Management's Discussion and Analysis

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015

INTRODUCTION

This management's discussion and analysis ("MD&A") of the results of operations of Street Capital Group Inc. ("Street " or "the Company") for the three and nine months ended September 30, 2015, and its financial condition as at September 30, 2015, is based on the Company's condensed consolidated interim financial statements prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"), which incorporate International Financial Reporting Standards ("IFRS"), and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014 and the notes thereto. Additional information about the Company, including the Annual Information Form, can be found on www.sedar.com. The effective date of this MD&A is November 10, 2015. As of November 10, 2015 the Company had 120,866,448 common shares issued and outstanding.

During the second quarter of 2015, management changed the presentation of the financial statements to better reflect the financial results and financial position of its core operating activities. The comparative figures have been reclassified to conform to the current period financial statement presentation. (Please see Note 25 to the unaudited condensed consolidated interim financial statements for details.)

Forward-looking Information

This MD&A contains certain forward-looking statements that are based on management's exercise of business judgment as well as assumptions made by, and information currently available to, management. When used in this document, the words "may", "will", "anticipate", "believe", "estimate", "expect", "intend", and words of similar import, are intended to identify any forward-looking statements. You should not place undue reliance on these forward-looking statements. These statements reflect our current view of future events and are subject to certain risks and uncertainties as outlined in the Company's Annual Information Form and other filings made with securities regulators, which are available on SEDAR (www.sedar.com). These factors include, without limitation: timing and results of banking application process, expansion opportunities, technological changes, regulatory changes, the timing of merger and acquisition activities, and changes to the business and economic environment, including, but not limited to, Canadian housing market conditions and activity, interest rates, mortgage backed security markets, and employment conditions that may impact the Company, its mortgage origination volumes, investments, capital expenditures, and competitive factors that may impact revenue and operating costs. Any of these factors, amongst others, could cause actual results to vary materially from current results or from the Company's currently anticipated future results and financial condition. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results could differ materially from those anticipated in these forward-looking statements. We undertake no obligation, and do not intend, to update, revise or otherwise publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of any unanticipated events. Although we believe that our expectations are based on reasonable assumptions, we can give no assurance that our expectations will materialize.

BUSINESS PROFILE

The Company (TSX: SCB) is a financial services company operating in residential mortgage lending through its wholly owned subsidiary Street Capital Financial Corporation (www.streetcapital.ca, “Street Capital”), one of the largest non-bank mortgage lenders in Canada. Founded in 1979, and a public company for more than a quarter century, the Company’s goal is to create shareholder value by building a substantial, diversified financial services organization.

Residential Lending

Business Overview

Street Capital was acquired by the Company on May 31, 2011. Street Capital was founded by several members of its current senior management team, all of whom have extensive experience in the mortgage and consumer lending industry and previously occupied senior management positions at large Canadian financial institutions.

Street Capital originates residential mortgage loans in all provinces of Canada, with the current exception of Quebec. The majority of the mortgages that it underwrites are sold on a whole loan basis to top-tier regulated financial institutions. The remaining mortgages are either securitized or held directly. By selling the majority of its originated mortgages, Street Capital transfers substantially all of the risks of ownership to the purchaser and/or party insuring the mortgage. However, Street Capital maintains stringent underwriting and robust quality assurance processes in order to maintain the strong wholesale demand for its mortgages from institutional purchasers. This has resulted in a high quality portfolio of mortgages under administration (“MUA”).

Street Capital sources its mortgages primarily through its network of high quality independent mortgage brokers. Mortgage brokers are an important distribution channel in Canada, capturing almost half of first time homebuyers and 42% of repeat buyers, according to the 2015 Mortgage Consumer Survey by the Canada Mortgage and Housing Corporation (“CMHC”), the Government of Canada’s national housing agency. In developing its broker network, Street Capital selectively targets high opportunity broker teams based on a variety of factors, including the volume and quality of mortgages they source. It incentivizes brokers to direct business to the Company by providing a broad suite of products, competitive pricing, and timely, efficient service and support. Since launching operations in 2008, Street Capital has grown rapidly to become a leader in the mortgage broker market based on funded volume, according to reported industry statistics.

Street Capital offers a variety of both high ratio and conventional prime mortgages at competitive interest rates. At the point of commitment, Street Capital sells most of these mortgages to regulated financial institutions in return for a cash premium, a servicing fee over the life of the mortgage and, in some cases, an excess interest rate spread over the life of the mortgage. By not accumulating (“warehousing”) mortgages for a period of time prior to sale, Street Capital mitigates both interest rate and liquidity risk.

Although the Company outsources servicing of the related mortgages to third parties, it continues to administer them, and therefore remains the face of all direct communication with borrowers throughout the mortgage term. This ongoing customer relationship is a key part of the long term growth, profitability and recognition of the Street Capital brand, since it promotes renewals. Since acquisition costs of renewed mortgages are much less than that of new mortgages, renewals are particularly important. Street Capital targets a renewal rate of approximately 75 - 80% for mortgages it has originated, which is in line with the industry norm, and expects to achieve higher overall margins as mortgage renewals become a greater part of its mix of business.

In 2013, Street Capital received approvals from CMHC to be an approved issuer of National Housing Act Mortgage Backed Securities (“NHA MBS”) and an approved seller under the Canada Mortgage Bonds (“CMB”) program. This has enabled Street Capital to access the securitization market directly. The Company began to participate in these programs, on a limited scale, in the second quarter of 2014 and continues to participate on a limited scale. Although Street Capital does not intend to make mortgage securitization a major part of its business model, the ability to securitize mortgages does provide Street Capital with a secondary source of funding.

Bank Application

In September 2012, Street Capital announced its intention to apply to Canada's Minister of Finance for approval to operate as a federally regulated Schedule I bank, with its banking business primarily focused on residential mortgage lending, although also providing other consumer lending and related services. Street Capital is presently in the Pre-Commencement Review phase of its application to the Minister of Finance to continue as a Schedule I bank. This phase, which is one of the last stages of the continuation process, includes an on-site review by OSFI to determine whether Street Capital is sufficiently prepared to commence business operations as a federally regulated financial institution. Once the on-site review has been completed, Street Capital will be expected to address any concerns and material findings coming out of that review prior to OSFI making a recommendation to the Minister of Finance for Letters Patent of Continuation and to the Superintendent of Financial Institutions for an Order to Commence and Carry on Business. While Street Capital believes it has the appropriate structure, leadership, maturity and scale to complete this application process and subsequently operate as a bank, there is no assurance the application will receive approval. However, in the absence of receiving such approval, the Company is confident that it can remain successful by continuing to grow its mortgage business under its current business model.

Other Business

In the first quarter of 2013, the Company's Board of Directors approved a plan to dispose of the Company's non-core operating business segments. The decision reflected the Company's strategy to focus on financial services through Street Capital. The disposition plan involved:

- The Company's 73.3% owned subsidiary Heritage Global Inc. ("HGI") (formerly known as Counsel RB Capital Inc.) (OTCQB: HGBL; CSE:HGP) ("Asset Liquidation");
- The Company's 71.2% owned subsidiary Fleetwood Fine Furniture LP ("Case Goods" or "Fleetwood"); and,
- The Company's real estate business segment ("Real Estate") including its interest in two properties under development and one investment property.

As at March 31, 2013 the assets and liabilities of these entities were classified as held for sale and their operating results were classified separately as discontinued operations. By the end of the first quarter of 2014, the Company had disposed of its Asset Liquidation business via a dividend-in-kind of all its shares of HGI, and of its majority ownership stakes in its Case Goods and Real Estate businesses through sales to third parties.

As part of the plan adopted in the first quarter of 2013, the Company also began winding down its private equity business ("Private Equity"). Private Equity is carried on through the Company's wholly-owned subsidiary, Knight's Bridge Capital Partners Inc. ("Knight's Bridge"), which manages the Company's portfolio investment opportunities. By the first quarter of 2015 the Company had successfully divested of most of the core holdings in the KBCP Fund, and at September 30, 2015 was preparing to exit from the majority of its remaining holdings.

OUTLOOK

Note to readers: This section includes forward looking information and readers are reminded to refer to the discussion about forward looking information on page 2.

Looking forward, management expects market conditions to include continued low interest rates with perhaps marginal increases in late 2016, stable employment and economic conditions in most regions, with the exception of oil producing locations, along with positive demographic trends and immigration levels. These factors are expected to contribute to relatively stable housing markets for the last quarter of 2015 and into 2016.

The Company will continue to focus on realizing the significant renewal opportunities in the Company's MUA that lead to higher net gains on sale than new originations, and contribute to sustainable profitability. Renewal volumes in 2015 relate both to 5 year terms originated in 2010 and to higher than usual 4 and 3 year terms originated in 2011 and 2012, which reflected investor demand at that time. Moving into 2016, renewal volumes will be limited to primarily 5 year terms originated in 2011, which will lead to renewal volumes approximately 15% lower than 2015.

The Company is anticipating total sales of new and renewal mortgages in 2016 to be in line with the higher than expected volumes experienced in 2015 but with lower relative renewal volumes discussed above, leading to lower gain on sales than 2015. The Company's 2015 results have been very strong, with new mortgage origination volumes and spreads coming in better than expectation.

The Company has made significant investments in processes and people, including technology, risk management and internal audit, to both support its bank application, and to realize on its growth strategies. The Company will continue to build on, and invest in, its processes and capabilities in anticipation of, and to support, its future growth and product diversification strategies. In the shorter term in 2016, this will lead to some disciplined increases in expenditures ahead of expansion and revenue growth that will increase the Company's relative cost structure in 2016 as the processes, people and infrastructure are put in place to support strategic objectives.

Given relatively higher expenses combined with anticipated lower gains on sale in 2016, management expects lower net income in 2016 compared to a very strong 2015. Management is committed to process efficiency, along with product diversification and sales growth as strategic objectives and expects to drive higher profitability beyond 2016 as revenue begins to grow to match the expenditures required to build a diversified financial institution.

If the Company receives approval from Canada's Minister of Finance to operate as a federally regulated Schedule I bank in 2016, management expects to introduce its deposit taking and uninsured mortgage products in a measured and prudent manner over 2016 with the addition of other retail products in future years. Given the uncertainty of the potential timing of the launch of deposit and uninsured mortgage lending, along with the measured approach to launching the products, the profit contribution of the uninsured mortgage lending is not expected to contribute materially to results in 2016.

The Company continuously monitors market conditions though frequent evaluation of macro, regional and localized economic indicators and the credit performance of its MUA. The Company is also engaged in ongoing dialogue with its business partners about market conditions, credit performance and other observations, and will adjust lending criteria, as required, to ensure the quality of the mortgage portfolio reflects both the Company's and its business partners' risk appetite.

FINANCIAL HIGHLIGHTS

The following table sets out the financial highlights as at and for the three and nine months ending September 30, 2015:

Table 1 – Financial Highlights

(in thousands $, except where defined)	For the three months ended			For the nine months ended	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Shareholders' net income (loss)	$ 6,676	$ (37,666)	$ 8,212	$ (27,240)	$ 8,025
Adjusted shareholders' net income [1]	6,909	8,767	5,551	18,981	13,601
Shareholders' diluted earnings per share	0.06	(0.37)	0.08	(0.25)	0.08
Adjusted shareholders' diluted earnings per share [1]	0.06	0.09	0.05	0.17	0.13
Adjusted return on equity	23.5%	30.6%	21.8%	22.0%	17.6%
Mortgages sold	$ 2,284,829	$ 2,994,642	$ 2,261,258	$ 6,896,561	$ 5,572,962
Gain on sale of mortgages	$ 41,197	$ 56,749	$ 39,774	$ 129,067	$ 100,666
Gain as a % of mortgages sold	1.80%	1.90%	1.76%	1.87%	1.81%
Acquisition expenses	$ 21,994	$ 30,544	$ 23,956	$ 69,415	$ 59,274
Acquisition expenses as % of mortgages sold	0.96%	1.02%	1.06%	1.01%	1.06%
Operating expenses	$ 10,385	$ 10,994	$ 9,954	$ 31,355	$ 27,986
Operating expenses as % of mortgages sold	0.45%	0.37%	0.44%	0.45%	0.50%

				As at
	September 30, 2015	June 30, 2015	Dec 31, 2014	September 30, 2014
Mortgages under administration in billions ("MUA")	$ 24.30	$ 23.38	$ 21.59	$ 20.38
Serious arrears rate %[2]	0.14%	0.16%	0.23%	0.27%
Shareholders' equity	$ 120,752	$ 113,985	$ 110,876	$ 106,191
Number of shares outstanding end of period	120,866	120,866	99,358	99,101
Share price at close of market	$ 1.65	$ 2.35	$ 1.82	$ 1.60
Market capitalization	$ 199,429	$ 284,035	$ 180,832	$ 158,562
Book value per share	$ 1.00	$ 0.94	$ 1.12	$ 1.07

[1] Adjusted shareholders' net income , adjusted diluted shareholders' earnings per share and adjusted return on equity are Non-GAAP measures that the Company uses to measure its performance. These measures are not calculated in accordance with GAAP and are not defined by GAAP and do not have standardized meanings that would ensure consistency and comparability among companies using these measures. The adjusted results are intended to give readers a view of the core operating business of the Company by removing restructuring expenses incurred in Q2 2015, net of applicable taxes, given their non-recurring nature , along with fair value adjustments and the results of discontinued operations associated with the legacy businesses.

Reconcilation of Shareholders' Net Income to Adjusted Shareholders' Net Income

(in thousands $, except where defined)	For the three months ended			For the nine months ended	
	September 30, 2015	June 30, 2015	September 30, 2014	**September 30, 2015**	September 30, 2014
Net Income	$ 6,676	$ (37,666)	$ 8,212	$ (27,240)	$ 8,025
Restructuring expenses (net of applicable tax)	$ -	$ 46,602	$ -	$ 46,602	$ -
Fair value adjustments net of non-controlling interest	$ 242	$ (175)	$ (2,650)	$ (370)	$ (6,026)
Discontinued Operations	$ (9)	$ 6	$ (11)	$ (11)	$ 11,602
Adjusted Net Income	$ 6,909	$ 8,767	$ 5,551	$ 18,981	$ 13,601

Adjusted diluted EPS is calculated using adjusted net income. Adjusted ROE is calculated using adjusted net income with no adjustment to shareholders' equity.

[2] Serious arrears rate is defined as the number of mortgages that are greater than 90 days in arrears divided by the number of mortgages under administration . The calculation includes mortgages that have been sold to institutional investors.

- Adjusted net income (see definition of adjusted net income above) increased to $6.9 million in the quarter, up from $5.6 million in Q3 2014, while year to date adjusted net income increased $5.4 million to $19.0 million from $13.6 million in the comparable period of 2014 on solid increases in gain on sale income. Adjusted net income in the quarter was down from $8.8 million in Q2 2015 reflecting lower gains on sale on lower mortgage sales volume and slight margin compression. The decline in mortgage sales compared to Q2 2015 reflects a few factors combined. On July 1 the Company discontinued its Loyalty product, which offered trailer fee commissions, and in Q3 2015 there were some normal course credit underwriting adjustments to maintain strong credit performance. These actions led to some softening in new mortgage origination volumes over the short term. Management has observed a rebound in origination volumes into the beginning of Q4 2015 and anticipates new mortgage origination volumes will have returned to expected seasonally adjusted levels in Q4 2015.

- Year to date mortgage sales reached $6.90 billion, up 23.9% from $5.57 billion in the same period of 2014. Mortgage sales in Q3 2015 were $2.28 billion compared to $2.26 billion in Q3 2014 and $3.0 billion last quarter. Renewal volumes represented 18.4% of volumes in Q3 2015 and 17.3% year to date, compared to 10.6% in Q3 2014 and 11.1% year to date 2014, and 15.7% in Q2 2015.

- New mortgage origination volumes in Q3 2015, while lower than Q2 2015, still placed the Company among the top 4 mortgage underwriters by market share within the broker channel in Canada.

- Year to date net gains on sale of $59.7 million are up 44.2% from $41.4 million the first nine months of 2014. Sales of mortgages generated net gains on sale of $19.2 million in Q3 2015 up 21.5% from $15.8 million in Q3 2014 and down from $26.2 million in Q2 2015, as discussed above.

- A key measure of success is the growth in the Company's portfolio of MUA, which has grown 19.2% from one year ago. The company had $24.30 billion under administration at September 30, 2015 compared to $20.38 billion one year ago and $21.59 billion at December 31, 2014.

- While the Company is not directly exposed to the credit risk of its mortgages under administration, credit and underwriting quality, as measured by the serious arrears rate, is a key performance indicator of the high quality of the portfolio. A high quality portfolio is important to maintain strong wholesale demand from institutional purchasers. The serious arrears rate remained significantly better than industry average, as measured by statistics from the Canadian Bankers Association, at 0.14% of mortgages under administration.

SIGNIFICANT DEVELOPMENTS IN 2015

- As of the end of the first quarter of 2015, the Company had successfully divested almost all of the core holdings in its Private Equity business, and at September 30, 2015 was in negotiations to exit from the majority of its remaining holdings. See above under Other Business.

- As part of the Company's transition from operating multiple businesses in diverse markets to a focused financial services company, on June 23, 2015 the Company purchased all of the issued and outstanding Class C Shares of its subsidiary, Street Capital, that were held by certain members of Street Capital's management, in exchange for 20 million common shares of Street Capital Group Inc. and $2.9 million in cash. Subject to the occurrence of certain events, the vendors of the Class C Shares have agreed not to transfer the common shares issued to them except that i) 25% of such shares may be transferred on or after June1, 2017; ii) 50% of such shares may be transferred on or after June 1, 2018; and iii) 100% of such shares may be transferred on or after June 1, 2019. As part of the exchange of Class C Shares for common shares, the remaining contingent liability and earn-out payments attached to the Class C Shares were extinguished. The issuance of common shares, the extinguishment of an associated contingent liability and additional reorganization expenses were recognized as a $50.2 million charge to income in the second quarter.

REVIEW OF FINANCIAL RESULTS

The following table sets out the Company's consolidated quarterly results of operations for the eight quarters ended September 30, 2015.

Table 2 – Financial Results

Unaudited *(in thousands of $)*	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	**2015 Q3**	2014 YTD	**2015 YTD**
	$	$	$	$	$	$	$	$	$	$
Revenue										
Gain on sale of mortgages	26,605	25,357	35,535	39,774	38,298	31,121	56,749	**41,197**	100,666	**129,067**
Acquistion costs	(13,773)	(15,245)	(20,073)	(23,956)	(23,207)	(16,877)	(30,544)	**(21,994)**	(59,274)	**(69,415)**
Net gain on sale of mortgages	12,832	10,112	15,462	15,818	15,091	14,244	26,205	**19,203**	41,392	**59,652**
Net interest and other income (loss)	1,248	4,114	(34)	1,760	(51)	(106)	151	**227**	5,840	**272**
Total revenue	14,080	14,226	15,428	17,578	15,040	14,138	26,356	**19,430**	47,232	**59,924**
Expenses										
Salaries and benefits	5,679	5,592	6,130	6,253	6,081	6,936	7,200	**7,039**	17,975	**21,175**
Selling, general and admininstrative expenses	2,916	2,869	3,441	3,701	3,725	3,040	3,794	**3,346**	10,011	**10,180**
Operating Expenses	8,595	8,461	9,571	9,954	9,806	9,976	10,994	**10,385**	27,986	**31,355**
Income before restructuring expenses and fair value adjustments	5,485	5,765	5,857	7,624	5,234	4,162	15,362	**9,045**	19,246	**28,569**
Restructuring expenses	-	-	-	-	-	-	(50,240)	**-**	-	**(50,240)**
Fair value adjustments	4,813	3,099	6,420	8,028	9,436	(2,710)	2	**2,783**	17,547	**75**
Income (loss) before income taxes and discontinued operations	10,298	8,864	12,277	15,652	14,670	1,452	(34,876)	**11,828**	36,793	**(21,596)**
Income taxes	2,297	1,447	2,125	2,073	1,400	857	2,957	**2,136**	5,645	**5,950**
Income (loss) from continuing operations	8,001	7,417	10,152	13,579	13,270	595	(37,833)	**9,692**	31,148	**(27,546)**
Income (loss) from discontinued operations	(6,156)	(11,782)	169	11	8	8	(6)	**9**	(11,602)	**11**
Net income (loss)	1,845	(4,365)	10,321	13,590	13,278	603	(37,839)	**9,701**	19,546	**(27,535)**
Net (income) loss attributable to non-controlling interest	(1,190)	(2,061)	(4,082)	(5,378)	(8,374)	3,147	173	**(3,025)**	(11,521)	**295**
Net income (loss) attributable to shareholders	655	(6,426)	6,239	8,212	4,904	3,750	(37,666)	**6,676**	8,025	**(27,240)**

Mortgage Sales

Mortgage originations tend to follow seasonal housing market trends, where the spring and summer markets outperform the fall and winter ones, leading to relatively higher gains on sale in Q2 and Q3 compared to Q4 and Q1. The Company’s increasing gains on sale of mortgages, year over year, reflect increased origination and renewal volumes, supported by strong housing market activity in most regions, price appreciation and the Company’s market position.

Compared to Q3 2014 net gains on sale are up $3.39 million or 21.4% in Q3 2015 on slightly higher volumes sold, improved spreads and higher relative proportion of renewals (18.4% of total in Q3 2015 versus 10.6% in Q3 2014). Renewals have lower acquisition costs leading to higher net gains on sale.

Year to date net gains on sale increased $18.26 million or 44.1% compared to the first nine months of 2014, reflecting an increase in mortgages sold of 23.9%, combined with higher spreads and a higher proportion of renewal mortgages sold.

Net gains on sale are down $7.0 million from Q2 2015 due to lower gains on sale on lower mortgage sales volume and slight margin compression compared to the prior quarter. Spreads reflect market rates and the duration of the underlying mortgages sold. The decline in mortgage sales compared to Q2 2015 reflects certain combined factors. In July the Company discontinued its Loyalty product, which offered trailer fee commissions, and in Q3 2015 there were some normal course credit underwriting adjustments to maintain strong credit performance. These actions led to some softening in new mortgage origination volumes over the short term. Management has observed a rebound in origination volumes into the beginning of Q4 2015 and anticipates new mortgage origination volumes will have returned to expected seasonally adjusted levels in Q4 2015.

Table 3 – Mortgages Sold and MUA

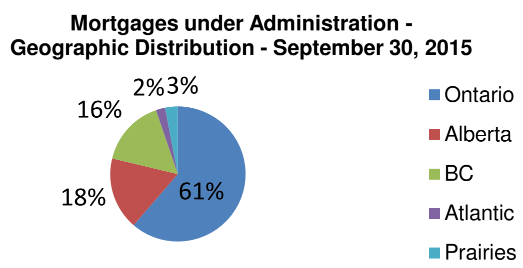
The following table sets out the growth in MUA and the quarterly mortgage sales over the last eight quarters.

(in billions $)	Dec 31, 2013	Mar 31, 2014	Jun 30, 2014	Sep 30, 2014	Dec 31, 2014	Mar 31, 2015	June 30, 2015	As at Sep 30, 2015
Mortgages under administration	17.52	18.21	19.27	20.38	21.59	22.16	23.38	**24.30**

	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3
Mortgages sold - orginations	1.19	1.21	1.73	2.03	1.96	1.32	2.52	**1.86**
Mortgages sold - renewals	0.19	0.17	0.21	0.24	0.27	0.30	0.47	**0.42**
Total mortgages sold	1.38	1.38	1.94	2.27	2.23	1.62	2.99	**2.28**
% Renewals	13.8%	12.3%	10.8%	10.6%	12.1%	18.5%	15.7%	**18.4%**

The Company originates mortgages across Canada, with the exception of Quebec. The charts below shows the geographic distribution of mortgages under administration and originations year to date, compared to last year.

Chart 1 – Geographic Distribution of Mortgages under Administration (% of $)



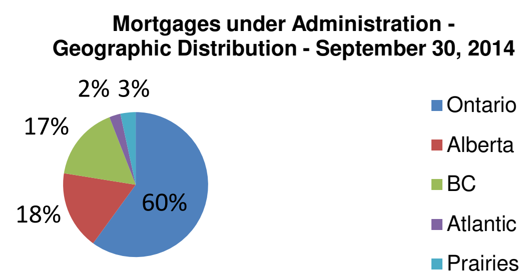
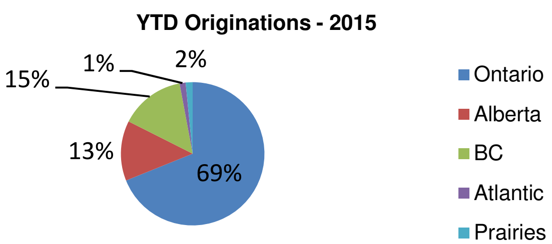
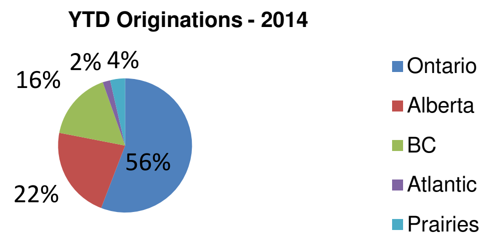


Chart 2 – Geographic Distribution of New Originations YTD (% of $)





Both MUA and originations continue to favour Ontario, which is reflective of the relative population density in urban centers of that province, and its higher average housing prices. Relative origination volumes in Alberta have declined from 2014 due to some tightening of lending criteria in the region, given the potential for declining market conditions from dropping oil prices and their potential effects on employment and housing prices. The regional tightening continued into Q3 2015, and that combined with slowing regional housing markets in Alberta resulted in continued declining relative volumes in the region.

Net Interest and Other Income

Net interest and other income primarily include net interest income from the Company's small book of securitized and non-securitized assets along with small amounts of fee income. The first nine months of 2014 also included a gain of $4,125 recognized associated with the sale of Fleetwood.

Expenses

The increase in expenses year over year primarily reflect increases in staffing in the mortgage lending business to support growth and strategic plans, along with increased expenditures on infrastructure and technology to support the banking license application and business growth. Q3 2015 operating expenses are down from Q2 2015, due to reductions in administrative salary expense following the reorganization discussed above, along with reductions in professional services expense, which were higher than usual in Q2 2015.

Fair Value Adjustment

The fair value adjustment of $2.8 million in the current quarter was primarily related to two of the Company's portfolio investments. The KBCP Fund's investment in Robert Graham, a very high end Men's Wear Company, was written up by over $5 million to reflect an increase in its value due to the fact that at September 30, 2015, Robert Graham had entered into an agreement to merge with a publicly traded company, Joe's Jeans, subject to shareholder approval. As a result, management expects that the KBCP Fund will exit from the investment in either Q4 2015 or early 2016. This was offset by a $3 million decrease in the value of the Company's investment in Fleetwood.

The Q1 2015 fair value adjustment related primarily to the sale of the KBCP Fund's investment in TubeMogul Inc. TubeMogul Inc. went public in July 2014 and its shares were subject to a hold period until January 14, 2015; their trading value declined between the end of 2014 and the dates on which they were sold. Despite the decline, the KBCP Fund realized a return of over twelve times its original investment in TubeMogul Inc., which was made in stages over 2008-2010. Fair value adjustments in Q3 2014 and the first nine months of 2014 resulted from the recognition of increases in the fair value of the KBCP Fund's holdings, inclusive of foreign exchange fluctuations.

Discontinued Operations

In the first quarter of 2013 the Company discontinued its Asset Liquidation, Case Goods and Real Estate segments. The Case Goods business and the last Real Estate property were sold in the first quarter of 2014, while the Asset Liquidation business was distributed to the Company's shareholders via a dividend-in-kind of all of the Company's shares of Heritage Global Inc.

Income Taxes

Income taxes for the quarter primarily related to the deferred tax attributable to the mortgage lending business, net of recoveries generated at the parent Company level. The first nine months of 2014 also included income taxes on gains realized on the disposition of Fleetwood. Non-cash reorganization expenses of $36.3 million recorded in Q2 2015 associated with the issuance of 20 million shares of the Company were recorded as permanent differences, as such, no tax recovery was recorded.

The Company has approximately $309.3 million non-capital loss carry-forwards that may be used to reduce future years' taxable income until 2035.

The income tax expense reported in the statement of operations and statement of comprehensive income is based on a number of different estimates made by management. The effective tax rate can change from year to year based on the mix of income or loss among the different jurisdictions in which the Company operates, changes in tax laws in these jurisdictions, and changes in the estimated values of deferred tax assets and liabilities recorded on the statement of financial position. The income tax expense reflects an estimate of cash taxes expected to be paid in the current year, as well as a provision for changes arising during the year in the value of deferred tax assets and liabilities. The likelihood of recovering value from deferred tax assets such as loss carry-forwards, future tax depreciation of capital assets and other assets is assessed and recognized at each quarter-end. Material changes in income tax assets, liabilities, expense and recoveries may occur in the short term.

REVIEW OF FINANCIAL POSITION

Table 4 - Financial Position

			As at
Unaudited	**September 30**	**June 30**	**December 31**
(in thousands of $)	**2015**	**2015**	**2014**
Assets			
Cash and cash equivalents	$ 44,877	$ 40,340	$ 36,152
Deferred placement fees receivable	45,236	43,806	38,749
Prepaid portfolio insurance	64,776	60,239	50,888
Securitized mortgage loans	101,837	45,975	50,318
Non-securitized mortgages and loans	37,241	27,013	4,285
Portfolio Investments	25,375	22,595	40,010
Other assets	59,110	69,482	57,521
	378,452	309,450	277,923
Assets of discontinued operations	1,329	1,346	1,341
Total assets	**$ 379,781**	**$ 310,796**	**$ 279,264**
Liabilities			
Bank facilities and loans payable	50,459	31,544	18,907
Securitization liabilities	101,213	46,830	50,546
Other liabilities	95,675	109,877	77,091
	247,347	188,251	146,544
Liabilities of discontinued operations	1,167	1,167	1,167
Total liabilities	248,514	189,418	147,711
Total shareholders' equity	120,752	113,985	110,876
Non-controlling interests	10,515	7,393	20,677
Total liabilities and equity	**$ 379,781**	**$ 310,796**	**$ 279,264**

Cash and Cash Equivalents

Cash and cash equivalents includes $34.6 million ($33.4 million June 30, 2015; $13.1 million December 31, 2014) of restricted cash representing funds held in trust by our Mortgage Lending business for the purposes of funding third party mortgage loans, repayments collected on behalf of third party investors via a third party service provider, and restricted cash for securitization activities.

The primary source of cash is the cash premiums received on the sale of mortgages.

Deferred Placement Fees Receivable

When mortgages are sold on a fully serviced basis the Company charges the institutional investor a servicing fee, which is received over the life of the underlying mortgage. The present value of the servicing fee, less the Company's cost of servicing, is recognized as gain on sale of mortgages in the consolidated statement of comprehensive income and a resulting deferred placement fee receivable is recognized in the consolidated statement of financial position. As well, in some cases an excess interest rate spread is received over the remaining term of the mortgage. The present value of the excess interest rate spread is recognized as gain on sale in the consolidated statement of comprehensive income and a resulting deferred placement fee receivable is recognized in the consolidated statement of financial position.

The net increase from December 31, 2015 reflects mortgage sale activity net of amortization.

Prepaid Portfolio Insurance

Prepaid portfolio insurance represents portfolio mortgage insurance premiums paid by the Company to insure a pool of low ratio prime mortgages. Portfolio mortgage insurance provides insurance coverage over a pool of mortgages and is not mortgage specific. The length of the insurance coverage is for the amortization period of the original underlying mortgages. Prepaid portfolio insurance is amortized using a declining balance method over a maximum period of 15 years. The pattern of amortization is estimated using contractual terms and management assumptions about prepayments and renewals of the underlying mortgages. For portfolio mortgage insurance purchased prior to May 14, 2015, if any part of a mortgage is prepaid in advance of the contractual amortization period, the Company is entitled to substitute that prepaid amount with another mortgage of equal value at no additional cost. The substitution period varies by insurer and is as short as 5 years and as long as the amortization period, which can be up to 25 years. This substitution eligibility is factored into the pattern of amortization. Beginning in May 2015, the substitution entitlement was discontinued. This change will tend to speed up the amortization pattern for portfolio insurance premiums paid for new mortgage pools after May 2015. While this did not have a material effect on the current quarter, assuming the same level of originations and portfolio insurance purchased in 2016 as expected in 2015, the amortization expense could increase by approximately $0.5 to $1.0 million in 2016 compared to 2015.

The increase in the prepaid portfolio insurance balance reflects insurance purchased for new pools less the amortization recognized since December 31, 2014.

Securitized Mortgage Loans and Securitization Liabilities

Occasionally, the Company will originate prime insured mortgages that it securitizes through the NHA MBS program and then sells as MBS. These mortgages and the securitization liability remain on balance sheet. The Company securitized and sold $56.6 million of mortgages during the first nine months of 2015.

Non Securitized Mortgages and Loans

From time to time the Company originates loans that remain on balance sheet or are intended for securitization and sale. At September 30, 2015 $32.3 million of mortgages were being held for future securitization and sale (December 31, 2014 - nil).

Portfolio Investments

The Company's portfolio investments consist of investments held in KBCP Fund, and Fleetwood (please see Note 9 of the Q3 2015 Unaudited Condensed Consolidated Interim Financial Statements). As discussed above, the value of the KBCP Fund's investment in Robert Graham, and the value of the Company's investment in Fleetwood, both changed during Q3 2015. The value of Robert Graham increased, due to Robert Graham's entry into an agreement to merge with Joe's Jeans. Management expects that the KBCP Fund would therefore exit the investment in either Q4 2015 or Q1 2016, at which time it would distribute the proceeds to its investors. As Robert Graham is the remaining significant investment held by the KBCP Fund, this would essentially conclude the Company's Private Equity operations. The value of Fleetwood decreased, following management's assessment of Fleetwood's financial position at September 30, 2015. In Q1 2015 there was a fair value adjustment related to the sale of the KBCP Fund's investment in TubeMogul Inc. The proceeds of the sale were distributed to KBCP Fund's investors.

Other Assets

Other assets include receivables for mortgage sale activity, loans receivable, mortgage insurance receivables, trade receivables, harmonized sales taxes, and any other amounts receivable. Also included are goodwill and customer intangibles from the purchase of Street Capital, securities, and deferred tax assets. The decrease from Q2 2015 primarily reflects a decline in amounts receivable on sale activity where the funds had not been received by the end of the quarter due to lower sale volume in the quarter. There was no indication of impairment of goodwill or customer intangibles in the quarter or comparable periods.

Bank Facilities and Loans Payable

At September 30, 2015 the Company had a total credit facility of $115 million through a syndicate of Schedule 1 Canadian banks, which was increased to $165 million effective October 1, 2015. The facility is available in three tranches, dependent on use of funds. The term debt and credit facilities outstanding at December 31, 2014 were repaid in Q1 2015 (Please see Note 13 of the Q3 2015 Unaudited Condensed Consolidated Interim Financial Statements for details).

The increase in the bank facilities and loans payable balance from June 30, 2015 primarily reflects the draw of an additional $17.7 million in funds for mortgages that the Company intended to securitize or sell early in Q4 2015, and an additional $1.0 million draw on the Company's operating line.

Other Liabilities

Other liabilities include accounts payable, accrued liabilities (including amounts accrued for restructuring expenses) and deferred tax liabilities. The increase from December 31, 2014 primarily reflects an increase in accounts payable to mortgage servicers of $21.5 million for amounts collected on their behalf and $11.4 million associated with accrued restructuring expenses, offset by a decline in other payables such as professional services, and an increase in deferred income taxes payable of $8.9 million. The decline from June 30, 2015 reflects a $6.0 million decrease in mortgage insurance premiums payable and a $1.8 million drop in accrued acquisition costs, due to lower originations in Q3 2015 as compared to Q2 2015.

Shareholders' Equity

The increase in shareholders' equity reflects net income after adjusting for the share issuance transaction that affected both capital stock and retained earnings in the period, and the exercise of stock options.

Dividends

In March 2014 the Company declared a special dividend-in-kind of the Company's entire holding of 20.6 million shares of HGI. The special dividend was paid on April 30, 2014 to shareholders of record as at April 1, 2014. Holders of the Company's common shares received approximately 0.2084 HGI shares for each share of the Company owned on the record date. There were no dividends paid in the first, second or third quarters of 2015.

CONTINGENCIES

The Company, from time to time, is involved in various claims, legal and tax proceedings and complaints arising in the ordinary course of business. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the consolidated financial condition or future results of the Company.

OFF BALANCE SHEET ARRANGEMENTS

The Company has outstanding amounts for advances on mortgage loans, which amounted to $30.3 million at September 30, 2015 ($nil million at September 30, 2014; $nil million at December 31, 2014), and are up to 90 days. The offers to extend credit are in the normal course of business and are planned through the Company's liquidity management practices.

RELATED PARTY TRANSACTIONS

Related party transactions are described in Note 23 to the unaudited condensed consolidated interim financial statements. The transactions relate to a management services agreement the Company had with Heritage Global Inc.

ACCOUNTING STANDARDS & POLICIES

This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and notes. The significant accounting policies and critical accounting estimates are described on pages 15 to 20 of the 2014 Annual Report and Note 3 of the audited consolidated financial statements included in the 2014 Annual report. These policies have the potential to significantly impact the Company's financial statements, either because of the significance of the financial statement item to which they relate, or because they require judgment and estimation due to the uncertainty involved in measuring, at a specific point in time, events which are continuous in nature.

Future changes in accounting standards that may have a future impact on the Company are discussed in Note 3 to the unaudited condensed consolidated interim financial statements.

COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative unaudited condensed consolidated interim financial statements have been reclassified from statements previously presented to conform to the presentation of the Q3 2015 financial statements.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

The Company's management is responsible for establishing and maintaining adequate 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 in accordance with IFRS.

There were no changes to the Company's internal controls over financial reporting during the period ended September 30, 2015 that have materially affected, or are expected to have a material effect on, the Company's financial reporting.

RISK AND UNCERTAINTIES AFFECTING THE BUSINESS

The business, financial condition and results of operations of Street are subject to a number of risks and uncertainties, and are affected by a number of factors that are outside the control of management. Financial instruments and financial risks are discussed in Note 20 and Note 21 to the unaudited condensed consolidated interim financial statements. Other risks include general economic conditions, changing interest rates, concentration of institutional investors, and reliance on the mortgage broker channel, government policy related to mortgage insurance, availability of NHA MBS funding, competition and new entrants, reliance on key personnel and management, and failure of computer or data systems internally or on the part of third party servicers. Risks and exposure are managed through insurance, an appropriate system of internal controls and quality operating practices and management oversight. The Company's key business model is to originate prime single family mortgages through the mortgage broker channel and fund them through sales to several large institutional investors or with NHA MBS. As such, Street Capital's relationships with mortgage brokers and these institutional investors are critical to its success.