

**Lorne Park Capital Partners Inc.**

Management Discussion and Analysis  
For the six-month period ended June 30, 2015

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## **1.1 Introduction**

This **Management Discussion and Analysis (“MD&A”)** document, prepared on August 31, 2015, should be read in conjunction with the audited consolidated financial statements of Lorne Park Capital Partners Inc. (“LPCP” or “the Company”) for the year ended December 31, 2014.

This MD&A and the consolidated financial statements are expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The information in this MD&A is presented on a consolidated basis.

The offices of LPCP are at Suite 202, 1267 Cornwall Road, Oakville, Ontario, L6J 7T5 and further inquiries regarding the Company may be directed to its Chief Executive Officer, Robert Sewell, at (905) 337-2227 or by fax at (905) 337-3552 or by email at bob.sewell@lpcp.ca.

## **1.2 Forward-Looking Statements**

This MD&A contains forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to LPCP and its products and services, including its business operations, strategy and financial performance and condition. When used in this MD&A, such statements use such words as “may”, “will”, “expect”, “believe”, and other similar terms. These statements are not historical facts but instead represent management beliefs regarding future events, many of which, by their nature are inherently uncertain and beyond management control. Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties. Factors that could cause actual results to differ materially from expectations include, among other things, general economic and market conditions, including interest rates, global financial markets, changes in government regulations, industry competition, technological developments and other factors described under “**6.1 Risk Management**” or discussed in other materials filed with applicable securities regulatory authorities from time to time. The material factors and assumptions applied in reaching the conclusions contained in these forward-looking statements include that interest rates will remain relatively stable.

## **1.3 Trends**

LPCP was established in 2009 and became a public company in 2013. The long-term profitability of its operations are, in part, related to its ability to attract successful investment managers and affluent investor clients, in order to increase the Assets Under Management (“AUM”) of the business, which may be affected by a number of factors that are beyond the control of the Company. LPCP operates in the competitive discretionary portfolio management industry that is very sensitive to recent performance trends and fee structures.

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## **1.4 Risks and Uncertainties**

The Company's business is subject to the risks of the competitive discretionary portfolio management industry and Management has identified certain risks pertinent to its business including: credit risks; liquidity risks; market risks; concentration risks; capital requirements; dependence on senior management; the investment performance of the Company's investment solutions; sufficiency of insurance; competition from other discretionary portfolio management firms; significant redemptions of AUM; general business risks and liabilities; and, future regulatory changes. Management attempts to assess and mitigate these risks, as further described under "**6.1 Risk Management**", by retaining experienced professional staff and assuring that the Board of Directors and senior management are monitoring these risks on a continual basis.

## **2.1 Nature of Business**

Lorne Park Capital Partners Inc. is a public company listed on the TSX-V as "LPC-V".

LPCP and its sole wholly-owned subsidiary, Bellwether Investment Management Inc. ("Bellwether"), are incorporated and domiciled in Canada. As at June 30, 2015, the Company's Chairman and Chief Executive Officer held 74.6% of LPCP's common shares. Bellwether is registered with the Ontario Securities Commission as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager and its principal business is the provision of discretionary portfolio management services to affluent Canadian investors, estates, trusts, endowments and foundations.

LPCP has seven staff members, including four portfolio managers registered with the Ontario Securities Commission all with more than 20 years of experience in discretionary portfolio management. The portfolio management team has spent most of their careers managing portfolios for affluent investors. Bellwether's Chairman is responsible for business development and distribution strategies.

The key financial drivers of LPCP's profitability are its Clients' AUM, which are the basis on which management fees are charged, and its operating expenses. AUM increased 15.5% in the six-month period ended June 30, 2015, compared to 31.0% for the twelve-month period ended June 30, 2015 and 47.4% for the year ended December 31, 2013; attributable to the addition of new clients and existing clients entrusting the Company with additional assets to manage, as well as organic growth.

The Company incurred a \$287,903 net loss for six-month period ended June 30, 2015, compared to \$373,168 for the six-month period ended June 30, 2014 and \$744,420 for the year ended December 31, 2014. The \$85,265 decrease in losses for the first half of 2015, compared to the prior year, is due to a \$79,191, or 28.6%, increase in revenue and a \$6,074 decrease in expenses, which is primarily due to one-time hiring bonuses paid in 2014 offset by new public company costs in 2015.

On March 27, 2014, 20,000 broker warrants were exercised for \$4,000 of new capital (see section "**5.2 Share Data**"). On August 15, 2014, the Company raised \$2,311,000 by the issuance of 5-year debentures with interest at 8%.

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**2.2 Selected Annual Information**

The following are financial highlights as at June 30, 2015, 2014 and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets under management (AUM), end of period	\$ 75,961,302	\$ 57,970,623	\$ 35,428,418
Statement of Financial Position			
Total Assets	\$ 3,082,322	\$ 1,394,449	\$ 1,744,652
Total Equity	\$ 664,205	\$ 1,252,980	\$ 1,622,148

The following are financial highlights for the twelve-month periods ended June 30, 2015, 2014 and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Increase (decrease) in AUM	\$ 17,990,679	\$ 22,542,205	\$ 11,553,716
Revenues	\$ 660,996	\$ 482,903	\$ 359,261
Expenses	\$ 1,320,151	1,989,836	452,380
Net loss and comprehensive loss	\$ (659,155)	\$ (1,506,933)	\$ (93,119)
Weighted-average number of common shares	29,870,001	24,237,069	17,081,365
Loss per share - basic and diluted	\$ (0.022)	\$ (0.062)	\$ (0.005)

**2.3 Business Outlook**

The Company has established an excellent longer term investment track record in its core investment solutions and is positioned to rapidly accelerate its business growth. Therefore, LPCP's primary focus for 2015 is on the continued development of its portfolio management team and business development. Bellwether's priorities include four objectives in this context:

- The first is to continue to make strides in the performance, management, and marketing of the Bellwether and archerETF branded investment solutions via our existing network.
- The second objective is to continue to provide its affluent clients with excellent investment returns through the Company's tailored investment solutions approach.
- Thirdly, Bellwether is actively pursuing the addition of established Portfolio Managers and their client bases to further enhance the depth of the portfolio management team and accelerate AUM growth.
- Finally, the Company is developing alternative distribution channels to market its established investment solutions and rapidly accelerate AUM growth.

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### 3.1 Changes in Accounting Policies

The Company has not adopted any change in its accounting policies in the six-month period ended June 30, 2015.

### 4.1 Quarterly Operating Highlights

The following are quarterly operating highlights of the Company for the six-month periods ending in 2015 and 2014 on the dates noted (\$):

	<u>June 30</u>	<u>March 31</u>	<u>December 31</u>	<u>September 30</u>
Increase in AUM	<u>4,727,200</u>	<u>5,489,828</u>	<u>5,611,876</u>	<u>2,161,776</u>
Revenues	182,665	173,088	150,874	154,369
Expenses	<u>322,893</u>	<u>320,763</u>	<u>389,471</u>	<u>287,024</u>
Net and comprehensive loss	<u>(140,228)</u>	<u>(147,675)</u>	<u>(238,597)</u>	<u>(132,655)</u>

The following are quarterly operating highlights of the Company for the six-month periods ending in 2014 and 2013 on the dates noted (\$):

	<u>June 30</u>	<u>March 31</u>	<u>December 31</u>	<u>September 30</u>
(Decrease) Increase in AUM	<u>6,758,323</u>	<u>6,608,595</u>	<u>7,492,400</u>	<u>1,682,887</u>
Revenues	154,777	121,785	111,389	94,952
Expenses	<u>285,301</u>	<u>364,429</u>	<u>1,189,304</u>	<u>150,802</u>
Net and comprehensive (loss) income	<u>(130,524)</u>	<u>(242,644)</u>	<u>(1,077,915)</u>	<u>(55,850)</u>

### 4.2 Operating Earnings for Six-Months

The following are the results of operations of the Company for the six-month periods ended June 30, 2015 and 2014 (\$):

	<u>2015</u>	<u>2014</u>
<b>Revenue</b>	<u>355,753</u>	<u>276,562</u>
<b>Expenses</b>		
Salaries	296,808	393,395
Professional Fees	74,004	84,054
Direct fund costs	43,502	43,010
Investment management fees	47,594	41,084
Finance costs, net of interest income	68,153	-
Public company and listing expenses	19,160	20,389
Other expenses	<u>94,435</u>	<u>67,798</u>
	<u>643,656</u>	<u>649,730</u>
<b>Net and comprehensive loss</b>	<u>(287,903)</u>	<u>(373,168)</u>

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**4.2 Operating Earnings For Six-Months (Continued)**

For the six-month period ended June 30, 2015, the Company reported a net loss of \$287,903 compared to a net loss of \$373,168 for the six-month period ended June 30, 2014, for a net improvement of \$85,265.

The 28.6% increase in revenues compares to a 40.5% increase in average AUM, for the first half of 2015 compared to that of 2014.

The \$6,074 decrease in expenses includes:

- A \$96,587 reduction in staff expenses, primarily related to the payment of a hiring premium in 2014 but also due to a reduction in the Chairman's compensation.
- A \$10,050 reduction in professional fees, largely related to accounting fees being normalized in 2015, following the Company going public in 2013.
- A 15.8% increase in variable fund costs, compared to the 28.6% increase in revenues.
- New interest costs, effective August 15, 2014, that amounted to a net of \$68,153 in the first quarter, as a result of the debenture capital raised to fund future business expansion.
- A \$26,737 increase in other costs, as a result of increased membership by the Company's employees in professional organizations and \$7,000 of donations.

**4.2 Operating Earnings for Three-Months**

The following are the results of operations of the Company for the three-month periods ended June 30, 2015 and 2014 (\$):

	<u>2015</u>	<u>2014</u>
<b>Revenue</b>	<u>182,665</u>	<u>154,777</u>
<b>Expenses</b>		
Salaries	146,404	163,553
Professional Fees	39,690	40,708
Direct fund costs	21,431	21,263
Investment management fees	26,020	20,412
Finance costs, net of interest income	33,475	-
Public company and listing expenses	9,634	9,957
Other expenses	<u>46,240</u>	<u>29,408</u>
	<u>322,894</u>	<u>285,301</u>
<b>Net loss and comprehensive loss</b>	<u>(140,229)</u>	<u>(130,524)</u>

For the six-month period ended June 30, 2015, the Company reported a net loss of \$140,229 compared to a net loss of \$130,524 for the six-month period ended June 30, 2014, for a net downturn of \$9,705, due to new finance costs

The 18.0% increase in revenues compares to a 34.1% increase in average AUM for the second quarter of 2015 compared to that of 2014.

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**4.3 Operating Earnings for Three-Months (Continued)**

The \$6,074 decrease in expenses includes:

- A \$27,888 reduction in staff expenses, primarily due to a reduction in the Chairman's compensation.
- A 27.5% increase in variable fund costs, compared to the 18.0% increase in average AUM.
- New interest costs, effective August 15, 2014, that amounted to a net of \$33,475 in the second quarter, as a result of the debenture capital raised to fund future business expansion.
- A \$16,832 increase in other costs, related to professional memberships, marketing and donations.

**4.4 Related Party Transactions**

The following transactions occurred in the six-month periods ended June 30, 2015 and 2014 or the following balances were outstanding as at June 30, 2015 and December 31, 2014, with related parties:

	<u>2015</u>	<u>2014</u>
<b>Transactions for the six-month periods ended June 30</b>		
Legal fees paid to entity related directors	\$ -	\$ 4,000
Interest income on loan due from related party	<u>\$ 16,452</u>	<u>\$ -</u>
Key management compensation		
Salaries, bonuses and fees	<u>\$ 152,022</u>	<u>\$ 203,309</u>
	<b>June 30,</b>	<b>December 31,</b>
<b>Balances as at</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Loan due from related party		
Entity owned by controlling shareholders		
On demand and unsecured, with interest at 10%	<u>\$ 473,943</u>	<u>\$ 231,135</u>
Accounts payable to officers and directors		
Entity related to director	\$ 11,014	\$ -
Officeres & Directors	<u>40,095</u>	<u>79,227</u>
	<u>\$ 51,109</u>	<u>\$ 79,227</u>

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**5.1 Liquidity and Capital Resources**

The following is a summary of the cash flows of the Company for the six-month periods ended June 30, 2015 and 2014 (\$):

	<u>2015</u>	<u>2014</u>
Net loss for the period	(287,903)	(373,168)
Depreciation & Amortization	7,561	1,772
Net interest income to below	62,083	-
Loan to related party	(242,808)	-
Change in other working capital	<u>(68,424)</u>	<u>52,994</u>
<b>Cash Flow Used in Operations</b>	<b>(529,491)</b>	<b>(318,402)</b>
Issuance of share capital	-	4,000
Interest expense	(92,372)	-
Decrease in short term investments	543,463	317,136
Interest income	30,289	-
Purchase of capital assets	<u>(1,339)</u>	<u>(806)</u>
<b>Net (Decrease) Increase in Cash</b>	<b>(49,450)</b>	<b>1,928</b>
Cash and cash equivalents, beginning of period	<u>148,340</u>	<u>121,461</u>
Cash and cash equivalents, end of period	<u><u>98,890</u></u>	<u><u>123,389</u></u>

LPCP consumed \$529,491 of cash for operations in the six-month period ended June 30, 2015, an increase of \$211,089 compared with \$318,402 for the six-month period ended June 30, 2014, due to \$242,808 loaned to a related party, offset by a decrease in operating losses.

On August 15, 2014, the Company raised \$2,280,189, net of \$30,811 in issue costs, by the private placement of debentures that mature on August 15, 2019, which has resulted in \$91,680 of new interest expense and \$30,289 of new interest income in the first half of 2015.

Operating cash requirements and net financing costs have been funded from short term investments.

Adjusted to include short term investments, the Company's total financial resources are \$2,507,464 as at June 30, 2015, compared to \$3,100,377 as at December 31, 2014 and \$1,603,656 as at December 31, 2013.

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## 5.2 Share Data

### Share Transactions

From 2011 to August 15, 2014, operating cash requirements have been funded by new equity from shareholders and the issuance of debentures. The following shares have been issued in the years from 2010 to 2015:

	<u>Common Shares</u>
2010	102
2011	12,209,662
2012	4,737,795
2013	12,902,442
March 27, 2014	20,000

The following are the share transactions that occurred since January 1, 2013.

1. On June 14, 2013, a shareholder exercised the 3,052,441 investor warrants for \$400,000 cash.
2. Pursuant to the acquisition of Big Five, the Company issued 2,350,001 common shares as consideration for the assets acquired.
3. On October 25, 2013, the Company issued 7,500,000 common shares by way of a private placement, at \$0.20 per share for a total consideration of \$1,500,000. No broker costs were incurred in connection with this transaction.
4. On March 27, 2014, 20,000 broker warrants were exercised for total proceeds of \$4,000.

### Broker warrants

On October 25, 2013, the Company issued 100,000 broker warrants, exercisable at \$0.20 per share, to acquire up to 100,000 common shares of the Company. 20,000 of these broker warrants were exercised and the remainder expired, on March 27, 2014.

As at June 30, 2015, the Company has no outstanding issued or exercisable broker warrants.

### Investor warrants

In connection with the issuance of \$2,311,000 in debentures, on August 15, 2014, the Company has issued the debenture subscribers an aggregate of 577,750 warrants, each of which entitles a debenture holder to purchase one common share of the Corporation at an exercise price of \$0.40 per common share. The warrants are not traded on the TSX Venture Exchange. The common shares issuable on the exercise of the warrants will be listed.

Based on the bifurcation of the debenture proceeds, a value of \$70,380 has been recorded in contributed surplus for the warrants.

All of the 577,750 warrants remain outstanding and exercisable as at June 30, 2015; have an exercise price of \$0.40; and, expire on August 15, 2015. See “**8.1 Subsequent Event**” for the warrants that were issued and expired on August 15, 2015.

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## 5.2 Share Data (Continued)

### Share-based Compensation

On October 25, 2013, the Company issued 1,500,000 options that vested on issuance, exercisable at \$0.30 per share for up to 10 years, to acquire up to 1,500,000 common shares of the Company. The fair value of these options was estimated at \$0.175 per share, for an aggregate of \$262,972, using the Black-Scholes option pricing model with a market price of \$0.20; a risk-free interest rate of 2.42%; an expected annualized volatility of 100%; an expected dividend yield of 0.0%; and, an expected option life of 10 years.

The Company issued no options on any date prior to October 25, 2013, and no options have expired or were forfeited since that date. All of the 1,500,000 options remain outstanding and exercisable as at June 30, 2015; have an exercise price of \$0.30; and, expire on October 25, 2023.

### Outstanding shares, warrants and options

The following table sets out the number of shares, warrants and options outstanding as at June 30, 2015 and the date hereof:

	<u>June 30</u>	<u>August 31</u>
Common shares issued and outstanding	29,870,001	30,197,501
Investor options	577,750	-
Options	<u>1,500,000</u>	<u>1,500,000</u>
Fully diluted share totals	<u>31,947,751</u>	<u>31,697,501</u>

## 5.3 Summary Balance Sheet

The following is the financial position of the Company as at June 30, 2015, December 31, 2014 and December 31, 2013 (\$):

	<u>June 30</u> <u>2015</u>	<u>December 31</u> <u>2014</u>	<u>December 31</u> <u>2013</u>
Cash and short term investments	2,507,464	3,100,377	1,603,656
Other current assets	<u>563,356</u>	<u>334,670</u>	<u>126,776</u>
Total Current Assets	3,070,820	3,435,047	1,730,432
Long-term assets	<u>11,502</u>	<u>11,654</u>	<u>14,220</u>
Total Assets	<u>3,082,322</u>	<u>3,446,701</u>	<u>1,744,652</u>
Share Capital	3,066,872	3,066,872	3,061,866
Reserve for options and warrants	333,352	333,352	268,004
Deficit	<u>(2,736,019)</u>	<u>(2,448,116)</u>	<u>(1,707,722)</u>
Total Equity	664,205	952,108	1,622,148
Current liabilities	196,027	278,573	122,504
Debentures payable	<u>2,222,090</u>	<u>2,216,020</u>	-
Total Liabilities and Equity	<u>3,082,322</u>	<u>3,446,701</u>	<u>1,744,652</u>

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### **5.3 Summary Balance Sheet (Continued)**

The Company's balance sheet at June 30, 2015 reflects total assets of \$3,082,322, a decrease of \$364,379 from \$3,446,701 at December 31, 2013. This change is a result of the losses in the first half and a reduction in current liabilities

Shareholders' equity decreased by \$287,903 in the six-month period ended June 30, 2015, from \$952,108 at December 31, 2014 to \$664,205 at June 30, 2015 due to losses in the period.

### **5.4 Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents; short term investments; accounts receivable; loan due from related party; accounts payable and accrued liabilities; and, debentures payable. As at June 30, 2015 and December 31, 2014 and 2013, with the exception of the debentures payable, the carrying values and fair values of the Company's financial instruments are approximately the same. The Company has not used any hedging instruments.

### **6.1 Risk Management**

The disclosures below provide an analysis of the risk factors affecting the Company's business operations:

#### *Credit Risk*

Credit risk arises from deposits with banks, accounts receivable and the loan due from related party. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance. The maximum exposure to credit risk approximates the amount recognized on the balance sheet.

#### *Liquidity risk*

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the loan due from related party; and the raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital, cash flows and the issuance of share capital.

#### *Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

1. **Currency risk** is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not currently exposed to foreign currency exchange risk as it has no financial instruments denominated in a foreign currency.

## **6.1 Risk Management (Continued)**

### *Market risk (continued)*

2. **Interest rate risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is currently exposed to interest rate risk with respect to its short term investments invested in money market funds and its debentures payable.
3. **Other price risk** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Because the company's revenues are directly related to the market value of the investments that its subsidiary is managing for Clients, a change in market indices could have a significant impact on the Company's revenues. A 10% change in the Company's AUM of \$75.9 million, as at June 30, 2015, could impact future annual revenues by approximately \$75,000. A 10% change in the Company's average AUM for the twelve-month period ended June 30, 2015, of \$67.2 million, would have impacted the revenues for that period by approximately \$66,000.

Bellwether's financial performance is indirectly exposed to market risk. Any decline in financial markets or lack of sustained growth in such markets may result in a corresponding decline in performance and may adversely affect Bellwether's AUM and management fee revenue, which would reduce cash flow to the Company and ultimately impact its ability to manage its capital.

Management of market risk within Bellwether's AUM is the responsibility of the Chief Investment Officer, who has established a control environment that ensures risks are reviewed regularly and that risk controls throughout Bellwether are operating in accordance with regulatory requirements. Exposure to interest rate risk, foreign currency risk and equity risk is monitored by the Chief Investment Officer. When a particular market risk is identified, portfolio managers of the Company's investment solutions are directed to mitigate the risk by reducing their exposure.

### *Concentration risk*

All of the Company's accounts receivable is due from clients and thus the Company believes that the entire accounts receivable balance is collectible. Accordingly, management has not provided for an allowance for doubtful accounts as at June 30, 2015.

### *Capital Requirements*

Bellwether Investment Management Inc. is subject to minimum regulatory capital requirements, requiring Bellwether to keep sufficient cash or liquid assets on hand to maintain capital levels. Failure to maintain required regulatory capital may result in fines, suspension or revocation of registration. A significant operating loss or an unusually large charge against regulatory capital could adversely affect the ability of the Company to expand or even maintain its present level of business and create a material adverse effect on Bellwether's business, results of operations and/or financial position.

## **6.1 Risk Management (Continued)**

### *Dependence on Senior Management*

The success of the Company and its strategic focus is dependent to a significant degree upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient numbers of qualified senior management personnel on the part of LPCP or its subsidiary, could adversely affect the Company's business. This risk is partially mitigated by the fact that the senior management team are significant shareholders in the Company. Further mitigation has been attained through the implementation of key employee compensation packages composed of monetary short-term compensation and long term stock based compensation designed for the retention of key employees.

### *Investment Performance of our Investment Solutions*

If the investment solutions managed by Bellwether are unable to achieve investment returns that are competitive with or superior to those achieved by other comparable investment products offered by Bellwether's competitors, such solutions may not attract new client AUM or may experience client attrition, which may have a negative impact on Bellwether's assets under management. This would have a negative impact on Bellwether's revenue and profitability.

### *Sufficiency of Insurance*

The Company maintains various types of insurance which may include financial institution bonds; errors and omissions insurance; directors', trustees' and officers' liability insurance; and, general commercial liability insurance. There is no assurance that claims will not exceed the limits of available coverage; that any insurer will remain solvent or willing to continue providing insurance coverage with sufficient limits or at a reasonable cost; or, that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. A judgment against the Company or its subsidiary in excess of available coverage could have a material adverse effect on the Company in terms of damages awarded and the impact on the reputation of Bellwether.

### *Competition*

Bellwether competes with a large number of portfolio managers and other investment advisors as well as financial institutions. Many of these competitors have greater capital and other resources, and offer more comprehensive lines of products and services than Bellwether.

Bellwether success is largely dependent on its ability to compete in the current Canadian wealth management environment. The Company's success will be based upon a number of factors including the range of products and solutions offered, brand recognition, investment performance, business reputation, financing strength, management and sales relationships, quality of service, level of fees charged and other compensation paid.

Bellwether's competitors seek to expand market share by offering different products and services than those offered by Bellwether. There can be no assurance that Bellwether will maintain its current standing, and that may adversely affect the business, financial condition or operating results of Bellwether.

## **6.1 Risk Management (Continued)**

### *Risks of Significant Redemptions of Bellwether's Assets under Management*

The Company's revenues depend largely on the value of Bellwether's AUM, which is influenced by sales, redemption rates and investment performance. Sales and redemptions may fluctuate depending on market and economic conditions, investment performance, and other factors. Increased competition and market volatility has contributed to redemptions and diminished sales for participants in the Canadian wealth management industry.

### *General Business Risk and Liability*

Given the nature of the Company's business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing the Company, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty and misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of Bellwether's right to carry on their existing business. LPCP may incur significant costs in connection with such potential liabilities.

### *Regulation of Bellwether*

Bellwether Investment Management Inc. is heavily regulated in all jurisdictions where it carries on business. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of Bellwether, including the power to limit or restrict business activities as well as impose additional disclosure requirements on Bellwether products and services. Possible sanctions include the revocation or imposition of conditions on licenses to operate certain businesses, the suspension or expulsion from a particular market or jurisdiction of any of Bellwether's business segments or its key personnel or financial advisors, and the imposition of fines and censures. To the extent that existing or future regulations affect the sale or offering of Bellwether's product or services in any way, the Company's assets under management and its revenues may be adversely affected.

## **6.2 Commitments and Contingent Liabilities**

### *Contingent Liabilities*

In the ordinary course of business, the Company enters into contracts which contain indemnification provisions, such as letter agreements, service agreements and purchase and sale agreements. In such contracts, the Company may indemnify counterparties to the contracts if certain events occur. These indemnification provisions vary on an agreement by agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

As of the date hereof, Management is not aware of any claims or potential claims made or pending against the Company.

**Lorne Park Capital Partners Inc.**  
**Management Discussion and Analysis for the Six-month Period ended June 30, 2015**

## **7.1 Future Changes in Accounting Policies**

IFRS standards and interpretations that may apply to the Company, which are issued but not yet effective as at June 30, 2015, are disclosed below. The Company intends to adopt these standards, as applicable, when they become effective. Based on the Company's preliminary assessment, the Company does not anticipate any significant change to its financial statements as a result of these standards.

### *IFRS 9 Financial Instruments: Classification and Measurement*

IFRS 9 Financial Instruments replaces IAS 39 regarding the recognition and measurement of financial assets and financial liabilities. The effective date for IFRS 9 is January 1, 2018, applied retrospectively.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities and includes new requirements related to hedge accounting. Management is currently evaluating the potential impact that the adoption of IFRS 9 will have on the Company's consolidated financial statements.

### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 Revenue from Contracts with Customers was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recording revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently assessing the impact of IFRS 15 and intends to adopt the new standard on the required effective date.

## **8.1 Subsequent Event**

On August 15, 2015, 327,500 of the 577,750 investor warrants (Note 7(vii)) were exercised resulting in 327,500 shares of the company being issued at \$0.40 per share for total proceeds of \$131,000. The remaining 250,250 investor warrants expired on the same date.