any partnership or trust of which the Holder or any such person is a member or beneficiary), in the aggregate, dividends in respect of more than 10% of the Series C Shares or the Series D Shares acquired on conversion of the Series C Shares, as the case may be, outstanding at the time the dividend is received or deemed to be received, (iii) an interest in which is a "tax shelter investment" (as defined in the Income Tax Act), (iv) that has made a "functional currency" election under the Tax Act to determine its Canadian tax results in a currency other than Canadian currency, (v) that is a corporation resident in Canada and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Series C Shares or the Series D Shares acquired on conversion of the Series C Shares, controlled by a non-resident corporation for purposes of section 212.3 of the Tax Act; or (vi) that has entered or will enter into a "derivative forward agreement" as that term is defined in the Tax Act with respect to the Series C Shares or the Series D Shares acquired on conversion of the Series C Shares. Such Holders are advised to consult with their own tax advisors.

This summary assumes that all issued and outstanding Series C Shares and Series D Shares will be listed on a designated stock exchange (as defined in the Tax Act) in Canada (which includes the TSX) at such times as dividends (including deemed dividends) are paid or received on such shares.

This summary is based upon the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by the Minister of Finance of Canada prior to the date hereof (the "Proposals") and counsel's understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") published in writing prior to the date hereof. No assurances can be given that the Proposals will be enacted as proposed or at all. This summary does not otherwise take into account or anticipate any change in law or in administrative policy or assessing practice, whether by legislative, governmental or judicial action, nor does it take into account or consider any provincial, territorial or foreign income tax legislation or considerations.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, prospective Holders should consult their own tax advisors with respect to their particular circumstances.**

### Dividends

Dividends received or deemed to be received on the Series C Shares or the Series D Shares by a Holder who is an individual (other than certain trusts) will be included in the individual's income and generally will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received by individuals from taxable Canadian corporations, including the enhanced dividend tax credit rules applicable to any dividends designated by the Company as "eligible dividends" in accordance with the Tax Act.

Dividends received or deemed to be received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax.

Dividends received or deemed to be received on the Series C Shares or the Series D Shares by a Holder that is a corporation will be included in computing its income and will generally be deductible in computing its taxable income. A “private corporation”, as defined in the Tax Act, or any other corporation controlled by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay refundable tax under Part IV of the Tax Act of 33 1/3% on dividends received (or deemed to be received) on the Series C Shares and the Series D Shares to the extent such dividends are deductible in computing its taxable income.

The Series C Shares and the Series D Shares will be “taxable preferred shares” as defined in the Tax Act. The terms of the Series C Shares and the Series D Shares require the Company to make the necessary election under Part VI.1 of the Tax Act so that corporate Holders will not be subject to tax under Part IV.1 of the Tax Act on dividends received (or deemed to be received) on the Series C Shares or the Series D Shares.

### **Dispositions**

A Holder who disposes of or is deemed to dispose of a Series C Share or a Series D Share (including on a redemption or other acquisition by the Company for cash, but not on conversion of Series C Shares into Series D Shares or Series D Shares into Series C Shares, as the case may be) will generally realize a capital gain (or sustain a capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such share to such Holder. For this purpose, the adjusted cost base to a Holder of Series C Shares will be determined at any time by averaging the cost of such Series C Shares with the adjusted cost base of any other Series C Shares owned by the Holder as capital property immediately before that time. Similarly, the adjusted cost base to a Holder of Series D Shares will be determined at any time by averaging the cost of such Series D Shares with the adjusted cost base of any other Series D Shares owned by the Holder as capital property immediately before that time. The amount of any deemed dividend arising on the redemption or purchase for cancellation by the Company of Series C Shares or Series D Shares, as the case may be, will not generally be included in computing the proceeds of disposition to a Holder for purposes of computing the capital gain or capital loss arising on the disposition of such shares. See “Redemption” below.

Generally, one half of any capital gain (a “taxable capital gain”) realized by a Holder in a taxation year must be included in the Holder’s income in the year. A Holder is required to deduct one-half of any capital loss (an “allowable capital loss”) realized in a taxation year from taxable capital gains realized in the year. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back and deducted in any of the three preceding taxation years, or carried forward and deducted in any subsequent year, from net taxable capital gains realized in such years (but not against other income) to the extent and under the circumstances described in the Tax Act. If the Holder is a corporation, any such capital loss realized on a disposition of Series C Shares or Series D Shares, as the case may be, may in certain circumstances be reduced by the amount of any dividends which have been received or which are deemed to have been received on such Series C Shares or Series D Shares, as the case may be, or on any shares which were converted into or exchanged for such Series C Shares or Series D Shares, as the case may be. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns shares, directly or indirectly, through a partnership or a trust. Taxable capital gains realized by a Holder who is an individual (including certain trusts) may give rise to alternative minimum tax depending on the Holder’s circumstances.

A Holder that is throughout the year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay a refundable tax at a rate of 6 2/3% on certain investment income, including taxable capital gains (as defined above).

## **Redemption**

If the Company redeems or otherwise acquires a Series C Share or a Series D Share, as the case may be, other than by a purchase in the open market in the manner in which shares are normally purchased by any member of the public in the open market, or a conversion as discussed below, the Holder will be deemed to have received a dividend equal to the amount, if any, paid by the Company in excess of the paid-up capital (as determined for purposes of the Tax Act) of such share at such time. See “Dividends”. Generally, the difference between the amount paid by the Company and the amount of the deemed dividend will be treated as proceeds of disposition for the purposes of computing the capital gain or capital loss arising on the disposition of such share. See “Dispositions” above. In the case of a corporate Holder, it is possible that in certain circumstances all or part of the deemed dividend may be treated as proceeds of disposition and not as a dividend.

## **Conversion**

The conversion of a Series C Share into a Series D Share or a Series D Share into a Series C Share will be deemed not to be a disposition of property and accordingly will not give rise to any capital gain or capital loss. The cost to a Holder of a Series D Share or Series C Share, as the case may be, received on the conversion will be deemed to be equal to the Holder’s adjusted cost base of the converted Series C Share or Series D Share, as the case may be, immediately before the conversion and will be subject to cost averaging as described under “Dispositions” above.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and Wildeboer Dellelce LLP, counsel to the Underwriters, the Series C Shares and Series D Shares, provided they are listed on a designated stock exchange (which currently includes the TSX) or provided the Company remains a “public corporation” for purposes of the Tax Act, if issued on the date of this prospectus supplement, would be on such date qualified investments under the Tax Act for a trust governed by an RRSP, an RRIF, a registered education savings plan, a deferred profit sharing plan, a registered disability savings plan or a TFSA.

The Series C Shares and the Series D Shares will not be a “prohibited investment” for trusts governed by a TFSA, RRSP or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (i) does not deal at arm’s length with the Company for purposes of the Tax Act or (ii) has a “significant interest”, as defined in the Tax Act, in the Company. In addition, the Series C Shares and Series D Shares will not be a “prohibited investment” if the Series C Shares and Series D Shares (as applicable) are “excluded property”, as defined in the Tax Act, for trusts governed by a TFSA, RRSP or RRIF. Holders or annuitants should consult their own tax advisors with respect to whether the Series C Shares or Series D Shares would be prohibited investments, including with respect to whether the Series C Shares and Series D Shares would be “excluded property”.

## **RISK FACTORS**

An investment in the Series C Shares and Series D Shares offered hereunder involves certain risks. In addition to the other information contained in this prospectus supplement and the accompanying Prospectus, and in the documents incorporated by reference therein, prospective purchasers of Series C Shares and Series D Shares should consider carefully the risk factors set forth below as well as the risk factors referenced under the heading “Risk Factors” in the accompanying Prospectus and the AIF.

### **Risks Relating to the Series C Shares and Series D Shares**

*The market value of Series C Shares and Series D Shares will be affected by a number of factors and, accordingly, their trading prices will fluctuate.*

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

The value of Series C Shares and Series D Shares will be affected by the general creditworthiness of the Company. The Company’s AIF and Annual MD&A are incorporated by reference in this prospectus supplement and discuss, among other things, known material trends and events, and risks or uncertainties that are reasonably expected to have a material effect on the Company’s business, financial condition or results of operations.

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

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

*The Company may redeem Series C Shares and Series D Shares.*

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

*The Series C Shares and the Series D Shares do not have a fixed maturity date, may not be redeemed at the holder's option and may be liquidated by the holder only in limited circumstances.*

Neither the Series C Shares nor the Series D Shares have a fixed maturity date and they are not redeemable or retractable at the option of the holders of Series C Shares or Series D Shares. The ability of a holder to liquidate its holdings of Series C Shares or Series D Shares may be limited.

*There is currently no trading market for the Series C Shares and the Series D Shares.*

There is currently no trading market for the Series C Shares and the Series D Shares. There can be no assurance that an active trading market will develop for the Series C Shares after the Offering or for the Series D Shares following the issuance of any of those shares, or if developed, that such a market will be sustained at the offering price of the Series C Shares specified on the cover page of this prospectus supplement or the issue price of the Series D Shares. If an active or liquid market for the Series C Shares and the Series D Shares fails to develop or be sustained, the prices at which the Series C Shares and the Series D Shares trade may be adversely affected.

The offering price of the Series C Shares specified on the cover page of this prospectus supplement has been determined by negotiation between the Company and Joint Bookrunners, on behalf of the Underwriters based on several factors and may bear no relationship to the prices at which the Series C Shares and the Series D Shares will trade in the public market subsequent to such offering. See "Plan of Distribution".

*Creditors of the Company rank ahead of holders of Series C Shares and Series D Shares in the event of an insolvency or winding-up of the Company.*

Creditors of the Company would rank ahead of holders of Series C Shares and Series D Shares in the event of an insolvency or winding-up of the Company.

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

*The dividend rates on the Series C Shares and the Series D Shares will reset.*

The dividend rate in respect of the Series C Shares will reset on June 30, 2019 and on June 30 every five years thereafter. The dividend rate in respect of the Series D Shares will reset quarterly. In each case, the new dividend rate is unlikely to be the same as, and may be lower than, the dividend rate for the applicable preceding dividend period.

*Investments in the Series D Shares, given their floating interest component, entail risks not associated with investments in the Series C Shares.*

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

*The Series C Shares and the Series D Shares may be converted or redeemed without the holders' consent in certain circumstances.*

An investment in the Series C Shares, or in the Series D Shares, as the case may be, may become an investment in Series D Shares, or in Series C Shares, respectively, without the consent of the holder in the event of an automatic conversion in the circumstances described under “Details of the Offering – Description of the Series C Shares – Conversion of Series C Shares into Series D Shares” and “Details of the Offering – Description of the Series D Shares – Conversion of Series D Shares into Series C Shares”. Upon the automatic conversion of the Series C Shares into Series D Shares, the dividend rate on the Series D Shares will be a floating rate that is adjusted quarterly by reference to the T-Bill Rate which may vary from time to time while, upon the automatic conversion of the Series D Shares into Series C Shares, the dividend rate on the Series C Shares will be, for each five-year period, a fixed rate that is determined by reference to the Government of Canada Yield on the 30<sup>th</sup> day prior to the first day of each such five-year period. In addition, holders may be prevented from converting their Series C Shares into Series D Shares, and vice versa, in certain circumstances.

*The declaration of dividends on the Series C Shares and the Series D Shares is at the discretion of the Board of Directors.*

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

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

#### *Credit Risk*

The likelihood that holders of either Series C Shares or Series D Shares will receive payments owing to them under the terms of such shares will depend on the financial health of the Company and its creditworthiness. Accordingly, there is no assurance that the Company will have sufficient capital to make the dividend payments owing to the holders of Series C Shares or Series D Shares, as the case may be. Neither the Series C Shares nor the Series D Shares are rated by any credit rating agency.

*Holders of the Series C Shares and the Series D Shares do not have voting rights except under limited circumstances.*

Holders of Series C Shares and Series D Shares will generally not have voting rights at meetings of the shareholders of the Company except under limited circumstances. Holders of Series C Shares and Series D Shares will have no right to elect the Board of Directors. See “Details of the Offering”.

#### **Risks Relating to the Trinity Vendor Program**

Element cannot be certain that the Trinity Vendor Program will be successful or that the Trinity Vendor Program will ultimately benefit Element. The success of the Trinity Vendor Program and benefit to Element will depend, in part, on the ability of Element to complete subsequent lease financings of Railcars offered by Trinity, and on the quality of the Railcar Assets acquired. The terms offered by Trinity on future tranches of Railcar Assets may not be acceptable to Element, and the predetermined diversification criteria for such assets including limits on Railcar Asset type, use, lease duration, average age and credit quality of the lessee may not benefit Element. Trinity may fail to provide, or not meet expected service standards with respect to, the services it has agreed to provide to and on behalf of Element, including (i) new business and general advisory services, including assisting Element with analyzing the operating and financial performance of the Railcar Assets and advising Element on the status of the railcar and railcar

leasing markets, and (ii) performing operating, maintenance and servicing on behalf of Element in respect of the Assets. The effect of the Trinity Vendor Program and the Railcar Assets acquired in the Tranche Closing is likely to vary materially from the illustrative historical financial information described above under “Recent Developments – Trinity Vendor Finance Program - Historical Effect on Financial Position”. These and other risks arising from the Trinity Vendor Program could have a material adverse effect on Element’s business and results of operations and cause a decrease in the market price of Element’s listed securities.

## **LEGAL MATTERS**

Certain legal matters relating to the Offering and this prospectus supplement will be passed upon by Blake, Cassels & Graydon LLP on behalf of Element and Wildeboer Dellelce LLP on behalf of the Underwriters.

## **INTEREST OF EXPERTS**

As of the date hereof, the partners and associates of Blake, Cassels & Graydon LLP, as a group, own, directly or indirectly less than 1% of each class of outstanding securities of the Company. As of the date hereof, the partners and associates of Wildeboer Dellelce LLP, as a group, beneficially own, directly or indirectly, less than 1% of each class of outstanding securities of the Company.

Ernst & Young LLP (Canadian Firm), as auditors of the Company, has advised the Company that it is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

KPMG LLP, as auditors of the GE Fleet Portfolio, has advised the Company that it is independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada.

## **AUDITOR, TRANSFER AGENT AND REGISTRAR**

The auditors of Element are Ernst & Young LLP (Canadian Firm), Chartered Accountants, of Toronto, Ontario.

The transfer agent and registrar for the Series C Shares and Series D Shares will be Computershare Investor Services Inc. at its principal offices in Toronto, Ontario.

## **PURCHASERS’ STATUTORY RIGHTS**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal advisor.

**CERTIFICATE OF THE UNDERWRITERS**

Date: February 28, 2014

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the Provinces of Canada.

**GMP  
SECURITIES  
L.P.**

**NATIONAL  
BANK  
FINANCIAL  
INC.**

**BMO  
NESBITT  
BURNS INC.**

**CIBC WORLD  
MARKETS  
INC.**

**RBC DOMINION  
SECURITIES  
INC.**

**TD SECURITIES  
INC.**

*(Signed)* Neil  
M. Selfe

*(Signed)* Darin E.  
Deschamps

*(Signed)* John  
Coke

*(Signed)* Donald  
A. Fox

*(Signed)* John  
Bylaard

*(Signed)* Jonathan  
Broer

**DESJARDINS SECURITIES INC.**

**RAYMOND JAMES LTD.**

*(Signed)* A. Thomas Little

*(Signed)* J. Graham Fell

**MANULIFE SECURITIES INC.**

*(Signed)* David MacLeod