

## WESTERN PACIFIC TRUST COMPANY

Management's Discussion and Analysis of  
Results of Operations and Financial Position  
For the period ended September 30, 2015  
(Expressed in Canadian Dollars)

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The following is management's discussion and analysis ("MD&A"), dated as of November 19, 2015, of the interim consolidated financial condition and results of operations of Western Pacific Trust Company and its subsidiary (collectively "WPTC" or the "Company") for the nine months ended September 30, 2015. This discussion should be read in conjunction with the audited Consolidated Financial Statements of the Company and the notes thereto for the year ended December 31, 2014 (the "Financial Statements").

### **Basis of Presentation**

The Company's consolidated financial statements are prepared and presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The IASB continues to amend and add to current IFRS standards and interpretations. As of the date of this MD&A, none of the of the new IFRS standards that have been recently issued have any significant impact on the September 30, 2015 condensed interim consolidated financial statements

### **Forward Looking Statements**

This MD&A contains certain forward-looking statements. All statements, included herein, other than statements of historical fact, including without limitation statements regarding the future plans and objectives of the Company, are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will provide accurate information, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed in Company documents filed from time to time with the regulatory authorities and on [www.SEDAR.com](http://www.SEDAR.com). Additional information with respect to the Company can be obtained from the Company's website at [www.westernpacifictrust.com](http://www.westernpacifictrust.com).

### **Overview**

Western Pacific Trust Company is a non-deposit taking financial corporation which is licensed under the **Financial Institutions Act ("FIA")** in British Columbia as a Trust Company. WPTC is also registered extra-provincially in Alberta as a non-deposit taking Trust Company.

#### *Self-Administered Plans*

WPTC Self-Administered Plans permit investors the tax-deferred benefits of a registered plan while maintaining control over their investment choices. WPTC also offers self-administered Tax-Free Savings Accounts ("TFSA's"), within which clients can earn tax-free investment income during their lifetime. Qualified investments for the Registered Retirement Savings Plan ("RRSP"), Registered Retirement Income Fund ("RRIF"), Locked In Retirement Account ("LIRA") etc. and TFSA self-administered accounts include, but are not limited to, securities in eligible Canadian controlled private corporations, private mutual fund trusts, venture capital corporations, unlisted public companies, as well as arm's length mortgages.

#### *Trust Services*

As part of its trust services, WPTC offers strategic counsel, organizational assistance and consults with clients' legal advisors in the establishment and administration of various forms of trusts, an effective vehicle and flexible tool for present and future management of assets.

#### *Client Consulting Services*

The Company provides a range of Accounting, Administrative and Corporate Secretarial services to select clients on a fee-for-service basis.

### *Transfer Agency Services*

The Company provides transfer agent and registrar services to unlisted and non-reporting issuer companies. These services are provided through the company's wholly-owned subsidiary, WP Private Equity Transfers Inc. ("WPPET"), a British Columbia incorporated company.

## **Results of Operations**

The following selected consolidated financial data for the three most recently completed calendar quarters should be read in conjunction with the Company's audited consolidated financial statements for the respective years.

	Nine months ended September 30		
	2015	2014	2013
Total revenue	\$ 524,465	\$ 445,796	\$ 457,546
Total general and administrative expenses	(558,440)	(553,055)	(504,977)
Net loss before amortization, finance expense and share-based payments	(33,975)	(107,259)	(47,431)
Amortization	(8,354)	(8,381)	(5,057)
Finance expense	-	(2,198)	(2,198)
Share-based payments	-	-	(11,230)
Net loss	\$ (42,329)	\$ (117,838)	\$ (65,916)
Loss per share (basic and diluted)	\$ (0.002)	\$ (0.005)	\$ (0.003)

Net loss before amortization, finance expense and share-based payments is a non-GAAP financial measure which has no standard meaning under IFRS. Management is of the opinion that certain investors use this information, in addition to more conventional measures prepared in accordance with IFRS, to evaluate the Company's performance and ability to generate liquidity through operating cash flows.

### **Results of operations during the three month period**

#### **Revenues**

The Company recorded a net loss of \$28,600 during the third quarter ending September 30, 2015, compared to a net loss of \$59,490 during the same period in the previous year. One major contributor of this reduced net loss is the increase in Self-Administered Plan revenues of \$26,252 during the three months. Other revenues such as Consulting and trust fee income and Interest income increased by \$3,242 and \$1,267 respectively, also contributed to the decrease in net loss.

#### **Expenses**

Expenses before amortization and finance expense increased slightly by \$1,616 for the same three month period last year. This increase in expenditures was mainly attributed to increases in rent and general administrative expenses while offset by a decrease in compliance and regulatory fees and salaries.

### **Results of operations during the nine month period**

#### **Revenues**

WPTC continues to experience growth in the area of Self-Administered Plan revenues, as these revenues increased by \$77,549 or 21% over the nine months of 2014. This growth can be attributed to the increase in recurring revenues which also continues to grow on a month-to-month basis. Recurring revenues contribute 25.3% of the \$77,549 revenue increase, while new Self-Administered Plan revenues contribute 32.5%. Other revenues such as interest income increased by 11.8% due to higher amounts available to invest, while trust service and consulting fee income remained relatively unchanged.

#### **Expenses**

Over the nine months of 2015 general and administrative expenses increased slightly compared to 2014. An increase of \$5,385 or 1.0% over last years' figures while still increasing the financial position of WPTC through increased revenues is a sign of WPTC's emphasis on the efficient use of its resources. This slight

increase can be attributed to the increase cost of software maintenance which did not exist for the first quarter of 2014. This increase is offset by decreases in salary and compliance and regulatory costs mentioned in the results of operations during the three month period above.

### Summary of Quarterly Results

The following consolidated financial data presents interim consolidated financial statements for the last eight quarters.

	For the Quarter Ended							
	30-Sep-15	30-Jun-15	31-Mar-15	31-Dec-14	30-Sep-14	30-Jun-14	31-Mar-14	31-Dec-13
Total revenue	\$ 155,900	154,190	214,375	143,970	125,139	143,964	176,693	123,304
Total expenses	181,848	187,897	188,695	170,854	180,232	193,456	179,367	163,083
Net income/(loss before amortization, finance expenses and share based payments)	(25,948)	(33,707)	25,680	(26,884)	(55,093)	(49,492)	(2,674)	(39,779)
Amortization	(2,652)	(2,782)	(2,920)	(808)	(3,664)	(2,514)	(2,203)	(1,939)
Finance expense	-	-	-	(8,493)	(733)	(732)	(733)	(1,983)
Share based payments	-	-	-	-	-	-	-	-
Net income/(loss)	\$ (28,600)	(36,489)	22,760	(36,185)	(59,490)	(52,738)	(5,610)	(43,701)
Loss per share, (basic and diluted)	\$ (0.001)	(0.001)	0.001	(0.001)	(0.002)	(0.002)	(0.000)	(0.002)

The fluctuations in total revenue from quarter to quarter are due primarily to the variations in revenue from self-administered plans.

### Outlook

#### Self-Administered Plans

Trustee services for Self-Administered Plans are required for any issuer wishing to offer RRSP, LIRA or TFSA eligible products, either directly or through an Exempt Market Dealer (“EMD”), as well as investors wishing to purchase an exempt market security into an RRSP or TFSA. Such investments include, but are not limited to, private Mutual Fund Trusts, eligible Canadian Controlled Private Corporations, Venture Capital Corporations and arm’s length mortgages.

The annual trustee fees earned from each plan build year-over-year for the life of the plan, creating a continuing revenue base for each succeeding year. Transactional fees earned on new accounts increase in proportion to the numbers of plans opened, in addition to transaction fees generated for new purchases in existing accounts.

The first nine months of 2015 saw a 21% increase in revenue over the same period in 2014. This resulted in a net loss for the nine months of \$42,329, compared to a loss of \$117,838 for the same period in 2014, or a 64.1% improvement.

During the quarter, the Company approved a record number of offerings for acceptance into its Self-Administered Plans and it is expected that sales by those issuers to their investors will generate a significant number of new plans in 2015 and 2016.

The upgrade of its back office system with a national solutions provider, commenced in 2014 to allow for scale as the Company grows, has taken substantially longer than anticipated. When fully implemented, the system will include a client portal to enable clients to view their portfolios in real time.

Western Pacific Trust Company is steadily gaining more recognition in the private capital markets as a trustee for self-administered plans holding qualified investments. While we certainly offer competitive pricing, it is the commitment to offering knowledgeable and responsive service delivered on a consistent basis which distinguishes our company in the market place.

### **Transfer Agency Services**

The provision of transfer agent and registrar services for unlisted and non-reporting issuer companies to the range of services offered are offered through the Company's wholly-owned subsidiary, WP Private Equity Transfers Inc., a British Columbia incorporated company.

### **Client Consulting Services**

The Company continues to offer a range of services offered to select clients.

### **Liquidity**

#### Western Pacific Trust Company - Capital Adequacy

As a trust company, the Company is governed by the Financial Institutions Commission pursuant to the *Financial Institutions Act* (British Columbia). The Company is required to submit to the Financial Institutions Commission, on a monthly basis, within 30 days of each month end, a "British Columbia Trust Company Financial Return" in which a Capital Adequacy calculation is required to set forth the Primary Capital (Shares, Retained Earnings and Reserves) and Secondary Capital (Subordinated Debt and Other Equity Shares) and Deductions From Capital (Goodwill, Other Intangible Assets, Subsidiary and other equity investments) to arrive at the Company's Capital Base. These deductions differ from IFRS and GAAP requirements. The Required Capital Base is calculated as 0.5% of the Assets Held in Trust.

Subsequent to September 30, 2015, the Company identified an error in its computation of the Capital Base resulting in a deficit of the Required Capital Base. The Company immediately took steps to remedy this deficiency, and as at the date of this report the Company is once again fully compliant with Capital Regulations requirements.

### **Capital Resources**

As at September 30 2015, the Company had working capital of \$430,959 (September 2014 - \$529,317) available to fund its operations. Included in these funds are proceeds of two private subordinated loan offerings.

### **Off-Balance Sheet Arrangements**

Other than Self-Administered Plan revenues beyond the reporting period, the Company does not have any off balance sheet items that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

### **Transactions with Related Parties**

Pursuant to the requirements of the Financial Institutions Act, WPTC's Conduct Review Committee is required to approve all related party transactions of the Company and report same to the Directors at meetings of the Board, which are generally held quarterly.

Management personnel includes directors and officers of the Company. Management salaries include compensation and benefits paid to directors, officers and consultants of the Company in the normal course of business. Share-based payments consists of stock option issuances.

The following transactions with related parties for the quarter ended September 30, 2015 were in the normal course of operations and were measured at the fair value of the services provided:

	September 30, 2015		September 30, 2014	
Management salaries	\$	188,369	\$	204,377
Total Compensation	\$	188,369	\$	204,377

### **Financial instruments**

As at September 30, 2015, the Company had not entered into any derivative financial instruments as a method of managing market risks associated with interest rates and foreign exchange fluctuations. Note 4 to the audited consolidated financial statements include a discussion of the Company's financial instruments and the related risks.

## **Risks and Uncertainties**

### *Dependence on major clients*

Plans opened for the Company's three largest issuer clients comprise a significant percentage of total revenues. Although these issuers are large entities, any disruption in the Company's relationships with these major clients or any decrease in revenue from them, could have an adverse effect on the Company.

### *Tax laws*

The tax laws in Canada and abroad are continually changing.

### *Dependence on key personnel*

Loss of certain members of the executive team or key management members of the Company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

## **Outstanding Share Information**

As at the date of this report there are 25,018,558 common shares and 49,750 Series I Preferred shares issued and outstanding. The terms of the preferred shares are described in the consolidated financial statements.

## **Share Purchase Options**

A total of 5,003,711 Common Shares are reserved for issuance under the Company's Stock Option Plan (the "Plan").

Options to purchase a total of 890,030 shares exercisable at a price of \$0.07 per share were granted to directors and employees on November 19, 2015. These options will vest one-third at December 31, 2015, one-third at December 31, 2016, and one-third at December 31, 2017, and will expire November 18, 2022.

1,984,970 previously granted options are exercisable at a price of \$0.10 per share until expiry November 26, 2022.

As at the date of this report, there are a total 2,875,000 shares under option and 2,128,711 shares reserved and available for issuance under the Plan.

## **Proposed Transactions**

As of the date of this report, there are no significant transactions, acquisition or disposition of businesses or assets currently being discussed or transacted.

## **Change in Accounting Policies and Initial Adoption**

The adoption of new accounting policies IFRS 10 Consolidated Financial Statements and IFRS 13 Fair Value Measurement had no significant effect on the condensed interim consolidated financial statements during the year ended September 30, 2015.

Future accounting pronouncements related to IFRS 9 and IFRS 15 (see audited consolidated financial statements for the year ended December 31, 2014) have been issued and reviewed by management but are not yet effective. These pronouncements have not been early adopted by the Company and the Company has yet to assess the full impact.

## **Directors**

On October 7, 2015, Mr. G. Benjamin Cutler was appointed as a director of the Company. Mr. Cutler has held senior executive and board level positions for the past 20 years. Following several years as Director with management responsibilities at Hansa Bank & Trust Company Limited, he was Director and CFO of Hansa.net Global Commerce Inc. for nine years. He joined Hush Communications Corporation in 2000, as Director of Finance, and since 2001 he has served as CEO and Chairman of the Board of Hush Communications Corporation.

Concurrently with Mr. Cutler's appointment, the Company's President & CEO, Ms. Alison Alfer, stepped down from the Board, in keeping with the Company's goal of increasing the proportion of independent/unaffiliated board members.

As of the date of this report, the Board of Directors is composed of the following:

J. Cowan McKinney, CPA, FCA	Board Chair
G. Benjamin Cutler	
John C.A. de Wit, CPA, CA	
Anthony Liscio, DDS	
Robert W. Macdonald	
Steven O. Youngman, B.Comm., LL.B	Deputy Board Chair