CHESSWOOD GROUP LIMITED

THIRD QUARTER REPORT

FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 30, 2020

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

Through its three wholly-owned subsidiaries in the U.S. and Canada, Chesswood Group Limited ("Chesswood") is North America's only publicly-traded commercial equipment finance company focused on small and medium-sized businesses. Our Colorado-based Pawnee Leasing Corporation, founded in 1982, finances a highly diversified portfolio of commercial equipment leases and loans through established relationships with over 600 independent brokers in the lower 48 states. In Canada, Blue Chip Leasing Corporation has been originating and servicing commercial equipment leases and loans since 1996, and today operates through a nationwide network of more than 50 independent brokers. Tandem Finance Inc., located in Houston, Texas, and launched by Chesswood in early 2019, provides small and medium sized businesses of all credit profiles with financing for their equipment purchases through equipment vendors and distributors in the United States.

Based in Toronto, Canada, Chesswood's shares trade on the Toronto Stock Exchange under the symbol CHW. Learn more at www.ChesswoodGroup.com, www.PawneeLeasing.com, www.TandemFinance.com and www.BlueChipLeasing.com.

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This Interim Report is intended to provide shareholders and other interested persons with selected information concerning Chesswood. For further information, shareholders and other interested persons should consult Chesswood's other disclosure documents, such as its 2019 Annual Report and its Annual Information Form. Copies of Chesswood's continuous disclosure documents can be obtained at www.chesswoodgroup.com, by email to investorrelations@chesswoodgroup.com, or by calling Chesswood at 416-386-3099, at www.sedar.com, or from Investor Relations at the addresses shown at the end of this Interim Report. Readers should also review the notes further in this Interim Report, in the section titled Management's Discussion and Analysis, concerning the use of Non-GAAP Measures and Forward-Looking Statements, which apply to the entirety of this Interim Report.

All figures mentioned in this report are in Canadian dollars, unless otherwise noted.

TO OUR SHAREHOLDERS

In the third quarter we progressed towards restoring “pre-COVID” levels of performance in both our U.S. and Canadian operations.

Our successful US$183 million ABS offering, completed at a rate of 2.2%, was used to repay our Capital One conduit, syndicated warehouse and $112 million of our corporate revolver. These balance sheet enhancements have led to interest cost savings and unlocked approximately $45 million of excess collateral in our corporate lending facility. Additionally, we expanded our securitization conduit with a Canadian life insurance company for comprehensive coverage across all our credit tiers. These combined changes provide the business with flexibility to increase origination volumes moving forward.

We also amended our corporate facility to allow both Pawnee, Blue Chip and Tandem to increase funding volumes in September following several months of restrictions. We continue to limit exposure to specific industries that are vulnerable in the current operating environment. However, we see opportunities in the market today, much like our experience in previous cycles.

For the month of September, we funded approximately US$7 million at Pawnee, US$5 million at Tandem and CND$4 million at Blue Chip. With the information gathered in the month, we have been able to enter the fourth quarter much stronger than previously anticipated. Pawnee is on track to achieve similar origination levels to last year and for Tandem to have its best month on record. Blue Chip is also back to previous years origination volumes.

We are hiring staff into year end to address the growing demands in our U.S. business. Recall we had previously reduced our U.S. workforce at COVID’s onset. In addition to adding back office support, Tandem has added sales talent to address new industries through our vendor channel. Our Tandem business has ample room for growth and is looking to enter industries not currently served by the business. The most valuable assets of our organization are its people and we are excited to be expanding our team.

Deferral activity continued declining throughout the third quarter as customers coming off accommodation programs returned to their normal payment schedules. In the U.S., only 5.8% of our gross lease receivables were receiving deferrals. In Canada, deferrals represent approximately 1.8% of the portfolio today. Customers still receiving accommodation have a business that remains closed or have limited operating flexibility. Accounts past due are down year over year to 1.91% in the U.S. and 1.22% in Canada. Net charge-offs exhibit a similar trend for the third quarter.

We have momentum entering the fourth quarter despite the resurgence in COVID cases. Our credit teams are taking a cautious approach in the marketplace and are focusing on quality as we grow the portfolio.

Ryan Marr,
President & CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management’s discussion and analysis (this "MD&A") is provided to enable readers to assess the financial condition and results of operations of Chesswood Group Limited (“Chesswood” or the "Company”) as at and for the three and nine months ended September 30, 2020. This discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes of the Company for the period, and the audited consolidated financial statements and accompanying notes of the Company for the year ended December 31, 2019 set forth in the Company's 2019 Annual Report. Unless otherwise indicated, all financial information in this MD&A has been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Standards ("IFRS"), and all amounts are expressed in Canadian dollars, unless specifically noted otherwise. This MD&A is dated November 4, 2020.

Additional information relating to the Company, including its Annual Information Form, is available: on SEDAR at www.sedar.com, at the www.chesswoodgroup.com website, by email to investorrelations@chesswoodgroup.com, or by calling Chesswood at 416-386-3099.

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FORWARD-LOOKING STATEMENTS

In this document and in other documents filed with Canadian regulatory authorities or in other communications, the Company may from time to time make written or oral forward-looking statements within the meaning of applicable securities legislation. Forward-looking statements include, but are not limited to, statements regarding the Company's business plan and financial objectives. The forward-looking statements contained in this MD&A are used to assist readers in obtaining a better understanding of the Company's financial position and the results of operations as at and for the periods ended on the dates presented and may not be appropriate for other purposes.

Forward-looking statements typically use the conditional, as well as words such as prospect, believe, estimate, forecast, project, expect, anticipate, plan, may, should, could and would, or the negative of these terms, variations thereof or similar terminology. By their very nature, forward-looking statements are based on assumptions and involve inherent risks and uncertainties, both general and specific in nature. The Company operates in a dynamic environment that involves various risks and uncertainties, many of which are beyond its control and which could have an effect on the Company's business, revenues, operating results, cash flow and financial condition. It is therefore possible that the forecasts, projections and other forward-looking statements will not be achieved or will prove to be inaccurate. Although the Company believes the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct.

The Company cautions readers against placing undue reliance on forward-looking statements when making decisions, as actual results could differ considerably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements due to various factors. Among others, these factors include: continuing access to required financing; continuing access to products that allow the Company and its subsidiaries to hedge exposure to changes in interest rates; risks of increasing default rates on leases, loans and advances; the adequacy of the Company's provisions for credit losses; increasing competition (including, without limitation, more aggressive risk pricing by competitors); increased governmental regulation of the rates and methods we use in financing and collecting on our equipment leases or loans; dependence on key personnel; disruption of business models due to the emergence of new technologies; fluctuations in the Canadian dollar and U.S. dollar exchange rate; and general economic and business conditions (including the potential increased effect of the COVID-19 pandemic). The Company further cautions that the foregoing list of factors is not exhaustive.

For more information on the risks, uncertainties and assumptions that would cause the Company's actual results to differ from current expectations, please also refer to "Risk Factors" in this MD&A and in the Company's Annual Information Form, as well as to other public filings of the Company available at www.sedar.com.

The Company does not undertake to update any forward-looking statements, whether oral or written, made by itself or on its behalf, except to the extent required by securities regulation.

NON-GAAP MEASURES

This MD&A makes reference to certain non-GAAP measures as supplementary information and to assist in assessing the Company's financial performance.

Management believes EBITDA and Adjusted EBITDA, as defined below, are useful measures in evaluating the performance of the Company. EBITDA is a well understood non-GAAP measure; however, Adjusted EBITDA provides information that is even more relevant given the business in which the Company operates. EBITDA and Adjusted EBITDA are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA, Adjusted EBITDA and the other non-GAAP measures listed may not be comparable to similarly labelled measures presented by other issuers. Readers are cautioned that EBITDA, Adjusted EBITDA and the other non-GAAP measures listed should not be construed as an alternative to net income determined in accordance with GAAP as indicators of performance, or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

"EBITDA" is Net Income as presented in the consolidated statements of income, adjusted to exclude interest, income taxes, depreciation and amortization. EBITDA is also included in one of the Company's significant bank agreements where it is used for financial covenant purposes.

"Adjusted EBITDA" is EBITDA further adjusted for (i) interest on debt facilities, (ii) non-cash gain (loss) on interest rate derivatives and investments, (iii) non-cash unrealized gain (loss) on foreign exchange, (iv) non-cash share-based compensation expense, (v) non-cash change in finance receivable allowance for credit losses (effective Q1 2018), (vi) acquisition costs or goodwill impairment, and (vii) any unusual and material one-time gains or expenses. Adjusted EBITDA is a measure of performance defined in one of the Company's significant bank agreements and is the basis for the Company's Free Cash Flow calculation. Adjusted EBITDA is therefore included as a non-GAAP measure that is relevant for a wider audience of users of the Company's financial reporting.

"Adjusted Operating Income" is Operating Income (Loss), as presented in the consolidated statements of income, adjusted to exclude amortization of intangible assets and the change in allowance for credit losses ("ACL"). Adjusted Operating Income is intended to reflect the recurring income from the Company's businesses. Amortization of intangible assets, which includes the expense related to broker relationships and non-compete clauses, is a function of acquisitions. The cost of maintaining the broker relationships subsequent to acquisition, being internally generated intangible assets, cannot be measured and is therefore not recognized as an asset, meaning that once these acquisition-related intangibles have been fully amortized they are not replenished and the amortization expense will cease. The change in the ACL can be calculated from continuity of the ACL in Note 5(c) - *Finance Receivables* as the difference between the provision for credit losses and the net charge-offs during a period. The change in ACL is a non-cash item and reflects our creditor approved formulas for Adjusted EBITDA and Free Cash Flow that drives our Maximum Permitted Dividends, both relevant measures for users of the Company's financial reporting.

"Free Cash Flow" or "FCF" is defined as Adjusted EBITDA less maintenance capital expenditures, tax effect of the non-cash change in the allowance for credit losses and tax expense. Cash receives significant attention from primary users of financial reporting. The IFRS measures on the statement of cash flows and income measures do not provide primary users with the equivalent information related to cash. Free Cash Flow provides an indication of the cash the Company generates which is available for servicing and repaying debt, investing for future growth and providing dividends to our shareholders. The FCF measure provides information relevant to assessing the resilience of the Company to shocks and the ability to act on opportunities. Free Cash Flow is a calculation that reflects the agreement with one of the Company's significant lenders as to a measure of the cash flow produced by the Company's businesses in a period. It is also management's concurrent view that the measure significantly reduces the impact of large non-cash charges and/or recoveries that do not reflect actual cash flows of the businesses, and can vary greatly in amounts from period to period. See Adjusted EBITDA, Free Cash Flow, Maximum Permitted Dividend section of this MD&A for a reconciliation of Free Cash Flow to net income.

"FCF L4PQ" is calculated on a monthly basis as required by the terms of the Company's revolving credit facility. The FCF L4PQ is calculated using the published results for the four immediately preceding quarters and is the basis for the Maximum Permitted Dividends.

"Maximum Permitted Dividends" for a month is defined (consistent with the definitions included in one of the Company's significant bank agreements) as 1/12 of 90% of the FCF L4PQ, and is the maximum total amount of cash that can be distributed as dividends and paid for purchases of shares under the Company's normal course issuer bid (although the provision allowing dividends and share repurchases in the Company's revolving credit facility have been temporarily suspended due to COVID-19). This measure is useful for investors to assess the potential future returns from an investment in the Company and the risk of the dividend component of those returns becoming constrained.

COMPANY OVERVIEW

Chesswood is North America's only public company focused on commercial equipment finance for small and medium-sized businesses. As at September 30, 2020, its operations consisted of three wholly-owned subsidiaries:

- Pawnee Leasing Corporation ("Pawnee"), which finances micro and small-ticket commercial equipment for small and medium-sized businesses in the U.S. through the third-party broker channel;

- Tandem Finance Inc. ("Tandem"), which sources micro and small-ticket commercial equipment originations through the equipment vendor channel in the U.S.; and

- Blue Chip Leasing Corporation ("Blue Chip"), which provides commercial equipment financing to small and medium-sized businesses across Canada.

On a consolidated basis, at September 30, 2020, the Company had 133 employees compared to 152 employees at December 31, 2019. Following the onset of COVID-19, the Company's subsidiaries reduced their workforces.

PAWNEE

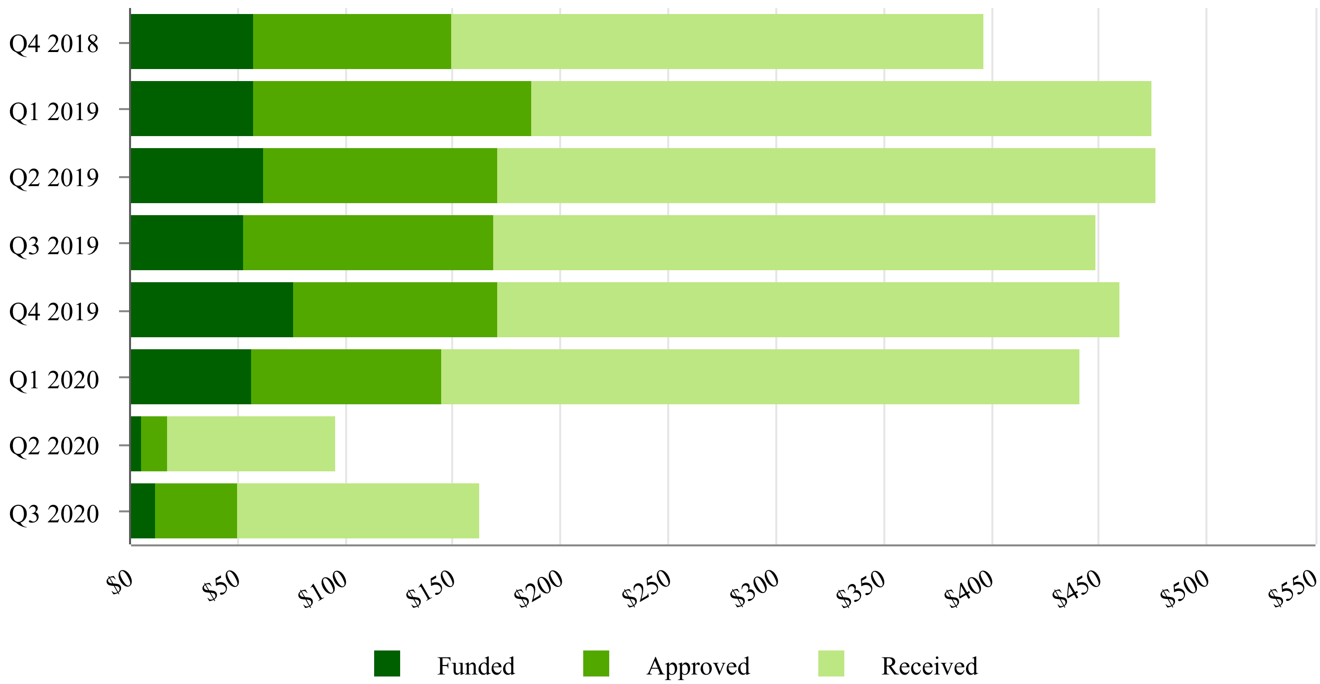
The Company's largest operations are conducted by Pawnee, which accounted for 87.0% of consolidated revenue in the nine months ended September 30, 2020. As of September 30, 2020, Pawnee employed 83 full-time equivalent employees compared to 103 employees at December 31, 2019. In early April 2020, Pawnee decreased its workforce by 20 employees due to the slow-down in new originations caused by COVID-19.

Established in Fort Collins, Colorado in 1982, Pawnee specializes in providing equipment financing of up to US$250,000 to small and medium-sized businesses in the U.S., with a wide range of credit profiles from start-up entrepreneurs to more established businesses, in prime and non-prime market segments, through a network of approximately 600 independent equipment finance broker firms (also referred to as the "third-party market" or "third-party channel").

Management believes Pawnee's long track-record of success is attributable to several key aspects of its business model, including: (1) credit underwriting parameters designed to mitigate risk; (2) a relationship-driven approach to origination through a well-established and trained network of reputable broker firms; (3) portfolio diversification across geographies, industries, equipment classes, origination source, vendors, equipment cost, and credit classes; and (4) risk management resources that include credit analyst reviews of all applications, a proprietary credit scorecard to guide consistent analysis and decision-making, and effectively pricing for risk and a dedicated and efficient servicing and collection effort.

A table setting out the U.S. equipment finance receivables portfolio statistics for Pawnee and Tandem is included below following the discussion of Tandem.

Pawnee Lease and Loan Application, Approval and Origination Volume *(in US$ millions)*



Lease and Loan Application, Approval and Origination Volume
Pawnee has formed strong relationships with hundreds of equipment finance brokerage firms. Pawnee relies on these relationships to generate applications. As used in the above graph, “Received” reflects all applications for equipment financing received by Pawnee, “Approved” are those received applications that receive an approval by Pawnee's credit department and “Funded” refers to previously approved applications that become actual lease or loan transactions through Pawnee's financing of the customers’ equipment purchase or lease. Management regularly reviews lease and loan application, approval and origination volumes for trends that may indicate changes in the economic or competitive landscape and that may necessitate adjustments in Pawnee’s approach to doing business in its market segments. Management reviews application approval data to analyze and predict shifts in the credit quality of Pawnee’s applicants. Pawnee refers to total originations Funded, as a percentage of leases and loans Approved, as the “closing ratio”. The chart above excludes Tandem sourced applications, approvals and originations.

Pawnee and Tandem temporarily halted new originations late in April 2020 to allow the Company to settle upon appropriate COVID-19 related amendments to its revolving credit facility. Pawnee and Tandem have continued to limit their originations in the U.S. to the moderate levels which were contemplated in the Company's annual MD&A filed in March 2020, while the effects of COVID-19 pass through.

TANDEM

In early 2019, the Company launched Tandem as a strategic long-term investment by Chesswood. Located in Houston, Texas, Tandem offers equipment financing for small and medium-sized businesses of all credit profiles through equipment vendors and distributors in the U.S. (the "vendor market" or "vendor channel"). Tandem had 13 employees at September 30, 2020 compared to 14 employees at December 31, 2019.

Annual originations in the vendor small-ticket market are estimated to be five times larger than the third-party small-ticket market served by Pawnee and Blue Chip. While the vendor channel has a longer sales cycle than the third-party channel, equipment vendors and distributors generally form long-term partnerships with funders which can result in programs that generate originations and revenues over many years. As a start-up in 2019, Chesswood had modest revenue expectations for

Tandem in its first year of operations, as it built out Tandem's infrastructure to support the early activity as well as a platform for the future. Tandem achieved all of its first-year objectives and was well on its way to meeting its 2020 plan until the onset of COVID-19 in mid-March. Tandem is supported by Pawnee's credit, documentation, collection and administrative departments which provides "back-office" support to Tandem.

U.S. Equipment Finance Receivable Portfolio Statistics (Pawnee & Tandem) [(5)(6)]

(in US$ thousands except # of leases/loans and %'s)

	Dec 31 2018	Mar 31 2019	June 30 2019	Sep 30 2019	Dec 31 2019	Mar 31 2020	June 30 2020	Sep 30 2020
Number of leases and loans outstanding (#)	18,179	18,351	18,698	18,879	19,416	19,730	18,184	17,104
Gross lease and loan receivable ("GLR") [(1)(5)]	$515,439	$535,525	$561,452	$580,808	$632,240	$658,562	$606,309	$556,456
Residual receivable	$18,725	$19,347	$20,281	$20,752	$21,242	$21,061	$19,303	$17,883
Net investment in leases and loans receivable ("NFR"), before allowance	$426,065	$444,376	$467,056	$486,397	$531,860	$557,064	$518,544	$479,908
Security deposits ("SD") (nominal value)[(4)]	$13,787	$12,936	$11,812	$10,946	$9,955	$9,123	$8,009	$6,986
Allowance for credit losses ("ACL")	$15,904	$17,211	$17,528	$18,706	$21,507	$32,464	$28,146	$19,259
ACL as % of NFR - SD	3.86%	3.99%	3.85%	3.93%	4.12%	5.92%	5.51%	4.07%
Over 31 days delinquency (% of GLR) [(2)]	1.89%	2.13%	2.12%	2.25%	2.38%	2.61%	1.60%	1.91%
Net charge-offs for the three-months ended [(3)]	$3,986	$3,800	$3,947	$4,328	$5,453	$5,800	$6,975	$3,762
Provision for credit losses for the three-months ended	$4,059	$5,106	$4,380	$5,479	$8,508	$17,069	$2,784	$(5,044)

Notes:
(1) Excludes residual receivable.
(2) Over 31-days delinquency includes non-accrual gross lease and loan receivables.
(3) Excludes the "charge-offs" of interest revenue on finance leases and loans on non-accrual leases recognized under IFRS.
(4) Excludes adjustment for discounting security deposits and increasing unearned income for interest savings on security deposits.
(5) At September 30, 2020, approximately 67% of U.S. gross finance receivables (excluding residuals) were in the prime market segment.
(6) Figures for 2019 and 2020 include both Pawnee and Tandem.

U.S. PORTFOLIO COVID-19 SUMMARY

Our U.S. operations followed their long-standing guidelines for allowing payment accommodations to lessees/borrowers in warranted circumstances, including COVID-19 (which is not a credit event but rather a pandemic with government mandated broad closures to most small and medium sized businesses).

Payment accommodations were initially provided to approximately 29% of Pawnee and Tandem's U.S. customers, the majority of which were deferrals for 60 days, after which customers were to return to one of three main monthly payment plans that requires the lessee/borrower to begin making monthly payments again. Depending on individual circumstances, customers payment plans following the initial deferral period require resumption of regular payments over the next few months, with some that return immediately to the original payment schedule and call asking for a more gradual resumption to the original payment amount, as circumstances may warrant.

Through September 30th, our U.S. operations have had success in this approach and have experienced a significant return to agreed upon payment schedules;

U.S. Portfolio COVID-19 Summary
US$ millions (excluding # of contracts)

	April	May	June	July	Aug	Sep
COVID Modified Contracts[1]	4,496	5,028	2,121	1,406	1,111	813
COVID Modified Contracts - Total Net Investment $[2]	$158.6	$178.0	$75.3	$51.7	$41.5	$27.8
Total U.S. Contracts - #	19,430	18,880	18,181	17,678	17,312	17,104
Total Net Investment - $	$545.1	$530.1	$510.5	$497.1	$482.4	$479.9
% of Contracts Modified for COVID - #'s	23.1%	26.6%	11.7%	8.0%	6.4%	4.8%
% of Contracts Modified for COVID - $'s	29.1%	33.6%	14.8%	10.4%	8.6%	5.8%

(1) - Accounts that have resumed making full monthly payments are no longer included as "COVID Modified"

(2) - Represents the total net investment in the entire pool of COVID Modified leases/loans

We are very pleased with the extent of the return to payment schedules by the end of September, which we believe is partly due to Pawnee's collections department's effectiveness, the strength of its initial underwriting and the billions of dollars of government sponsored COVID-19 relief.

Pawnee and Tandem's customers received payment accommodations on a very even concentration basis across all credit profiles.

BLUE CHIP

Chesswood's Canadian operations are conducted by Blue Chip, a specialist in micro and small-ticket equipment finance for small and medium-sized businesses since 1996. Located in Toronto, Blue Chip provides equipment financing across Canada, primarily through a nationwide network of more than 50 independent equipment finance broker firms. Blue Chip accounted for 12.8% of consolidated revenue in the nine months ended September 30, 2020. Blue Chip's portfolio risk is mitigated by its diversification across geographies, industries, equipment types, equipment cost and credit classes. Blue Chip had 32 full-time equivalent employees at September 30, 2020 compared to 30 employees at December 31, 2019.

Like Pawnee, Blue Chip provided COVID-19 relief payment accommodations to approximately 14% of its borrowers representing 23% of its portfolio value at the time. The payment accommodations provided were mostly for 90 days deferrals with minimum payments required during the deferral period. The COVID deferral request activity ceased in June 2020. At September 30, 2020, Blue Chip's COVID deferred portfolio comprises 1.8% by account representing 1.7% of its portfolio value.

Blue Chip Portfolio Statistics *(in $ thousands except # of leases/loans and %)*

	Dec 31 2018	Mar 31 2019	June 30 2019	Sep 30 2019	Dec 31 2019	Mar 31 2020	June 30 2020	Sep 30 2020
Number of leases and loans outstanding (#)	14,253	14,066	13,896	13,525	13,171	12,793	12,000	11,345
Gross lease and loan receivable (“GLR”)	$189,917	$189,960	$191,111	$184,938	$177,402	$169,335	$154,640	$143,501
Net investment in leases and loans receivable ("NIL"), before allowance	$168,631	$168,745	$169,928	$164,605	$158,166	$151,307	$138,812	$128,846
Allowance for credit losses ("ACL")	$2,233	$2,278	$2,464	$2,551	$2,372	$2,950	$3,331	$3,672
ACL as % of NIL	1.32%	1.35%	1.45%	1.55%	1.50%	1.95%	2.40%	2.85%
Over 31 days delinquency (% of NIL)	0.25%	0.34%	0.30%	0.45%	0.47%	0.63%	0.54%	1.22%

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

U.S. dollar results for the nine months ended September 30, 2020 were converted at an exchange rate of 1.3541, which was the average exchange rate for the period (2019 - 1.3292).

The Company reported a consolidated net loss of $8.6 million in the nine months ended September 30, 2020 compared to net income of $9.9 million in the same period in 2019, a decrease of $18.6 million year-over-year. A COVID-19 induced non-cash goodwill impairment of $11.9 million recorded in the first quarter of 2020, a one-time $9.3 million restructuring and other transaction costs incurred in 2020 and a $8.0 million increase in our net charge-offs were primary reasons for the decrease in net income year-over-year. The goodwill impairment is described in the Statement of Financial Position section. Operating income (loss) decreased $1.8 million year-over-year (discussed below), while the changes in net unrealized fair value adjustments and other items increased net income by $1.5 million compared to the same period in 2019. Offsetting these decreases in net income (loss) was the decrease in tax expense of $2.9 million in the nine months ended September 30, 2020 compared to the same period in the prior year.

The table below is primarily provided to illustrate the results of operations for Chesswood before any change to the non-cash allowance for credit losses, amortization of intangible assets, goodwill impairment and the one-time restructuring and other transaction costs recorded - referred to below as Adjusted Operating Income. In management’s opinion, this measure provides readers with a more meaningful comparison of our operating results from period to period as it eliminates the often large swing in results due to IFRS 9 - the non-cash allowance for credit losses.

The single largest difference between this year's nine months results and the same period of 2019, other than for these non-cash and one-time charges, is the rise in our net charge-offs, which increased by $8.0 million compared to the prior year. In part, this is due to a larger portfolio year-over-year (the average net finance receivable increased by $65.9 million during the nine month period compared to the same period in the prior year) and the impact of the COVID-19 pandemic.

Average FX rate		1.3541		1.3292		
	Nine months ended September 30,					
($ thousands)		2020		2019		Change
Revenue	$	90,661	$	94,124	$	(3,463)
Interest expense		(22,521)		(25,469)		2,948
Net charge-offs		(25,449)		(17,421)		(8,028)
		42,691		51,234		(8,543)
Expenses:						
Personnel		(14,498)		(15,331)		833
Other expenses		(13,656)		(13,846)		190
Depreciation		(918)		(886)		(32)
Adjusted Operating Income(1)		13,619		21,171		(7,552)
Change in allowance for credit losses - (increase)		1,744		(4,042)		5,786
Amortization - intangible assets		(999)		(999)		—
Operating Income (Loss)(2)		14,364		16,130		(1,766)
M2M interest rate derivatives		(251)		(1,211)		960
Restructuring and other transaction costs(3)		(9,250)		—		(9,250)
Goodwill impairment(4)		(11,868)		—		(11,868)
Other non-cash FMV charges and unrealized FX		319		(190)		509
Income (Loss) before taxes(3)	$	(6,686)	$	14,729	$	(21,415)
Free Cash Flow(1)	$	12,667	$	16,375	$	(3,708)

(1) Free Cash Flow and Adjusted Operating Income are non-GAAP measures. See “Non-GAAP Measures” above for the definitions. See the Adjusted EBITDA, Free Cash Flow, Maximum Permitted Dividend section of this MD&A for a reconciliation of Free Cash Flow to net income.
(2) At December 31, 2019, Case Funding operations were reclassified to continuing operations, as they failed to meet the conditions required for the Discontinued Operations classification. Its net results have been included in Other Expenses. The prior year results have been reclassified to reflect this classification.
(3) Within the COVID-19 induced restructuring and other transaction costs, the Company recorded $3.2 million in severance resulting from employee voluntary retirements and staff reductions and $743,000 in transaction costs. The Company also incurred $2.0 million in amendment fees specific to COVID-19 issues related to its revolving credit facility. The Company expensed $2.5 million in financing costs related to restructuring Pawnee's debt facilities in the third quarter of 2020.
(4) As a result of the unfavorable economic operating conditions caused by uncertainties relating to COVID-19, an interim impairment test was performed at March 31, 2020. Based on this assessment, management recorded a $11.9 million goodwill impairment. Provision for credit losses was also affected by increased estimates due to COVID-19.

By segment, the U.S. equipment finance segment's interest revenue on leases and loans totaled $71.5 million, a decrease of $177,000 year-over-year, as a result of a 2.3% decrease in average annualized interest revenue yield during the nine month period compared to the same period in the prior year offset by an increase of US$65.9 million in the average portfolio size. The average annualized interest revenue yield earned on U.S. based net finance receivables was 13.5% in the nine months ended September 30, 2020 compared to 15.8% in the same period in the prior year, reflecting an increase in the overall percentage of prime receivables. The U.S. equipment finance segment's average net investment in finance receivables (before ACL) of US$521.8 million increased approximately US$65.9 million in the nine months ended September 30, 2020 compared to the same period in the prior year due to strong originations in 2019 and the early part of 2020. These origination activities contributed on average approximately 82 more finance receivable contracts outstanding during the period compared to the prior year and an increase of US$3,400 in the average book value of finance receivables.

The U.S. non-prime portfolio continued to generate strong risk-adjusted returns and profitability, with limited or no growth, while the continued expansion of the prime portfolio exerted its influence on the over all weighted-average portfolio yield in the U.S., primarily from activity in 2019 and in the first quarter of the year. Almost two years ago, management adopted harder credit floors and stiffer pricing policies in the non-prime business compared to many competitors, negatively impacting growth in these portfolio segments. Management believes this was the prudent approach for these portfolios at that time in the economic cycle. The increase in the average foreign exchange rate for the nine months ended September 30, 2020 increased total revenue by $1.5 million compared to the same period in the prior year.

The U.S. segment's interest expense decreased by $2.4 million compared to the same period in the prior year. The decrease in interest expense is driven primarily by approximately 1.5% lower cost of fund facilities and lower average benchmark lending rates (LIBOR and US Treasuries) in the nine months ended September 30, 2020 compared to the same period in the prior year. This decrease in interest expense was offset by the growth in the portfolio of net finance receivables (discussed above) year-over-year, which comprised the majority of the US$67.1 million increase in average debt outstanding during the year. The increase in the foreign exchange rate increased interest expense by $212,000.

The U.S. segment's provision for credit losses increased by $162,000 in the nine months ended September 30, 2020 compared to the same period in the prior year as a result of an increase in net charge-offs of $6.9 million and a $6.8 million decrease in the ACL. In the nine months ended September 30, 2020, Pawnee's actual net charge-offs were 4.5% of average finance receivables (before ACL) compared to 3.6% in the same period in the prior year.

The ACL for delinquent finance receivables decreased by $6.5 million in the nine months ended September 30, 2020 compared to the same period in the prior year, representing the majority of the $6.8 million decrease in provision of credit losses due to the decrease in the ACL. Pawnee's 31 days past due delinquency at September 30, 2020 compared to December 31, 2019 decreased by 0.47% (compared to an increase of 1.19% in the same period in the prior year), which contributed to the $6.5 million decrease in the required ACL at September 30, 2020. The Company’s ACL was determined as of September 30, 2020 based on forecasts and other information available at that date. Forecasts around the impact of COVID-19 on the economy and on our business, and the timing of a recovery, continue to evolve, which may add significant volatility to the provision for credit losses in future quarters. The increase in the foreign exchange rate increased the provision for credit losses in the nine month period by $369,000 compared to the same period in the prior year.

Pawnee and Tandem's personnel expenses increased by $52,000, or 0.5%, year-over-year, primarily due to the 1.87% increase in the average foreign exchange rates for the nine month periods year-over-year.

Pawnee and Tandem's other expenses increased by $475,000 year-over-year or 4.3%. Most of this increase was collection related costs, which increased $342,000 in the nine months ended September 30, 2020 compared to the same period in the prior year.

Due primarily to the $2.4 million decrease in the interest expense discussed above, Pawnee and Tandem's operating income increased by $530,000 compared to the same period in the prior year.

Blue Chip generated revenue of $11.6 million during the nine months ended September 30, 2020 compared to $13.7 million in the same period in the prior year, a decrease of $2.1 million, or 15.4%. Blue Chip's average net investment in finance receivables decreased approximately $23.5 million in the nine months ended September 30, 2020 compared to the same period in the prior year due to a contraction of the portfolio on lower volumes. The average number of finance receivable contracts outstanding decreased by 1,608 in the nine months ended September 30, 2020 compared to the same period in the prior year. The decrease in finance receivables outstanding year-over-year is due to competitive market conditions, decreased demand during COVID-19, stringent COVID-19 underwriting standards, and the on-going integration of Blue Chip's newer management team. The average annualized yield of 10.74% earned on Blue Chip's net finance receivables has decreased from 10.91% during the nine month period compared to the same period in the prior year.

Blue Chip's provision for credit loss increased by $2.1 million in the nine months ended September 30, 2020 compared to the same period in the prior year, with $981,000 of this increase relating to the increase in the ACL and $1.1 million relating to the increase in actual net charge-offs. As a percentage of average net finance receivables (before ACL), the provision for credit loss was 3.37% for the nine months ended September 30, 2020, up from 1.25% in the same period in the prior year. Blue Chip's operating income totaled $174,000 in the nine months ended September 30, 2020, compared to $3.3 million in the same period in the prior year, a decrease of $3.1 million, primarily due to the significant increase in provision for credit loss and the decrease in revenue.

Chesswood incurred COVID-19 induced restructuring, debt restructuring and other transaction costs totaling $9.25 million in the nine months ended September 30, 2020, which includes $3.2 million in severance costs resulting from employee voluntary retirements and staff reductions, $2.0 million in amendment fees specific to COVID-19 issues related to the revolving credit facility, $2.5 million in financing costs related to restructuring Pawnee's debt facilities in the third quarter of 2020, and $743,000 in related transaction costs.

The Company's investment in Dealnet Capital Corp. ("Dealnet") common shares increased in market value by $423,000 in the nine months ended September 30, 2020 compared to $30,000 in the same period in the prior year, resulting in an increase in net income of $393,000 year-over-year.

The provision for taxes for the nine months ended September 30, 2020 was $1.9 million, compared to $4.8 million in the same period in the prior year. The $1.9 million tax expense for the nine months ended September 30, 2020 is comprised of $5.4 million in current tax expense and future tax recovery of $3.5 million. The effective tax rate differs from the Canadian statutory tax rate due to withholding taxes and permanent differences between accounting and taxable income, which include share-based compensation expense.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

U.S. dollar results for the three months ended September 30, 2020 were converted at an exchange rate of 1.3321, which was the average exchange rate for Q3 2020 (Q3 2019 - 1.3204).

The table below is primarily provided in order to illustrate the results of operations for Chesswood before any change to the non-cash allowance for credit losses, and amortization of intangible assets - referred to below as Adjusted Operating Income. In management's opinion, this measure provides readers with a more meaningful comparison of our operating results from period to period as it eliminates the often large swing in results due to IFRS 9 - the non-cash allowance for credit losses. Overall, results for the three months ended September 30, 2020, in comparison to the same period in the prior year, were heavily influenced by a $13.4 million decrease in the change in the allowance for credit losses.

The Company reported consolidated net income of $9.8 million for the three months ended September 30, 2020 compared to $3.0 million in the same period of 2019, an increase of $6.8 million year-over-year, impacted significantly by the change in ACL and the one-time $3.5 restructuring and other transaction costs recorded during the period. Operating income increased $11.7 million year-over-year (discussed below), net unrealized fair value adjustments and other items increased net income by $925,000 compared to 2019, and offsetting these increases in net income was the increase in tax expense of $2.4 million in the three months ended September 30, 2020 compared to the same period in the prior year.

Average FX rate		1.3321		1.3204		
	Three months ended September 30					
($ thousands)		2020		2019		Change
Revenue	$	27,337	$	31,781	$	(4,444)
Interest expense		(7,084)		(8,676)		1,592
Net charge-offs		(5,879)		(6,267)		388
		14,374		16,838		(2,464)
Expenses:						
Personnel		(4,669)		(5,255)		586
Other expenses(3)		(4,394)		(4,634)		240
Depreciation		(295)		(299)		4
Adjusted Operating Income(1)		5,016		6,650		(1,634)
Change in allowance for credit losses - (increase)		11,765		(1,601)		13,366
Amortization - intangible assets		(333)		(333)		—
Operating Income(2)		16,448		4,716		11,732
Restructuring and other transaction costs(3)		(3,474)		—		(3,474)
M2M interest rate derivatives		214		(82)		296
Other non-cash FMV charges and unrealized FX		493		(136)		629
Income before taxes	$	13,681	$	4,498	$	9,183
Free Cash Flow(1)	$	4,591	$	5,140	$	(549)

(1) Free Cash Flow and Adjusted Operating Income are non-GAAP measures. See "Non-GAAP Measures" above for the definitions. See Adjusted EBITDA, Free Cash Flow, Maximum Permitted Dividend section of this MD&A for a reconciliation of Free Cash Flow to net income.
(2) At December 31, 2019, Case Funding operations were reclassified to continuing operations, as they failed to meet the conditions required for the Discontinued Operations classification. Its net results has been included in Other Expenses. The prior year results have been reclassified to reflect this classification.
(3) Within the COVID-19 induced restructuring and other transaction costs, the Company expensed $2.5 million in financing costs related to restructuring Pawnee's debt facilities in the third quarter of 2020. The Company also incurred $1.0 million in amendment fees specific to COVID-19 issues related to its revolving credit facility.

The U.S. equipment finance segment's interest revenue on leases and loans totaled $21.6 million, a decrease of $2.6 million year-over-year in the three month period, as a result of a decrease in the average yield earned during the period (13.0% compared to 15.4% in the prior year). The U.S. equipment finance segment's average net investment in finance receivables (before ACL) of US$499.2 million increased US$22.5 million or 4.7% in the three months ended September 30, 2020 compared to the same period in the prior year due to an increase of US$2,900 in average book value of finance receivables despite a decrease of approximately 1,145 in the average number of finance receivables contracts outstanding during the three month period year-over-year. The decrease in overall yield percentage is due to the continuing growth in the lower yield prime segment of the portfolio that changes the overall product mix toward prime from non-prime. The U.S. non-prime portfolio continues to be a very important component of our business that generates strong earnings and cash flow while our expanding suite of products and portfolio mix continues its shift towards a greater concentration in the prime market. The increase in the foreign exchange rate also increased revenue in the period by $178,000 over the same quarter in the prior year.

The U.S. segment's interest expense decreased by $1.3 million in the three month period compared to the same period of the prior year. The decrease in interest expense is primarily a result of the decrease of approximately 1.25% in the overall cost of funds year-over-year as a percentage of our average outstanding debt, driven by lower average benchmark lending rates (LIBOR and US Treasuries) in 2020 and lower cost of funds facilities obtained during the prior year, particularly the ABS transaction. The change in the foreign exchange rate increased interest expense by $23,000 in the three month period compared to the same period of the prior year. The interest savings on the lower cost of debt was offset by the increase in the average portfolio of net finance receivables year-over-year in the three month period, which resulted in the US$15.3 million increase in average debt outstanding during the period.

The U.S. segment's provision for credit losses decreased by $14.3 million in the three months ended September 30, 2020 compared to the same period in the prior year as a result of a $13.6 million decrease in the change in the ACL and a decrease in net charge-offs of $669,000. The $8.4 million reduction in the forward looking component of the ACL related to COVID-19 was the predominant reason for the decrease in provision for credit losses in the three month period year-over-year, as net charge-offs levels have been much lower than management's initial COVID-19 estimates. The U.S. segment's annualized net charge-off rate decreased to 3.1% in the three months ended September 30, 2020 compared to 3.6% in the same period of the prior year.

Personnel expenses in the U.S. segment decreased by approximately $149,000 quarter-over-quarter due to COVID-19 related personnel reductions there was 17 fewer employees in the three months ended September 30, 2020 compared to the same period in the prior year. Other expenses increased by $105,000 in the three months ended September 30, 2020 compared to the same period in the prior year, predominantly from the increase in collection related expenses which rose US$412,000 in the period compared to the same period in the prior year. Personnel and other expenses increased by $80,000 in the three month period year-over-year due to the increase in the foreign exchange rate.

Blue Chip generated revenue of $3.6 million during the three months ended September 30, 2020, a decrease of $997,000 from the same period in the prior year. Blue Chip's average net investment in finance receivables decreased approximately $33.1 million in the three months ended September 30, 2020 compared to the same period in the prior year, a decrease of approximately 2,038 in the average number of finance receivable contracts outstanding year-over-year over the three month period. The decrease in finance receivables outstanding year-over-year is due to competitive market conditions, decreased demand during COVID-19, stringent COVID-19 underwriting standards, and the on-going integration of Blue Chip's newer management team. The average annualized yield earned on Blue Chip's net finance receivables decreased by 0.27% during the period compared to the same period in the prior year. Blue Chip's interest expense increased due to lower average debt outstanding offset by higher cost of debt in 2020 (an increase of 0.06% on avg debt levels) compared to the same period in the prior year.

Blue Chip's provision for credit loss increased $535,000 in the three months ended September 30, 2020 compared to the same period in the prior year. The provision for credit losses was 3.5% of Blue Chip's average finance receivable during the three months ended September 30, 2020, up from 1.5% in the same period in the prior year. Of the $535,000 increase in the provision for credit losses, actual net charge-offs accounted for $282,000 of the increase in the three months ended September 30, 2020 compared to the same period in the prior year. As a percentage of average net finance receivables (before ACL), actual net charge-offs were 2.45% for the three months ended September 30, 2020 reflecting the early impact of COVID-19, up from 1.29% in the same period in the prior year. Blue Chip's operating income totaled a loss of $37,000 in the three months ended September 30, 2020 compared to income of $948,000 in the same period in the prior year, a decrease of $985,000, predominantly from the increase in provision for credit losses and decrease in revenue.

Chesswood incurred one-time COVID-19 induced restructuring and other transaction costs totaling $3.5 million in the three months ended September 30, 2020, which includes $1.0 million in amendment fees specific to COVID-19 issues related to the revolving facility and $2.5 million in financing costs related to restructuring Pawnee's debt facilities.

The market value of the Company's investment in Dealnet common shares increased by $544,000 in the three months ended September 30, 2020 compared to a loss of $61,000 in the same period of 2019, resulting in an increase in net income of $605,000 year-over-year.

The non-cash unrealized mark-to-market adjustment on interest rate derivatives for the three months ended September 30, 2020 totaled a gain of $214,000 compared to a loss of $82,000 in the same period in the prior year, translating to an increase in net income of $296,000 year-over-year.

The provision for taxes for the three months ended September 30, 2020 totaled $3.9 million compared to $1.5 million in the same period in the prior year. The effective tax rate differs from the Canadian statutory tax rate due to permanent differences between accounting and taxable income, which primarily include share-based compensation expense.

ADJUSTED EBITDA, FREE CASH FLOW, MAXIMUM PERMITTED DIVIDENDS [1]

Management believes that its measurement of Free Cash Flow (in the table below) is a meaningful measure of the overall performance of the Company's businesses. Free Cash Flow is a calculation that reflects the agreement with one of the significant lenders as to a measure of the cash flow produced by the businesses in a period, as well as management's concurrent view that the measure eliminates often significant non-cash charges and/or recoveries that do not reflect actual cash flows of the businesses, and can vary greatly in amounts from period to period.

For the quarter-ended	2018				2019			2020
($ thousands)	Q4	Q1	Q2	Q3	Q4	Q1	Q2[5]	Q3[5]
Net income (loss)	$ 5,277	$ 3,071	$ 3,894	$ 2,977	$ 2,749	$(19,827)	$ 1,407	$ 9,804
Interest expense	7,966	8,257	8,536	8,676	8,194	8,063	7,374	7,084
Provision for (recovery of) taxes	1,265	1,499	1,767	1,521	380	(2,700)	753	3,877
Goodwill impairment	—	—	—	—	—	11,868	—	—
Amortization and depreciation	478	620	633	632	631	633	656	628
EBITDA [1]	14,986	13,447	14,830	13,806	11,954	(1,963)	10,190	21,393
Interest expense	(7,966)	(8,257)	(8,536)	(8,676)	(8,194)	(8,063)	(7,374)	(7,084)
Non-cash change in finance receivables allowance for credit losses[4]	242	1,825	615	1,601	3,532	15,315	(5,293)	(11,765)
Share-based compensation expense	235	225	111	172	187	186	148	32
Restructuring and transaction costs [5]	—	—	—	—	—	—	5,776	3,474
Unrealized loss (gain) on investments	30	30	(121)	61	—	121	—	(544)
Foreign exchange unrealized loss (gain)	(117)	82	63	75	(267)	72	(19)	51
Unrealized loss (gain) – interest rate derivatives	870	503	626	82	(102)	598	(133)	(214)
Adjusted EBITDA [1][4]	8,280	7,855	7,588	7,121	7,110	6,266	3,295	5,343
Maintenance capital expenditures	(50)	(72)	(212)	(28)	—	(575)	(156)	(56)
Tax impact of change in allowance for credit losses[4]	(53)	(451)	(207)	(432)	(744)	(4,148)	1,447	3,181
Provision for taxes	(1,265)	(1,499)	(1,767)	(1,521)	(380)	2,700	(753)	(3,877)
Free Cash Flow[1][4]	$ 6,912	$ 5,833	$ 5,402	$ 5,140	$ 5,986	$ 4,243	$ 3,833	$ 4,591
FCF L4PQ divided by 4 [1][3]	$ 7,959	$ 7,524	$ 6,389	$ 6,204	$ 5,915	$ 5,745	$ 5,326	$ 4,932
Maximum Permitted Dividends [1][3]	$ 7,163	$ 6,772	$ 5,751	$ 5,584	$ 5,324	$ 5,170	$ 4,793	$ 4,438
Dividends declared [2]	$ 3,737	$ 3,713	$ 3,724	$ 3,723	$ 3,723	$ 3,723	$ 620	$ 0

(1) Adjusted EBITDA, EBITDA, Free Cash Flow, FCF L4PQ (Free Cash Flow for the last four published quarters) and Maximum Permitted Dividends are non-GAAP measures. See "Non-GAAP Measures" above for the definitions.

(2) Includes dividends on Exchangeable Securities (non-controlling interest, as described below under "Statement of Financial Position").

(3) The FCF L4PQ is calculated on a monthly basis as required by the terms of Chesswood's revolving credit line. This calculation uses Chesswood's most recent four quarters' published results at any one point in time, divided by twelve. The FCF L4PQ, in any one quarter, is the basis for the Maximum Permitted Dividends in that quarter (90% of FCF L4PQ) and will not include the FCF for the currently published quarter as they are released/published after the final month of the respective reporting period.

(4) The formulas for Consolidated Adjusted EBITDA and Free Cash Flow adjust for the non-cash change in finance receivables' allowance for credit losses included in the provisions for credit losses in the income statement as well as the related tax effect of this non-cash change. Consolidated Adjusted EBITDA and Free Cash Flow includes only the actual net credit losses incurred in the quarter. Management believes that this change enhances the usefulness of Adjusted EBITDA and Free Cash Flow as performance measures and is a more appropriate method of calculation as it removes the volatility associated with the effect of estimates and assumptions for a non-cash item and reflects the agreement with Chesswood's main corporate credit facility.

(5) The Company incurred $5.8 million restructuring, transaction, and other related COVID-19 costs in the second quarter of 2020, primarily including severances for employee voluntary retirements and staff reduction and amendment fees specific to COVID-19 issues related to its revolving credit facility. In the third quarter of 2020, the Company expensed $2.5 million in financing costs related to restructuring Pawnee's debt facilities, and a $1.0 million amendment fee specific to COVID-19 issues related to its revolving credit facility.

Due to COVID-19 uncertainties (and, subsequently, in accordance with the terms of a COVID-19 related temporary amendment of the Company's revolving credit facility), the Board of Directors determined to reduce the April 2020 dividend and then to temporarily suspend the monthly dividend, starting with the May 2020 monthly dividend. See 'Liquidity and Capital Resources - Dividends to Shareholders' below.

SELECTED FINANCIAL INFORMATION

As at and for the quarter-ended	2018				2019			2020
($ thousands, except per share figures)	Q4	Q1	Q2	Q3	Q4	Q1[7]	Q2[8]	Q3[8]
Revenue[6]	$ 29,491	$ 30,757	$ 31,586	$ 31,781	$ 32,851	$ 33,313	$ 30,011	$ 27,337
Finance margin before expenses	15,797	15,158	16,797	15,237	12,906	1,047	$ 17,249	26,139
Operating income[4][5]	7,325	5,185	6,229	4,716	2,760	(9,868)	$ 7,784	16,448
Income (loss) before tax[5]	6,542	4,570	5,661	4,498	3,129	(22,527)	$ 2,160	13,681
Provision for taxes (recovery)	1,265	1,499	1,767	1,521	380	(2,700)	$ 753	3,877
Net income (loss)	$ 5,277	$ 3,071	$ 3,894	$ 2,977	$ 2,749	$ (19,827)	$ 1,407	$ 9,804
Basic earnings (loss) per share [2]	$0.30	$0.17	$0.22	$0.17	$0.16	($1.12)	$0.08	$0.55
Diluted earnings (loss) per share [2]	$0.29	$0.17	$0.22	$0.16	$0.16	($1.10)	$0.06	$0.56
Total assets	$ 817,812	$ 830,432	$ 855,121	$ 873,610	$ 926,917	$ 1,011,698	$ 907,987	$ 844,920
Long-term liabilities	$ 638,717	$ 656,840	$ 683,204	$ 699,926	$ 753,399	$ 852,448	$ 749,765	$ 681,167
Other Data								
Adjusted EBITDA [1]	$ 8,280	$ 7,855	$ 7,588	$ 7,121	$ 7,110	$ 6,266	$ 3,295	$ 5,343
Free Cash Flow[1]	$ 6,912	$ 5,833	$ 5,402	$ 5,140	$ 5,986	$ 4,243	$ 3,833	$ 4,591
Dividends declared [3]	$ 3,737	$ 3,713	$ 3,724	$ 3,723	$ 3,723	$ 3,723	$ 620	$ 0
Dividends declared per share	$0.21	$0.21	$0.21	$0.21	$0.21	$0.21	$0.035	$0.00

(1) Adjusted EBITDA and Free Cash Flow are non-GAAP measures. See “Non-GAAP Measures” above for the definitions.
(2) Based on weighted average shares outstanding during the period for income attributable to common shareholders.
(3) Includes dividends on Exchangeable Securities (non-controlling interest, as described below under "Statement of Financial Position").
(4) The financial statements for the third quarter of 2019 were reclassified to be on a consistent basis with prior periods, except for renaming 'income before undernoted items' as 'operating income' and the inclusion of amortization - intangible assets in the calculation of that subtotal. The calculation of these measures has been changed for the current and prior periods to be consistent with the discussion of Operating income and Adjusted Operating Income in this MD&A.
(5) At December 31, 2019, Case Funding operations were reclassified to continuing operations, as they failed to meet the conditions required for the Discontinued Operations classification. The legal finance receivable is included with Other Assets and its net results has been included in Other Expenses. The prior year results have been reclassified to reflect this classification.
(6) Starting January 1, 2019, IFRS 16 required a gross-up of revenue and other expenses by approximately $1.0 million per quarter. Prior year (2018) results were not restated.
(7) As a result of the unfavorable economic operating conditions caused by uncertainties relating to COVID-19, an interim impairment test was performed at March 31, 2020. Based on this assessment, management recorded a $11.9 million goodwill impairment. Provision for credit losses was also affected by increased estimates due to COVID-19.
(8) The Company incurred $5.8 million restructuring, transaction, and other COVID-19 costs in the second quarter of 2020 primarily including severances for employee voluntary retirements and staff reduction and amendment fees specific to COVID-19 issues related to its revolving credit facility. In the third quarter of 2020, the Company expensed $2.5 million in financing costs related to restructuring Pawnee's debt facilities, and a $1.0 million amendment fee specific to COVID-19 issues related to its revolving credit facility.

STATEMENT OF FINANCIAL POSITION

The total consolidated assets of the Company at September 30, 2020 were $844.9 million, a decrease of $82.0 million from December 31, 2019. The U.S. dollar exchange rate on September 30, 2020 was 1.3339, compared to 1.2988 at December 31, 2019. The increase in the foreign exchange rate represents an increase of $19.4 million in assets.

Cash totaled $9.7 million at September 30, 2020 compared to $11.0 million at December 31, 2019, a decrease of approximately $1.4 million. The Company’s objective is to maintain low cash balances, investing any free cash in finance receivables as needed and using any excess to pay down debt on the primary financing facilities. Please see the Liquidity and Capital

Resources overview section of this MD&A for a discussion of cash movements during the three and nine months ended September 30, 2020 and 2019.

Other assets totaled $3.2 million at September 30, 2020, a decrease of $8.0 million from December 31, 2019. The decrease in Other assets predominantly relates to the receipt of $3.7 million in income tax refunds. Also included in this total are assets that relate to the sale of EcoHome Financial Inc. ("EcoHome") in 2016, which totaled $906,000 at September 30, 2020 compared to $3.2 million at December 31, 2019. The non-cash consideration received on the sale included 6,039,689 Dealnet common shares. The fair value of the Dealnet common shares represents the trading price at each reporting date, and the value at September 30, 2020 totaled $906,000. The warehouse loan receivable from EcoHome was to mature in October 2020 and was secured by specific leases and loans as well as general security over all of the assets of EcoHome. The loan receivable was repaid in full in May 2020. See Note 4 - *Other Assets* in the unaudited condensed interim consolidated financial statements for further details.

Finance receivables consist of the following:

		September 30, 2020		December 31, 2019		September 30, 2019
Period end FX rate		1.3339		1.2988		1.3087
				($ thousands)		
U.S. equipment finance receivables	$	613,632	$	661,907	$	617,855
Canadian equipment finance receivables		134,468		159,178		165,510
	$	748,100	$	821,085	$	783,365

Finance receivables decreased by $73.0 million, or 9%, during the nine months ended September 30, 2020. In U.S. dollars, U.S.-based finance receivables decreased by US$49.6 million, however the increase in the foreign exchange rate compared to December 31, 2019 increased finance receivables by $17.9 million since December 31, 2019, thus reflecting a decrease in U.S. based finance receivables of $48.3 million since December 31, 2019. Blue Chip's finance receivables decreased by $24.7 million during the nine months ended September 30, 2020. The Company continues to expect modest finance receivable originations in the near term due to COVID-19 related internal more restrictive policies. The Company also temporarily halted new originations in the U.S. during the second quarter of 2020 to settle upon appropriate COVID-19 related amendments to its revolving credit facility. Originations have since resumed following the completion of the amendments at the end of June and September, but at lower COVID-19 levels.

As a result of COVID-19, the Company's subsidiaries granted deferrals on portions of their respective portfolios of leases and loans. Please see Note 5(e) - *Finance Receivables - Modification*s for further details, as well as the table in the U.S. Portfolio COVID-19 Summary section, earlier in this MD&A.

The $748.1 million in net investment in leases and loans is net of $29.4 million in ACL (or 3.8%) (compared to $30.3 million in ACL at December 31, 2019 or 3.6%). The $943,000 decrease in the ACL is predominantly related to the decrease in the size of the finance receivable portfolio offset by a 0.25% increase in ACL as a percentage of the net finance receivables. The increase in ACL for COVID-19 related estimates is offset by the percentage of the portfolio in prime receivables at September 30, 2020 compared to December 31, 2019 forcing a reduction in the required ACL. Finance receivables are composed of a large number of homogenous leases and loans, with relatively small balances. As such, the evaluation of the allowance for credit losses is performed collectively for the lease and loan receivable portfolios. The measurement of expected credit losses and the assessment of 'significant increase' (per IFRS 9) in credit risk considers information about past events and current conditions, as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information also requires judgment when calculating the ACL. The Company's ACL was determined as of September 30, 2020. Since that date, forecasts around the impact of COVID-19 on the economy and the timing of recovery will continue to evolve with any changes to be reflected in the measurement of ACL in future quarters as appropriate. This will likely add significant volatility to the provision for credit losses.

Pawnee charges off leases and loans when they become 154 days contractually past due, unless information indicates that an earlier charge-off is warranted. A high percentage of charge-offs are recognized before the subject leases/loans reach 154 days contractually past due. Blue Chip charges off leases and loans on an individual basis when there is no realistic prospect of recovery. Many finance receivables that are charged-off are subject to collection efforts, with future recoveries possible.

The Company's right-to-use assets and premises leases payable relate to the operating leases of its office premises at the Pawnee, Tandem and Blue Chip locations and were recorded on January 1, 2019 on adoption of IFRS 16. The right-to-use assets are being amortized on a straight-line basis over the life of the underlying premises leases. The premises leases payable are amortized under the effective interest rate method using the interest rate inherent in the underlying leases and lease payments that will include both a principal and interest component. The Company has leases of certain office equipment that are considered of low value that have been excluded. Pawnee's two premises lease extensions from 2025 to 2035 have been excluded from the measurement of lease obligations and right-to-use assets (there could be a re-measurement of the premises lease obligation payable as those years more closely approach).

Intangible assets totaled $16.3 million at September 30, 2020. Of the $810,000 decrease in intangible assets from December 31, 2019, $999,000 is amortization offset by $189,000 increase related to the increase in the foreign exchange rate. The significant intangible assets of broker relationships and trade names do not require any outlay of cash to be maintained, as the creation of lease and loan receivables does not require an outlay of cash, other than commissions, which are separately expensed over the terms of the lease and loan receivables.

Goodwill totaled $28.8 million at September 30, 2020 compared to $40.3 million at December 31, 2019. The $11.49 million decrease consists of an $11.9 COVID-19 related impairment loss at Blue Chip and a $377,000 increase in Pawnee goodwill due to the increase in the foreign exchange rate. Goodwill is typically tested annually for impairment unless certain circumstances arise that would require an assessment prior to an annual review. The Company's annual goodwill impairment assessment did not indicate any impairment as at December 31, 2019. The Company is also required to test its assets, such as intangible assets and goodwill, for impairment when facts and circumstances indicate that impairment may have occurred. The environment at March 31, 2020 was unfavorable due to the various effects of the COVID-19 pandemic: applications and approvals of new finance receivables had dropped compared to the same quarter in the previous year, economic measures indicated a reduced level of activity, including spending and employment; and the Company's dividend and share price had decreased. As a result, an interim impairment test was performed in connection with the preparation of our unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020.

Based on this assessment, management concluded that the carrying value of goodwill for Blue Chip exceeded its recoverable amount and recorded an impairment loss for the excess of $11.9 million. The impairment is due to a combination of: projected decreases in originations in the coming months; forecasted increases in the level of charge-offs; and increased competitive pressures compared to the December 31, 2019 projection. Blue Chip's recoverable amount was determined using discounted cash flows, incorporating several assumptions and estimation uncertainties. Measurements were particularly sensitive, due to the inherently unknowable effects of COVID-19, not least of which are the duration of those effects and the degree of success of the current measures to contain the pandemic's effects on our businesses. While management anticipates that Blue Chip will return to historical growth rates following the lifting of those containment measures, any significant adverse differences between management's estimates and assumptions compared to actual outcomes in future quarters may result in additional goodwill impairment losses. See Note 6 - *Goodwill* to the unaudited condensed interim consolidated financial statements for further detail.

Accounts payable and other liabilities totaled $17.2 million at September 30, 2020 compared to $16.8 million at December 31, 2019, an increase of $400,000. See Note 7 - *Accounts Payable and Other Liabilities* in the consolidated financial statements for more detail on the balances that comprise accounts payable and other liabilities.

Borrowings totaled $648.8 million at September 30, 2020 compared to $714.7 million at December 31, 2019, a decrease of $65.9 million. The increase in the foreign exchange rate since December 31, 2019, led to a $16.4 million increase in the borrowing amount. This foreign exchange increase is offset by a $30.0 million decrease in Blue Chip's Canadian dollar debt and in US$ Pawnee's debt is down US$41.4 million since December 31, 2019. On September 30, 2020, Pawnee completed a US$183.5 million asset-backed securitization which has a fixed term and fixed interest rate, and is collateralized by receivables from Pawnee's portfolio of equipment leases and loans. Proceeds from the securitization were used to pay off Pawnee's warehouse line and CapOne facilities, and to pay down Chesswood's senior revolving credit facility. The securitization provided the Company a lower cost of funds than the existing facilities and freed up approximately US$30.0 million of greater leverage than the existing facilities. Please see the discussion under 'Liquidity and Capital Resources' for further details on our borrowings.

The $8.7 million (December 31, 2019 - $12.1 million) in customer security deposits relates to security deposits predominantly held by Pawnee. Pawnee's non-prime contracts typically require that the lessees/borrowers provide one or two payments as security deposit (not advance payments), which are held for the full term of the lease/loan and then returned or applied to the purchase option of the equipment at the lessee's/borrower's request, unless the contract is in default (in which case the deposit is applied against the receivable). Historically, a very high percentage of such deposits are either applied to the purchase option of the leased equipment at the end of the lease term or used to offset charge-offs.

The Company entered into US$40.0 million of interest rate swap agreements that provide for payment of an annual fixed rate, in exchange for a LIBOR-based floating rate amount. The interest rate swaps are intended to offset a portion of the variable interest rate risk on the credit facility. If the Company had terminated the swaps at September 30, 2020, the Company would have realized a loss of $486,000 compared to a loss of $293,000 at December 31, 2019. US$20.0 million of these interest rate swap agreements expired on August 13, 2020, with the remaining US$20.0 million maturing on August 13, 2021.

Future taxes payable at September 30, 2020 totaled $20.2 million compared to $23.1 million at December 31, 2019, a decrease of $2.9 million. The decrease in future taxes payable is comprised of $3.5 million in future tax recovery offset by an increase of $601,000 due to the change in the foreign exchange rate. Taxes at Pawnee and Blue Chip are provided for using the asset and liability method of accounting. This method recognizes future tax assets and liabilities that arise from differences between the accounting basis of the subsidiary's assets and liabilities and their corresponding tax basis.

At September 30, 2020, there were 16,284,961 common shares outstanding (excluding the shares issuable in exchange for the Exchangeable Securities, as defined below) with a book value of $104.3 million. Including the common shares issuable in exchange for the Exchangeable Securities, Chesswood had 17,763,498 common shares outstanding.

In August 2018, the Company's Board of Directors approved the repurchase for cancellation of up to 1,043,895 of the Company's outstanding common shares for the period commencing August 25, 2018 and ending on August 24, 2019. From August 25, 2018 to December 31, 2018, the Company repurchased 206,340 of its common shares under this normal course issuer bid at an average cost of $10.2412 per share. From January 1, 2019 to August 24, 2019, the Company repurchased 78,020 of its shares under the normal course issuer bid at an average cost of $10.3583 per share. The excess of the purchase price over the average stated value of common shares purchased for cancellation was charged to retained earnings.

In August 2019, the Company's Board of Directors approved the repurchase for cancellation of up to 1,031,791 of the Company's outstanding common shares for the period commencing August 26, 2019 and ending on August 25, 2020. From August 26, 2019 to August 25, 2020, no common shares were repurchased under this normal course issuer bid. Decisions regarding the timing of purchases are based on market conditions and other factors. The normal course issuer bid has not been renewed to date.

Non-controlling interest consists of 1,274,601 Class B common shares and 203,936 Class C common shares (the "Exchangeable Securities") of Chesswood US Acquisitionco Ltd. ("U.S. Acquisitionco"), which were issued as partial consideration for the acquisition of Pawnee and are fully exchangeable at any time for the Company's common shares, on a one-for-one basis, through a series of steps. Attached to the Exchangeable Securities are Special Voting Shares of the Company which provide the holders of the Exchangeable Securities voting equivalency to holders of common shares. Under IFRS, the Exchangeable Securities must be shown as non-controlling interest because they are equity in a subsidiary not attributable, directly or indirectly, to the parent (even though they have no voting powers in the subsidiary, have voting powers only in the parent company, and are fully exchangeable into the equity of the parent for no additional consideration and receive the same dividends as the common shares of the parent company). When the non-controlling interest was moved from Other Liabilities back to the shareholders' equity section on January 1, 2011 (the date Chesswood Income Fund was converted into the Company), per IFRS, the value attributed to the non-controlling interest was just the fair value of the equivalent common shares (closing value of the units of Chesswood Income Fund on the Toronto Stock Exchange on December 31, 2010) as the Exchangeable Securities are fully exchangeable into the Company's common shares. Their portion of the cumulative income and dividends from May 2006 to January 1, 2011 was not allocated to non-controlling interest; however, their portion of income and dividends has since been allocated to non-controlling interest.

Reserves represent the accumulated share-based compensation expensed over the vesting term for options and restricted share units unexercised at September 30, 2020. There were 2,533,939 options and 7,000 restricted share units outstanding at September 30, 2020.

Accumulated other comprehensive income is the cumulative translation difference between the exchange rate on January 1, 2010, the IFRS adoption date, and the exchange rate on September 30, 2020 of self-sustaining foreign operations net assets.

LIQUIDITY AND CAPITAL RESOURCES

The primary sources of cash for the Company and its subsidiaries have been cash flows from operating activities, and borrowings under its and its various subsidiaries' credit, securitization and bulk lease financing facilities. The primary uses of cash for the Company and its subsidiaries are to fund business operations, equipment leases and loans, support working capital, long-term debt principal repayments, share repurchases and dividends.

As a result of COVID-19, the Company's subsidiaries have granted deferrals on portions of their respective portfolios of leases and loans. Pawnee and Tandem had temporarily suspended accepting new financing requests to allow the Company and its subsidiaries to finalize amendments to various facilities to better reflect COVID-19 related experiences and expectations. New equipment financing has since resumed.

At September 30, 2020, the Company had the following facilities:

(a) The Chesswood revolving credit facility allows borrowings of up to US$250.0 million, subject to, among other things, certain percentages of eligible gross finance receivables. This credit facility includes a US$50 million accordion feature that can increase the overall revolver to US$300 million, is secured by substantially all of the Company's assets, contains covenants, including maintaining leverage and interest coverage ratios, and expires on December 8, 2022. At September 30, 2020, the Company was utilizing US$49.9 million (December 31, 2019 - US$156.1 million) of its credit facility and had approximately US$200.1 million in additional borrowings available under the corporate credit facility. At September 30, 2020 and December 31, 2019, and throughout the periods presented, the Company was compliant with all covenants, with certain covenants having been waived or amended to accommodate COVID-19 circumstances. Based on average debt levels, the effective interest rate during the nine months ended September 30, 2020 was 3.85% (year-ended December 31, 2019 - 5.49%). The Company paid $2.0 million in amendment fees specific to COVID-19 issues related to the revolving facility that is included in restructuring and transaction costs and other one-time COVID-19 related expenses.

This revolving credit facility allows Chesswood to internally manage the allocation of capital to its financial services businesses in Canada and the United States. The credit facility supports growth in finance receivables, provides for Chesswood's working capital needs and for general corporate purposes. The facility, available in U.S. or Canadian dollars, also improves the Company's financial flexibility by centralizing treasury management and making the provision of capital to individual businesses more efficient. The financing facilities are not intended to directly fund dividends by the Company. Under the facility, the maximum amount of cash dividends and purchases under its normal course issuer bid in respect of a month is 1/12 of 90% of Free Cash Flow (see Dividend Policy below) for the most recently completed four financial quarters for which Chesswood has publicly filed its consolidated financial statements (including its annual consolidated financial statements in respect of a fourth quarter). Free Cash Flow is defined as the consolidated Adjusted EBITDA less maintenance capital expenditures and tax expense, plus or minus the tax effect of non-cash change in the allowance for credit losses. Please refer to the definitions of Non–GAAP Measures provided in this MD&A. The Company is restricted from paying dividends and limited quarterly equipment financing originations during the period that the temporary COVID-19 related amendments are required.

(b) Pawnee credit facilities:
(i) Through its subsidiary Pawnee Portfolio Fund ("PPF"), Pawnee had a loan facility to fund its prime portfolio. During May 2020, Pawnee elected to convert the facility from a US$250 million revolving facility to an amortizing facility, where collections are now being used to repay the principal. The warehouse facility, which was established in August 2018, held

Pawnee's prime receivables before they are securitized. This credit facility was secured by PPF's assets. At September 30, 2020, Pawnee was utilizing US$0.0 million of this facility (December 31, 2019 - US$0.0 million). At September 30, 2020 and December 31, 2019, Pawnee was compliant with all covenants, with certain covenants being waived or amended to accommodate COVID-19 circumstances. Based on average debt levels, the effective interest rate during the nine months ended September 30, 2020 was 6.3% (year-ended December 31, 2019 - 6.16%) (including fees and upfront origination cost amortization). On September 30, 2020, Pawnee paid off the remaining balance of this facility utilizing proceeds of the new asset-backed securitization (December 31, 2019 - US$0.0 million).
(ii) Pawnee had a combined US$125 million in non-recourse asset-backed facilities with Capital One (the "CapOne facilities"), through subsidiaries Pawnee Receivable Fund I and II LLC. The CapOne facilities were secured by US$154.2 million in gross receivables from Pawnee's prime portfolio of equipment leases and loans, and repayment terms are based on the cash flow of the underlying portfolio. The proceeds were used to pay down Chesswood's existing revolving credit facility. The facilities required Pawnee to mitigate its interest rate risk by entering into interest rate caps for a notional amount not less than 80% of the aggregate outstanding balance. At September 30, 2020 and December 31, 2019, and throughout the periods presented, Pawnee was compliant with all covenants, with certain covenants being waived or amended to accommodate COVID-19 circumstances. Based on average debt levels, the effective interest rate during the nine months ended September 30, 2020 was 4.0% (2019 - 5.72%). On September 30, 2020, Pawnee paid off the remaining balance of the facilities utilizing proceeds of the new asset-backed securitization (December 31, 2019 – US$48.4 million).
(iii) Pawnee has a credit facility, with an US$80 million annual capacity, with a life insurance company that expires in June 2027. The funder makes approved advances to Pawnee on a tranche-by-tranche basis, with each tranche collateralized by a specific group of underlying finance receivables and any related security provided thereunder. The facility has recourse only to the assets financed. The cost of each loan advance is fixed at the time of each tranche. Pawnee maintains certain cash reserves as credit enhancements or provides letters of guarantee in lieu of those same cash reserves. Pawnee retains the servicing of these finance receivables. The balance of this facility at September 30, 2020 was US$11.3 million (December 31, 2019 - US$16.6 million). Based on average debt levels, the effective interest rate was 4.94% (including amortization of origination costs) (December 31, 2019 – 4.43%). At September 30, 2020 and December 31, 2019, Pawnee was compliant with all covenants, with certain covenants being waived or amended to accommodate COVID-19 circumstances.
(iv) In October 2019, Pawnee completed a US$254 million asset-backed securitization which has fixed term and fixed interest rate, and is collateralized by receivables from Pawnee's portfolio of equipment leases and loans. Proceeds from the securitization were used to pay down Pawnee's warehouse line and Chesswood's senior revolving credit facility. The balance of this facility at September 30, 2020 was US$143.9 million (December 31, 2019 - US$239.7 million). Based on average debt levels, the effective interest rate was 3.0% (including amortization of origination costs) (2019 – 2.77%).
(v) On September 30, 2020, Pawnee completed a US$183.5 million asset-backed securitization which has a fixed term and fixed interest rate, and is collateralized by receivables from Pawnee's portfolio of equipment leases and loans. Proceeds from the securitization were used to pay off Pawnee's warehouse line, and CapOne facilities, and to pay down Chesswood's senior revolving credit facility. The balance of this facility at September 30, 2020 was US$182.9 million (December 31, 2019 - n/a). The effective interest rate is expected to be approximately 3.0% (including amortization of origination costs) (2019 – n/a%).

As at September 30, 2020, Pawnee had provided US$2.4 million in outstanding letters of guarantee through Chesswood's revolving credit facility in lieu of cash reserves.

(c) Blue Chip facilities:
Blue Chip has master purchase and servicing agreements with various financial institutions and life insurance companies (referred to collectively as the "Funders"). The Funders make advances to Blue Chip on a tranche-by-tranche basis, with each tranche collateralized by a specific group of underlying finance receivables and any related security provided thereunder. The facilities have limited recourse to other assets in the event that lessees\borrowers fail to make payments when due. Blue Chip either maintains certain cash reserves as credit enhancements or provides letters of guarantee in return for release of the cash reserves. Blue Chip continues to service these finance receivables on behalf of the Funders. At September 30, 2020, Blue Chip had access to the following committed lines of funding: (i) $60.0 million annual limit from a life insurance company; (ii) $100.0 million rolling limit from a financial institution; and (iii) approved funding from another financial institution with no annual or rolling limit. As at September 30, 2020, Blue Chip had $109.3 million (December 31, 2019 - $139.4 million) in securitization and bulk lease financing facilities debt outstanding, was utilizing $62.7 million (December 31, 2019 - $74.2 million) of its available financing and had access to at least $127.3 million (December 31, 2019 - $115.8 million) of additional financing from the Funders. Interest rates are fixed at the time of each advance and are based on Government of Canada Bond yields with maturities comparable to the term of the underlying leases plus a premium. Based on average debt levels, the

effective interest rate during the nine months ended September 30, 2020 was 3.59% (2019 - 3.59%). As at September 30, 2020, Blue Chip had provided $5.8 million in outstanding letters of guarantee through Chesswood's revolving credit facility in lieu of cash reserves. Blue Chip must meet certain financial covenants, including leverage ratio, interest coverage ratio, and tangible net worth covenants, to support these securitization and bulk lease financing facilities. As at September 30, 2020 and December 31, 2019, and throughout the periods presented, Blue Chip was compliant with all covenants, with certain covenants being waived or amended to accommodate COVID-19 circumstances.

Cash Sources and Uses

The statement of cash flows, which is compiled using the indirect method, shows cash flows from operating, investing, and financing activities, and the Company's cash at the beginning and end of the period. Cash flows in foreign currencies have been translated at the average exchange rate for the period. Cash flow from operating activities comprises net income adjusted for non-cash items, changes in working capital and operational net assets. IFRS deems changes in finance receivables as operating assets for financial companies. Receipts and payments with respect to tax are included in cash from operating activities. Interest revenue and interest expense are included in operating activities and not investing or financing activities. Cash flow from investing activities comprises payments relating to the acquisition of companies, net of cash proceeds from the sale of discontinued operations, and payments relating to the purchase of property and equipment. Cash flow from financing activities comprises changes in borrowings, payment of dividends, proceeds from stock issues, exercise of stock options, and the purchase and sale of treasury stock.

For the nine months ended September 30, 2020

In the nine months ended September 30, 2020, there was a decrease in cash of $1.4 million compared to an increase in cash of $5.4 million in the same period in the prior year as a result of the reasons discussed below.

The Company's operations generated $93.5 million of cash during the nine months ended September 30, 2020 compared to utilizing $55.1 million in the same period in the prior year, a decrease in the utilization of cash of $148.6 million. The decrease in utilization of cash is from the reduction in originations in the period compared to the same period in the prior year. Pawnee and Tandem temporarily halted new originations late in April 2020 to allow the Company to settle upon appropriate COVID-19 related amendments to its revolving credit facility. Pawnee and Tandem continued to limit their originations in the U.S. to the moderate levels which were contemplated in the Company's annual MD&A filed in March 2020, while the effects of COVID-19 pass through.

The net cash generated from the net decrease in finance receivables (funds advanced, origination costs, security deposits, restricted cash, and principal payments) totaled $22.1 million in the nine months ended September 30, 2020 compared to utilization $122.3 million in the same period in the prior year to fund growth in finance receivables, an increase of $144.4 million in cash year-over-year. With the cash inflow from the collection of finance receivable payments, excess opening cash, and cash from operations, the Company paid down its various credit facilities by $86.1 million (included in Financing Activities) in the nine months ended September 30, 2020. In the same period of the prior year, the Company funded growth in finance receivables from excess opening cash, cash from operations and net borrowings of $76.0 million.

In the nine months ended September 30, 2020, the Company made tax payments of $1.7 million compared to $5.5 million in the nine months ended September 30, 2019, a decrease of $3.8 million year-over-year.

The Company's finance receivables have an average term of approximately 40 months at the time of origination. The finance receivables will generate earnings over the next 40 months, with only a portion in the current operating period. Our ability to borrow under our various credit facilities is directly linked to our finance receivable portfolio. The funds borrowed (or repaid) to support the growth (retraction) in the finance receivables is shown under Financing Activities. This required accounting disclosure, of including an investment in a long-term asset in Operating Activities and the direct financing thereof under another category (Financing Activities), results in a 'cash flow from operations' in the current period which does not match our funding of new receivables with the borrowings that support them. If the cash utilized to fund the growth (cash generated from the reduction) in finance receivables and net tax payments (discussed above) was matched and included with the related borrowing activities in financing activities or in investing activities, the operating activities generated $73.1 million in cash from net income, non-cash items and other working capital changes compared to $72.7 million in the same period in the prior year, an increase in cash generation of $457,000 compared to the same period in the prior year.

Capital expenditures totaled $787,000 (2019 - $312,000) during the nine months ended September 30, 2020 predominantly related to Pawnee's computer network infrastructure.

The Company paid dividends to the holders of its common shares and Exchangeable Securities in the amount of $5.6 million during the nine months ended September 30, 2020, compared to $11.2 million in the same period in the prior year. The decrease in dividends paid is due to the COVID-19 related reduction of the dividend in April 2020 and the temporary suspension of the dividend starting in May 2020.

For the three months ended September 30, 2020

In the three months ended September 30, 2020, there was a decrease in cash of $3.7 million compared to an increase in cash of $1.2 million in the same period in the prior year as a result of the reasons discussed below.

The Company's operations generated $58.7 million of cash during the three months ended September 30, 2020 compared to utilizing $5.1 million in the same period in the prior year, an increase in cash of $63.8 million year-over-year.

The net cash generated from the net decrease in finance receivables due to COVID-19 (funds advanced, origination costs, security deposits, restricted cash, and principal payments) totaled $33.5 million in the three months ended September 30, 2020 compared to utilization of $29.3 million in the same period in the prior year to fund growth in finance receivables, an increase of $62.8 million in cash year-over-year. With the cash inflow from the collection of finance receivable payments, excess opening cash, and cash from operations, the Company paid down its various credit facilities by $59.9 million in the three months ended September 30, 2020. In the same period of the prior year, Q3 2019, the Company funded growth in finance receivables from excess opening cash, cash from operations and net borrowings of $12.5 million.

In the three months ended September 30, 2020, the Company made tax payments of $987,000 compared to $1.4 million in the same period in the prior year, a decrease in cash utilization of $454,000 year-over-year.

If the cash generated or utilized from the net change in finance receivables and net tax payments (discussed above) was included in financing activities along with the related borrowing activity or investing activities, the operating activities generated $26.2 million in cash from net income, non-cash items and other working capital changes compared to $25.6 million in the same period in the prior year, an increase of $577,000 from the prior year.

Capital expenditures totaled $56,000 (Q3 2019 - $28,000) during the three months ended September 30, 2020.

Due to the COVID-19 related temporary suspension of the dividend starting in May 2020, the Company did not pay dividends to the holders of its common shares and Exchangeable Securities during the three months ended September 30, 2020. The Company paid dividends of $3.7 million in the same period in the prior year.

Chesswood expects that current operations and planned capital expenditures for the foreseeable future of its subsidiaries will be financed using funds generated from operations, existing cash, and funds available under existing and/or new credit and financing facilities. Chesswood may require additional funds to finance future originations, acquisitions and support significant internal growth initiatives relating to finance receivable portfolio growth. It will seek such additional funds, if necessary, through public or private equity, debt financings or securitizations from time to time, as market conditions permit.

Financial Covenants, Restrictions and Events of Default

The Company and its operating subsidiaries are subject to bank and/or funder covenants relative to leverage and/or working capital. Certain of these covenants have been amended or waived to accommodate COVID-19 circumstances. The Company is restricted from paying dividends and limited quarterly equipment financing originations during the period that the temporary COVID-19 related amendments are required.

The Company's ability to access funding at competitive rates through various economic cycles enables it to maintain the liquidity necessary to manage its businesses, and its ability to continue to access funding is an important condition to its future success.

The Company's secured borrowing agreement and its subsidiaries' warehousing, securitization and bulk lease financing facility agreements have financial covenants and other restrictions which must be met in order to obtain continued funding and avoid default.

Advances on the Chesswood revolving credit facility may be drawn at any time, subject to compliance with borrowing base calculations and compliance with the covenants set out therein. As of September 30, 2020, US$49.9 million was outstanding under the US$250.0 million facility, which included US$6.7 million of letters of credit.

Dividends to Shareholders

The Company declared monthly cash dividends of $0.07 per common share from January 2020 to March 31, 2020. The Company declared a monthly dividend of $0.035 per common share effective for April 2020. On May 19, 2020, the Company announced a temporary suspension of dividends due to COVID-19 uncertainties (and subsequently, in accordance with the terms of a COVID-19 related temporary amendment of the Company's revolving credit facility).

Dividend Policy

The Company's policy has been to pay monthly dividends to shareholders of record on the last business day of each month by the 15th of the following month (or the next business day thereafter if the 15th is not a business day), although the policy has been temporarily changed due to the COVID-19 pandemic.

Under the Chesswood credit facility, the maximum amount of monthly cash dividends and repurchases under its normal course issuer bid is 1/12 of 90% of Free Cash Flow (as defined under Non–GAAP Measures in this MD&A) for the most recently completed four financial quarters for which Chesswood has publicly filed its consolidated financial statements.

The amount of any dividends payable by Chesswood is at the discretion of its Board of Directors, is evaluated on an ongoing basis, and may be revised subject to business circumstances and expected capital requirements depending on, among other things, Chesswood's earnings, financial requirements for its operating entities, growth opportunities, the satisfaction of applicable solvency tests for the declaration and payment of dividends and other conditions existing from time to time.

Minimum Payments The following are the contractual payments and maturities of financial liabilities and other commitments as at September 30, 2020 (including interest):

($ thousands)	2020	2021	2022	2023	2024	2025 and beyond	Total
Accounts payable and other liabilities	$ 17,235	$ —	$ —	$ —	$ —	$ —	$ 17,235
Premises leases payable (a)	190	766	750	752	581	244	3,283
Borrowings (b)	67,949	234,574	235,935	110,427	30,190	533	679,608
Customer security deposits (c)	933	3,134	2,596	2,288	306	66	9,323
Interest rate swaps	—	486	—	—	—	—	486
	86,307	238,960	239,281	113,467	31,077	843	709,935
Service contracts	87	278	126	2	—	—	493
Total commitments	$ 86,394	$ 239,238	$ 239,407	$ 113,469	$ 31,077	$ 843	$ 710,428

a. The Company and its subsidiaries are committed to future minimum rental payments under existing leases for premises, excluding occupancy costs and property tax, with expirations up to 2025. The amounts above exclude adjustment for discounting premise lease payable.
b. Borrowings are described in Note 7 - *Borrowings* in the consolidated financial statements, and include Chesswood's

corporate credit facility which is a line-of-credit; as such the balance can fluctuate. The amount above includes fixed interest payments on Pawnee and Blue Chip's facilities and estimated interest payments on the Chesswood corporate credit facility, assuming the interest rate, debt balance and foreign exchange rate at September 30, 2020 remain the same until its expiry date of December 2022. The amount owing under Chesswood's corporate credit facility is shown in year of maturity, all other expected borrowings payments are based on the underlying finance receivables supporting the borrowings.

c. The Company's experience has shown the actual contractual payment streams will vary depending on a number of variables, including: prepayment rates, charge-offs and modifications. Accordingly, the scheduled contractual payments of customer security deposits shown in the table above are not to be regarded as a forecast of future cash payments.

d. Please see Note 5(b) - *Finance Receivables* for the expected collections of finance receivables over the same time period. See Note 8(d) - *Borrowings* - for the amount of restricted cash in collections accounts that will be applied to debt in the following month.

The Company has no material "off-balance sheet" financing obligations, except for US$6.7 million in letters of guarantee. Other commitments are disclosed in Note 17 - *Contingent Liabilities and Other Financial Commitments* in the 2019 audited consolidated financial statements.

OUTLOOK

Given the challenges faced in the first half of the year arising from the pandemic, we are pleased with the profitability and free cash flow generation in the past 2 quarters.

We are optimistic that origination volumes will continue to rise as we move into the fourth quarter and 2021. The markets for both of our businesses are benefiting from pent up demand associated with the shutdowns that occurred previously.

Given the improved business outlook and strong results to date, we are resuming dividend payments beginning in December. We will continue to evaluate our dividend level in the context of operating performance.

RISK FACTORS

An investment in the Company's common shares entails certain risk factors that should be considered carefully.

Chesswood operates in a dynamic environment that involves various risks and uncertainties, many of which are beyond our control and which could have an effect on our business, revenues, operating results, cash flow and financial condition. Readers should carefully review the risk factors in the Company's annual information form filed with various Canadian securities regulatory authorities through SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com, a summary of which are set out below.

Deterioration in Economic or Business Conditions; Impact of Significant Events and Circumstances; COVID-19

The results of the Company's subsidiaries may be negatively impacted by various economic factors and business conditions, including the level of economic activity in the markets in which they operate. To the extent that economic activity or business conditions deteriorate, originations may decrease; and delinquencies and credit losses may increase. Delinquencies and credit losses generally increase during economic slowdowns or recessions such as that experienced in the United States from 2008-2013. As our operating companies extend credit primarily to small businesses, many of their customers may be particularly susceptible to economic slowdowns or recessions, and may be unable to make scheduled lease or loan payments during these periods. Unfavourable economic conditions may also make it more difficult for our operating companies to maintain new origination volumes and the credit quality of new leases and loans at levels previously attained. Unfavourable economic conditions could also increase funding costs or operating cost structures, limit access to credit facilities, securitizations and other capital markets or result in a decision by lenders not to extend further credit.

In addition, the equipment finance industry generally may be affected by changes in accounting treatment for leases and loans, and negative publicity with respect to, among other things, fraud or deceptive practices by certain participants in the industry. Greater governmental scrutiny is also a risk, especially as to the tax treatment of certain transaction structures or other aspects of these transactions that, if changed, could result in additional tax, fee or other revenue to that governmental authority. Any of these factors may make leasing or loaning less attractive or diminish the profitability of the existing financing alternatives offered by our operating companies.

In addition to being impacted by factors or conditions in the United States or Canada, political, economic or other significant events or circumstances outside of North America (whether political unrest which impacts upon the prices of oil and other commodities or otherwise) can ultimately significantly impact upon North American economic conditions which, in turn, could result in the adverse implications described in the first paragraph under this heading. Similarly, natural disasters in any part of the world may directly (through impact on supplies of goods or equipment to our businesses) or indirectly impact Chesswood's operations or results. Further, tariffs or duties imposed by a country could adversely impact upon industries in which companies to which our operating companies have provided financing or seek to provide financing, which may impact Chesswood's operations or results.

As of today, Canada and the U.S. are only approximately eight months into the COVID-19 pandemic. Financial markets and businesses across many industries are already experiencing significant challenges and it will likely be some time before the duration and ultimate severity of the impact will be known. Chesswood expects that, at a minimum, there will be a further period of decreased originations and increased delinquencies/charge-offs, perhaps significant. Chesswood's subsidiaries have already granted deferrals on payments on material portions of their portfolios of leases and loans.

Portfolio Delinquencies; Inability to Underwrite Lease and Loan Applications

Pawnee's receivables consist primarily of lease and loan receivables originated under programs designed to serve small and medium-sized, often owner-operated, businesses that have limited access to traditional financing. There is a high degree of risk associated with equipment financing for such parties. A portion of Pawnee's portfolio are start-up businesses that have not established business credit or a more established business that has experienced some business or personal credit difficulty at some time in its history. As a result, such leases or loans entail a relatively higher risk and may be expected to experience higher levels of delinquencies and loss levels. Pawnee cannot guarantee that the delinquency and loss levels of its receivables will correspond to the historical levels Pawnee has experienced on its portfolio and there is a risk that delinquencies and losses could increase significantly.

Analogous risks are faced by Blue Chip and Tandem in their businesses.

In addition, since defaulted leases and loans and certain delinquent leases and loans cannot be used as collateral under our financing facilities, higher than anticipated lease defaults and delinquencies could adversely affect our liquidity by reducing the amount of funding available to us under our financing arrangements. Furthermore, increased rates of delinquencies or loss levels could result in adverse changes to the terms of future financing arrangements, including increased interest rates payable to lenders and the imposition of more burdensome covenants and increased credit enhancement requirements. As described elsewhere in this MD&A, the Company and its subsidiaries entered into temporary amendments to their credit facilities to better reflect COVID-19 related experiences and expectations.

Dependence on Key Personnel

Our operating companies depend to a large extent upon the abilities and continued efforts of their key operating personnel and senior management teams.

Relationships with Brokers and Other Origination Sources

Pawnee, Tandem and Blue Chip have formed relationships with hundreds of origination sources, comprised primarily of equipment finance brokerage firms and vendors/distrubtors. They rely on these relationships to generate applications and originations. The failure to maintain effective relationships with their brokers and other origination sources or decisions by them to refer transactions to, or to sign contracts with, other financing sources could impede their ability to generate transactions, including Canada where Blue Chip gets a substantial portion of its origination volume from a few large equipment brokerage firms.

Tandem was only recently launched and is forming relationships with origination partners, comprised primarily of equipment dealers. It will rely on the relationships it creates to generate lease and loan applications and originations. Many of these relationships may not be formalized in written agreements, and those that are formalized may be terminable at will. The decision by a significant number of Tandem's origination partners to refer their transactions to other companies would impede Tandem's ability to generate transactions.

Risk of Future Legal Proceedings

Our operating companies are threatened from time to time with, or are named as defendants in, or may become subject to, various legal proceedings, fines or penalties in the ordinary course of conducting their respective businesses. A significant judgment or the imposition of a significant fine or penalty on an operating company (or on a company engaged in a similar business, to the extent the operating company operates in a similar manner) could have a material adverse impact on our business, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

Interest Rate Fluctuations

The Company and our operating companies are exposed to fluctuations in interest rates under their borrowings. Increases in interest rates (to the extent not mitigated by interest hedging arrangements or fixed rate securitizations) may have a material adverse impact on our businesses, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

The leases and loans are written at fixed interest rates and terms. Generally, the Company finances the activities of its operating companies with both fixed rate and floating rate funds. To the extent the operating companies finance fixed rate leases and loans with floating rate funds, they are exposed to fluctuations in interest rates such that an increase in interest rates could narrow or eliminate the margin between the yield on a lease and loan and the effective interest rate paid by the borrower.

At the customer level, non-prime segments of the micro and small-ticket equipment finance market have historically and typically been, and continue to be, more sensitive to monthly lease/loan payment amounts than to the effective rates of interest charged.

Losses from Leases and Loans; The Risk/Yield Trade-off

Losses from leases and loans in excess of our operating companies' expectations would have a material adverse impact on our businesses, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

Changes in economic conditions, the risk characteristics and composition of the portfolio, bankruptcy laws, and other factors could impact our operating companies' actual and projected net credit losses and the related allowance for credit losses. Should there be a significant change in the above noted factors, then our operating companies may have to set aside additional reserves which could have a material adverse impact on their respective business, financial condition and results of operations and on the amount of cash available for dividends to our shareholders.

Determining the appropriate level of the allowance is an inherently uncertain process and therefore the determination of this allowance may prove to be inadequate to cover losses in connection with a portfolio of leases and loans. Factors that could lead to the inadequacy of an allowance for credit losses may include the inability to appropriately underwrite credit risk of new originations, effectively manage collections, or anticipate adverse changes in the economy or discrete events adversely affecting specific customers, industries or geographic areas.

Pawnee began offering its prime product in 2015 - financing for higher credit rated lessees and borrowers, and this product represents an increasing part of the composition of Pawnee's portfolio. While it is expected that the losses and allowance for credit losses in respect of this part of Pawnee's portfolio will be lower - commensurate with the prime credit rating of the lessees/borrowers - the spread between the rates that Pawnee can charge over our cost of funds is also considerably smaller.

Adverse Events or Legal Determinations in Areas with High Geographic Concentrations of Leases or Loans

If judicial or other governmental rulings or actions or interpretations of laws adverse to the equipment finance industry and\or the working capital loan industry in general or to business practices engaged in by our operating companies, or adverse economic conditions or the occurrence of other significant events such as natural disasters and terrorist attacks, were to occur in a geographic region with a high concentration of leases/loans or equipment financed from our operating companies, there could be a material adverse impact on our business, financial condition and results of operations, and the amount of cash available for dividends to our shareholders.

"Characterization" Risks

If an applicable court or regulatory authority were to make an adverse finding, or take an adverse action on the basis that one of Pawnee's form of lease is not a true lease for commercial law, tax law, or other legal purposes, adverse consequences could result with respect to leases entered into in such form including the loss of preferred creditor status (which would impact upon Pawnee's rights to recover on its claim), limitations on finance charges and other fees that can be enforced, and additional federal, state and other (income or sales) taxes payable by Pawnee.

Defenses to Enforcement of a Significant Number of Leases and Loans

Certain defenses and recovery impediments are more common in micro and small-ticket equipment finance transactions than with respect to equipment finance providers in other segments of the equipment finance industry. Management believes that certain of these risks are sufficiently addressed in the existing documentation and related business practices of our operating companies. However, there are other risks that they have not addressed for various reasons, including that certain of these risks are not susceptible to being addressed either at all or without incurring cost inefficiencies or taking other measures deemed unacceptable by management based on a risk-reward assessment. Our operating companies have never experienced any material occurrence of these risks nor have these risks historically had a material adverse impact on them. However, there is no assurance that these risks will not have a material adverse impact on their business, financial condition and results of operations in the future.

Origination, Funding and Administration of Transactions

Our operating companies' origination, funding and transaction administration practices could result in certain vulnerabilities in their enforcement rights. For example, certain leases and loans are assignments of transactions already documented by brokers. Acquiring leases/loans by this "indirect" process subjects our operating companies to various risks, including risks that might arise by reason of the broker's insolvency, administrative inadequacies or fraudulent practices, as well as any third party claims against the broker or its rights with respect to the assigned lease or loan. Our operating companies may be subject to risks related to broker practices, whether or not our operating companies have actual legal responsibility for broker conduct. Any of these broker related risks can impair our operating companies' rights with respect to recovering the rents and/or property under leases and loans. Pawnee has not been involved in any claims or litigation in relation to such risks and Pawnee does not conduct lien searches in the name of, require lien releases from, or file financing statements against the lease broker.

If the lessee/borrower or broker is the party to whom the vendor of the equipment has agreed to sell the property at the time of its delivery, then under applicable commercial law, the lessee/borrower or broker, as applicable, may be deemed to have acquired title to the property prior to our operating companies having funded the transaction. It has not been their practice to ensure that the title to the leased property has not already passed or to obtain assurances that it is acquiring good title to that property free of liens and other third party claims. The manner in which our operating companies purchase the equipment is typical in this market segment, especially with respect to similarly situated equipment financing providers. They have not yet faced any meaningful challenge or adverse consequence from this practice, but there can be no assurance that such a challenge or consequence will not occur in the future.

In most circumstances where the equipment is less than US$15,000 (or US$10,000 if for a home business) for Pawnee's core product and US$35,000 for the "B" product, and US$100,000 for "A", Pawnee's practice of requiring only a verbal confirmation that the property has been delivered and irrevocably accepted under the subject lease or loan, and/or inspecting the property to confirm the same, could make Pawnee vulnerable to certain defenses. By way of example, Pawnee's deemed failure to deliver conforming property under the lease or loan documents could be a defense to a lessee/borrower's "unconditional" obligation to pay the rents and certain other amounts. Pawnee has not suffered any material losses relating to these practices, however, there can be no assurance that it would not in the future.

Analogous risks are faced by Blue Chip and Tandem.

Changes in Governmental Regulations, Licensing and Other Laws and Industry Codes of Practice

Finance companies are subject to laws and regulations relating to extending financing generally and are also members of industry associations which have adopted, among other things, codes of business practice. Laws, regulations and codes of business practice may be adopted with respect to existing leases and loans or the leasing, marketing, selling, pricing, financing and collections processes which might increase the costs of compliance, or require them to alter their respective business, strategy or operations, in a fashion that could hamper the ability to conduct business in the future.

Licensing Requirements

If an applicable court or regulatory authority were to make an adverse finding or otherwise take adverse action with respect to our operating companies based on their failure to have a finance lender's or other license or registration required in the applicable jurisdiction, our operating companies would have to change business practices and could be subject to financial or other penalties. Further, certain jurisdictions may enact or change administrative practices in respect of licensing requirements for our operating companies or their referring brokers. For example, California requires that referring brokers have a lenders' license, which may impact loan referrals from certain brokers for funding to California residents.

Fees, Rates and Charges

Some of our operating companies' documents require payment of late payment fees, late charge interest, and other charges either relating to the non-payment under, or enforcement, of their leases and loans. It could be determined that these fees and/or the interest rates charged exceed applicable statutory or other legal limits. If the charges are deemed to be punitive and not compensatory, or to have other attributes that are inconsistent with, or in violation of, applicable laws, they could be difficult to enforce. A number of charges payable with respect to equipment finance transactions in the micro and small-ticket equipment finance market have been the subject of litigation by customers against financing parties in the past. Although our subsidiaries are not currently the subject of any such litigation, there can be no assurance that a lessee/borrower or a group of lessees/ borrowers will not attempt to bring a lawsuit against our subsidiaries in relation to fees and charges, which our subsidiaries may or may not be successful in defending.

Our operating companies believe that their fee programs are designed and administered so as to comply with legal requirements and are within the range of industry practices in their market segments. Nevertheless, certain attributes of these fees or charges, and their practices, including that their leases and loans typically provide for several different fees and charges resulting in a substantial amount of fee income and the possibility that the fees and charges may exceed actual costs involved or may otherwise be deemed excessive, could attract litigation, including class actions, that would be costly even if our subsidiaries were to prevail and as to which no assurance can be given of their successful defense. In addition to the risk of litigation, fee income is important to our subsidiaries and the failure of our subsidiaries to continue to collect most of these fees could have a material adverse impact on our business, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

Insurance

To ensure that the lessor or lender of the leased or financed property suffering a loss receives the related insurance proceeds, the lease or loan also requires that the lessor or lender be named as a loss payee under the requisite casualty coverage. However, each lessee/borrower is ultimately relied upon to obtain and maintain the required coverage for financed equipment but there is no certainty that they will obtain the requisite coverage either conforming to the requirements of the lease or loan, or at all. Additionally, there are often policy provisions including exclusions, deductibles and other conditions that by their terms, or by reason of a breach, could limit, delay or deny coverage. There can be no assurance that any insurance will protect our operating companies interests in the equipment, and the failure by the lessee/borrower to obtain insurance or the failure by the operating companies to receive the proceeds from such insurance policies could have a material adverse impact on our business, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

Lessor Liability

There is a risk that a lessor, such as Pawnee, Blue Chip or Tandem, could be deemed liable for harm to persons or property in connection with, among other things, the ownership or leasing of the leased property, or the conduct or responsibilities of the parties to the lease relating to that property. The liability may be contractual (such as warranties regarding the equipment), statutory (such as federal, state or provincial environmental liability) or pursuant to various legal theories (such as negligence). There have been cases in which a lessor has been held responsible for damage caused by leased property without a showing of negligence or wrong-doing on the lessor's part. Even if a lessor ultimately succeeds in defending itself or settling any related litigation, the related costs and any settlement amount could be significant.

Liability for Misuse of Leased Equipment

There is no practical manner to ensure that leased equipment or a leased vehicle will be used, maintained or caused to comply with applicable law. Pawnee, Blue Chip and Tandem require their lessees to deliver evidence of compliance with same as a condition to funding but have no assurance that a lessee will take the appropriate actions during the lease term to address any use, maintenance or compliance issues which may arise. A lessee's conduct (or lack thereof) could subject Pawnee, Blue Chip or Tandem, as applicable, to liability to third parties.

Estimates Relating to Value of Leases

Based on the particular terms of a lease, equipment finance companies estimate the residual value of the financed equipment, which is recorded as an asset on its statement of financial position. At the end of the lease term, equipment finance companies seek to realize the recorded residual for the equipment by selling the equipment to the lessee or in the secondary market or through renewal of the lease by the lessee. The ultimate realization of the recorded residual values depends on numerous factors, including: accurate initial estimate of the residual value; the general market conditions and interest rate environment at the time of expiration of the lease; the cost of comparable new equipment; the obsolescence of the leased equipment; any unusual or excessive wear and tear on or damage to the equipment; and the effect of any additional or amended government regulations.

If Pawnee, Blue Chip or Tandem (in connection with those leases where the lessee is not obligated to either purchase the equipment or guarantee the residual value of the equipment at the end of the term of the lease) is unable to accurately estimate or realize the residual values of the leased equipment subject to their leases, the amount of recorded assets on its statement of financial position will have been overstated.

Competition from Alternative Sources of Financing

The business of micro and small-ticket equipment finance in the United States is highly fragmented and competitive. Pawnee focuses some its business on the segment of the micro and small-ticket equipment finance market involving start-up businesses that have not established business credit or established businesses that have experienced some credit difficulty in their history that do not meet the credit standards of more traditional financing sources. Pawnee's main competition comes from equipment finance companies, banks, commercial lenders, home equity loans, and credit cards.

As Pawnee expands its suite of products and targets potential lessees/borrowers with better credit scores, it faces competition from more traditional financing sources, including: national, regional and local finance companies; captive finance and equipment finance companies affiliated with major equipment manufacturers; and financial services companies, such as commercial banks, thrifts and credit unions.

Many of the firms and institutions providing financing alternatives are substantially larger than Pawnee, Blue Chip and Tandem and have considerably greater financial, technical and marketing resources. Some of them may have a lower cost of funds and access to funding sources that are unavailable to Pawnee, Blue Chip and Tandem. A lower cost of funds could enable a competitor to offer leases and loans with pricing lower than that of Pawnee, Blue Chip or Tandem, potentially forcing them to decrease prices or lose origination volume. In addition, some financing sources may have higher risk tolerances or different risk assessments, which could allow them to establish more origination sources and customer relationships to increase their market share.

Further, because there are fewer barriers to entry with respect to the micro and small-ticket equipment finance market, new competitors could enter this market at any time, especially if an improvement in the economy leads to a greater ability of small and medium-sized businesses to establish improved levels of creditworthiness.

With the ever advancing improvements in technology, financial-technology ("Fintech") firms have been emerging with new business models, based on new technology that often includes an internet component, for offering financial services to businesses and consumers. It is possible that advancements by Fintech firms could negatively impact Pawnee, Blue Chip or Tandem's business in a significant manner.

Fraud by Lessees, Borrowers, Vendors or Brokers

While our operating companies make every effort to verify the accuracy of information provided to them when making a decision whether to underwrite a lease or loan and have implemented systems and controls to protect against fraud, in a small number of cases in the past our operating companies have been a victim of fraud by lessees/borrowers, vendors and brokers. In cases of fraud, it is difficult and often unlikely that our operating companies will be able to collect amounts owing under a lease or loan or repossess the related equipment. Our operating companies may be subject to risks related to broker practices whether or not our operating companies have actual legal responsibility for broker conduct. Increased rates of fraud could have a material adverse impact on our business, financial condition and results of operations, and on the amount of cash available for dividends to our shareholders.

Protection of Intellectual Property

Chesswood's operating subsidiaries continually develop and improve their brand recognition and proprietary systems and processes, which is an important factor in maintaining a competitive market position. No assurance can be given that competitors will not independently develop substantially similar branding, systems or process. Despite the efforts of our operating subsidiaries to protect their proprietary rights, unauthorized parties may attempt to obtain and use information the subsidiaries regard as proprietary. Preventing unauthorized use of such proprietary rights may be difficult, time-consuming and costly, and without any assurance of success.

Failure of Computer and Data Processing Systems

Our operating companies are dependent upon the successful and uninterrupted functioning of their computer and data processing systems. The failure of these systems could interrupt operations or materially impact the ability of our operating companies to originate and service their lease and loan portfolio and broker networks. If sustained or repeated, a system failure could negatively affect these operations. Our operating companies maintain confidential information regarding lessees and borrowers in their computer systems. This infrastructure may be subject to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. A security breach of computer systems could disrupt operations, damage reputation and result in liability.

Security Risks

Despite implementation of network security measures, the infrastructure of our subsidiaries' websites and our management network is potentially vulnerable to computer break-ins and similar disruptive problems.

Risks Related to our Structure and Exchange Rate Fluctuations

The dividends expected to be paid to our shareholders will be denominated in Canadian dollars. However, a significant percentage of our revenues are expected to be derived from the revenues of our U.S. operations, which are received in U.S. dollars. Changes in the value of the U.S. dollar could have a negative impact on our Canadian dollar results, and in turn, on the amount in Canadian dollars available for dividends to our shareholders.

Unpredictability and Volatility of Share Price

A publicly-traded company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which our common shares will trade cannot be predicted. The market price of the common shares could be subject to significant fluctuations in response to variations in quarterly operating results and other factors. The annual yield on the common shares as compared to the annual yield on other financial instruments may also influence the price of common shares in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the common shares.

Leverage, Restrictive Covenants

The Company and its subsidiaries have third party debt service obligations under their respective credit and securitization and bulk lease financing facilities. The degree to which our subsidiaries are leveraged could have important consequences to our shareholders, including: (i) the ability to obtain additional financing for working capital in the future may be limited; (ii) a portion of the cash flow from the assets of such subsidiaries may be dedicated to the payment of the principal of and interest on their respective indebtedness, thereby reducing funds available for distribution to the Company; and (iii) certain of the respective borrowings of such subsidiaries will be at variable rates of interest, which will expose them to the risk of increased interest rates. The ability of such subsidiaries to make scheduled payments of the principal of or interest on, or to refinance, their indebtedness will depend on their future cash flow, which is subject to their respective assets, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond their control.

Possible Acquisitions

Acquisitions, if they occur, may increase the size of the operations as well as increase the amount of indebtedness that may have to be serviced by Chesswood and its subsidiaries. There is no assurance that such acquisitions can be made on satisfactory terms, or at all. The successful integration and management of acquired businesses involve numerous risks that could adversely affect the growth and profitability of Chesswood and its subsidiaries. There is no assurance that such acquisitions will be successfully integrated.

Restrictions on Potential Growth

The payout by our operating companies of a significant portion of their earnings available for distribution will make additional capital and operating expenditures dependent upon increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of our operating companies and their cash flow.

Canadian Income Tax Matters

The income of the Company's operating companies must be computed in accordance with applicable Canadian, U.S, or foreign tax laws, and the Company is subject to Canadian tax laws, all of which may be changed in a manner that could adversely affect the amount of distributable cash.

United States Income Tax Matters

There can be no assurance that U.S. federal and state income tax laws and administrative policies will not develop or be changed in a manner that adversely affects our shareholders.

On December 22, 2017, the U.S. government enacted new tax legislation effective January 1, 2018. The legislation made broad and complex changes to the U.S. tax code. The tax provision recorded by the Company in our financial statements may change in the future following a more comprehensive review of the legislation, including implementation of the associated rules and regulations and supporting guidance from the Internal Revenue Service and other bodies, and as a result of any future changes or amendments to this legislation.

Environmental risk

Chesswood and its operating subsidiaries, and their activities, have no direct significant impact on the environment, although there can be no assurance that they will not be the subject of claims in this regard (see for example, "Lessor Liability" above).

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Understanding the Company's accounting policies is essential to understanding the results of operations and financial condition. The preparation of these unaudited condensed interim consolidated financial statements requires us to make estimates and judgments that affect reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our unaudited condensed interim consolidated financial statements. Estimates are based on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Net Investment in Leases

The leases entered into are considered to be finance leases in nature, based on an evaluation of all the terms and conditions and the determination that substantially all the risks and rewards of legal ownership of the underlying assets have been transferred to the lessee. Interest revenue on finance leases is recognized using the effective interest method. The effective interest method of income recognition applies a constant rate of interest equal to the internal rate of return on the lease.

Allowance for Credit Losses

The carrying value of net investment in leases and loans is net of an allowance for credit losses.

Application of the Expected Credit Loss ("ECL") model depends on the following credit stages of the financial assets:

(i) Stage 1 - for new leases and loans recognized and for existing leases or loans that have not experienced a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the net credit losses expected to result from defaults occurring in the next 12 months;
(ii) Stage 2 - for those leases or loans that have experienced a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the net credit losses expected over the remaining life of the lease or loan; and
(iii) Stage 3 - for leases or loans that are considered credit-impaired, a loss allowance equal to full life-time expected net credit losses is recognized.

Finance receivables at Pawnee and Blue Chip are composed of a large number of homogenous leases and loans, all with relatively small balances. Thus, the evaluation of the allowance for credit losses is performed collectively for the lease and loan receivable portfolios.

For Stage 2, leases and loans are considered to have experienced a significant increase in credit risk since initial recognition if they are delinquent for over 30 days and further includes approximately 15% of the non-prime 1-30 day delinquent leases and loans.

For Stage 3, leases and loans are considered credit impaired if they are delinquent for more than 90 days or if the individual leases and loans are otherwise classified as non-accrual.

The measurement of expected credit losses for Stage 1 and the assessment of significant increase in credit risk considers information about past events and current conditions, as well as reasonable and supportable forecasts of future events and economic conditions. The Company utilizes static pool loss data applied to recent origination levels along with forward-looking macroeconomic assumptions under the ECL methodology. The estimation and application of forward-looking information also requires judgment.

Pawnee charges off leases and loans when they become 154 days contractually past due, unless information indicates that an earlier charge-off is warranted. A high percentage of charge-offs are recognized before the subject leases/loans reach 154 days contractually past due. Blue Chip charges off leases and loans on an individual basis when there is no realistic prospect of recovery. Finance receivables that are charged-off could still be subject to collection efforts, with future recoveries possible.

The resulting projections of probable net credit losses are inherently uncertain, and as a result we cannot predict with certainty the amount of such losses. Changes in economic conditions, the risk characteristics and composition of the portfolio, bankruptcy laws, and other factors could impact the actual and projected net credit losses and the related allowance for credit losses.

Impairment of Goodwill

Goodwill is evaluated for impairment on an annual basis, or more frequently if certain events or circumstances exist. The Company's impairment test of goodwill is based on the value-in-use which is estimated using a discounted cash flow model. The cash flows are derived from budgets for the next five years, excluding restructuring activities and future investments. Impairment testing is applied on an individual asset basis unless an asset does not generate cash inflows that are largely independent of the cash inflows generated by other assets or groups of assets. None of the Company's non-financial assets generate independent cash inflows and therefore all non-financial assets are allocated to cash generating units ("CGU") for purposes of assessing impairment.

CGUs are defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized when the carrying amount of a CGU exceeds the recoverable amount, which is the greater of the CGU's fair value less cost to sell and its value in use. Value-in-use is the present value of the estimated future cash flows from the CGU discounted using a pre-tax rate that reflects current market rates and the risks inherent in the business of each CGU. If the recoverable amount of the CGU is less than its carrying amount, the CGU is considered impaired and is written down to its recoverable amount. The impairment loss is allocated to reduce the carrying amount of the assets of the CGU, first to reduce the carrying amount of the CGU's goodwill and then to the other assets of the CGU allocated pro-rata on the basis of the carrying amount of each asset. Other than the cash flow estimates, the value-in-use is most sensitive to the discount rate used and the growth rate applied beyond the five year estimate. Changes in these estimates and assumptions could have a significant impact on the value-in-use and/or goodwill impairment.

Share-based Payments

The Black-Scholes model is used to fair value options issued by the Company. The model requires the use of subjective assumptions, including expected share price volatility. In addition, the options issued have characteristics different from those of traded options so the Black-Scholes option-pricing model may not provide a reliable single measure of the fair value of options issued. Changes in the subjective assumptions can have a material effect on the fair value estimate.

Interest rate derivatives

Financial instruments accounting requires recognition of the fair value of all derivative instruments on the statement of financial position as either assets or liabilities. Changes in a derivative's fair value are recognized currently in earnings unless specific hedge accounting criteria are met. Gains and losses on derivative hedging instruments must be recorded in either other comprehensive income or current earnings, depending on the nature and designation of the instrument.

Interest rate derivatives are not considered trading instruments as the Company intends to hold them until maturity. Nonetheless, interest rate derivatives do not qualify as a hedge for accounting purposes, and are therefore recorded as separate derivative financial instruments. Accordingly, the estimated fair value of interest rate derivatives is recorded as an asset or a liability on the accompanying consolidated statement of financial position. Payments made and received pursuant to the terms of the interest rate derivatives are recorded as an adjustment to interest expense, and adjustments to the fair value of the interest rate derivatives are recorded as gain or loss on interest rate derivatives. The fair value of interest rate derivatives is based upon the estimated net present value of cash flows.

Taxes

Accounting for tax requires the resolution of many complexities and the exercise of significant management judgement, including the following: (a) Pawnee and Blue Chip use the asset and liability method to account for taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax base. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. In contrast, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. (b) Deferred tax assets are only recognized to the extent that they are more than 50% likely to be realized. (c) Pawnee and Blue-Chip account for their lease arrangements as operating leases for tax reporting purposes. This results in temporary differences between financial and tax reporting for which deferred taxes have been provided.

Leased Premises

As of January 1, 2019, the Company adopted IFRS 16 *Leases*, which replaced IAS 17 *Leases*. See Note 2 - *New Accounting Standards* in the 2019 audited consolidated financial statements for further disclosure. IFRS 16, *Leases* removed the distinction between finance and operating leases and requires lessees to recognize right-of-use assets and lease liabilities for all leases, subject to certain optional exceptions, on the commencement of a lease.

On January 1, 2019, the Company recorded a right-of-use asset and a corresponding lease liability of $3.8 million, with no net impact on retained earnings. Under the new accounting policy, the nature of expenses related to those leases changed from straight-line operating lease expense to a depreciation charge for the right-to-use assets and interest expense on the lease liabilities.

RELATED PARTY TRANSACTIONS

See Note 15 - *Related Party Transactions* in the unaudited condensed interim consolidated financial statements for the disclosure of key management compensation.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Chief Executive Officer and the Director of Finance (the “Certifying Officers”), along with other members of management, have designed, or caused to be designed under their supervision, Disclosure Controls and Procedures (“DC&P”) to provide reasonable assurance that (i) material information relating to the Company is made known to them by others, particularly during the period in which the annual or interm filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Control over Financial Reporting

The Certifying Officers, along with other members of management, have also designed, or caused to be designed under their supervision, Internal Control over Financial Reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes prepared in accordance with IFRS. The Certifying Officers have used the Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), to design the Company’s ICFR.

During the quarter ended September 30, 2020, there has been no significant change in the Company's ICFR that would have materially affected, or would be reasonably likely to materially affect, the Company's ICFR.

Limitations of an Internal Control System

The Certifying Officers believe that any DC&P or ICFR, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues, including instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; (ii) breakdowns could occur because of undetected errors; and (iii) controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override.

The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

MARKET FOR SECURITIES

The Company's common shares are traded on the Toronto Stock Exchange under the symbol CHW. The following table summarizes the high and low sales prices of the common shares and the average daily trading volume for each month in the nine months ended September 30, 2020.

	High	Low	Average Daily Volume
January	$10.93	$9.99	12,850
February	$10.55	$8.93	22,052
March	$9.70	$3.61	41,370
April	$6.53	$3.33	51,047
May	$5.99	$3.39	36,530
June	$4.46	$3.53	32,123
July	$4.90	$3.60	25,154
August	$6.16	$4.75	21,649
September	$6.22	$4.74	17,368
	$10.93	$3.33	28,955

CHESSWOOD GROUP LIMITED
NOTICE TO READERS

Accompanying this notice are the unaudited condensed consolidated interim financial statements of Chesswood Group Limited for the three and nine months ended September 30, 2020. These statements have been prepared by, and are the responsibility of, the Company's management.

Following consultation with management and with the Company's independent auditors, the Company's Board of Directors concluded that the auditors would not be engaged to perform a review of these financial statements. Under applicable securities legislation, there is no requirement that auditors be engaged to review these statements, but the Company must advise you if (as noted above) no review engagement is made.

CHESSWOOD GROUP LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of dollars)

	Note	**September 30, 2020**	December 31, 2019
		(unaudited)	*(audited)*
ASSETS			
Cash		**$ 9,651**	$ 11,032
Restricted funds	*8(d)*	**34,447**	21,751
Other assets	*4*	**3,163**	11,124
Finance receivables	*5*	**748,100**	821,085
Interest rate derivatives		**—**	60
Right-to-use assets		**2,652**	3,024
Property and equipment		**1,794**	1,427
Intangible assets		**16,270**	17,080
Goodwill	*6*	**28,843**	40,334
TOTAL ASSETS		**$ 844,920**	$ 926,917
LIABILITIES			
Accounts payable and other liabilities	*7*	**$ 17,235**	$ 16,835
Premises leases payable		**2,930**	3,222
Borrowings	*8*	**648,804**	714,691
Customer security deposits		**8,732**	12,106
Interest rate derivatives		**486**	293
Deferred tax liabilities		**20,215**	23,087
		698,402	770,234
SHAREHOLDERS' EQUITY			
Common shares		**104,338**	103,963
Non-controlling interest		**12,253**	13,130
Share-based compensation reserve	*12*	**5,500**	5,509
Accumulated other comprehensive income		**16,181**	13,956
Retained earnings		**8,246**	20,125
		146,518	156,683
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 844,920**	$ 926,917

Please see notes to the condensed interim consolidated financial statements.

CHESSWOOD GROUP LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(in thousands of dollars, except per share amounts, unaudited)

	Note	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Finance revenue					
Interest revenue on finance leases and loans		**$ 24,351**	$ 27,708	**$ 80,335**	$ 82,055
Ancillary finance and other fee income		**2,986**	4,073	**10,326**	12,069
		27,337	31,781	**90,661**	94,124
Finance expenses					
Interest expense		**7,084**	8,676	**22,521**	25,469
Provision for credit losses	*5*	**(5,886)**	7,868	**23,705**	21,463
		1,198	16,544	**46,226**	46,932
Finance margin		**26,139**	15,237	**44,435**	47,192
Expenses					
Personnel expenses		**4,669**	5,255	**14,498**	15,331
Other expenses		**4,394**	4,634	**13,656**	13,846
Depreciation		**295**	299	**918**	886
Amortization - intangible assets		**333**	333	**999**	999
		9,691	10,521	**30,071**	31,062
Operating income		**16,448**	4,716	**14,364**	16,130
Restructuring and other transaction costs		**(3,474)**	—	**(9,250)**	—
Goodwill impairment	*6*	**—**	—	**(11,868)**	—
Unrealized gain (loss) on investments held	*4*	**544**	(61)	**423**	30
Unrealized gain (loss) on interest rate derivatives		**214**	(82)	**(251)**	(1,211)
Unrealized loss on foreign exchange		**(51)**	(75)	**(104)**	(220)
Income (loss) before taxes		**13,681**	4,498	**(6,686)**	14,729
Tax expense		**(3,877)**	(1,521)	**(1,930)**	(4,787)
Net income (loss)		**$ 9,804**	$ 2,977	**$ (8,616)**	$ 9,942
Attributable to:					
Common shareholders		**$ 8,986**	$ 2,728	**$ (7,898)**	$ 9,112
Non-controlling interest		**$ 818**	$ 249	**$ (718)**	$ 830
Income (loss) from operations per share:					
Basic	*14*	**$ 0.55**	$ 0.17	**$ (0.49)**	$ 0.56
Diluted	*14*	**$ 0.56**	$ 0.16	**$ (0.48)**	$ 0.55

Please see notes to the condensed interim consolidated financial statements.

CHESSWOOD GROUP LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(in thousands of dollars, unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	**2020**	2019
Net income (loss)	**$ 9,804**	$ 2,977	**$ (8,616)**	$ 9,942
Other comprehensive income:				
Unrealized gain (loss) on translation of foreign operations	**(1,296)**	999	**2,428**	(3,004)
Comprehensive income (loss)	**$ 8,508**	$ 3,976	**$ (6,188)**	$ 6,938
Attributable to:				
Common shareholders	**$ 7,799**	$ 3,644	**$ (5,672)**	$ 6,359
Non-controlling interest	**$ 709**	$ 332	**$ (516)**	$ 579

Please see notes to the condensed interim consolidated financial statements.

CHESSWOOD GROUP LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(in thousands of dollars, unaudited)

	Note	Common shares	Common shares	Non-controlling interest	Share-based compensation reserve	Accumulated other comprehensive income	Retained earnings	2020 Total
		(# '000s)						
Shareholders' equity - December 31, 2019		**16,248**	**$ 103,963**	**$ 13,130**	**$ 5,509**	**$ 13,956**	**$ 20,125**	**$ 156,683**
Net income (loss)		**—**	**—**	**(718)**	**—**	**—**	**(7,898)**	**(8,616)**
Dividends declared	*13*	**—**	**—**	**(362)**	**—**	**—**	**(3,981)**	**(4,343)**
Share-based compensation	*12*	**—**	**—**	**—**	**366**	**—**	**—**	**366**
Exercise of restricted share units	*12*	**37**	**375**	**—**	**(375)**	**—**	**—**	**—**
Unrealized gain on translation of foreign operations			**—**	**203**	**—**	**2,225**	**—**	**2,428**
Shareholders' equity - September 30, 2020		**16,285**	**$ 104,338**	**$ 12,253**	**$ 5,500**	**$ 16,181**	**$ 8,246**	**$ 146,518**

	Note	Common shares	Common shares	Non-controlling interest	Share-based compensation reserve	Accumulated other comprehensive income	Retained earnings	2019 Total
		(# '000s)						
Shareholders' equity - December 31, 2018		16,229	$ 103,576	$ 13,713	$ 5,414	$ 18,350	$ 22,442	$ 163,495
Net income		—	—	830	—	—	9,112	9,942
Dividends declared	*13*	—	—	(932)	—	—	(10,228)	(11,160)
Share-based compensation	*12*	—	—	—	508	—	—	508
Exercise of restricted share units	*12*	44	482	—	(482)	—	—	—
Exercise of options	*12*	53	403	—	(118)	—	—	285
Repurchase of common shares under issuer bid		(78)	(498)	—	—	—	(310)	(808)
Unrealized loss on translation of foreign operations			—	(251)	—	(2,753)	—	(3,004)
Shareholders' equity - September 30, 2019		16,248	103,963	13,360	5,322	15,597	21,016	159,258
Net income		—	—	228	—	—	2,521	2,749
Dividends declared		—	—	(310)	—	—	(3,412)	(3,722)
Share-based compensation		—	—	—	187	—	—	187
Exercise of options		—	—	—	—	—	—	—
Repurchase of common shares under issuer bid		—	—	—	—	—	—	—
Unrealized loss on translation of foreign operations			—	(148)	—	(1,641)	—	(1,789)
Shareholders' equity - December 31, 2019		16,248	$ 103,963	$ 13,130	$ 5,509	$ 13,956	$ 20,125	$ 156,683

Please see notes to the condensed interim consolidated financial statements.

CHESSWOOD GROUP LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

(in thousands of dollars, unaudited)	Note	Three months ended September 30, **2020**	Three months ended September 30, 2019	Nine months ended September 30, **2020**	Nine months ended September 30, 2019
OPERATING ACTIVITIES					
Net income (loss)		**$ 9,804**	$ 2,977	**$ (8,616)**	$ 9,942
Non-cash items included in net income					
Amortization and depreciation		**628**	632	**1,917**	1,885
Goodwill impairment	*6*	**—**	—	**11,868**	—
Provision for credit losses *(excluding recoveries)*	*5*	**(723)**	10,644	**34,591**	29,648
Amortization of origination costs		**5,891**	6,747	**19,185**	19,864
Tax expense (recovery)		**3,877**	1,521	**1,930**	4,787
Other non-cash items	*16*	**3,051**	1,340	**6,276**	4,522
		12,724	20,884	**75,767**	60,706
Cash from operating activities before change in net operating assets		**22,528**	23,861	**67,151**	70,648
Funds advanced on origination of finance receivables		**(34,002)**	(99,813)	**(176,358)**	(306,209)
Origination costs paid on finance receivables		**(2,514)**	(7,948)	**(13,103)**	(25,250)
Principal collections of finance receivables		**81,224**	72,678	**227,560**	210,863
Change in other net operating assets	*16*	**(7,574)**	7,543	**(10,041)**	293
Cash from (used in) operating activities before tax		**59,662**	(3,679)	**95,209**	(49,655)
Income taxes paid - net		**(987)**	(1,441)	**(1,685)**	(5,460)
Cash from (used in) operating activities		**58,675**	(5,120)	**93,524**	(55,115)
INVESTING ACTIVITY					
Purchase of property and equipment		**(56)**	(28)	**(787)**	(312)
Cash used in investing activity		**(56)**	(28)	**(787)**	(312)
FINANCING ACTIVITIES					
Borrowings, net	*8*	**(59,934)**	12,507	**(86,092)**	75,972
Payment of financing costs	*8*	**(2,025)**	(2,213)	**(2,064)**	(2,969)
Payment of lease obligations		**(176)**	(168)	**(529)**	(471)
Proceeds from exercise of options	*12*	**—**	34	**—**	285
Repurchase of common shares under issuer bid		**—**	(152)	**—**	(808)
Cash dividends paid	*13*	**—**	(3,724)	**(5,584)**	(11,159)
Cash from (used in) financing activities		**(62,135)**	6,284	**(94,269)**	60,850
Unrealized foreign exchange gain (loss) on cash		**(155)**	61	**151**	(58)
Net increase (decrease) in cash		**(3,671)**	1,197	**(1,381)**	5,365
Cash, beginning of period		**13,322**	6,494	**11,032**	2,326
Cash, end of period		**$ 9,651**	$ 7,691	**$ 9,651**	$ 7,691

Please see notes to the condensed interim consolidated financial statements.

TABLE OF NOTES

1. NATURE OF BUSINESS AND BASIS OF PREPARATION

Chesswood Group Limited (the “Company” or "Chesswood") is incorporated under the laws of the Province of Ontario. The Company’s head office is located at 156 Duncan Mill Road, Unit 16, Toronto, Ontario, M3B 3N2, and its shares trade on the Toronto Stock Exchange under the symbol CHW.

The Company holds a 100% interest in Chesswood Holdings Ltd. Chesswood Holdings Ltd. owns 100% of the shares of the operating companies: Blue Chip Leasing Corporation ("Blue Chip") incorporated in Ontario, Lease-Win Limited, Case Funding Inc. ("Case Funding"), as well as 100% of the shares of Chesswood U.S. Acquisition Co Ltd. (“U.S. Acquisitionco”), a corporation which owns 100% of the shares of each of the operating subsidiaries Pawnee Leasing Corporation (“Pawnee”), incorporated in Colorado, United States, Tandem Finance Inc. ("Tandem"), incorporated in Colorado, United States and Windset Capital Corporation ("Windset"), incorporated in Delaware, United States. In addition, Pawnee holds, through consolidated, wholly-owned Special Purpose Entities (collectively "SPEs"), a portfolio of leases and loans which are financed through arm's length financial institutions. See Note 5 - *Finance Receivables* and Note 8(b) - *Borrowings*.

Through its subsidiaries, the Company operates in the following businesses:

- Pawnee - micro and small-ticket equipment financing to small and medium-sized businesses in the United States.
- Tandem - small-ticket equipment financing originations through equipment vendors and distributors in the United States.
- Blue Chip - commercial equipment financing to small and medium-sized businesses in Canada.

The consolidated financial statements, including comparatives:

- have been prepared in accordance with IAS 34, *Interim Financial Reporting,* on a basis consistent with the accounting policies disclosed in the audited consolidated financial statements for the year ended December 31, 2019.
- have been prepared on the going concern and historical cost bases, except for derivative financial instruments and hybrid financial liabilities designated as at fair value through net income or loss, which have been measured at fair value.

- include the financial statements of the Company and its subsidiaries as noted above. Subsidiaries are consolidated using the purchase method from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated as long as control is held. The financial statements of all subsidiaries are prepared for the same reporting period as the Company, using uniform accounting policies in accordance with IFRS 10, *Consolidated Financial Statements.* All intra-group balances and items of income and expense resulting from intra-group transactions are eliminated in full. Transaction costs in connection with business combinations are expensed as incurred.
- should be read in conjunction with the Company's most recently issued Annual Report which includes information necessary, or useful, to understanding the Company's businesses and financial reporting.
- are unaudited (except otherwise noted).
- the results reported in these condensed consolidated interim financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year.

The preparation of condensed interim consolidated financial statements, including the application of accounting policies, requires management to make estimates and assumptions using judgment that affect the reported amounts of assets and liabilities, and income and expenses during the reporting period. Estimates and other judgments are continually evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates. The significant estimates and judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were otherwise the same as those that applied to the audited consolidated financial statements for the year ended December 31, 2019.

The reporting currency is the Canadian dollar and the financial statements are presented in thousands of Canadian dollars except per share amounts and as otherwise noted. The functional currency of the Company, Chesswood Holdings Ltd., Blue Chip and Lease-Win Limited is the Canadian dollar. The functional currency of U.S. Acquisitionco, Pawnee, Windset, Tandem, the SPEs, and Case Funding is the United States dollar. Income and expenses of subsidiaries with a different functional currency than the Company's presentation currency are translated in the Company's consolidated financial statements at the average U.S. dollar exchange rate for the reporting period (for the nine months ended September 30, 2020 - 1.3541; 2019 - 1.3292), and assets and liabilities are translated at the closing rate (as at September 30, 2020 - 1.3339; December 31, 2019 - 1.2988). Exchange differences arising from the translation are recognized in other comprehensive income. Foreign currency payables and receivables in the statement of financial position are recorded at the transaction date at cost. Exchange gains and losses arising from conversion of monetary assets and liabilities at exchange rates at the end of the reporting period are recognized as income or expense.

In order to improve clarity, certain items have been combined in the consolidated financial statements with details provided separately in the Notes to the Consolidated Financial Statements, and certain comparative figures have been reclassified to conform to the presentation adopted in the current year's unaudited condensed interim consolidated financial statements. Case Funding operations were reclassified at December 31, 2019 to continuing operations, as they failed to meet the conditions required for the Discontinued Operations classification, 2019 comparative figures in these unaudited condensed interim consolidated financial statements were reclassified to be consistent with December 31, 2019 presentation.

The Company's unaudited condensed interim consolidated financial statements were authorized for issue on November 4, 2020 by the Board of Directors.

2. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are recognized initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through net income or loss, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire or when the asset and substantially all related risks and rewards are transferred. A financial liability is derecognized when it is extinguished, which occurs when it is either discharged, canceled or expires.

Financial assets

Financial assets are categorized for subsequent measurement as follows:

Amortized cost
Financial assets that are held in a business model with the objective of collecting contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortized cost ("AC"). The Company's cash, restricted funds, net investment in leases, and loan receivables are measured at amortized cost. Broker commissions related to the origination of finance leases are deferred and recorded as an adjustment to the yield of the net investment in finance leases as part of the effective interest rate. Gains and losses are recognized in the statement of income when the loans or receivables are derecognized or impaired.

Financial assets at fair value through net income or loss
Financial assets that are held for trading and derivative assets are required to be measured at fair value through net income or loss ("FVTP"). Financial assets that meet certain conditions may be designated at fair value through net income or loss upon initial recognition. Upon initial recognition, attributable transaction costs are recognized in net income or loss as incurred.

Assets in this category are subsequently measured at fair value with gains or losses recognized in net income or loss. The fair values of derivative financial instruments are based on changes in observable prices in active markets or by a valuation technique where no market exists.

The Company's investment in Dealnet common shares and legal finance receivables (included in Other assets on the consolidated statements of financial position) is classified in this category.

Fair value through other comprehensive income
Financial assets that are held to both collect contractual cash flows and for sale are required to be measured at fair value through other comprehensive income ("FVOCI"). Other financial assets, provided they are not held for trading and have not been designated as at fair value through net income or loss, can be designated as at fair value through other comprehensive income on initial recognition.

Gains and losses are recognized in other comprehensive income and presented in the available for sale reserve within equity, except for the accretion in value based on the effective interest method, impairment losses and foreign exchange differences on monetary assets, which are recognized in net income or loss. Financial assets measured at fair value through other comprehensive income for which fair value cannot be estimated reliably, are measured at cost and any impairment losses are recognized in net income or loss. Upon initial recognition, attributable transaction costs are recognized in net income or loss as incurred. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity to net income or loss and presented as a reclassification adjustment within other comprehensive income.

Financial liabilities

Financial liabilities are categorized as follows for subsequent measurement:

Amortized cost
Financial liabilities that are not otherwise measured as at fair value through net income or loss or designated at fair value are measured at amortized cost using the effective interest rate method. Any host contract in a hybrid instrument is also measured at amortized cost. Gains and losses are recognized in net income or loss when the liabilities are derecognized. Transaction costs incurred in connection with the issuance of loans and borrowings are capitalized and recorded as a reduction of the carrying amount of the related financial liabilities and amortized using the effective interest method.

The Company's financial liabilities measured at amortized cost include borrowings, accounts payable, other liabilities and customer security deposits.

Financial liabilities at fair value through net income or loss
Financial liabilities that are held for trading and stand-alone derivative liabilities are required to be measured at fair value through net income or loss ("FVTP"). When certain conditions are satisfied, embedded derivatives are required to be separately recognized and measured at fair value with subsequent changes in fair value recognized in net income or loss.

A designation can be made at initial recognition for financial liabilities that include one or more embedded derivatives, provided the host contract is not a financial asset, to measure the entire hybrid instrument at fair value. Where certain criteria are met, for example measurement at amortized cost would create measurement inconsistencies, the financial liability can also be designated at fair value. For such designated financial liabilities, the amount of the change in fair value that relates to changes in the entity's own credit risk is recognized in other comprehensive income and the remaining amount of the change in fair value is recognized in net income or loss. All contingent consideration payable is also included in this category. Derivative financial instruments that are designated as effective hedge instruments are excluded from this category.

The Company's interest rate swap contracts are required to be measured at fair value through net income or loss. The Company has not designated any financial instruments as hedges for accounting purposes.

The fair values of financial liabilities are based on changes in observable prices in active markets or by a valuation technique where no market exists. Transaction costs attributable to the issuance of financial liabilities at fair value through net income or loss are recognized in net income or loss as incurred.

(a) Categories and measurement hierarchy

The categories to which the financial instruments are allocated are:

Financial instrument	Classification
ASSETS	
Cash	Amortized cost
Restricted funds	Amortized cost
Other assets - loan receivable	Amortized cost
Other assets - investments	FVTP
Other assets - legal finance receivables	FVTP
Finance receivables	Amortized cost
Interest rate derivatives	FVTP
LIABILITIES	
Accounts payable and other liabilities	Amortized cost
Borrowings	Amortized cost
Customer security deposits	Amortized cost
Interest rate derivatives	FVTP

All financial instruments measured at fair value and for which fair value is disclosed are categorized into one of three hierarchy levels. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

(i) Level 1 Inputs - quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;

(ii) Level 2 Inputs - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

(iii) Level 3 Inputs - techniques which use inputs which have a significant effect on the recorded fair value for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments are classified using the IFRS 13, *Fair Value Measurement,* hierarchy as follows:

				September 30, 2020
	Level 1	Level 2	Level 3	Carrying Value
ASSETS				*($ thousands)*
Cash *(iii)*	$ 9,651	$ —	$ —	$ 9,651
Restricted funds *(iii)*	34,447	—	—	34,447
Other assets - investments - Note 4(b)	906	—	—	906
Finance receivables *(i)*	—	748,100	—	748,100
LIABILITIES				
Accounts payable and other liabilities *(iii)*	—	(17,235)	—	(17,235)
Borrowings *(ii)*	—	(648,804)	—	(648,804)
Customer security deposits	—	(8,732)	—	(8,732)
Interest rate derivatives *(iv)*	—	(486)	—	(486)

				December 31, 2019
	Level 1	Level 2	Level 3	Carrying Value
				($ thousands)
ASSETS				
Cash *(iii)*	$ 11,032	$ —	$ —	$ 11,032
Restricted funds *(iii)*	21,751	—	—	21,751
Other assets - loan receivable - Note 4(a)	—	2,671	—	2,671
Other assets - investments - Note 4(b)	483	—	—	483
Other assets - legal finance receiv.*(v)*	—	—	907	907
Finance receivables *(i)*	—	821,085	—	821,085
Interest rate derivatives *(iv)*	—	60	—	60
LIABILITIES				
Accounts payable and other liabilities *(iii)*	—	(16,835)	—	(16,835)
Borrowings *(ii)*	—	(714,691)	—	(714,691)
Customer security deposits	—	(12,106)	—	(12,106)
Interest rate derivatives *(v)*	—	(293)	—	(293)

(i) There is no organized market for the finance receivables. The carrying value is the amortized cost using the effective interest rate method which approximates fair value because contractual interest rates approximate current market rates.
(ii) The stated value of the borrowings approximates fair values, as the interest rates attached to these instruments are representative of current market rates, for loans with similar terms, conditions and maturities.
(iii) Carrying amounts are expected to be reasonable approximations of fair value for cash, restricted funds and for financial instruments with short maturities, including accounts payable and other liabilities.
(iv) The Company determines the fair value of its interest rate derivatives under the income valuation technique using a discounted cash flow model. Significant inputs to the valuation model include the contracted notional amount, LIBOR rate yield curves and the applicable credit-adjusted risk-free rate yield curve. The Company's interest rate derivative is included in the Level 2 fair value hierarchy because all of the significant inputs are directly or indirectly observable.
(v) There is no organized market for the legal finance receivables. The carrying value is the amortized cost using the effective interest rate method which approximates fair value because contractual interest rates approximate current market rates.

Transfers between levels are considered to occur on the date that the fair valuation methodology changes. There were no transfers between levels during the current or comparative periods.

(b) Gains and losses on financial instruments

The following table shows the net gains and losses arising for each category of financial instruments:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	**2020**	2019
		($ thousands)		
Amortized cost:				
Provision for credit losses	**$ 5,886**	$ (7,868)	**$ (23,705)**	$ (21,463)
Fair value through net income or loss:				
Investment in Dealnet common shares	**544**	(61)	**423**	30
Interest rate derivatives	**214**	(82)	**(251)**	(1,211)
Net loss	**$ 6,644**	$ (8,011)	**$ (23,533)**	$ (22,644)

3. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Company manages risks that arise as a result of its use of financial instruments. These risks include credit, liquidity and market risk. Market risks can include interest rate risk, foreign currency risk and other price risk.

There have been no material changes in the Company's objectives, policies or processes for measuring and managing any of the risks to which it is exposed since the previous year end, except for the effects of COVID-19 on credit and liquidity risk as describe in the following. Refer to Note 4 - *Financial Risk Management* of the 2019 annual audited consolidated financial statements for further disclosure.

COVID-19 has led to loss allowances for existing finance receivables increasing significantly compared to the same periods in the prior year, as described in Note 5(c). Modifications to the terms of finance receivables have also been granted to a higher volume of receivables than usual, as described in Note 5(e), as a means to avert economic losses. To manage the increased credit risk and minimize future losses and charge offs, measures have been put in place at all operating subsidiaries. Those measures include a tightening of underwriting, including limiting the type of equipment, industry, dollar value and receivable term and also require higher credit ratings, which will dampen originations.

The Company's subsidiaries granted deferrals on portions of their respective portfolios of leases and loans as a result of the COVID-19 pandemic. In addition, various credit facilities were amended to better reflect COVID-19 related experiences and expectations.

4. OTHER ASSETS

			September 30, 2020		December 31, 2019
			($ thousands)		
Tax receivable		**$**	**1,378**	$	5,089
Sales tax receivable			**11**		558
Prepaid expenses and other current assets			**868**		2,323
Loan receivable - EcoHome	*a*		**—**		2,671
Common shares - Dealnet	*b*		**906**		483
Other assets			**3,163**		11,124
Current portion			3,163		10,334
Long-term portion		$	—	$	790

(a) Loan receivable - EcoHome - On February 18, 2016, the Company sold EcoHome Financial Inc. ("EcoHome") to Dealnet Capital Corp. ("Dealnet"). The loan represented the inter-company warehouse funding to EcoHome of leases and loans that had not yet been securitized with EcoHome funders prior to the sale of EcoHome. The loan receivable was secured by specific EcoHome leases and loans and a general security agreement over all the assets of EcoHome. The loan was repayable with fixed monthly principal payments, and related interest based on a floating interest rate plus a fixed margin and was repaid in May 2020 prior to its October 2020 maturity date. The loan receivable was carried at amortized cost. At December 31, 2019, it was determined no material allowance for expected credit losses was required.

(b) Common shares - Dealnet - as partial consideration for the sale of EcoHome, the Company received 6,039,689 common shares of Dealnet. The Dealnet shares are measured at fair value through net income or loss. The fair value represents the trading price at each reporting date. Dealnet shares trade on the TSX Venture Exchange under the stock symbol "DLS".

5. FINANCE RECEIVABLES

All lease and loan receivables have been pledged as security for amounts borrowed from lenders under various facilities, as described in Note 8 - *Borrowings*. The lenders have the right to enforce their security interest in the pledged lease and loan receivables if the Company defaults under these facilities. The Company retains significant risks and rewards of ownership (in some cases through consolidated SPE's) and servicing responsibilities of the pledged lease and loan receivables, and therefore continues to recognize them on the consolidated statement of financial position. None of our facilities meet the requirements for gain-on-sale or de-recognition treatment for accounting purposes and none of the receivables have been derecognized.

		September 30, 2020		December 31, 2019
		($ thousands)		
Net investment in leases	**$**	**355,061**	$	432,200
Loan receivables		**393,039**		388,885
	$	**748,100**	$	821,085

(a) Net investment in finance receivables includes the following:

	September 30, 2020	December 31, 2019
	($ thousands)	
Total minimum finance receivable payments *(b)*	**$ 885,847**	$ 998,888
Residual values of leased equipment	**23,986**	27,747
	909,833	1,026,635
Unearned income, net of initial direct costs	**(141,665)**	(178,630)
Net investment in finance receivables before allowance for credit losses	**768,168**	848,005
Allowance for credit losses *(c)*	**(29,362)**	(30,305)
	738,806	817,700
Reserve receivable on securitized financial contracts	**9,294**	3,385
Net investment in finance receivables	**748,100**	821,085
Current portion	277,150	283,865
Long-term portion	$ 470,950	$ 537,220

(b) Minimum scheduled collections of finance receivables at September 30, 2020, are presented in the following table. The Company's experience has shown that the actual contractual payment streams will vary depending on a number of variables including: prepayment rates, charge-offs and modifications. Accordingly, the following minimum scheduled collections are not to be regarded as a forecast of future cash collections.

	Minimum payments	Present value
	($ thousands)	
2020	$ 94,408	$ 68,700
2021	326,638	265,096
2022	238,029	203,556
2023	144,103	128,949
2024	70,099	65,812
2025 and thereafter	12,570	12,069
Total minimum payments	$ 885,847	$ 744,182

(c) Allowance for credit losses
The Company measures loss allowances based on an expected credit loss ("ECL") impairment model for all financial instruments except those measured at fair value through profit and loss. Application of the model depends on the following credit stages of the financial assets:

(i) Stage 1 - for new leases and loans recognized and for existing leases or loans that have not experienced a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring in the next 12 months;
(ii) Stage 2 - for those leases or loans that have experienced a significant increase in credit risk since initial recognition, a loss allowance is recognized equal to the credit losses expected over the remaining life of the lease or loan; and
(iii) Stage 3 - for leases or loans that are considered to be credit-impaired, a loss allowance equal to full life time ECLs is recognized.

Lease and loan receivables are composed of a large number of homogenous leases and loans, with relatively small balances. Thus, the evaluation of the allowance for credit losses is performed collectively for the lease and loan receivable portfolios, segregated into prime and non-prime.

Definitions of default have been selected to eliminate the judgement that may otherwise be necessary, given the diversity within the finance receivable portfolio, the lack of individual drivers of changes in credit risk across assets and over time, and the resulting inability to assess which specific assets will be rectified. For the purposes of measuring ECL, a default is defined as:

- For prime finance receivables: leases and loans that have missed one payment and are not subsequently rectified within 30 days.
- For non-prime finance receivables: leases and loans that have missed one payment.

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument based on the following inputs by credit stage:

For Stage 1, the Company utilized recent static pool data applied to recent origination levels and included forward-looking macroeconomic assumptions. Recent static pool data includes historical loss rates by credit class and by originating quarter and therefore includes all knowable credit and economic conditions up to the reporting date.

For Stage 2, the Company considers prime leases and loans to have experienced a significant increase in credit risk since initial recognition if they are delinquent for over 30 days. Non-prime leases and loans that have experienced a significant increase in credit risk include: those instruments that are delinquent for over 30 days; and an estimate of those assets that will subsequently become delinquent calculated as approximately 20% of non-prime assets that are in default but have been delinquent for less than 30 days at the reporting date.

For Stage 3, the Company considers leases and loans to be credit impaired if they are delinquent for more than 90 days or if the individual leases and loans have otherwise been classified as non-accrual.

Customer security deposits are held for the full term of the lease and then returned or applied to the purchase option of the equipment at the lessee's request, unless the lessee has previously defaulted in which case the deposit is applied against the lease receivable at that time. Past experience suggests that a very high percentage of the customer deposits are applied to the purchase option of the leased equipment at the end of the lease term, or as an offset against outstanding lease receivables.

Pawnee and Blue Chip are entitled to repossess financed equipment if the borrower defaults on their lease or loan contract. When a lease or loan is charged-off, the related equipment no longer has a carrying value on the consolidated financial statements. Any amounts recovered from the sale of equipment after a charge-off, are credited to the allowance for credit losses when received. Repossessed equipment is generally held at various warehouses by the Company's third party contractors to repossess and sell the equipment. As Pawnee and Blue Chip finance a wide range of small equipment, it is difficult to estimate the fair value of the potential collateral when estimating future ECLs.

In addition to internal weighted average static pool data, the process of estimating ECLs uses the following inputs and assumptions to reflect information about past events, current conditions and forecasts of future conditions that are not already captured in the inputs:

- Security deposits held;
- Recoveries of amounts previously charged off in the last 12 months, as an estimate of recoveries for the next 12 months;
- An estimate of the effects on credit losses in the next 12 months of natural disasters and economic shocks, including the COVID-19 pandemic;
- The stage of the business cycle for the industry, which considers: the competitive environment, GDP growth, prevailing interest rates and expectations of future rates, fiscal policy and inflation rates; and
- Current delinquency trends of non-accrual and greater than 30 days delinquency rates.

Forecasts of future events and conditions are incorporated by adjusting losses from the static pool data, which is consistent with prior periods. Determining the inputs listed and ECLs requires significant estimation uncertainty. In particular, determining the COVID-19 effects to be layered over the static pool data at September 30, 2020 to estimate the extent to which ECLs have increased at that date - which requires assessing the direction of macroeconomic variables in the forward looking scenarios, the duration of lock-down conditions, the effectiveness of relief programs at mitigating the effects on our lessees and borrowers, amongst other factors - are subject to significant measurement uncertainty. Determining which finance receivables have seen a significant increase in credit risk is also subject to significant judgement.

The Company's ECL was determined as at September 30, 2020 based on forecasts and other information available at that date. The impact of COVID-19 on the economy and the timing of recovery will continue to evolve with the subsequent effect reflected in the measurement of ECLs in future quarters as appropriate. This may add significant volatility to ECL.

The following table shows the gross carrying amount of the finance receivables by credit category:

	As of September 30, 2020			
	Stage 1	Stage 2	Stage 3	Total
	Performing	Under-Performing	Non-Performing	
	($ thousands)			
Prime	$ 549,635	$ 3,805	$ 3,340	$ 556,780
Non-prime	202,025	4,538	4,825	211,388
Total	$ 751,660	$ 8,343	$ 8,165	$ 768,168

	As of December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
	Performing	Under-Performing	Non-Performing	
	($ thousands)			
Prime	$ 586,109	$ 1,727	$ 3,688	$ 591,524
Non-prime	242,664	6,455	7,362	256,481
Total	$ 828,773	$ 8,182	$ 11,050	$ 848,005

The following tables show reconciliations from the opening to the closing balance of the allowance for credit losses:

	Nine months ended September 30, 2020			
	Stage 1	Stage 2	Stage 3	
	Performing	Under-Performing	Non-Performing	**Total**
	($ thousands)			
Balance, January 1, 2020	$ 11,914	$ 8,072	$ 10,319	**$ 30,305**
Transfer to Performing (Stage 1)	2,757	(2,167)	(590)	**—**
Transfer to Under-Performing (Stage 2)	(25,991)	26,010	(19)	**—**
Transfer to Non-Performing (Stage 3)	—	(24,099)	24,099	**—**
Net remeasurement of loss allowance	20,655	(382)	(1,137)	**19,136**
New receivables originated	4,569	—	—	**4,569**
Provision for credit losses	1,990	(638)	22,353	**23,705**
Charge-offs	—	—	(36,335)	**(36,335)**
Recoveries of amounts previously charged off	—	—	10,886	**10,886**
Net charge-offs	—	—	(25,449)	**(25,449)**
Foreign exchange translation	253	239	309	**801**
Balance, end of period	**$ 14,157**	**$ 7,673**	**$ 7,532**	**$ 29,362**

	Nine months ended September 30, 2019			
	Stage 1	Stage 2	Stage 3	
	Performing	Under-Performing	Non-Performing	**Total**
	($ thousands)			
Balance, January 1, 2019	$ 10,879	$ 6,141	$ 6,909	$ **23,929**
Transfer to Performing (Stage 1)	1,538	(962)	(576)	—
Transfer to Under-Performing (Stage 2)	(23,012)	23,067	(55)	—
Transfer to Non-Performing (Stage 3)	—	(21,003)	21,003	—
Net remeasurement of loss allowance	14,589	(715)	121	**13,995**
New receivables originated	7,468	—	—	**7,468**
Provision for credit losses	583	387	20,493	**21,463**
Charge-offs	—	—	(25,606)	**(25,606)**
Recoveries of amounts previously charged off	—	—	8,185	**8,185**
Net charge-offs	—	—	(17,421)	**(17,421)**
Foreign exchange translation	(276)	(177)	(194)	**(647)**
Balance, end of period	**$ 11,186**	**$ 6,351**	**$ 9,787**	**$ 27,324**

(d) Finance receivables past due

The following aging represents the total carrying amount of the lease and loan receivables and not just the payments that are past due. The balances presented exclude the $8.7 million (December 31, 2019 - $12.1 million) of security deposits received from lessees/borrowers and the collateral held (including potential proceeds from repossessed equipment, and potential recoveries from personal guarantees) that would offset any charge-offs. An estimate of fair value for the collateral and personal guarantees cannot reasonably be determined.

Pawnee charges off leases and loans when they become 154 days contractually past due, unless information indicates that an earlier charge-off is warranted. A high percentage of charge-offs are recognized before the subject lease/loan reaches 154 days contractually past due, due to insolvency or non-responsiveness of the lessee or borrower. Blue Chip charges off leases and loans on an individual basis when there is no realistic prospect of recovery. Loan and lease receivables that are charged-off during the period are all subject to continued collection efforts.

	As of September 30, 2020					
($ thousands)	**Current**	**1-30 days**	**31 - 60 days**	**61 - 90 days**	**Over 90 days**	**Total**
Finance receivables	**$ 746,052**	**$ 11,434**	**$ 4,877**	**$ 2,569**	**$ 3,236**	**$ 768,168**
Credit impaired	**$ 215**	**$ 490**	**$ 2,197**	**$ 1,941**	**$ 2,689**	**$ 7,532**
Past due but not impaired	**$ —**	**$ 10,944**	**$ 2,680**	**$ 628**	**$ 547**	**$ 14,799**

	As of December 31, 2019					
($ thousands)	Current	1-30 days	31 - 60 days	61 - 90 days	Over 90 days	Total
Finance receivables	$ 817,865	$ 15,639	$ 6,142	$ 2,233	$ 6,126	$ 848,005
Credit Impaired	$ 515	$ 397	$ 1,317	$ 2,091	$ 5,999	$ 10,319
Past due but not impaired	$ —	$ 15,242	$ 4,825	$ 142	$ 127	$ 20,336

(e) Modifications

In cases where a borrower experiences financial difficulties, Pawnee and Blue Chip may grant certain concessionary modifications to the terms and conditions of a lease or loan. Modifications may include payment deferrals, extension of amortization periods, and other modifications intended to minimize the economic loss and to avoid repossession of collateral.

Pawnee and Blue Chip have policies in place to determine the appropriate remediation strategy based on certain conditions. Significant increase in credit risk (Stage 2 categorization) is assessed based on the risk of default at initial recognition of the original asset. Expected cash flows arising from the modified contractual terms are considered when calculating the ECL for the modified asset. For finance receivables that were modified while having a lifetime ECL, the leases and loans can revert to having 12-month ECL after a period of performance and improvement in the borrower's financial condition.

The net investment in finance receivables that have been modified (in 2020 or prior) and are current at September 30, 2020 is \$222.9 million (December 31, 2019 - \$13.5 million). On average the terms have been modified to extend the contracts by approximately one to three months, depending on the modification. The majority of the increase from December 31, 2019 is the result of COVID-19 deferrals. Finance receivables modified during the nine months ended September 30, 2020 had a total net investment in finance receivable balance at the time of modification of \$378.3 million (2019 - \$19.6 million). These amounts reflect the net investment in finance receivable balances prior to payments collected since modification, or leases that terminated early after modifications or leases charged-off after modification.

6. GOODWILL

Goodwill totaled \$28.8 million at September 30, 2020 compared to \$40.3 million at December 31, 2019. The \$11.5 million decrease consists of an \$11.9 million COVID-19-induced impairment loss against goodwill at Blue Chip and a \$377,000 increase in Pawnee goodwill due to the increase in value of the US dollar relative to the Canadian dollar. After the impairment loss, Blue Chip has goodwill of \$14.5 million remaining at September 30, 2020.

The Company's annual goodwill impairment test was last performed as at December 31, 2019. The Company is also required to test its assets for impairment, including goodwill and intangible assets with indefinite lives, between the annual assessments when facts and other circumstances indicate that impairment may have occurred. The current environment is unfavorable due to the various effects of the COVID-19 pandemic: applications and approvals of new finance receivables have dropped compared to the same period in the previous year; economic measures indicate a reduced level of activity, including spending and employment; and the Company's dividend and share price have decreased. As a result, an interim impairment test was performed as at March 31, 2020.

The impairment test is performed at the level of cash generating units (CGU) because none of the Company's non-financial assets generate independent cash inflows. The recoverable amount for the Blue Chip CGU, which is also an operating segment of the Company, was its value in use (VIU), calculation of which was based on a discounted cash flow model which incorporated the following inputs:

i) The five years of forecast cash flows used in the December 2019 annual impairment test, adjusted for the estimated effects of COVID-19, which included management's estimates of the reduction in finance revenue and cash inflows due to the effects of decreased originations and increased charge offs in the coming months. In addition, ongoing competitive pressures which are expected to intensify on resumption of business-as-usual. The cash flow inputs used represent management's current best estimates and are consistent with changes seen in the finance receivable portfolio and with readily available external sources of information.

ii) A terminal value incorporated into the VIU calculation which was estimated by applying a 3.0% growth rate to the cash flow forecast for the fifth year. The growth rate reflects the historical average core inflation rate which does not exceed the long-term average growth rate for the industry. Management predicts that Blue Chip will revert to historical growth rates after the current restrictions are lifted and that the long term growth rate for the industry will be unaffected.

iii) A pre-tax discount rate of approximately 26.8% applied to forecast cash flows, compared to the rate used in the annual impairment test of 20.75%. The change in the estimated pre-tax discount rate is due to inclusion of a higher risk premium to reflect the risks present in the finance receivables in the current environment.

The VIU is most sensitive to assumptions of lease origination volumes, net charge-offs and the discount rate used. Each of those variables will ultimately be determined by the duration of restrictions that are currently in place to contain the pandemic, the effects and ultimate success of which are inherently unknowable. The estimation of VIU is therefore subject to considerable measurement uncertainty. Any significant adverse differences between management's estimates and assumptions compared to actual outcomes in future quarters may result in additional goodwill impairment losses.

Pawnee has a much larger portfolio of finance receivables relative to goodwill and therefore its VIU is greater than the carrying amount of its assets by a significant margin. It was determined that no impairment had occurred for Pawnee as at March 31, 2020.

	Pawnee	Blue Chip	Total
Cost:		*($ thousands)*	
December 31, 2018	$ 49,480	$ 26,365	$ 75,845
Foreign exchange translation	(2,371)	—	(2,371)
December 31, 2019	$ 47,109	$ 26,365	$ 73,474
Foreign exchange translation	1,272	—	1,272
September 30, 2020	**$ 48,381**	**$ 26,365**	**$ 74,746**

	Pawnee	Blue Chip	Total
Accumulated impairment:		*($ thousands)*	
December 31, 2018	$ 34,808	$ —	$ 34,808
Foreign exchange translation	(1,668)	—	(1,668)
December 31, 2019	$ 33,140	$ —	$ 33,140
Impairment	—	11,868	11,868
Foreign exchange translation	895	—	895
September 30, 2020	**$ 34,035**	**$ 11,868**	**$ 45,903**

	Pawnee	Blue Chip	Total
Carrying amount:		*($ thousands)*	
December 31, 2018	$ 14,672	$ 26,365	$ 41,037
December 31, 2019	$ 13,969	$ 26,365	$ 40,334
September 30, 2020	**$ 14,346**	**$ 14,497**	**$ 28,843**

7. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities comprise:

	September 30, 2020	December 31, 2019
	($ thousands)	
Dividend payable	$ —	$ 1,241
Accounts payable	**1,081**	2,078
Sales tax payable	**1,463**	951
Customer deposits and prepayments	**4,969**	913
Unfunded finance receivables	**3,225**	7,230
Payroll related payables and accruals	**2,328**	1,408
Accrued expenses and other liabilities	**4,169**	3,014
	$ 17,235	$ 16,835

8. BORROWINGS

	Chesswood credit facility *(a)*	Chesswood deferred financing costs	Pawnee credit facilities *(b)*	Pawnee deferred financing costs	Blue Chip financing facilities *(c)*	Total
			($ thousands)			
Net as of December 31, 2018	$ 233,278	$ (1,707)	$ 228,249	$ (4,457)	$ 146,162	$ 601,525
Proceeds or draw-downs	245,187	—	416,027	—	68,099	729,313
Repayments	(278,890)	—	(233,730)	—	(74,909)	(587,529)
Payment of financing costs	—	(1,881)	—	(5,577)	—	(7,458)
Amortization of deferred financing costs	—	1,410	—	2,422	—	3,832
Foreign exchange translation	(10,470)	—	(14,803)	281	—	(24,992)
Net as of December 31, 2019	189,105	(2,178)	395,743	(7,331)	139,352	714,691
Proceeds or draw-downs	138,394	—	326,994	—	22,874	488,262
Repayments	(277,137)	—	(244,277)	—	(52,940)	(574,354)
Payment of financing costs	—	—	—	(2,064)	—	(2,064)
Amortization of deferred financing costs	—	821	—	2,558	—	3,379
Debt restructuring	—	—	—	2,491	—	2,491
Foreign exchange translation	7,180	—	9,462	(243)	—	16,399
Net as of September 30, 2020	**$ 57,542**	**$ (1,357)**	**$ 487,922**	**$ (4,589)**	**$ 109,286**	**$ 648,804**

As a result of COVID-19, the Company's subsidiaries have granted deferrals on portions of their respective portfolios of leases and loans. Pawnee and Tandem temporarily suspended accepting new financing requests to allow the Company and its subsidiaries to finalize amendments to various facilities to better reflect COVID-19 related experiences and expectations. New equipment financings then resumed. Certain covenants were waived or amended during the nine months ended September 30, 2020 to accommodate COVID-19 circumstances. The Company and its subsidiaries were compliant with all covenants at September 30, 2020 and December 31, 2019 and through the periods presented.

(a) The Chesswood revolving credit facility allows borrowings of up to US$250.0 million, subject to, among other things, certain percentages of eligible gross finance receivables. This credit facility includes a US$50 million accordion feature that can increase the overall revolver to US$300 million, is secured by substantially all of the Company's assets, contains covenants, including maintaining leverage and interest coverage ratios, and expires on December 8, 2022. At September 30, 2020, the Company was utilizing US$49.9 million (December 31, 2019 - US$156.1 million) of its credit facility and had approximately US$200.1 million in additional borrowings available under the corporate credit facility. Based on average debt levels, the effective interest rate during the nine months ended September 30, 2020 was 3.85% (year-ended December 31, 2019 - 5.49%). The Company paid $2.0 million in amendment fees specific to COVID-19 issues related to the revolving facility that is included in restructuring and transaction costs and other one-time COVID-19 related expenses. The Company is restricted from paying dividends and limited quarterly equipment financing originations during the period that the temporary COVID-19 related amendments are required.

(b) Pawnee credit facilities:
(i) Warehouse facility - Through its subsidiary Pawnee Portfolio Fund ("PPF"), Pawnee had a loan facility to fund its prime portfolio. During May 2020, the company elected to convert the facility from a US$250 million revolving facility to an amortizing facility, where collections are now being used to repay the principal. The warehouse facility held Pawnee's prime receivables before they are securitized. This credit facility was secured by PPF's assets, contains covenants, including maintaining leverage and interest coverage ratios. Based on average debt levels, the effective interest rate during the nine months ended September 30, 2020 was 6.3% (year-ended December 31, 2019 - 6.16%) (including fees and upfront origination cost amortization). Pawnee was not utilizing this facility at December 31, 2019. On September 30, 2020, Pawnee paid off the remaining balance of this facility utilizing proceeds of the new asset-backed securitization .

(ii) CapOne facilities - Pawnee had a combined US$125 million of non-recourse asset-backed facilities with Capital One (the "CapOne facilities"), through subsidiaries Pawnee Receivable Fund I and II LLC. The CapOne facilities at inception were secured by US$154.2 million in gross receivables from Pawnee's prime portfolio of equipment leases and loans and repayment terms are based on the cash flow of the underlying portfolio. The proceeds were used to pay down Chesswood's existing revolving credit facility. The facilities required Pawnee to mitigate its interest rate risk by entering into interest rate caps for a notional amount not less than 80% of the aggregate outstanding balance. Based on average debt levels, the effective interest rate during the nine months ended September 30, 2020 was 4.0% (2019 - 5.72%). On September 30, 2020, Pawnee paid off the remaining balance of the facilities utilizing proceeds of the new asset-backed securitization. At December 31, 2019, the balance was US$48.4 million.
(iii) LifeCo Facility - this facility, with a life insurance company ("LifeCo"), has an US$80 million annual capacity, that expires in June 2027. The funder makes approved advances to Pawnee on a tranche-by-tranche basis, with each tranche collateralized by a specific group of underlying finance receivables and any related security provided thereunder. The facility has recourse only to the assets financed. The cost of each loan advance is fixed at the time of each tranche. Pawnee maintains certain cash reserves as credit enhancements or provides letters of guarantee in lieu of cash reserves. Pawnee retains the servicing of these finance receivables. The balance of this facility at September 30, 2020 was US$11.7 million (December 31, 2019 - US$16.6 million). Based on average debt levels, the effective interest rate was 4.94% (including amortization of origination costs) (December 31, 2019 – 4.43%).
(iv) In October 2019, Pawnee completed a US$254 million asset-backed securitization which has fixed term and fixed interest rate, and is collateralized by receivables from Pawnee's portfolio of equipment leases and loans. Proceeds from the securitization were used to pay down Pawnee's warehouse line and Chesswood's senior revolving credit facility. The balance of this facility at September 30, 2020 was US$171.2 million (December 31, 2019 - US$239.7 million). Based on average debt levels, the effective interest rate was 3.0% (including amortization of origination costs) (2019 – 2.77%).
(v) On September 30, 2020, Pawnee completed a US$183.5 million asset-backed securitization which has a fixed term and fixed interest rate, and is collateralized by receivables from Pawnee's portfolio of equipment leases and loans. Proceeds from the securitization were used to pay off Pawnee's warehouse line, and CapOne facilites, and pay down Chesswood's senior revolving credit facility. The balance of this facility at September 30, 2020 was US$182.9 million (December 31, 2019 - n/a). The effective interest rate is expected to be approximately 3.0% (including amortization of origination costs).

As at September 30, 2020, Pawnee had provided US$2.9 million in outstanding letters of guarantee through Chesswood's revolving credit facility in lieu of cash reserves.

(c) Blue Chip facilities:
Blue Chip has master purchase and servicing agreements with various financial institutions and life insurance companies (referred to collectively as the "Funders"). The Funders make advances to Blue Chip on a tranche-by-tranche basis, with each tranche collateralized by a specific group of underlying finance receivables and any related security provided thereunder. The facilities have limited recourse to other assets in the event that lessees\borrowers fail to make payments when due. Blue Chip either maintains certain cash reserves as credit enhancements or provides letters of guarantee in return for release of the cash reserves. Blue Chip continues to service these finance receivables on behalf of the Funders.

At September 30, 2020, Blue Chip had access to the following committed lines of funding: (i) $60.0 million annual limit from a life insurance company; (ii) $100.0 million rolling limit from a financial institution; and (iii) approved funding from another financial institution with no annual or rolling limit. As at September 30, 2020, Blue Chip had $109.3 million (December 31, 2019 - $139.4 million) in securitization and bulk lease financing facilities debt outstanding, was utilizing $62.7 million (December 31, 2019 - $74.2 million) of its available financing and had access to at least $127.3 million (December 31, 2019 - $115.8 million) of additional financing from the Funders.

Interest rates are fixed at the time of each advance and are based on Government of Canada Bond yields with maturities comparable to the term of the underlying leases plus a premium. Based on average debt levels, the effective interest rate during the nine months ended September 30, 2020 was 3.59% (2019 - 3.59%). As at September 30, 2020, Blue Chip had provided $5.8 million in outstanding letters of guarantee through Chesswood's revolving credit facility in lieu of cash reserves. Blue Chip must meet certain financial covenants, including leverage ratio, interest coverage ratio, and tangible net worth covenants, to support these securitization and bulk lease financing facilities. As at September 30, 2020 and December 31, 2019, and throughout the periods presented, Blue Chip was compliant with all covenants, with certain covenants being waived or amended to accommodate COVID-19 circumstances.

(d) Restricted funds

Restricted funds represent cash reserve accounts which are held in trust as security for secured borrowings (Pawnee facilities in *(b)* above) and cash collection accounts required by the lenders of certain financial assets that can only be used to repay these debts on specific dates. The 'cash in collections accounts' will be applied to the outstanding borrowings in the following month.

	September 30, 2020	December 31, 2019
	($ thousands)	
Restricted - cash in collection accounts	**$ 26,184**	$ 16,412
Restricted - cash reserves	**8,263**	5,339
Restricted funds	**$ 34,447**	$ 21,751

9. MINIMUM PAYMENTS

The following are the contractual payments and maturities of financial liabilities and other commitments (including interest):

($ thousands)		2020	2021	2022	2023	2024	2025 +	**Total**
Accounts payable and other liabilities		$ 17,235	$ —	$ —	$ —	$ —	$ —	**$ 17,235**
Premises leases payments	*(i)*	190	766	750	752	581	244	**3,283**
Borrowings	*(ii)*	67,949	234,574	235,935	110,427	30,190	533	**679,608**
Customer security deposits	*(iii)*	933	3,134	2,596	2,288	306	66	**9,323**
Interest rate swaps		—	486	—	—	—	—	**486**
		86,307	238,960	239,281	113,467	31,077	843	**709,935**
Service contracts		87	278	126	2	—	—	**493**
Total commitments		$ 86,394	$ 239,238	$ 239,407	$ 113,469	$ 31,077	$ 843	**$ 710,428**

i. The Company and its subsidiaries are committed to future minimum rental payments under existing leases for premises, excluding occupancy costs and property tax, with expirations up to 2025.

ii. Borrowings are described in Note 8 - *Borrowings*, and include fixed payments for Pawnee and Blue Chip's securitization facilities and Chesswood's corporate revolving credit facility which is a line-of-credit and, as such, the balance can fluctuate. The amount above includes fixed interest payments on Pawnee and Blue Chip's credit facilities and estimated interest payments on the Chesswood corporate credit facility, assuming the interest rate, debt balance and foreign exchange rate at September 30, 2020 remain the same until the expiry date of December 2022. The amount owing under Chesswood's corporate revolving credit facility is shown in year of maturity, all other expected borrowings payments are based on the underlying finance receivables supporting the borrowings.

iii. The Company's experience has shown the actual contractual payment streams will vary depending on a number of variables including: prepayment rates, charge-offs and modifications. Accordingly, the scheduled contractual payments of customer security deposits shown in the table above are not to be regarded as a forecast of future cash payments.

iv. Please see Note 5(b) - *Finance Receivables* for the expected collections of finance receivables over the same time period. See Note 8(d) - *Borrowings* - for the amount of restricted cash in collections accounts that will be applied to debt in the following month.

The Company has no material liabilities that have not been recognized and presented on the statements of financial position, other than US$6.7 million in letters of guarantee. For contingent liabilities and other commitments, refer to Note 17 - *Contingent Liabilities and Other Financial Commitments* of the 2019 annual audited consolidated financial statements.

10. CAPITAL MANAGEMENT

The Company's capital consists of borrowings and shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's long-term ability to continue as a going concern and to provide adequate returns for shareholders. The Company's share capital is not subject to external restrictions. There have been no changes since the prior year.

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk profile of the underlying assets. The Company uses various measures including share repurchases through the normal course issuer bid and the amount of dividends paid to shareholders.

Chesswood's three-year revolving senior secured US$250 million credit facility and includes a US$50 million accordion feature supports growth in finance receivables, provides the Company's working capital needs and for general corporate purposes. The facility, available in U.S. or Canadian dollars, also improves the Company's financial flexibility by centralizing treasury management and making the provision of capital to individual businesses more efficient. This credit facility is secured by substantially all of the Company's assets, contains covenants including maintaining leverage and interest coverage ratios, and expires on December 8, 2022. At September 30, 2020 and December 31, 2019, and throughout the periods presented, the Company was compliant with all covenants, with certain covenants being waived or amended resulting from the onset of the COVID-19 pandemic. Financing facilities of operating subsidiaries are used to provide funding for the respective subsidiary's operations (namely to provide financing for the purchase of assets which are to be the subject of leases and loans or to support working capital). The financing facilities are not intended to directly fund dividends paid by the Company. The Company and its subsidiaries have finalized amendments to various facilities to better reflect COVID-19 related experiences and expectations.

11. COMMON SHARES

The Company is authorized to issue an unlimited number of common shares, with no par value. Each common share entitles the holder thereof to receive notice of, to attend, and to one vote at all meetings of the shareholders. The holders of common shares will be entitled to receive any dividends, if, as and when declared by the Company's directors. The Shareholders will also be entitled to share equally, share-for-share, in any distribution of the assets of the Company upon the liquidation, dissolution or winding-up of the Company or other distribution of its assets among its Shareholders for the purpose of winding-up its affairs. Additional information relevant to the common shares, the rights of holders thereof and the operation and conduct of the Company can be found in the Company's Articles and by-laws, which have been filed under the Company's profile on SEDAR at www.sedar.com.

		Common shares	Amount
		(# '000s)	*($ thousands)*
Balance, December 31, 2018		16,229	$ 103,576
Exercise of restricted share units		44	482
Exercise of options		53	403
Repurchase of common shares under issuer bid	*(a)*	(78)	(498)
Balance, December 31, 2019		16,248	$ 103,963
Exercise of restricted share units		37	375
Balance, September 30, 2020		**16,285**	**$ 104,338**

(a) Normal course issuer bids

In August 2018, the Company's Board of Directors approved the repurchase for cancellation of up to 1,043,895 of the Company's outstanding common shares for the period commencing August 25, 2018 and ending on August 24, 2019. From August 25, 2018 to December 31, 2018, the Company repurchased 206,340 of its shares under the normal course issuer bid at an average cost of $10.2412 per share. From January 1, 2019 to August 24, 2019, the Company repurchased 78,020 of its shares under the normal course issuer bid at an average cost of $10.3583 per share. The excess of the purchase price over the average stated value of common shares purchased for cancellation was charged to retained earnings.

In August 2019, the Company's Board of Directors approved the repurchase for cancellation of up to 1,031,791 of the Company's outstanding common shares for the period commencing August 26, 2019 and ending on August 25, 2020. From August 26, 2019 to August 25, 2020, no common shares were repurchased under this normal course issuer bid. The normal course issuer bid was not renewed.

12. COMPENSATION PLANS

Share-based compensation reserve represents the accumulated share-based compensation expensed over the vesting term for options and restricted share units unexercised at September 30, 2020. There were 2,533,939 options and 7,000 restricted share units outstanding at September 30, 2020 (2019 - 2,553,939 and 44,000).

(a) Share options

The options vest 30% at the end of the first year, another 35% at the end of the second year, and the remaining 35% at the end of the third year and expire on the 10th anniversary of the grant date. The options settle in Common Shares and have an exercise price equal to the 10-day volume weighted average price of the Common Shares prior to the day such options were granted. The cost of options is measured using the Black-Scholes option pricing model and is expensed over the vesting period of each tranche with an increase in share-based compensation reserve.

A summary of the number of options outstanding is as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	**2020**	2019
Balance, beginning of period	**2,553,939**	2,335,939	**2,553,939**	2,384,354
Granted	**—**	222,500	**—**	222,500
Exercised	**—**	(4,500)	**—**	(52,915)
Forfeited	**(20,000)**	—	**(20,000)**	—
Balance, end of period	**2,533,939**	2,553,939	**2,533,939**	2,553,939

During the nine months ended September 30, 2020, personnel expenses and the share-based compensation reserve included $179,800 (2019 - $244,700) relating to option expense. As of September 30, 2020, unrecognized non-cash compensation expense related to the outstanding options was $81,500 (September 30, 2019 - $337,100), which is expected to be recognized over the remaining vesting period.

During the nine months ended September 30, 2020, no options were exercised (2019 - 52,915 options were exercised for total cash consideration of $285,000. On exercise, the accumulated amount in share-based compensation reserve related to the exercised options of $118,000 was transferred to Common Share capital, Common Share capital was increased by the cash consideration received upon exercise, the weighted average share price at the date of exercise in 2019 was $10.56).

At September 30, 2020, the weighted average exercise price is $10.41 (September 30, 2019 - $10.44) and the weighted average remaining contractual life for all options outstanding is 4.3 years (September 30, 2019 - 5.8 years). The 2,297,689 options exercisable at September 30, 2020 have a weighted average exercise price of $10.47 (September 30, 2019 - 1,948,189 options at $10.39).

An analysis of the options outstanding at September 30, 2020 is as follows:

Grant date	Number of options outstanding	Vested	Expiry date	Exercise price
April 25, 2011	197,500	197,500	April 24, 2021	$ 7.79
June 10, 2011	50,000	50,000	June 9, 2021	$ 7.73
December 6, 2011	170,000	170,000	December 6, 2021	$ 6.14
June 25, 2012	153,989	153,989	June 24, 2022	$ 7.45
December 6, 2012	125,000	125,000	December 6, 2022	$ 8.86
April 29, 2014	125,000	125,000	August 31, 2023	$ 14.12
April 29, 2014	140,000	140,000	April 29, 2024	$ 14.12
April 16, 2015	160,000	160,000	April 16, 2025	$ 12.53
April 29, 2015	150,000	150,000	August 31, 2023	$ 12.24
August 15, 2016	100,000	100,000	August 31, 2023	$ 10.17
August 15, 2016	214,950	214,950	August 15, 2026	$ 10.17
June 19, 2017	90,000	90,000	August 31, 2023	$ 12.15
June 19, 2017	265,000	265,000	June 19, 2027	$ 12.15
March 28, 2018	90,000	90,000	August 31, 2023	$ 10.96
March 28, 2018	280,000	182,000	March 28, 2028	$ 10.96
September 6, 2019	25,000	25,000	August 31, 2023	$ 8.95
September 6, 2019	197,500	59,250	September 6, 2029	$ 8.95
	2,533,939	2,297,689		

(b) Restricted share units

Restricted share units (RSUs) typically vest one year from the date of issue, are to be settled by the issue of Common Shares and expire in ten years. RSUs granted are in respect of future services and are expensed over the vesting period with an increase in share-based compensation reserve. Compensation cost is measured based on the weighted average market price of the Common Shares for the 10 days prior to the date of the grant of the RSUs. Holders of RSUs are not entitled to dividends before the RSUs are exercised.

A summary of the RSUs outstanding is as follows:

	For the three months ended **September 30,**		For the nine months ended **September 30,**	
	2020	2019	**2020**	2019
Balance, beginning of period	**7,000**	44,000	**44,000**	44,000
Granted	**—**	—	**—**	44,000
Exercised	**—**	—	**(37,000)**	(44,000)
Balance, end of period	**7,000**	44,000	**7,000**	44,000

During the nine months ended September 30, 2020, personnel expenses and share-based compensation reserve included $185,900 (2019 - $264,100) relating to RSUs. During the nine months ended September 30, 2020, no RSUs were granted (2019 - 44,000) to directors.

During the nine months ended September 30, 2020, 37,000 RSUs were exercised (2019 - 44,000). On exercise, the accumulated balance in share-based compensation reserve related to the RSUs of $375,000 (2019 - $482,200) was transferred from reserve to Common Share capital. For the RSUs exercised during the nine months ended September 30, 2020, the weighted average share price at the date of exercise was $3.84 (2019 - $11.10).

As of September 30, 2020, unrecognized non-cash compensation expense related to non-vested RSUs was $nil (September 30, 2019 - $297,000). The outstanding RSUs at September 30, 2020, are fully vested.

13. DIVIDENDS

Under the Chesswood revolving credit facility (see Note 8(a) - *Borrowings*), the maximum amount of cash dividends (and/or cost of any repurchases under normal course issuer bids) that the Company can pay in respect of a month is 1/12 of 90% of Free Cash Flow for the most recently completed four financial quarters in which Chesswood has publicly filed its consolidated financial statements (including its annual consolidated financial statements in respect of a fourth quarter). Free Cash Flow is defined in the MD&A. On May 19, 2020, the Company announced a temporary suspension of dividends due to COVID-19 uncertainties (and subsequently, in accordance with the terms of a COVID-19 related temporary amendment of the Company's revolving credit facility).

The following dividends were paid to Common Shareholders and Exchangeable Securities holders (included as non-controlling interest) during the nine months ended September 30, 2020:

Record date	Payment date	Cash dividend per share ($)	Total dividend amount
			($ thousands)
December 31, 2019	January 15, 2020	$ 0.070	$ 1,241
January 31, 2020	February 18, 2020	$ 0.070	1,241
February 28, 2020	March 16, 2020	$ 0.070	1,241
March 31, 2020	April 15, 2020	$ 0.070	1,241
April 30, 2020	May 15, 2020	$ 0.035	620
			$ 5,584

The following dividends were paid to Common Shareholders and Exchangeable Securities holders (included as non-controlling interest) during the nine months ended September 30, 2019:

Record date	Payment date	Cash dividend per share ($)	Total dividend amount
			($ thousands)
December 31, 2018	January 15, 2019	$ 0.070	$ 1,240
January 31, 2019	February 15, 2019	$ 0.070	1,236
February 28, 2019	March 15, 2019	$ 0.070	1,236
March 29, 2019	April 15, 2019	$ 0.070	1,241
April 30, 2019	May 15, 2019	$ 0.070	1,241
May 31, 2019	June 17, 2019	$ 0.070	1,242
June 28, 2019	July 15, 2019	$ 0.070	1,242
July 31, 2019	August 15, 2019	$ 0.070	1,241
August 30, 2019	September 16, 2019	$ 0.070	1,240
			$ 11,159

14. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income for the period by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated using the same method as for basic earnings per share and adjusted for the weighted average number of common shares outstanding during the year to reflect the dilutive impact, if any, of any options, RSUs, or other commitments and instruments assuming they were exercised for that number of common shares calculated by applying the treasury stock method. The treasury stock method assumes that all proceeds received by the Company when options are exercised will be used to purchase common shares at the average market price during the reporting period.

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	**2020**	2019
Weighted average number of common shares outstanding	**16,284,961**	16,246,753	**16,264,322**	16,230,687
Dilutive effect of options	**—**	148,630	**—**	223,652
Dilutive effect of restricted share units	**7,000**	44,000	**27,639**	32,557
Weighted average common shares outstanding for diluted earnings per share	**16,291,961**	16,439,383	**16,291,961**	16,486,896
Options excluded from calculation of diluted shares for the period due to their anti-dilutive effect	**2,533,939**	1,634,950	**2,533,939**	1,300,000

15. RELATED PARTY TRANSACTIONS

a) The Company has no parent or other ultimate controlling party.
b) The Company's key management consists of the President & Chief Executive Officer, Chief Financial Officer and the Board of Directors. Key management compensation is as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2020	2019	**2020**	2019
		($ thousands)		
Salaries, fees and other employee benefits	**$ 277**	$ 446	**$ 950**	$ 1,331
Salaries and other employee benefits included in restructuring costs	**—**	—	**2,006**	—
Share-based compensation	**2**	130	**242**	343
Compensation expense of key management	**$ 279**	$ 576	**$ 3,198**	$ 1,674

16. CASH FLOW SUPPLEMENTARY DISCLOSURE

	For the three months ended September 30,			For the nine months ended September 30,	
	2020	2019	*Note*	**2020**	2019
			($ thousands)		
Non-cash transactions					
Common shares issued on exercise of RSUs	**$ —**	$ —		**$ 375**	$ 482
Interest paid	**$ 5,665**	$ 7,149		**$ 17,365**	$ 20,945

Other non-cash items included in net income					
Share-based compensation expense	**$ 32**	$ 172	*12*	**$ 366**	$ 508
Amortization of deferred financing costs	**3,692**	911	*8*	**5,870**	2,490
Unrealized (gain) loss on investments	**(544)**	61		**(423)**	(30)
Interest expense - premises leases payable	**34**	39		**108**	123
Unrealized (gain) loss on interest rate derivatives	**(214)**	82		**251**	1,211
Unrealized (gain) loss on foreign exchange	**51**	75		**104**	220
	$ 3,051	$ 1,340		**$ 6,276**	$ 4,522
Change in other net operating assets					
Restricted funds	**$ (9,990)**	$ 6,485		**$ (12,283)**	$ 1,360
Other assets	**845**	529		**4,776**	2,454
Accounts payable and other liabilities	**2,816**	1,222		**1,222**	(410)
Customer security deposits	**(1,245)**	(693)		**(3,756)**	(3,111)
	$ (7,574)	$ 7,543		**$ (10,041)**	$ 293

Borrowings

Draw-downs or proceeds from borrowings	**$ 265,108**	$ 75,899	*8*	**$ 488,262**	$ 285,767
Payments - borrowings	**(325,042)**	(63,392)	*8*	**(574,354)**	(209,795)
	$ (59,934)	$ 12,507		**$ (86,092)**	$ 75,972

17. SEGMENT INFORMATION

Segments are identified on the same basis that is used internally to manage and to report on performance, taking into account materiality and the products and services of each segment and the organizational structure of the Company. The Company's operations consist of the following reportable segments: Equipment Financing - U.S. and Equipment Financing - Canada.

The Company's U.S. Equipment Financing business is located in the United States and is involved in small-ticket equipment leasing and lending to small and medium-sized businesses. Pawnee and Tandem's information is aggregated with Chesswood's U.S. Equipment Financing segment as Pawnee and Tandem offer lending solutions to small businesses in the United States. Tandem continues to leverage off Pawnee's experience, processes and "back-office" support for credit adjudication, collections and documentation. The Canadian Equipment Financing segment provides commercial equipment financing to small and medium-sized businesses in Canada and includes Blue Chip.

Segment information is prepared in conformity with the accounting policies adopted for the Company's consolidated financial statements. The role of the "chief operating decision maker" with respect to resource allocation and performance assessment is embodied in the position of Chief Executive Officer. The performance of the segments is measured on the basis of net income or loss before tax. Net assets, which are defined as total segment assets less total segment liabilities, are used as the basis of assessing the allocation of resources. When compared with the last annual consolidated financial statements, there are no differences in the basis of segmentation or in the basis of measuring segment results. Selected information by segment and geographically is as follows:

	Nine months ended September 30, 2020			
($ thousands)	**Equipment Financing - U.S.**	**Equipment Financing - Canada**	**Corporate Overhead - Canada**	**Total**
Interest revenue on leases and loans	$ 71,534	$ 8,801	$ —	$ 80,335
Ancillary finance and other fee income	7,468	2,830	28	10,326
Interest expense	(18,906)	(3,615)	—	(22,521)
Provision for credit losses	(20,053)	(3,652)	—	(23,705)
Finance margin	**40,043**	**4,364**	**28**	**44,435**
Personnel expenses	11,139	1,885	1,108	14,132
Share-based compensation expense	104	8	254	366
Other expenses	11,482	1,202	972	13,656
Depreciation	791	96	31	918
Amortization - intangible assets	—	999	—	999
Operating income (loss)	**16,527**	**174**	**(2,337)**	**14,364**
Restructuring costs	(2,491)	—	(6,759)	(9,250)
Goodwill impairment	—	(11,868)	—	(11,868)
Fair value adjustments - investments	—	—	423	423
Unrealized loss on interest rate derivatives	(62)	—	(189)	(251)
Unrealized loss on foreign exchange	—	—	(104)	(104)
Income (loss) before taxes	**13,974**	**(11,694)**	**(8,966)**	**(6,686)**
Tax expense (recovery)	2,865	27	(962)	1,930
Net income (loss)	**$ 11,109**	**$ (11,721)**	**$ (8,004)**	**$ (8,616)**
Net cash from operating activities	$ 68,928	$ 29,178	$ (4,582)	$ 93,524
Net cash used in investing activities	$ (787)	$ —	$ —	$ (787)
Net cash used in financing activities	$ 80,253	$ (30,194)	$ (144,328)	$ (94,269)
Total assets	$ 681,059	$ 160,563	$ 3,298	$ 844,920
Total liabilities	$ 523,468	$ 116,797	$ 58,137	$ 698,402
Finance receivables	$ 613,632	$ 134,468	$ —	$ 748,100
Goodwill and intangible assets	$ 21,549	$ 23,564	$ —	$ 45,113
Property and equipment expenditures	$ 787	$ —	$ —	$ 787

($ thousands)	Nine Months Ended September 30, 2019				
	Equipment Financing - U.S.	**Equipment Financing - Canada**	**Other Operations**	**Corporate Overhead - Canada**	**Total**
Interest revenue on leases and loans	$ 71,711	$ 10,344		$ —	$ 82,055
Ancillary finance and other fee income	8,496	3,399		174	12,069
Interest expense	(21,328)	(4,141)		—	(25,469)
Provision for credit losses	(19,891)	(1,572)		—	(21,463)
Finance margin	**38,988**	**8,030**		**174**	**47,192**
Personnel expenses	11,087	2,288		1,448	14,823
Share-based compensation expense	137	10		361	508
Other expenses	11,007	1,376	321	1,142	13,846
Depreciation	760	95		31	886
Amortization - intangible assets	—	999		—	999
Operating income	**15,997**	**3,262**	**(321)**	**(2,808)**	**16,130**
Fair value adjustments - investments	—	—	—	30	30
Unrealized loss on interest rate derivatives	(380)	—	—	(831)	(1,211)
Unrealized loss on foreign exchange	—	—	—	(220)	(220)
Income before taxes	**15,617**	**3,262**	**(321)**	**(3,829)**	**14,729**
Tax expense	3,154	845	—	788	4,787
Net income	**$ 12,463**	**$ 2,417**	**$ (321)**	**$ (4,617)**	**$ 9,942**
Net cash used in operating activities	$ (58,802)	$ 6,021	$ 230	$ (2,564)	$ (55,115)
Net cash used in investing activities	$ (292)	$ (20)	$ —	$ —	$ (312)
Net cash from financing activities	$ 35,330	$ (4,141)	$ —	$ 29,661	$ 60,850
Total assets	$ 662,227	$ 204,527	$ 1,243	$ 5,613	$ 873,610
Total liabilities	$ 297,934	$ 147,830	$ —	$ 268,588	$ 714,352
Finance receivables	$ 617,855	$ 165,510	$ —	$ —	$ 783,365
Goodwill and intangible assets	$ 21,394	$ 36,765	$ —	$ —	$ 58,159
Property and equipment expenditures	$ 292	$ 20	$ —	$ —	$ 312

($ thousands)	Three months ended September 30, 2020 Equipment Financing - U.S.	Equipment Financing - Canada	Corporate Overhead - Canada	Total
Interest revenue on leases and loans	$ 21,641	$ 2,710	$ —	$ 24,351
Ancillary finance and other fee income	2,111	875	—	2,986
Interest expense	(5,968)	(1,116)	—	(7,084)
Provision for credit losses	7,048	(1,162)	—	5,886
Finance margin	**24,832**	**1,307**	**—**	**26,139**
Personnel expenses	3,664	620	353	4,637
Share-based compensation expense	25	2	5	32
Other expenses	3,735	357	302	4,394
Depreciation	252	32	11	295
Amortization - intangible assets	—	333	—	333
Operating income	**17,156**	**(37)**	**(671)**	**16,448**
Restructuring costs	(2,491)	—	(983)	(3,474)
Fair value adjustments - investments	—	—	544	544
Unrealized gain on interest rate derivatives	(4)	—	218	214
Unrealized loss on foreign exchange	—	—	(51)	(51)
Income before taxes	**14,661**	**(37)**	**(943)**	**13,681**
Tax expense	3,688	(9)	198	3,877
Net income	**$ 10,973**	**$ (28)**	**$ (1,141)**	**$ 9,804**
Net cash from operating activities	$ 47,556	$ 13,710	$ (2,591)	$ 58,675
Net cash used in investing activities	$ (56)	$ —	$ —	$ (56)
Net cash used in financing activities	$ 106,761	$ (17,321)	$ (151,575)	$ (62,135)
Property and equipment expenditures	$ 56	$ —	$ —	$ 56

($ thousands)	Equipment Financing - U.S.	Equipment Financing - Canada	Other Operations	Corporate Overhead - Canada	Total
	Three months ended September 30, 2019				
Interest revenue on leases and loans	$ 24,277	$ 3,431		$ —	$ 27,708
Ancillary finance and other fee income	2,873	1,151		49	4,073
Interest expense	(7,291)	(1,385)		—	(8,676)
Provision for credit losses	(7,241)	(627)		—	(7,868)
Finance margin	**12,618**	**2,570**		**49**	**15,237**
Personnel expenses	3,813	790		480	5,083
Share-based compensation expense	34	3		135	172
Other expenses	3,630	464	41	499	4,634
Depreciation	256	32		11	299
Amortization - intangible assets	—	333		—	333
Operating income	**4,885**	**948**	**(41)**	**(1,076)**	**4,716**
Fair value adjustments - investments	—	—	—	(61)	(61)
Unrealized loss on interest rate derivatives	(7)	—	—	(75)	(82)
Unrealized loss on foreign exchange	—	—	—	(75)	(75)
Income before taxes	**4,878**	**948**	**(41)**	**(1,287)**	**4,498**
Tax expense	995	236		290	1,521
Net income	**$ 3,883**	**$ 712**	**$ (41)**	**$ (1,577)**	**$ 2,977**
Net cash used in operating activities	$ (11,300)	$ 6,065	$ 138	$ (23)	$ (5,120)
Net cash used in investing activities	$ (22)	$ (6)	$ —	$ —	$ (28)
Net cash from financing activities	$ (1,907)	$ (3,755)	$ —	$ 11,946	$ 6,284
Property and equipment expenditures	$ 22	$ 6	$ —	$ —	$ 28

Chesswood Group Limited

DIRECTORS, OFFICERS AND OTHER INFORMATION

Directors

Edward Sonshine
Director, Chairman, Chesswood Group Limited

Clare Copeland
Director, Chairman, Governance, Nominating and Compensation Committee

Robert Day
Director
Former Chairman, Pawnee Leasing Corporation

Jeff Fields
Director, Chesswood Group Limited

Samuel Leeper
Director, Chairman, Audit, Finance and Risk Committee
Former C.E.O., Pawnee Leasing Corporation

Ryan Marr
Director
President & C.E.O., Chesswood Group Limited

Frederick W. Steiner
Director, Chesswood Group Limited

Executive Team

Ryan Marr
President & C.E.O.

Lisa Stevenson
Chief Financial Officer

Other Information

Auditors
BDO Canada LLP

Transfer Agent
TSX Trust Company

Corporate Counsel
McCarthy Tétrault LLP

Toronto Stock Exchange Symbol
CHW

Chesswood Group Limited
156 Duncan Mill Road, Unit 15
Toronto, Ontario, Canada M3B 3N2
Tel. 416.386.3099
e-mail:investorrelations@chesswoodgroup.com
www.chesswoodgroup.com

Chesswood Group Limited

TSX: CHW
Executive Office:
Chesswood Group Limited
156 Duncan Mill Road, Unit 15
Toronto, Ontario, Canada M3B 3N2
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