



# News Release

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## **Element to Raise \$2.2 billion of New Capital to Fund Future Acquisitions**

**Bought deal financing of \$1,550 million subscription receipts, \$500 million aggregate principal amount of extendible convertible unsecured subordinated debentures and \$150 million cumulative 5-year rate reset preferred shares**

**Toronto, Canada – May 20, 2015** – Element Financial Corporation (TSX:EFN) (“Element” or the “Company”), one of North America’s leading fleet management and equipment finance companies, today announced that it plans to sell, on a “bought deal” basis, \$1,550 million of subscription receipts (“Subscription Receipts”), \$500 million aggregate principal amount of extendible convertible unsecured subordinated debentures (“Debentures”) and \$150 million cumulative 5-year rate reset preferred shares, Series G of Element (“Series G Preferred Shares”). The Company intends to use the net proceeds from the Offerings (as defined below) to fund future acquisitions.

“As we discussed on our recent first quarter conference call, the process of consolidation continues to accelerate in Element’s Fleet Management and Railcar verticals. The proceeds from this offering, together with the available leverage capacity in our capital structure, will enable us to act on acquisition opportunities that meet our criteria for accretion and value creation for our shareholders,” said Steven Hudson, Element’s Chief Executive Officer.

While the Company is regularly engaged in discussions regarding possible acquisition opportunities, the Company has not entered into any definitive agreement for an acquisition requiring the use of the net proceeds of the Offerings. The Company expects to continue to pursue discussions regarding possible acquisitions and to enter into negotiations with respect to such potential acquisitions and to actively pursue other acquisition opportunities that present themselves or become available. However, there can be no assurance that any of these discussions or negotiations will result in a definitive agreement and, if they do, what the terms or timing of any such acquisitions would be or that such acquisitions will be completed by the Company.

### **Subscription Receipts**

Element has entered into an agreement to sell, on a bought deal basis, 91,200,000 Subscription Receipts at a price of \$17.00 per Subscription Receipt for gross proceeds of \$1,550,400,000 (the “Subscription Receipt Offering”). Each Subscription Receipt will entitle the holder thereof to receive, upon the first closing of any announced transaction (an “Acquisition Closing”) forming part of the Eligible Transaction (as defined herein), without payment of additional consideration or further action, one Element common share (“Common Share”) in exchange for each Subscription Receipt. An “Eligible Transaction” shall be, either individually or collectively, the purchase or acquisition by the Company (or any of its affiliates) of one or more businesses or assets, pursuant to a transaction or series of transactions, via share purchase,

asset purchase, merger, amalgamation, plan of arrangement or other similar transaction within the Company's business verticals, in which not less than 80% of the gross proceeds raised from the Subscription Receipt Offering and the Debenture Offering will be deployed in a transaction or series of transactions, that have been announced within 6 months of the date of closing of the Offerings.

The Subscription Receipts will be issued pursuant to a subscription receipt agreement (the "Subscription Receipt Agreement"). Pursuant to the Subscription Receipt Agreement, the proceeds of the Subscription Receipt Offering, net of 50% of the underwriters' fee payable in connection therewith, will be held in escrow and shall be released in full and paid to the Company upon satisfaction of the following conditions: (1) the Company having announced the Eligible Transaction within 6 months of the date of closing of the Offerings and (2) the Company having completed an Acquisition Closing prior to December 31, 2015. If: (i) the Company has not announced the Eligible Transaction within 6 months of the date of closing of the Offerings; or (ii) if the Acquisition Closing does not occur prior to December 31, 2015, or (iii) if prior to such times in (i) and (ii), the Company has advised BMO Capital Markets, on behalf of the underwriters, that an Acquisition Closing will not be completed, the subscription receipt agent and Element will return to holders of Subscription Receipts an amount per Subscription Receipt equal to the offering price plus a pro rata share of the interest earned or deemed to be earned on the escrowed funds, net of any applicable withholding taxes.

The Subscription Receipt Offering is being led by BMO Capital Markets, Barclays Capital Canada Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Capital Markets, and TD Securities, and includes Credit Suisse Securities (Canada) Inc., GMP Securities L.P., Manulife Securities Inc., Cormark Securities Inc., and Desjardins Securities Inc. (collectively, the "Subscription Receipt Underwriters").

### **Extendible Convertible Debentures**

Element has entered into an agreement to sell, on a bought deal basis, \$500 million aggregate principal amount of 4.25% Debentures (the "Debenture Offering"). Each Debenture will be convertible into freely tradeable Common Shares at the option of the holder of a Debenture at any time after the completion of an Acquisition Closing and prior to 5:00 p.m. (Toronto time) on June 30, 2020, at a conversion price of \$23.80 per Common Share, representing a conversion rate of 42.0168 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in accordance with the trust indenture governing the Debentures (the "Indenture"). The Debentures will have an interest rate of 4.25% per annum payable semi-annually in arrears on the last day of June and December in each year commencing December 31, 2015. The Debentures will be unsecured indebtedness of the Company and will be subject to, and governed by, the Indenture.

If: (i) the Company has not announced the Eligible Transaction within 6 months of the date of closing of the Offerings; or (ii) if the Acquisition Closing does not occur prior to December 31, 2015, or (iii) if prior to such times in (i) and (ii), the Company has advised BMO Capital Markets, on behalf of the underwriters, that an Acquisition Closing will not be completed (the date on which such event occurs being the "Debenture Termination Date"), the Debentures will have an initial maturity date of the Debenture Termination Date and the aggregate principal amount of the Debentures plus any accrued and unpaid interest will be repaid to purchasers of the Debentures. The maturity date will be automatically extended from the initial maturity date to June 30, 2020 (the "Final Maturity Date") upon satisfaction of the following conditions: (1) the Company having announced the Eligible Transaction within 6 months of the date of closing of the Offerings; and (2) the Company having completed an Acquisition Closing prior to December 31, 2015.

The Debenture Offering is being led by BMO Capital Markets and includes Barclays Capital Canada Inc., CIBC World Markets Inc., National Bank Financial Inc., RBC Capital Markets, TD Securities, Credit Suisse Securities (Canada) Inc., GMP Securities L.P., Manulife Securities Inc., Cormark Securities Inc. and Desjardins Securities Inc. (collectively, the “Debenture Underwriters”).

### **Preferred Shares**

Element has entered into an agreement to sell, on a bought deal basis, 6,000,000 Series G Preferred Shares at a price of \$25.00 per Series G Preferred Share for gross proceeds of \$150 million (the “Preferred Share Offering”, and with the Subscription Receipt Offering and the Debenture Offering, the “Offerings”). Holders of the Series G Preferred Shares will be entitled, if, as and when declared by the Board of Directors of Element, to receive a cumulative quarterly fixed dividend for the initial five-year period ending September 30, 2020 of 6.50% per annum. Thereafter, the dividend rate will reset every five years to an annual dividend rate equal to the 5-Year Government of Canada Bond Yield as quoted on Bloomberg on the 30<sup>th</sup> day prior to the first day of the relevant subsequent five year fixed rate period plus 5.34%.

Holder of the Series G Preferred Shares will have the right to convert their shares into cumulative floating rate preferred shares, Series H of Element (“Series H Preferred Shares”), subject to certain conditions and Element’s right to redeem the Series G Preferred Shares, on September 30, 2020 and on September 30 every five years thereafter. Holders of the Series H Preferred Shares will be entitled to receive a quarterly floating rate dividend, if, as and when declared by the Board of Directors of Element, equal to the then current three-month Government of Canada Treasury Bill plus 5.34%. Holders of the Series H Preferred Shares may convert their Series H Preferred Shares into Series G Preferred Shares, subject to certain conditions and Element’s right to redeem the Series H Preferred Shares, on September 30, 2025 and on September 30 every five years thereafter. The Series G Preferred Shares will not be rated. If an Eligible Transaction does not proceed, the net proceeds from the Preferred Share Offering will be used by Element for general corporate purposes.

The Preferred Share Offering is being led by BMO Capital Markets, CIBC World Markets Inc., National Bank Financial Inc., RBC Capital Markets, and TD Securities, and includes GMP Securities L.P., Cormark Securities Inc., Desjardins Securities Inc. and Manulife Securities Inc. (collectively, the “Preferred Share Underwriters”).

### **Closing of Offerings**

Element will file a prospectus supplement to its base shelf prospectus dated March 31, 2015 qualifying the issuance of the Subscription Receipts, the Debentures, the underlying Common Shares to be issued under the terms of the Subscription Receipts and the Debentures, the Series G Preferred Shares and the Series H Preferred Shares. The Offerings are expected to close on or about May 29, 2015 and are subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the Toronto Stock Exchange.

Element has granted (i) the Subscription Receipt Underwriters an option to purchase on the same terms up to an additional \$232.6 million of Subscription Receipts, (ii) the Debenture Underwriters an option to purchase on the same terms up to an additional \$75 million aggregate principal amount of Debentures, and (iii) the Preferred Share Underwriters an option to purchase on the same terms up to an additional 900,000 Series G Preferred Shares (each option, an “Over-Allotment Option”). The Subscription Receipt Over-Allotment Option and the Debenture Over-Allotment Option are exercisable at any time until the

earlier of the date that is 30 days following the date of the closing of the Offerings and the occurrence of a termination event under the underwriting agreement. The Series G Preferred Share Over-Allotment Option is exercisable at any time for a period of 30 days following the date of the closing of the Preferred Share Offering. If each of the Subscription Receipt Over-Allotment Option, the Debenture Over-Allotment Option and the Series G Preferred Share Over-Allotment Option is exercised in full, Element will receive further proceeds from the Offerings of \$330 million, for aggregate gross proceeds from the Offerings of approximately \$2.53 billion.

INFOR Financial Inc. is acting as financial advisor and capital markets advisor to the Company in connection with the Offerings.

### **About Element Financial Corporation**

With total assets in excess of \$12.0 billion, Element Financial Corporation is one of North America's leading fleet management and equipment finance companies. Element operates across North America in four verticals of the equipment finance market - Commercial & Vendor Finance, Aviation Finance, Railcar Finance and Fleet Management.

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### *Forward Looking Statements*

*This release includes forward-looking statements regarding Element and its business. Such statements are based on the current expectations and views of future events of Element's management. In some cases the forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "plan", "anticipate", "intend", "potential", "estimate", "believe" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. Forward-looking statements in this release include those related to potential acquisition opportunities for Element, the proposed financing of such potential acquisition opportunities (including the Offerings), and Element's ability to successfully complete the Offerings or any potential acquisition opportunity on the expected timeframes or at all. The forward-looking events and circumstances discussed in this release may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting Element, including risks regarding the equipment finance industry, economic factors and many other factors beyond the control of Element. No forward-looking statement can be guaranteed. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement or information. Accordingly, readers should not place undue reliance on any forward-looking statements or information. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Element undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.*