

# **MPIC Fund I, LP**

**Annual Report  
2015**

*“...Over time, markets will do extraordinary, even bizarre, things. A single, big mistake could wipe out a long string of successes. We therefore need someone genetically programmed to recognize and avoid serious risks, including those never before encountered. Certain perils that lurk in investment strategies cannot be spotted by use of the models commonly employed today by financial institutions.*

*Temperament is also important. Independent thinking, emotional stability, and a keen understanding of both human and institutional behavior is vital to long-term investment success. I’ve seen a lot of very smart people who have lacked these virtues...”*

*- Warren Buffett*

*Berkshire Hathaway 2006 Annual Letter to Shareholders*

# **MPIC Fund I, LP**

**Annual Report  
2015**

## MPIC Fund I, LP's Performance vs. the S&P 500

<u>Year</u>	<u>Annual Percent Change</u>		<u>Relative Results</u> <u>(1)-(2)</u>
	in Net Asset	in S&P 500	
	Value Per Share of MPIC Fund I <u>(1)</u>	with Dividends Included <u>(2)</u>	
2006 .....	8.5%	9.6%	( 1.1%)
2007 .....	26.8%	5.5%	21.3%
2008 .....	(19.1%)	(37.0%)	17.9%
2009 .....	41.3%	26.5%	14.8%
2010 .....	12.8%	15.1%	( 2.3%)
2011 .....	( 8.5%)	2.1%	(10.6%)
2012 .....	11.5%	16.0%	( 4.5%)
2013 .....	22.7%	32.3%	( 9.6%)
2014 .....	36.4%	13.7%	22.7%
2015 .....	(20.4%)	1.4%	(21.8%)
Compounded Annual Gain – 2006-2015	9.8%	7.0%	2.8%
Overall Gain – 2006-2015	148.8%	91.7%	57.1%

Notes: Data are for calendar years with these exceptions: 2006, eight months ended 12/31.

Both, the S&P 500 and MPIC Fund I, LP, performances are pre-tax. MPIC Fund I, LP results are audited and after all expenses, including incentive allocation.

## MPIC Fund I, LP

### To the Partners of the MPIC Fund I, LP:

Our net return to partners for 2015 was -20.4%, while the S&P 500 Total Return was +1.4%. Since inception on May 1, 2006, the MPIC Fund I, LP's cumulative net return to partners is +148.8%, while the S&P 500 Total Return has gained +91.7%.

During that same period, we have outperformed our comparative index by a +2.8% differential per annum, after all expenses including incentive allocation. Partners should also remember that we will not receive any future incentive fees until we surpass our previous high watermark, plus 6% annual compounding from that point.

### Commentary

Our unconditional duty, and the only one we abide by, is to **grow investment capital at an above average rate** while **avoiding any permanent loss**. We will not participate when we feel a margin of safety is not present in the investments available to us.

While 2015 was an annus horribilis for us, we would like to emphasize that our goal is to always try and prevent "any permanent loss". Since a significant portion of the fund is now in Premier Diversified Holdings (PDH), volatility in PDH's price has increased volatility in our annual return. As we have no plans on selling a single share of PDH, partners should realize that volatility in PDH's price is not a permanent loss.

At the 2016 Berkshire Hathaway Annual Meeting, Mr. Buffett provided a slide of how his wager is doing against five top hedge funds and the S&P500 between 2008 and 2015:

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### Protégé Partners Wager Results For the Eight Years ended December 31, 2015

<u>Year</u>	<u>S&amp;P Index Fund</u>	<u>Hedge Funds</u>
2008	-37.0%	-23.9%
2009	26.6%	15.9%
2010	15.1%	8.5%
2011	2.1%	-1.9%
2012	16.0%	6.5%
2013	32.3%	11.8%
2014	13.6%	5.6%
2015	1.4%	1.7%
<b>Cumulative</b>	<b>65.7%</b>	<b>21.9%</b>

MPIC Fund I, LP's cumulative result during that same period, even after the -20.4% loss in 2015 is +75.3%!

## **Premier Diversified Holdings Inc.**

In 2014, our strategy changed significantly due to our investment in Premier Diagnostics Health Services, and then the subsequent evolution of that business into Premier Diversified Holdings.

MPIC Partners have a very symbiotic relationship with Premier...for better or worse! Ideally, we would like PDH to account for no more than about 33% of fund assets. The underlying benefits for the partnership are:

- Operating leverage of PDH and its businesses will increase returns to the fund.
- The fund now has long-term, captive capital working for it.
- PDH, and thus the MPIC Funds, have access to various forms of financing - cash, debt, equity & operating cash flow.
- MPIC Funds, via PDH, can invest in both public or private businesses.
- Greater tax efficiency for MPIC Fund investors that don't hold their investment in IRA's, as more capital gains can be retained in PDH and compounded over many years.

While investors are pleased that we make money for them, from time to time, their own doubts and fears create an environment where they start to behave emotionally. We've experienced this in the past with some partners and we'll experience this in the future with others.

As such, and due to the fact that we do not have a lockup, if any partner removes a significant portion or all of their investment in the fund, we will allocate to them their proportionate share of cash and Premier shares during their redemption. There are many investors out there who are eager to buy blocks of Premier shares, and we will happily facilitate a block sale of shares by the partner. The reason for this is simple:

- We will not allow any single partner to put the fund's liquidity at jeopardy due to fears in the fund's strategy! (Please refer to #1 in Appendix A, "Ground Rules" for the fund operations.)

That being said, in a liquidation, Corner Market Capital U.S. and its directors will happily take all of their investment back in shares of Premier Diversified Holdings Inc. We believe Premier will do very well over time!

As PDH is a public company, we are somewhat hamstrung by what we can and cannot say. Please read the "2016 PDH Shareholders Letter" in Appendix C to update you on what is happening.

## **Investments**

- MPIC Fund I, LP's portfolio outside of PDH actually did modestly better than the S&P500 TR in 2015.
- Our roughly 30% cash holding through most of 2015, decreased to about 20% as we bought a basket of Oil & Gas stocks as oil bottomed out at less than \$30/barrel in August. Within the basket were:
  - Exxon Mobil
  - Chevron
  - BP Plc
  - Chesapeake Energy
  - Penn West Petroleum

- As Oil & Gas stocks recovered in November, we sold the basket at a modest gain and put the capital into Walmart (WMT) as it bottomed. The security of investing in the world's largest retailer with strong, regular cash flow, appealed to us more than a basket of commodity stocks.
- While Amazon continues to dominate on-line retailing, markets pounded Walmart because of warnings in revenue growth and earnings. Yet, Walmart remains the enormous juggernaut it has always been in bricks and mortar retailing!
- We've seen this before, where the assumption is that a disruptive player will make all competitors obsolete...as if it will happen all at the same time. But we've seen that this isn't accurate or true! Usually the weaker businesses fall first and market share gets distributed to the survivors. At the end, there are usually a few large players.
- Walmart does half a billion in revenue every year! That's nearly 5 times greater than Amazon. Walmart earns about \$15B in income annually and generates about \$20B in free cash flow. Numbers that dwarf Amazon's output! So while Amazon will become the world's largest retailer one day in the future, it certainly isn't going to happen over-night. In the mean-time, Walmart will return about \$15-20B a year back to shareholders in dividends and share buybacks.
- We purchased a very large position in Walmart in November and supplemented it with a significant position through call options as well. The Walmart shares are up about +20% as we speak and the call options are up about +194% on average!

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- We continue to retain our investment in Bank of America (BAC) and Wells Fargo (WFC). We believe they are two of the best run large banks in America. Wells Fargo's loyal customer base and cross-selling of products is the exact model that Bank of America is emulating. Wells continued to raise its dividend and buy back shares, as its robust cash flows fill its coffers and Bank of America continues buy back shares. We expect BAC to receive permission to increase its dividend payment finally this year.
- Both banks should do better as the Fed slowly moves rates up. We think the positives of higher rates on such enormous retail deposit bases will surpass any negative effects from increasing interest rates.

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- In 2013, we purchased 4.8% of SED International, an electronics distributor with business in the U.S. and Latin America. SED had fallen on hard times and was trading at a tiny fraction of sales. Sham Gad, who runs Paragon Technologies and Gad Funds, had acquired nearly 30% of SED. He replaced the board and became CEO.
- We felt that if Sham could get even the most modest of efficiencies in place at SED, the business could become profitable once again. We either underestimated the magnitude of the turnaround or overestimated Sham's abilities. Whichever way you want to slice it, we not only bunted, but the ball hit us in the head and was caught by the catcher before it touched the ground!

- Our only saving Grace was that we were risk-averse enough to only allocate 1.5% of capital to this idea.

\*\*\*\*\*

- Rainmaker has made considerable progress under CEO, Craig Graham, and COO, Michael Hefferon - especially in terms of generating new business and increasing revenues. Management had the right idea of owning and developing their own proprietary projects, as potential profits are higher and you can create a recurring stream of revenue.
- Unfortunately, as of writing, the selection and execution of projects may have been off. Rainmaker's most recent production, Ratchet & Clank, was a complete bomb at the box office in April and the investment had to be written down. One step forward, two steps back!

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- In 2015, CEO Ben Liu completed another successful year at Russell, including fending off an attempt by PDH to acquire 51% of Russell. PDH and Russell settled on two board seats for Alnesh and myself. Presently, as the largest shareholder with nearly 20% ownership, we are working very well with the board to create value for all shareholders alike. More news to come with Russell in 2016!
- Incidentally, Russell's "Angry Scotch Ale" won a gold medal at the Canadian Beer Awards in 2014. They won another gold medal with their "Punchbowl Cream Ale" in 2015. If you have the opportunity while visiting British Columbia or Alberta, please try both. They are absolutely fantastic beers!

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- In late 2015, Mohnish Pabrai announced that Dhandho would probably remain unlisted for another 2-3 years, as markets would not properly value some proprietary startup businesses Dhandho was developing. Shortly thereafter as a favor to us, understanding that a 2-3 year delay affects MPIC Fund I, LP's liquidity, Mohnish offered to redeem MPIC Fund I, LP's stake in Dhandho. Dhandho purchased 70% and the remaining 30% was bought by another Dhandho investor.
- Even though we would be selling our stake at a 15% loss due to investment and insurance losses at Dhandho, we felt it was prudent to sell and add liquidity to MPIC Fund I, LP. Especially since PDH is now a significant core position, and could do a lot of Dhandho could do, in terms of investing and acquiring businesses.
- We sold our Dhandho investment at December 31, 2015, with any adjustments to be made based on Dhandho's audit results that would be available in April. The adjustment was relatively negligible...less than 3 cents per unit.
- Now that we are out of Dhandho, a lot of the issues bogging down our reporting and audit, no longer exist. We expect to complete our audit annually by the end of February each year, as we used to in the past, and get the Annual Report and K-1's to partners by mid-March every year.



## **Miscellaneous**

### **Audit & Annual Report**

Starting this year, we are moving to electronic copies of our Annual Report w/audited financials. The world has changed and everyone is reading letters and documents in PDF on their laptops, tablets and smartphones. It saves time, money and space!

Our audit for 2015 was once again conducted by Patke & Associates. We would like to thank Ron Niemaszuk, Shana Sparber and Lisa Clausen for their work. It was late this year again due to delays waiting for the Dhandho audit. Expect next year's report in early March of 2017!

The partnership's tax return and partner K-1's were also handled by Patke & Associates. If you are looking for a good auditor, that provides excellent customer service and diligent oversight, give Ron a call at (847) 382-1627.

### **Directors**

Corner Market Capital U.S. is the general partner for the MPIC Fund I, LP. The board of directors is composed of Alnesh Mohan, Andrew Cooke, Glen Rollins & Sanjeev Parsad. Andrew and Glen provide invaluable support and advice...we don't know what we would do without them! They are also both minority shareholders in the general partner and terrific friends to the partnership.

- Andrew, as many of you already know, is a CPA with previous experience at subsidiaries of Fairfax Financial, and as Treasurer for Lumbermens Mutual Group (formerly Kemper Insurance). He has spent many years studying value investing. He did a tremendous amount of work for the fund over the last year, including his contributions as a director of Premier and a director of Sequant Re.
- Glen was a director of Rollins Corporation and was Chief Executive Officer of the Orkin PCO pest control division for many years. Not only did he serve on the board of a NYSE-listed company, but he oversaw a multitude of franchisees and several thousand employees. He's been a Berkshire Hathaway shareholder for over 20 years. Many of our good investment ideas come from Glen!

Our existing and prospective partners are welcome to contact Andrew at [cooke\\_work@hotmail.com](mailto:cooke_work@hotmail.com) and Glen at [gwrollins@gmail.com](mailto:gwrollins@gmail.com). They receive no fees for their service, except for a box of cookies every Christmas!

### **Dorsey & Whitney LLP**

Alan Bell, and his legal assistant Kathryn Shelton at Dorsey & Whitney LLP in Salt Lake City, handle all of Corner Market Capital U.S.'s and the MPIC Fund I, LP's legal requirements and filings. If you need a good attorney for a U.S. corporation or partnership, give Alan a call at (801) 933-7361.

### **Liccar**

Liccar of Chicago is our third party administrator for MPIC Fund I, LP. We have been extremely happy with their work! Our many thanks to Michael Liccar, Mike Atwater, Donald Pizziferro and their team at Liccar, especially Vishal Shah & Maria Baygood who deal with us regularly on the fund's monthly financials. If you are looking for a great fund administrator, give Mike Atwater a call at (312) 922-8877.

## **UBS Private Wealth Management**

As we've stated in our previous annual reports, Ajay Desai and his team of Melissa Wilczak, Randy Bruns, Tim Dillow, Andrew Lindblom & Frank Pellicori are hands down our best service provider, and make your Chairman's day to day duties far easier with their execution, service and value.

Whenever any new fund manager asks me for a recommendation regarding our service providers, the first name that I always tell them is Ajay's. We receive no discounts, special consideration or anything else to the surprise of those managers. Plain and simple, they are the best we have seen and we could not run the funds efficiently without them! I cannot recommend Ajay and his team enough...give them a call at (855) 314-8910.

## **Frequently Asked Questions & Ground Rules**

Towards the end of the Annual Report, you will find our "Ground Rules" in Appendix A. These are the fundamental principles that our partnership tries to abide by and that guide our conduct. We think these principles align our interests with your interests, and allow for a truly equitable partnership. In Appendix B, you will find our answers to some frequently asked questions. We will expand this as time goes by.

## **Operational Costs**

Operational costs, relative to assets under management, increased to 36 basis points in 2015 from 2014's 25 basis points. The increase was due primarily to increased legal, audit and tax costs, as well as additional legal and filing work done due to our stake in PDH.

## **MPIC Funds AGM**

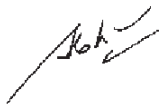
The MPIC Funds Annual General Meeting occurred on April 13, 2016 as part of our Annual FFH Shareholder's Dinner, as Fairfax Financial's AGM now consumes most of the next day. As such, Premier and MPIC will be the keynote speaker each year at our dinner, rather than doing a meeting the next day at Roy Thomson Hall.

## **Our Promise To You**

Finally, we cannot begin to explain how we feel about the fiduciary responsibility we've been entrusted with. For most of you, the capital invested within the MPIC Funds is due to a lifetime of effort, and all the challenges that you faced to get here. We will *never* take that responsibility lightly!

We thank you for your trust, friendship and confidence. As always, we keep an open door policy, and our partners can contact us at anytime about any subject. We wish you and your families well.

Sincerely,



Alnesh Mohan



Sanjeev Parsad

**In the following pages, you will find the Audited Financial Statements for the MPIC Fund I, LP ending December 31, 2015.**

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# **MPIC FUND I, LP**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the Partners of  
MPIC Fund I, LP  
British Columbia, Canada

### Report on the Financial Statements

We have audited the accompanying financial statements of MPIC Fund I, LP (a Delaware limited partnership), which comprise the statement of financial condition, including the condensed schedule of investments, as of December 31, 2015, and the related statements of operations and changes in partners' capital (net asset value) for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of MPIC Fund I, LP as of December 31, 2015 and the results of its operations and changes in partners' capital (net asset value) for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Patke & Associates, Ltd.*

Lincolnshire, Illinois  
May 9, 2016

# MPIC FUND I, LP

## STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2015

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### Assets

Investments in securities, at fair value (cost \$6,337,999)	\$ 8,229,918
Investment in investment partnership, at fair value (cost \$1,000,000)	841,857
Derivative contracts, at fair value (premiums paid \$217,226)	248,500
Due from broker	2,156,480
Cash at bank	219,539
Other assets	9,499
Total assets	<u>\$ 11,705,793</u>

### Liabilities and Partners' Capital (Net Asset Value)

#### Liabilities

Accounts payable and accrued liabilities	\$ 24,279
Redemptions payable	286,563
Total liabilities	<u>310,842</u>

#### Partners' Capital (Net Asset Value)

11,394,951

Total liabilities and partners' capital (Net Asset Value)	<u>\$ 11,705,793</u>
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The accompanying notes are an integral part of these financial statements.

# MPIC FUND I, LP

## CONDENSED SCHEDULE OF INVESTMENTS DECEMBER 31, 2015

Description	Shares / Units	Fair Value	% of Net Asset Value
<b>Investments in securities</b>			
United States common stocks			
Financials		\$ 843,345	7.4%
Consumer discretionary			
Wal-Mart Stores Inc.	13,000	796,900	7.0%
Other securities		331,560	2.9%
		1,128,460	9.9%
Distribution		4,050	0.0%
Total United States (cost \$1,610,594)		1,975,855	17.3%
Canada common stocks			
Media		179,000	1.6%
Healthcare			
Premier Diversified Holdings Inc.	45,697,247	5,849,248	51.3%
Total Canada (cost \$4,501,590)		6,028,248	52.9%
Total common stocks (cost \$6,112,184)		8,004,103	70.2%
Canada convertible corporate bond			
Media (cost \$225,815)		225,815	2.0%
Total investments in securities (cost \$6,337,999)		\$ 8,229,918	72.2%
<b>Investment in investment partnership</b>			
United States			
Diversified			
Dhandho Holdings, L.P. (cost \$1,000,000)	100,000	\$ 841,857	7.4%
<b>Derivative contracts - assets</b>			
<b>Options purchased</b>			
United States			
Consumer discretionary		\$ 248,500	2.2%
Total derivative contracts - assets (premiums paid \$217,226)		\$ 248,500	2.2%

The accompanying notes are an integral part of these financial statements.



# MPIC FUND I, LP

## STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2015

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### Investment income

Dividends (net of foreign withholding taxes of \$1,252)	\$ 44,342
Interest	18,775
Total investment income	<u>63,117</u>

### Expenses

Professional fees	47,898
Total expenses	<u>47,898</u>
Net investment income	<u>15,219</u>

### Realized and unrealized gain (loss) from investments

Net realized gain from investments in securities	86,060
Net change in unrealized (depreciation) on investments in securities and derivative contracts	(2,940,156)
Net change in unrealized (depreciation) on investment in investment partnership	<u>(151,223)</u>
Net (loss) on investments	<u>(3,005,319)</u>
Net (loss)	<u>\$ (2,990,100)</u>

The accompanying notes are an integral part of these financial statements.

# MPIC FUND I, LP

## STATEMENT OF CHANGES IN PARTNERS' CAPITAL (NET ASSET VALUE) YEAR ENDED DECEMBER 31, 2015

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	Partners' Capital		
	General Partner	Limited Partners	Total
Balance, beginning of year	\$ 1,950,055	\$ 12,846,560	\$ 14,796,615
Allocation of net (loss):			
Pro rata allocation	<u>(334,605)</u>	<u>(2,655,495)</u>	<u>(2,990,100)</u>
	<u>(334,605)</u>	<u>(2,655,495)</u>	<u>(2,990,100)</u>
Capital contributions	-	225,000	225,000
Capital withdrawals	<u>(350,000)</u>	<u>(286,564)</u>	<u>(636,564)</u>
Balance, end of year	<u>\$ 1,265,450</u>	<u>\$ 10,129,501</u>	<u>\$ 11,394,951</u>

The accompanying notes are an integral part of these financial statements.

# MPIC FUND I, LP

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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### ORGANIZATION OF PARTNERSHIP

MPIC Fund I, LP (the "Fund") is an investment fund organized on March 13, 2006, under the Revised Uniform Limited Partnership Act of the State of Delaware, for the purpose of engaging in buying and selling securities. The General Partner of the Fund is Corner Market Capital US Inc. ("General Partner"). The General Partner is a wholly-owned subsidiary of Corner Market Capital Corporation, a corporation registered in British Columbia. The Fund will continue until May 1, 2036 unless terminated earlier or extended in accordance with the provisions of the Partnership Agreement.

The Fund's investment objective is to earn above market returns and long-term appreciation. The Fund seeks to achieve its investment objective by investing principally in marketable securities of U.S. and non-U.S. companies.

### SIGNIFICANT ACCOUNTING POLICIES

#### METHOD OF REPORTING

The Fund's financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The General Partner has evaluated the structure, objectives and activities of the Fund and determined that the Fund meets the characteristics of an investment company and therefore applies the guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 946.

#### INVESTMENTS IN SECURITIES

Securities transactions and any related gains and losses are reported on a trade date basis. Any unrealized gains or losses on open positions at the date of the financial statements are stated on the statement of operations. The Fund records interest income in the period it is earned. Dividend income is recorded on the ex-dividend date.

#### DERIVATIVE CONTRACTS

The Fund records its derivative activities at fair value. Gains and losses from derivative contracts are stated on the statement of operations.

#### Options Purchased

When the Fund purchases an option, an amount equal to the premium paid by the Fund is recorded as an asset and is subsequently adjusted to the current fair value of the option purchased. Premiums paid for purchased options that expire unexercised are treated by the Fund on the expiration date as realized losses from investments. Premiums paid for purchased option contracts that are sold prior to expiration are offset against the proceeds of the related sale transaction, net of brokerage commissions, to determine the realized gain or loss.

# MPIC FUND I, LP

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### DUE FROM BROKER

Amounts due from brokers may be restricted to the extent that they serve as deposits for certain marketable securities.

In the normal course of business, substantially all of the Fund's securities transactions, money balances and securities positions are transacted with the Fund's broker, UBS Financial Services Inc. At December 31, 2015, the amount due from broker reflected in the statement of financial condition is due from this broker.

#### TRANSLATION OF FOREIGN CURRENCY

Assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the year-end exchange rates. Transactions denominated in foreign currencies, including purchases and sales of investments, and income and expenses, are translated into U.S. dollar amounts on the transactions date. Adjustments arising from foreign currency transactions are reflected in the statement of operations.

The Fund does not isolate that portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held. Such fluctuations are included in net realized gain from investments in the statement of operations.

#### INCOME TAXES

The Fund prepares calendar year informational U.S. and applicable state tax returns and reports to the partners their allocable shares of the Fund's income, expenses and trading gains or losses. No provision for income taxes has been made in the accompanying financial statements as each partner is individually responsible for reporting income or loss based on such partner's respective share of the Fund's income and expenses as reported for income tax purposes.

Management has evaluated the application of GAAP as it relates to income taxes and has determined that no reserves for uncertain tax positions were required to have been recorded. Generally, the Fund is subject to income tax examinations by major taxing authorities during the three year period prior to the period covered by these financial statements.

#### USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# MPIC FUND I, LP

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### FAIR VALUE MEASUREMENTS AND DISCLOSURES

All investments are recorded at their estimated fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund utilizes various methods to measure the fair value of its investments on a recurring basis. GAAP establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are as follows:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Fund can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability, including assumptions that market participants would use when pricing the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

A description of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis follows.

Equity securities and derivative contracts, such as options, which are listed on a national securities exchange or reported on the NASDAQ national market, are valued based on quoted prices from the exchange. To the extent these financial instruments are actively traded, and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy.

Convertible corporate bonds are valued using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issues, market price quotations (when observable), bond spreads and fundamental data relating to the issuer. Generally convertible corporate bonds are categorized in Level 2 of the fair value hierarchy.

Investments in investment partnerships are valued at the estimated exit price as agreed to by the General Partner and management of the investment in investment partnership and is categorized as Level 3 of the fair value hierarchy.

# MPIC FUND I, LP

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

### SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table summarizes the inputs used to value the Fund's assets measured at fair value as of December 31, 2015.

Assets (at fair value)	Level 1	Level 2	Level 3	Total
Investments in securities				
Common Stocks				
United States				
Financials	\$ 843,345	\$ -	\$ -	\$ 843,345
Consumer discretionary	1,128,460	-	-	1,128,460
Distribution	-	4,050	-	4,050
Canada				
Media	-	179,000	-	179,000
Healthcare	-	5,849,248	-	5,849,248
Total common stocks	1,971,805	6,032,298	-	8,004,103
Convertible corporate bond	-	225,815	-	225,815
Total investments in securities	1,971,805	6,258,113	-	8,229,918
Investment in investment partnership	-	-	841,857	841,857
Derivative contracts - assets				
Options purchased	248,500	-	-	248,500
Total	\$ 2,220,305	\$ 6,258,113	\$ 841,857	\$ 9,320,275

The following is a reconciliation of assets for which Level 3 inputs were used in determining value:

	Investment in Investment Partnership Level 3
Beginning balance - January 1, 2015	\$ 993,080
Net change in unrealized (depreciation) on investment in investment partnership	(151,223)
Ending balance - December 31, 2015	\$ 841,857

# MPIC FUND I, LP

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

### INVESTMENT IN DHANDHO HOLDINGS, L.P.

In 2014 the Fund invested \$1,000,000 in Dhandho Holdings, L.P. ("Dhandho"). Dhandho is an investment partnership seeking above market returns and long-term appreciation by investing Dhandho's cash in investments including, but not limited to, controlling interests in portfolio companies, equity securities and short-term instruments such as U.S. government treasury bills. The Fund was not permitted to redeem its investment in Dhandho until certain future events occurred.

### INVESTMENTS IN PREMIER DIAGNOSTIC HEALTH SERVICES INC.

The Fund, along with MPIC Canadian Limited Partnership (collectively the "Partnerships") holds approximately 37% of the issued and outstanding share capital of Premier Diversified Holdings Inc. ("PDH"). The Partnerships are affiliated through common managing general partners of the Partnerships (Sanjeev Parsad and Alnesh Mohan), who form part of the key management personnel of PDH. Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Subsequent to the Fund's investment in PDH, Sanjeev Parsad was appointed CEO and director and Alnesh Mohan was appointed director of PDH.

At December 31, 2015, the Fund held 45,697,247 of common shares in PDH with a fair value of \$5,849,248 and a cost of \$4,319,270. For the year ended December 31, 2015, change in unrealized depreciation on investments in securities in the statement of operations relating to PDH was (\$2,915,396).

### STATEMENT OF CASH FLOWS

The Fund has elected not to provide a statement of cash flows as permitted by ASC 230 "Statement of Cash Flows".

### DERIVATIVE CONTRACTS

Derivative contracts held or sold by the Fund are used for speculative trading purposes, and therefore are not designated as hedging instruments pursuant to GAAP.

At December 31, 2015, the volume of the Fund's derivative activities based on their notional amounts and number of contracts, categorized by primary underlying risk, are as follows:

Primary Underlying Risk	Long Exposure		Short Exposure	
	Notional Amounts	Number of Contracts	Notional Amounts	Number of Contracts
Equity price				
Options contracts (a)	\$ 4,291,000	700	\$ -	-

(a) Notional amounts presented for derivative contracts are based on the fair value of the underlying shares as if the derivative contracts were exercised at December 31, 2015.

# MPIC FUND I, LP

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

### DERIVATIVE CONTRACTS (Continued)

The following table identifies the fair value amounts of derivative contracts included in the statement of financial condition as derivative contracts, categorized by primary underlying risk, at December 31, 2015. The following table also identifies the net gain and loss amounts included in the statement of operations as net gain on investments, categorized by primary underlying risk, for the year ended December 31, 2015:

<u>Primary Underlying Risk</u>	<u>Derivative Asset Fair Value</u>	<u>Derivative Liability Fair Value</u>	<u>Realized Gain (Loss)</u>	<u>Change in Unrealized Gain (Loss)</u>
Equity price				
Options contracts	\$ 248,500	\$ -	\$ -	\$ 31,274

As of December 31, 2015 the Fund's financial instruments and derivative contracts are not subject to a master netting agreement or similar arrangement.

### LIMITED PARTNERSHIP AGREEMENT

#### CAPITAL ACCOUNT

A capital account shall be established for each partner. The initial balance of each partner's capital account shall be the amount of the initial contribution to the Fund.

#### PROFIT AND LOSS ALLOCATION

Partners share in the profits and losses of the Fund in the proportion in which each partner's capital account bears to all partners' capital accounts.

#### PARTNER REDEMPTIONS

A limited partner may, upon sixty (60) calendar days' advance written notice to the General Partner, withdraw all or part of its capital account as of the last day of any calendar quarter, excluding side-pocketed capital accounts for the investment in Dhandho. The Dhandho side-pocketed capital will be transferred back to the partner's capital account upon disposition of Dhandho. Partial withdrawals may not be made without the consent of the General Partner if they would reduce a limited partner's capital account balance below \$100,000 and must be made in minimum increments of \$20,000. The General Partner, in its sole discretion, may waive the foregoing restrictions and allow the withdrawal of all or any part of the capital account of any limited partner at any time and for any reason.



# MPIC FUND I, LP

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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### **LIMITED PARTNERSHIP AGREEMENT (Continued)**

Payments of withdrawals are made as soon as practicable after the withdrawal date; however, the General Partner has the right to delay payments in extraordinary circumstances. In the event of a total withdrawal, part of the withdrawal payment will be retained, pending final reconciliation of valuations (generally not to exceed 120 days). The General Partner has the discretion to (a) waive or increase the required minimum amounts of withdrawals of capital or the required minimum capital account balances following partial withdrawals of capital, and (b) otherwise modify the Fund's procedures and requirements for capital withdrawals.

Notwithstanding the foregoing, the General Partner may limit or prohibit withdrawals if, in its opinion, the withdrawal would have an adverse or disproportionate effect on the Fund's assets or performance because of illiquidity of the Fund's investments or the magnitude of the withdrawal compared with the total capital accounts for all partners, or if the Fund's ability to liquidate assets to fund the requested withdrawal is delayed for reasons beyond its reasonable control.

### **INVOLUNTARY LIQUIDATION OF A LIMITED PARTNER'S INTEREST**

The General Partner may, in its sole discretion, upon 15 days advance written notice to any limited partner, terminate the interest of any limited partner in the Fund, as of any month-end.

### **INCENTIVE AGREEMENTS AND RELATED PARTY TRANSACTIONS**

Certain limited partners are affiliated with the General Partner. The aggregate value of the affiliated limited partners' share of net asset value at December 31, 2015 is approximately \$400,000.

The General Partner serves as the trading advisor. At the end of each calendar month (or at the time of a withdrawal, in respect to the amount withdrawn), the General Partner will be allocated an amount equal to 25% of the amount by which the net profits of each limited partner's capital account exceeds an annualized rate of return of 6%, in excess of those profits allocated to restore any previously allocated losses. The incentive allocation is calculated at the end of each calendar month and will be reallocated and credited to the capital account of the General Partner. The net profit is equal to the current month's profit less any loss carry-forward from previous months. No Incentive allocation was earned for the year ending December 31, 2015. The General Partner may, at its sole discretion, waive the incentive allocation, in whole or in part, with respect to any or all limited partners.

Operating expenses are paid by the Fund.

### **TRADING ACTIVITIES AND RELATED RISKS**

The Fund's trading activities involve financial instruments, primarily securities and derivative contracts. These financial instruments may have market and/or credit risk in excess of the amounts recorded in the statement of financial condition.

# MPIC FUND I, LP

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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### TRADING ACTIVITIES AND RELATED RISKS (Continued)

#### MARKET RISK

All financial instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. As the instruments are recognized at fair value, those changes directly affect reported income. Theoretically, the investments owned by the Fund directly are exposed to a market risk (loss) equal to the notional value of the financial instruments purchased and unlimited liability on certain financial instruments sold short.

Generally, financial instruments can be closed out at the discretion of the General Partner. However, if the market is not liquid, it could prevent the timely close-out of any unfavorable positions or require the Fund to hold those positions to maturity, regardless of the changes in their value or the trading advisor's investment strategies.

#### FOREIGN CURRENCY RISK

Foreign currency risk exists if the Fund invests directly in foreign currencies or in securities that trade in, and receive revenues in, foreign currencies, or in derivative contracts that provide exposure to foreign currencies. The Fund is subject to the risk that those currencies will decline in value relative to the base currency of the Fund.

#### CREDIT RISK

Credit risk arises primarily from the potential inability of counterparties to perform in accordance with the terms of a contract. The Fund's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Fund has a gain.

#### CONCENTRATION OF CREDIT RISK

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

#### INSOLVENCY RISK

The Fund has a substantial portion of its assets on deposit with financial institutions. In the event of a financial institution's insolvency, recovery of Fund assets on deposit may be limited to account insurance or other protection afforded such deposits.

# MPIC FUND I, LP

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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### INDEMNIFICATIONS

In the normal course of business, the Fund enters into contracts and agreements that contain a variety of representations and warranties and which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred. The Fund expects the risk of any future obligation under these indemnifications to be remote.

### SUBSEQUENT EVENTS

The General Partner evaluated subsequent events through May 9, 2016, the date the financial statements were available to be issued. For the period January 1, 2016 to May 9, 2016, the Fund had capital withdrawals from the limited partners of \$550,000. There were no other subsequent events to disclose.

### FINANCIAL HIGHLIGHTS

Total return and ratios to average net assets are calculated for the limited partner class taken as a whole. An individual partner's return and ratios may vary from those percentages based on different incentive allocation arrangements and the timing of capital transactions. Financial highlights for the year ended December 31, 2015 are as follows:

#### Total return:

Total return before and after incentive allocation	(20.35)%
--	----------

#### Ratios to average net assets:

Expenses before and after incentive allocation	0.36 %
Net investment income	0.11 %

## Appendix A

### The Ground Rules

#### **1. View the partnership as one whole entity.**

While legally each partner is solely responsible only for their allocated investment, we believe that partners should view the fund as a whole. Anything that is good for the partnership is good for all partners. Anything that is not in the best interest of the partnership is not in the best interest of all partners.

#### **2. We eat our own cooking.**

The general partner, Corner Market Capital U.S., is the second largest investor in MPIC Fund I, LP. Regardless of what the future holds, we will always reinvest the majority of the performance fee paid back into the fund.

#### **3. When you look good, we look good!**

We receive a performance fee only when our partners have achieved at least a 6% annualized return. If we don't perform, we don't get paid. It's that simple!

#### **4. We will not utilize margin or debt to leverage our balance sheet.**

We have no intention, nor any desire, to utilize margin trading or debt to leverage our returns. We also avoid any behavior where our liability is unlimited, such as shorting stocks or writing options.

#### **5. We only buy investments with a significant margin of safety.**

Partners should never correlate activity with success. We allocate capital only when a significant discount to the underlying intrinsic value of an investment is offered. For superior returns, you need a superior discount. We will often be out of step with our "value" peers, let alone the investment industry, because we will not pay up.

#### **6. We manage a very concentrated portfolio.**

There will be times when we have perhaps 10-12 ideas in the fund, and other times we may only have 5-6 ideas. The better the idea, the more likely it will make up a larger portion of the fund. Concentration in the fund can be directly correlated with greater certainty in our decision-making.

#### **7. Where we can avoid taxes, we will!**

Often, we will let our best ideas grow unfettered, so that the unrealized gains can compound for years without any taxable income being triggered. A concentrated portfolio in great businesses, with very low turnover, will allow the fund to behave tax-efficiently.

#### **8. We will be candid in our assessment.**

When we strikeout, we will tell you. When we hit a homerun, we will tell you. Whether the fund succeeds or fails, we will always give you the truth.

**9. We will only discuss the portfolio as much as warranted.**

While we promise to be truthful with our partners, we will only discuss the investment portfolio where we feel information is pertinent and doesn't compromise our positions.

**10. We keep an open-line of communication with our partners.**

We encourage partners to contact us whenever necessary. Our door is always open to you!

## Appendix B

### Frequently Asked Questions

*How is Corner Market Capital associated with the MPIC Fund I, LP?*

Corner Market Capital U.S. is the general and managing partner to the MPIC Fund I, LP. Corner Market Capital U.S. is a Delaware registered U.S. corporation. It is a subsidiary of Corner Market Capital Corporation, a Canadian corporation controlled by Alnesh Mohan and Sanjeev Parsad.

*How is the managing partner compensated?*

The general partner, Corner Market Capital U.S., is solely compensated by a performance fee that is calculated and paid monthly. The performance fee is 25% of the profits (after all operating expenses) generated above a 6% annualized hurdle that is carried from year to year.

*Does the managing partner participate as an investor in MPIC Fund I, LP?*

The managing partner, Corner Market Capital U.S., is the second largest investor in the fund. The managing partner expects to reinvest the majority of its performance fees after taxes into the fund for the foreseeable future.

*What happens to my investments if something happens to both Alnesh & Sanjeev?*

All partnership funds are held in a cash account at UBS under MPIC Fund I, LP. The accounts are monitored by Ajay Desai and his staff at UBS Private Wealth Management in Chicago, as well as Mike Atwater and his team at Liccar in Chicago. Andrew Cooke and Glen Rollins, who are directors of the general partner for MPIC Fund I, LP, are aware of most, if not all, administrative and investment events at the fund.

If something were to happen, UBS Private Wealth Management and Liccar, along with our attorney at Dorsey & Whitney and the input of our two directors, will liquidate the fund and disperse all proceeds to our partners.

*Are my investments guaranteed from losses?*

Investment capital is allocated into a broad range of investments. As the partnership utilizes a cash account, the assets in the MPIC Fund I, LP account are segregated from UBS's own equity. While we attempt to preserve capital by buying investments with a large margin of safety, these investments will fluctuate with market conditions and there is no guarantee from potential losses.

*How is your fund different than most of the other funds out there?*

Preservation of capital is our most important concern. We buy investments with a large margin of safety, often below their liquidation value, so that we are protected from permanent loss. We do not short individual stocks, trade on margin, utilize debt or allocate more than 25% of capital into any single idea. Our compensation is based solely on performance, and achieving a minimum return for our partners. We are more efficient and flexible than most of our industry peers.

*Can I add funds to my limited partnership account?*

Yes, you should contact us as far ahead as possible and let us know of your intentions. We will send you a deposit slip that needs to be signed and sent back to us. Existing partners can add to their account in increments of \$20,000. You can also access all documents, including deposit slips, for the fund on our website ([www.cornermarketcapital.com](http://www.cornermarketcapital.com)) under the "Client Log-In". The username is "Corner" and the password is "Market".

*Can I withdraw funds from my account?*

Yes, by contacting us with sixty days notice. You can withdraw funds from your account in \$20,000 increments, with a minimum remaining balance of \$100,000. The general partner at their sole discretion can lower these limits.

*Why is 60 days notice required?*

Investment capital is often allocated into investments that may not be readily liquid. It may take a bit of time for us to selectively liquidate a portion of the portfolio to meet any requested redemption. We will try to accommodate partners as quickly as we can, as we normally maintain a considerable amount of liquidity.

*If you have a very good investment idea, does the MPIC Fund I, LP or the MPIC Canadian LP get invested first?*

We send the orders to UBS and ScotiaMcLeod at the same time. We have no control over which order gets filled first, but we try to have relatively close allocations in ideas between the two funds. Depending on when capital comes into each fund, it is allocated to the cheapest ideas available at that time.

*Do you have a client website?*

Corner Market Capital Corporation has a website at [www.cornermarketcapital.com](http://www.cornermarketcapital.com), which provides information regarding the MPIC Funds, its management and contact information. There is a Client Log-In that can be accessed under the username "Corner" and the password "Market". All documents related to the MPIC Funds are available there, as well as the quarterly "Letter to Partners" since inception.

*Can I contact you if I have a question?*

Yes, we absolutely insist that our partners contact us directly with any query or concern they may have. The buck stops here!

## Appendix C



#301 – 3185 WILLINGDON GREEN  
BURNABY, BC V5G 4P3  
PHONE: (604) 678-9115

January 27, 2016

### To the Shareholders of Premier Diversified Holdings Inc.:

2015 was a continuing year of transition for Premier Diversified Holdings Inc. ("Premier" or the "Company"). This letter, which I will write annually to you, will provide a simple explanation of what has happened at the Company in the past year. I will be as candid as I can while complying with the regulatory rules applicable to Premier as a public company.

Many of you may wonder how best to understand how things are changing at Premier. We cannot give you any short-term advice in this matter, nor do we comment on the stock price. Every company has a basic underlying intrinsic value. In my view, a business' long-term stock price ultimately follows the changes in the intrinsic value, which I believe is simply the amount of cash that can be taken out of a business during its life-time, discounted back to the present day at a single-point in time. As the business changes and grows during its lifetime, the intrinsic value will also change. I believe that in the short-term, stock price will move on market sentiment, but over the long-term it will be based on changes in intrinsic value per share.

In Premier's case, as we attempt to increase the profitability of the company, we anticipate that those earnings or cash will be retained in shareholder equity over time. The changes in Premier's shareholder equity per share will give you a simple proxy for how things are improving or declining at the Company over time.

**Shareholder equity increased from -\$0.02 in 2014 to roughly \$0.05 per share in 2015**, based on weighted average number of common shares outstanding. While that is up an enormous amount, I don't believe it is an accurate picture since:

- We did a significant capital raise at the end of 2014 and beginning of 2015, which naturally boosts shareholder equity per share based on the price we issued stock at.
- It doesn't indicate progress or efforts made at our subsidiary businesses or changes in underlying value of those assets, including our non-controlling investment assets.
- Our proportionate share of operating cash flows from non-controlling interest investments are not reflected, such as our shareholding in Russell Breweries Inc.
- We are very early in the game...imagine this as the 1<sup>st</sup> batter, in the 1<sup>st</sup> inning, getting on base in a nine-inning baseball game.

During the last six months of the fiscal year ended 2014, we stepped away from the brink of insolvency and cleaned up our balance sheet, so that we could finally focus on the long-term growth of the Company. There were significant changes to our board of directors, senior executives and specifically our company culture.

Here is a partial list of the changes and accomplishments at Premier in 2014:

- Cut costs, redundancies and began to implement a new corporate culture at Premier.
- Restructured head office accounting and improved internal controls.
- Completed a financial overhaul with changes to authorizations and directorships.
- Paid all active payables to restore services at our subsidiary's PET/CT Clinic and at our corporate head office.



- Restored supplier lines and staffing at our PET/CT Clinic.
- Reopened the Burnaby PET/CT Clinic and ramped up the number of scans performed there to the point of profitability.
- Opened the Burnaby Clinic Blood Lab.
- Leased out excess space at our head office to cut overhead expenses.
- Filed financial statements on time.
- Raised over \$8M in a private placement with little cost to the Company, and without payment of any commissions or finder's fees.

In 2015, we continued to pursue many of the efforts described above. Changes and accomplishments at Premier this year include:

- Overhauled our Chinese subsidiaries and improved internal controls in China.
- Completed an audit of our Hong Kong subsidiary and tightened Asian authorizations and directorships.
- Invested in the Sequant Re reinsurance company in Bermuda.
- Invested in Bentley Homes LP, a property development in the Vancouver area.
- Settled an outstanding litigation matter, as well as several large delinquent and disputed payables.
- Completed our 2014 year-end audit and filed the audited financial statements on time, as well as all quarterly financials.
- Set-up our new Hong Kong and Shanghai subsidiaries.
- Engaged Davidson & Company as the new auditor for Premier.
- Changed from a medical issuer to a holding company, with a new name and new strategy for increasing shareholder value.

As you can see from the 2015 Financials, there are built-in costs at the corporate level that are inherent as a public company. Until we acquire additional businesses with good operating cash flows, or our existing businesses continue to mature and grow their cash flows, we do not anticipate being profitable on a net basis. I encourage all shareholders to read the 2015 Financial in their entirety, together with the explanatory Notes and the corresponding Management Discussion and Analysis.

The key sections of the Income Statement that I would like to highlight are:

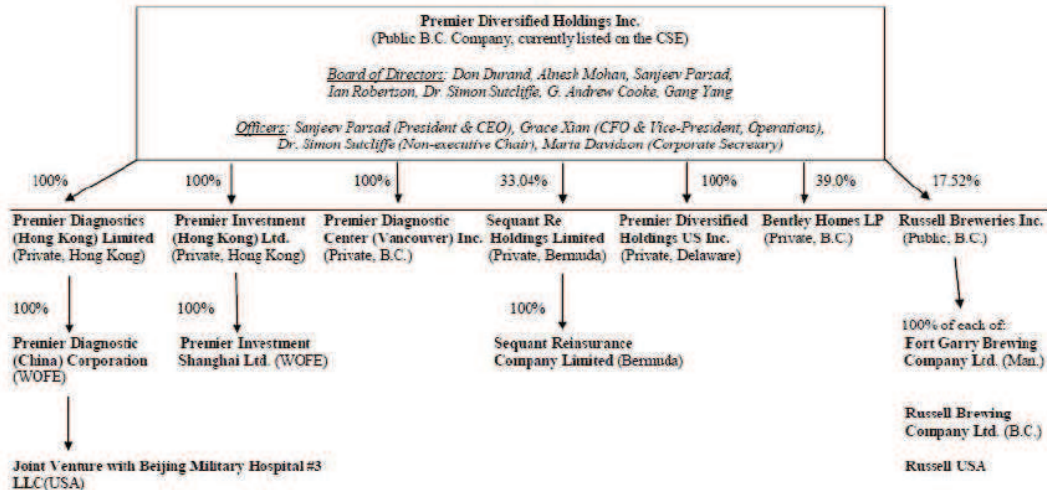
- Gross Revenues were up 47% year over year, primarily due to the restart of the Burnaby PET/CT Clinic and ramping up of the business...we expect continued success in Burnaby through 2016.
- Much of the operating loss was due to start up and operational expenses related to Sequant Re, which is anticipated to start generating fee income in 2016.
- Consulting costs increased due to the hiring and addition of our General Manager in China. We anticipate that the cost of having someone reputable looking after our Chinese business interests is well spent and we plan on growing our Asian operations.
- Our "Premises" costs increased significantly due to the new office we set up in Beijing, China.
- "Office" costs were almost entirely write-offs of old, uncollectable receivables.
- Salaries, wages and benefits were higher, both at the corporate and operating level, due to the hiring of two full-time Nuclear Technicians at the Burnaby PET/CT Clinic and the hiring of your President and CEO at the corporate level.
- Professional fees increased due to certain settlements concluded during the year, as well as the takeover bid we launched for Russell Breweries Inc.
- Transfer agent and filing fees were also up primarily due to the operational changes and transaction costs.

We expect some of these one-time costs mentioned above to decrease or disappear in 2016, while revenues are expected to increase.

So let's take a look at what Premier looks like today, and discuss some of our businesses:



**ORGANIZATIONAL CHART OF PREMIER DIVERSIFIED HOLDINGS INC.**



**Premier Diversified Holdings Inc. – “PDH”**

“Premier Diversified Holdings Inc.” is the parent/holding company and its common shares are listed on the Canadian Securities Exchange trading under the symbol “PDH” ([www.pdh-inc.com](http://www.pdh-inc.com)). We have considerable liquidity at the parent company level and relatively little debt...which we anticipate will protect us from market whims and economic upheavals.

PDH operates in a decentralized fashion, where we have vice-presidents or general managers in place, and we do not micromanage at the subsidiary or investment level. These vice-presidents and managers report to me, but I do not tell them how to spend their day or how to build their business. They are generally as passionate about what they do, as I am about what I do! As such, staffing at PDH's head corporate office is kept to a minimum, with only 5 employees presently!

Below the parent company, we have our subsidiary companies where we have a controlling position, and our investment interests where we do not have a controlling position:

**Premier Diagnostic Center (Vancouver) Inc. – “PDC”**

PDC is our PET/CT clinic in Burnaby, B.C., which restarted operations in July 2014. Through 2014 and into the first quarter 2015, we focussed on rebuilding the clinic's reputation within the medical community. Clinic Director Geoff Waters played an enormous role in the Burnaby clinic's resurrection. Geoff's passion, drive and belief were instrumental in rebuilding our contact with doctors, patients and the day to day operations of the clinic ([www.petscan.ca](http://www.petscan.ca)).

Mr. Waters, with the support of Premier director Dr. Simon Sutcliffe and Premier medical director Dr. Raj Attariwala, has elevated PDC's stature and influence in the private medical diagnostic business in B.C. In 2015,

PDC was one of a handful of clinics in North America, selected to participate in clinical drug trials for the treatment of Alzheimer's Disease. We are very proud to be part of such an important drug trial! We expect continued growth and success for PDC in 2016.

#### **Premier Diagnostics (Hong Kong) Limited – “PDHK”**

PDHK is the parent company of Premier Diagnostic (China) Corporation (“PDCC”), which is our Chinese company that is involved with the joint venture MRI clinic at Beijing Military Hospital #3. The MRI clinic has been very busy ever since it started. Scans were down slightly this year, as the MRI clinic underwent some needed updates and equipment servicing earlier in the year. It is a cash cow business, and we expect it to continue as such for the remaining term of the joint venture.

#### **Premier Investment (Hong Kong) Limited – “PIHK”**

PIHK is the new Asian parent company we founded in 2015, of new subsidiary Premier Investment Shanghai Limited (“PISH”). PIHK and PISH were set up so that we could take advantage of benefits within the Shanghai Free Trade Zone, as well as ensure all new contracts provide commensurate return for the risk Premier undertakes. Our intention is that PIHK will be our arm into China and the rest of Asia for other future investment opportunities outside of the medical diagnostic business.

#### **Sequant Re Holdings Ltd. – “SRH”**

For many of you older shareholders of PDH, you may wonder what does reinsurance have to do with medical diagnostics? First, PDH has changed its long-term business objectives from being solely a medical company to a holding company that is not limited to participating in any one industry. This gives PDH the ability to participate in various businesses to try to provide the highest return to shareholders.

Second, it was not our intention to seek out an insurance business at this time, but we had to act when the opportunity to invest came our way. Warren Buffett says, “If you don't know diamonds, know the jeweller!” It would be very unlikely over the next decade, that we would get the opportunity to build an insurance business from scratch with someone like Guy Cloutier, who is the CEO of SRH. Mr. Cloutier has lived and breathed insurance for the last 35 years. There are no areas of insurance and reinsurance that he is not familiar with, and his actuarial background is extensive. In our view, SRH will not be a small, local insurance company, but a world-class reinsurance investment business that will be highly scalable and receptive to global clients.

Here is as simple an explanation as I can give of what we are trying to do at SRH: SRH wants to bring to market for institutional investors, including financial institutions, hedge funds, family offices, pension plans, etc., the ability to invest in the insurance market, as they would in any other asset class. The insurance investment portfolios that SRH is assembling provide equity-like returns with bond-like volatility. These portfolios are also completely uncorrelated to any other asset class, and would be a no-brainer within any investment portfolio.

Like most start-ups, it takes time to assemble the team, set up an office and then build the brand and reputation. Essentially, that is what SRH has been doing in its first year. Now SRH is building its book of business and we anticipate SRH will generate significant fee income in 2016 and thereafter. We are thrilled with what is happening at SRH and encourage our shareholders to visit its website at [www.sequantre.com](http://www.sequantre.com).

### **Bentley Homes Limited Partnership – “BHLP”**

BHLP is a real estate investment limited partnership in which we are one of the key investors. We expect real estate, as opportunity presents itself, to be a long-term component of PDH’s overall business. Similarly, as with SRH, we have partnered with Kingswood Asset Management (“Kingswood”), led by Ketan Ladva ([www.kingswood.ca](http://www.kingswood.ca)). Kingswood is the general partner of BHLP.

Kingswood has real estate development experience across Canada, and after many meetings, we were comfortable pursuing a long-term relationship with the Kingswood team. While we continue to believe that real estate, like many asset classes, may be overvalued due to low interest rates, supply is at a 25 year low in Vancouver while projects coming on line are also relatively low. We will take a very cautious approach to real estate, and as with all of our holdings, anticipate seeing our best opportunities in a distressed environment.

### **Russell Breweries Inc. – “Russell”**

Russell has two breweries: Russell Brewery in Surrey, British Columbia ([www.russellbeer.ca](http://www.russellbeer.ca)) and Fort Garry Brewery in Winnipeg, Manitoba ([www.fortgarry.com](http://www.fortgarry.com)). Between the two breweries, Russell generates positive cash flow and earnings. I have followed Russell for many years, but did not invest in the company until current CEO, Benjamin Yu, joined the board. Mr. Yu turned Russell around rapidly: he strengthened the balance sheet, upgraded the sales team, increased revenues and cut expenses.

Russell would have made an excellent acquisition for PDH, and as such we proceeded with a takeover bid to acquire a controlling stake in Russell in 2015. Unfortunately, Russell’s board contested the bid and eventually we came to a settlement, which included the addition of two directors nominated by Premier to join Russell’s board.

In my view, the craft brewery market continues to be very competitive in and around Vancouver, and new craft breweries open up seemingly every month. This does not bode well when the market eventually becomes saturated and craft brewers start cannibalizing each other’s market share, rather than the market share of the “Big Brewers”. Russell will have to be very focused on its brand and retaining market share over the next few years.

### **Annual General Meeting**

We plan to hold our next annual general meeting in late March or early April.

### **Toronto Investor Presentation**

We will be holding an Investor’s Presentation for Premier in Toronto on April 13, 2016 at the Fairmont Royal York. The presentation is part of a greater dinner event that I have hosted for the last 11 years, where proceeds are donated to Crohn’s and Colitis Canada ([www.crohnsandcolitis.ca](http://www.crohnsandcolitis.ca)). Dinner tickets are \$200 (includes an expansive dinner buffet and presentation); presentation-only tickets are \$120. I encourage you to attend if possible, and look forward to meeting you there!

### **Our Thanks!**

I would like to thank our Board of Directors and employees for their enormous efforts! I would also like to thank our many service providers and creditors who have worked with us during this transitory period. Without sacrifices by our employees and concessions by our creditors, the turnaround would have been far more difficult. Premier has finally started to rebound from rock-bottom! We will continue to work very hard to increase shareholder value over time.

I cannot begin to explain how we feel about the fiduciary responsibility we've been entrusted with. I have an enormous vested interest in Premier's long-term future. For most of you, the capital invested within Premier is due to a lifetime of effort, and all the challenges that you faced to get here. As such, our interests are aligned and I will *never* take that responsibility lightly!

We thank you for your trust, friendship and confidence. We wish you and your families well!

Sincerely,

Sanjeev Parsad  
President & CEO

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