

# **MPIC Fund I, LP**

**Annual Report  
2016**

*“...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  
2016**

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

<u>Year</u>	Annual Percent Change		<u>Relative Results (1)-(2)</u>
	in Net Asset Value Per Share of MPIC Fund I	in S&P 500 with Dividends Included	
	(1)	(2)	
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%)
2016 .....	8.0%	12.0%	( 4.0%)
Compounded Annual Gain – 2006-2016	9.7%	7.4%	2.3%
Overall Gain – 2006-2016	168.7%	114.7%	54.0%

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 2016 was +8.0%, while the S&P 500 Total Return was +12.0%. Since inception on May 1, 2006, the MPIC Fund I, LP's cumulative net return to partners is +168.7%, while the S&P 500 Total Return has gained +114.7%.

During that same period, we have outperformed our comparative index by a +2.3% 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.

### **Premier Diversified Holdings Inc.**

In 2014, our strategy changed significantly due to our investment in Premier Diversified Holdings Inc. (formerly Premier Diagnostics Health Services), much to the chagrin of some partners. And rightfully so, when viewed in terms of the effect on our short-term performance. But the reason we changed our strategy was to benefit the long-term partners in MPIC Fund I, LP, including the general partner!

The underlying long-term benefits for the partnership are:

- Operating leverage of PDH and its businesses will increase returns to the fund.
- The fund can participate in businesses that it normally wouldn't have access to, including private businesses.
- The fund now has long-term, captive capital working for it.
- PDH, and thus indirectly the MPIC Funds, have access to various forms of financing - cash, debt, equity & operating cash flow.
- 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.

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!

Ideally, we would have liked PDH to account for no more than about 33% of fund assets. Unfortunately, you never know the true depths of the problem until you are well into the abyss. As we committed to this endeavor, PDH ballooned to about 55% of MPIC Fund I, LP. We knew we had to do three things:

1. Grow non-PDH assets dramatically.
2. Bring in additional capital to reduce PDH's size of assets under management.
3. Stabilize and grow PDH.

#1 was achieved in 2016 with us investing approximately \$5.76M into non-PDH investments and returning approximately \$8.16M for a gain of a little better than 41%.

#2 was achieved in early 2017 with a \$5M investment by two subsidiaries of Fairfax Financial.

With the success of the first two items, and a drop in PDH's price in 2016, PDH now makes up less than 29% of fund assets...below the original maximum threshold we wanted.

#3 is at hand:

- 2014/15 was spent saving Premier.
- 2015/16 was spent turning Premier around.
- 2016/17 was the year we could finally start to transition to growth of Premier.

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.

### **The "Chi" of Prem Watsa**

Like many value investors, my whole existence sprung out of the well of "Buffett". Reading the "1998 Letter to Shareholders" brought me out of darkness and lit my path to becoming an investment manager. But meeting and having lunch with Prem Watsa in 2005 was what led to the creation of Corner Market Capital and MPIC Fund I, LP.

Without that meeting, there would be no CMC, no fund and no Premier Diversified Holdings. Prem's prodding and questioning over that lunch, including what I wanted to do with my life, was something I had not been asked since before my father died in 1991. Somebody finally took an interest in me!

It was at that same lunch, that Prem said if you start a fund, build a track record and do well, I will come in when you are large enough. 10 years later, in October of last year, I asked for a brief meeting with Prem. My intention was to go in for a big ask, as they had already put a smaller sum with us. Before I could get around to asking for an investment, Prem said "You've been around over 10 years now...you've done well for your partners, you're helping your community, and I said that I would come when you were ready...so we're going to put \$5 million more with you!"

Naturally, I was speechless! I thanked him profusely, as tears welled up in my eyes. Prem Watsa, my hero, was now by far the largest investor in MPIC Fund I, LP!

## **Investments**

- As mentioned above, MPIC Fund I, LP's non-PDH portfolio did very well in 2016.
- Our big winner was our investment in Bank of America (BAC) in early 2016...which accounted for close to 40% of our gains. We took a lot of the call option gains off the table in mid-February when long-term gains kicked in. We are comfortable holding the equity positions we still have in BAC and Wells Fargo (WFC) as well.
- The fund added a significant stake in Leucadia National (LUK) at about \$15 per share. We believe LUK, and its largest subsidiary Jefferies, will do very well in a deregulated environment.
- We bought International Business Machines (IBM) at \$120 per share and sold it at \$152 to buy Apple (AAPL) at \$99/share.
- MPIC Fund I, LP finally bought some Fiat Chrysler Automobiles (FCAU) at \$6.39. We believe FCAU was now at the point where a lot of their past expenses were going to drop off and investors would begin to see the cash flow power of the company.
- A perennial favorite of ours whenever it gets cheap is Overstock.com (OSTK). MPIC Fund I, LP made about a 125% return on a mixture of equity and call options in OSTK.
- We continue to hold our investment in Walmart (WMT). Amazon is taking over the world, but in terms of price to cash flow, Walmart continues to gush cash which it pours every quarter into dividends and share buybacks.
- Our faith and investment in SEDN International was probably one of the biggest busts we've ever had in percentage terms, but was a very small investment fortunately. We took a 99.99% loss on this one. Our only solace was the capital losses we could use to offset the large amount of gains from our other investments.
- Another erreur du jour was selling shares in Rainmaker Entertainment to take the tax loss. Shortly thereafter, they announced their massive deal with Michael Hirsch taking over and turning Rainmaker into WOW! Media. We sold at a pre-split price of 8.1 cents while we had bought at an average of 18.2 cents per share...a loss of 55%! The only bright spot was that we held on to our Rainmaker convertible debt, which has paid us handsomely in interest payments for the last 3 years and was converted into shares of WOW! Media...the successor of Rainmaker Entertainment.

## **Miscellaneous**

### **Audit & Annual Report**

Our audit for 2016 was once again conducted by Patke & Associates. We would like to thank Ron Niemaszyk, Shana Sparber and Lisa Clausen for their work. We've essentially settled back into our normal annual routine after selling our position in Dhandho, and partners received their K-1's by mid-March. Patke will be distributing K-1's to partners annually, both by mail and email, so please make sure we always have your correct mailing address and email.

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 continues to do 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. Partners owe Andrew a debt of gratitude for all his hard work!
- 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.

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 independent 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.

Going forward all client subscriptions, redemptions can be sent to both myself ([cornermarketcapital@gmail.com](mailto:cornermarketcapital@gmail.com)) and Maureen Murphy ([mmurphy@liccar.com](mailto:mmurphy@liccar.com)). Maureen and Liccar will now be assisting us with all fund administrative duties going forward. 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.

## **Mailing Address**

Corner Market Capital has now moved into the same office as Premier Diversified Holdings Inc. With Alnesh taking over as CFO, and Marta Davidson joining us as in-house legal counsel, it just made sense to move everything to one location. Please send all correspondence to:

Corner Market Capital or MPIC Fund I, LP  
Suite 301  
3185 Willingdon Green  
Burnaby, BC, Canada V5G4P3

## **Operational Costs**

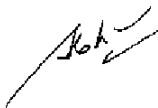
Operational costs, relative to assets under management, nominally decreased to 34 basis points in 2016 from 2015’s 36 basis points. Even with Liccar taking over most administrative duties, we expect the operational costs to remain the same or less due to the increased assets under management.

## **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, 2016.**

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# **MPIC FUND I, LP**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

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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, 2016, 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, 2016 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  
February 23, 2017

# MPIC FUND I, LP

## STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2016

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### Assets

Investments in securities, at fair value (cost \$6,961,018)	\$ 8,269,891
Derivative contracts, at fair value (cost \$580,484)	1,300,250
Due from broker	1,843,531
Cash at bank	140,893
Other assets	7,800
Total assets	<u>\$ 11,562,365</u>

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

#### Liabilities

Accounts payable and accrued liabilities	\$ 20,000
Total liabilities	<u>20,000</u>

Partners' Capital (Net Asset Value)	<u>11,542,365</u>
Total liabilities and partners' capital (Net Asset Value)	<u>\$ 11,562,365</u>

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

# MPIC FUND I, LP

## CONDENSED SCHEDULE OF INVESTMENTS DECEMBER 31, 2016

Description	Shares / Units	Fair Value	% of Net Asset Value
<b>Investments in securities</b>			
United States common stocks			
Consumer discretionary		\$ 1,349,620	11.7%
Financials			
Bank of America Corp.	27,500	607,750	5.3%
Other securities		943,770	8.2%
		1,551,520	13.5%
Total United States (cost \$1,712,225)		2,901,140	25.2%
Canada common stocks			
Healthcare			
Premier Diversified Holdings Inc.	48,822,247	4,686,936	40.6%
Total Canada (cost \$4,703,648)		4,686,936	40.6%
Europe common stocks			
Consumer goods		456,000	4.0%
Total Europe (cost \$319,330)		456,000	4.0%
Total common stocks (cost \$6,735,203)		8,044,076	69.8%
Canada convertible corporate bond			
Media (cost \$225,815)		225,815	2.0%
Total investments in securities (cost \$6,961,018)		\$ 8,269,891	71.8%
<b>Derivative contracts - assets</b>			
<b>Options purchased</b>			
United States			
Financials			
Bank of America Corp. 02/17/2017 - 1/19/2018	2,000	992,750	8.6%
Consumer goods		307,500	2.7%
Total derivative contracts - assets (cost \$580,484)		\$ 1,300,250	11.3%

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

# MPIC FUND I, LP

## STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2016

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### Investment income

Dividends	\$ 65,910
Interest	12,112
Total investment income	<u>78,022</u>

### Expenses

Professional fees	<u>38,603</u>
Total expenses	<u>38,603</u>
Net investment income	<u>39,419</u>

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

Net realized gain on investments in securities and derivative contracts	770,169
Net change in unrealized appreciation on investments in securities and derivative contracts	105,447
Net realized (loss) on investment in investment partnership	(164,360)
Net change in unrealized appreciation on investment in investment partnership	<u>158,143</u>
Net gain on investments	<u>869,399</u>
Net income	<u>\$ 908,818</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, 2016

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	Partners' Capital		
	General Partner	Limited Partners	Total
Balance, beginning of year	\$ 1,265,450	\$ 10,129,501	\$ 11,394,951
Allocation of net income:			
Pro rata allocation	101,196	807,622	908,818
Capital withdrawals	-	(761,404)	(761,404)
Balance, end of year	<u>\$ 1,366,646</u>	<u>\$ 10,175,719</u>	<u>\$ 11,542,365</u>

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

# MPIC FUND I, LP

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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### NATURE OF OPERATIONS

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, 2016

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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, 2016, 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 on 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.

#### 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".

# MPIC FUND I, LP

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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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. Equity securities traded on inactive markets or valued by reference to similar instruments are generally categorized in Level 2 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, 2016

### 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, 2016.

Assets (at fair value)	Level 1	Level 2	Level 3	Total
Investments in securities				
Common Stocks				
United States				
Consumer discretionary	\$ 1,349,620	\$ -	\$ -	\$ 1,349,620
Financials	1,551,520	-	-	1,551,520
Canada				
Healthcare	-	4,686,936	-	4,686,936
Europe				
Consumer goods	456,000	-	-	456,000
Total common stocks	3,357,140	4,686,936	-	8,044,076
Convertible corporate bond	-	225,815	-	225,815
Total investments in securities	3,357,140	4,912,751	-	8,269,891
Derivative contracts - assets				
Options purchased	1,300,250	-	-	1,300,250
Total derivative contracts - assets	1,300,250	-	-	1,300,250
Total	\$ 4,657,390	\$ 4,912,751	\$ -	\$ 9,570,141

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

	Investment in Investment Partnership Level 3
Balance, beginning of year	\$ 841,857
Sale of investment partnership	(835,640)
Net change in unrealized appreciation on investment in investment partnership	158,143
Net realized (loss) on investment in investment partnership	(164,360)
Balance, end of year	\$ -

# MPIC FUND I, LP

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

### 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. In March 2016, the Fund redeemed its investment in Dhandho.

### INVESTMENTS IN PREMIER DIVERSIFIED HOLDINGS 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, 2016, the Fund held 48,822,247 of common shares in PDH with a fair value of \$4,686,936 and a cost of \$4,703,648. For the year ended December 31, 2016, change in unrealized depreciation on investments in securities in the statement of operations relating to PDH was (\$1,546,691).

### 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, 2016, 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)	\$ 5,242,500	3,500	\$ 2,210,000	1,000

(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, 2016.

# MPIC FUND I, LP

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

### 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, 2016. 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, 2016:

<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	\$ 1,300,250	\$ -	\$ 578,138	\$ 688,492

As of December 31, 2016 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 was 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.

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

# MPIC FUND I, LP

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

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

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, 2016 is approximately \$432,000.

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, 2016. 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, 2016

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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, 2016

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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 February 23, 2017, the date the financial statements were available to be issued. For the period January 1, 2017 to February 23, 2017 the Fund had capital contributions from the limited partners of \$100,000. 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, 2016 are as follows:

#### Total return:

Total return before and after incentive allocation	7.98 %
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#### Ratios to average net assets:

Expenses before and after incentive allocation	0.34 %
Net investment income	0.35 %

## 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 one of the largest investors 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 and/or more control over the asset.

#### **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 one of the largest investors 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, who is a director and signatory of the general partner for MPIC Fund I, LP, is 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 Andrew Cooke, 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.

*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.

*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 fund, its management and contact information. Our annual reports are also available on the site.

*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

April 5, 2017

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

While 2014 was a year to ensure survival and 2015 was a year of transition, 2016 was a year spent fighting for growth 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.

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 focus on increasing our profitability, 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 benchmark for how things are improving or declining at the Company over time.

Shareholder equity increased from negative \$1 million in 2014 to \$6.5 million in 2015, and was at \$5.9 million in 2016 (on a per share basis using the weighted average number of common shares outstanding was at (\$0.02) in 2014 to \$0.0504 in 2015, and \$0.0424 in 2016). To get a more accurate picture:

- We did a significant capital raise at the end of 2014 and beginning of 2015, which naturally boosts shareholder equity, and 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 early in the game...imagine this as the third batter, in the first inning, getting on base in a nine-inning baseball game.

Here is a partial list of activities at Premier during 2016:

- The Burnaby PET/CT Clinic was approved for two more clinical trial studies, and the clinic secured a local supplier of FDG (the radioactive isotope needed for PET/CT scans).
- The asset sale of Russell Breweries Inc. was completed, and Russell has announced that the net sale proceeds will be distributed to shareholders this year.
- We raised over \$1 million in a private placement with little cost to the Company, and without payment of any commissions or finder's fees.
- We acquired additional equity in Sequant Re reinsurance company in Bermuda, which continues to promote and build a network for its ILS portfolio.
- We invested and acquired an approximate 15% stake in MyCare Medtech, and its telemedicine business, GOeVisit.com.

The 2016 financial statements show that 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 2016 financial statements in their entirety, together with the explanatory “Notes” and the corresponding “Management Discussion and Analysis.”

The key sections of the financial statements that I would like to highlight are:

- Gross revenues were down significantly, primarily due to losses by the China MRI business
- There was a significant amount of realized and unrealized gains from the Company’s holdings in publicly traded securities.
- Liabilities were almost cut in half, including repayment of all our convertible debt.

We expect some of these factors mentioned above to be addressed in 2017 and 2018:

- Salary costs are expected to decrease due to our General Manager in China moving to an hourly contract.
- We expect Sequant Re to begin generating ILS portfolio fees.
- Net operating revenues are expected to increase substantially at our Burnaby PET/CT Clinic with increased clinical scans, increased patient scans, and higher margins due to local FDG supply.

### **Operations**

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 3.5 employees presently!

### **China MRI Business**

As many of you may have noticed from our quarterly reports, the China MRI business has reported declining revenue numbers through 2016 and into 2017. Throughout 2016, the Chinese government has been re-examining all state-run military hospitals, which impacted Premier since our joint venture in China is with such a hospital. We expect that the Chinese government may close some hospitals and consolidate others. Third-party joint ventures may be terminated as a result. As these decisions were being implemented in 2016 and slowly handed down to hospital administrators, marketing and referral budgets were eliminated, which lead to decreasing revenues.

Operating in China is very challenging, especially so for a small management team such as Premier. Our management team has determined there are more opportunities closer to home in North America, which are not hindered by some of the operational challenges we faced in China, including difficulty in enforcing property rights and legal contracts, and currency risk.

For now, our management team will shut down operations in China!

### **Burnaby PET/CT Business**

We continue to be very excited by the short and long-term prospects of our Burnaby PET/CT business, Premier Diagnostic Center (Vancouver) Inc. (“PDC”). PDC is the only private PET/CT clinic in Western Canada...we



have no direct competition in Western Canada other than the provincial government. Clinic Director, Geoff Waters, and Chairman, Dr. Simon Sutcliffe achieved several things in the last year. Some highlights:

- Reduced our FDG cost significantly.
- Implemented DAP (Decision Analytic Protocols) within the clinic.
- Procured more clinical trial agreements.
- Attracted the interest of potential partners from across Canada, the United States and now Europe.

### **Sequant Re**

Over the last year and a half, Guy Cloutier and his team have presented Sequant Re's ILS portfolio offering to a multitude of institutions from hedge funds, pension plans, banks, insurers, family offices and even sovereign funds. They managed to get meetings with people whose doors they had no business getting through...a remarkable effort!

They formed a few partnerships with smaller players, who wanted to convert existing catastrophe bond funds or set up a co-marketed fund. The issue that the Sequant team has encountered is that these players do not want to be the first large investors. Sequant Re and Premier are making a joint effort to find a large institutional partner for Sequant Re. We anticipate that forming this type of partnership will allow Sequant Re to:

- Fund operations for the next two years.
- Close ILS portfolio assets with institutional investors who have expressed interest in investing with Sequant Re over the next 12-18 months.
- Bring a credible reputation on board that gives comfort to the large institutional investors.

Simply put, institutional investors want an institutional face involved!

### **GOeVisit.com**

In 2016, we invested in MyCare Medtech Inc., which owns GOeVisit.com, a telemedicine business which facilitates 24/7 online calls between patients and physicians/nurse-practitioners across Canada. The service is free to the user and Premier bought just over 14% of the business. We recently announced that we are increasing our investment to nearly 30% of the company.

Jim Viccars and Liz Bryant run GOeVisit.com, and they have set up a call-centre in downtown Vancouver. The online portal's protocols were designed by the Mayo Clinic, and can treat and diagnose well over 40 conditions, including common ailments such as rashes, flu, etc. The physicians and nurse practitioners can also provide prescriptions to the patient, who also has the option of using our online pharmacy to receive their medication by courier the next day.

Jim, Liz and their team have been meeting with some of the most prominent insurers/administrators of health insurance in Canada and are rapidly forming agreements to sign on the procured client user base. The list is expansive and they are making excellent progress. They are beginning provincial billing for all provinces, and are adding several other revenue generating services alongside their online pharmacy. We look forward to telling you more about GOeVisit.com as they progress.

### **Kingswood Asset Management ("Kingswood")**

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. We have invested in two Kingswood projects to date, BHLP and Arcola.

#### **Bentley Homes LP (“BHLP”)**

BHLP is developing a bi-duplex property in a popular area of East Vancouver, about 10 minutes drive from downtown Vancouver. The project has gone through several revisions from the City of Vancouver and is in its final reading now. Kingswood expects to break ground in summer 2016, with completion 10 months out. Original estimates for the price per square footage selling price were around \$655-705. In the present environment, that number is around \$750-850, with a neighbouring, higher-end project selling at over \$1,000 per square foot!

#### **Arcola Developments Inc.**

Arcola is the second Kingswood project we are involved in. This is a 22-unit townhouse project in South Burnaby, about 25-30 minutes from downtown Vancouver by car and 20 minutes by Skytrain transit. Arcola is expected to begin construction in August 2016 with completion in summer 2018. Price per square footage on the original sale price estimates was between \$535-565, and that estimate is now between \$625-700 per square foot!

#### **Russell Breweries Inc. (“Russell”)**

Following Premier’s takeover bid for Russell in 2015, two directors nominated by Premier joined Russell’s board. Russell had two breweries: Russell Brewery in Surrey, British Columbia and Fort Garry Brewery in Winnipeg, Manitoba. The board of Russell determined to sell its assets. Several offers appeared after an extensive search, and the board settled on the ones that made the best offers. After an exhaustive due diligence and agreement process, Russell’s board closed the asset sales of Fort Garry and Russell Brewery in December 2016. The distributions of the sale will be paid out in installments...the first in April 2017.

#### **Marketable Securities**

In accordance with the Company’s “Investment Policy”, a portion of the Company’s assets are in a portfolio of marketable securities. In late 2015 and early 2016, I allocated approximately \$1.9 million into several public equity positions. By the end of 2016, we had sold a good portion of the marketable securities and maintain only \$452,000 at September 30, 2016. Fortunately, the deployment of capital was fruitful and during 2016 we realized \$64,000 of gains and had another \$300,000 in unrealized gains, for a return of about 19% on the invested capital.

#### **Long-Term View**

When I first became involved in 2014, Premier was essentially a bankrupt, cash-starved company. Premier Diagnostic Center was essentially worth only the accounting value of its equipment and furniture...minus liabilities!

Today, just under three years later, Premier is healthy with relatively little in liabilities, and without giving any specific valuation, Premier Diagnostic Center’s intrinsic value far exceeds the accounting value of its furniture and equipment.

We want to convey the message to our shareholders that Premier is an investment for shareholders with a long-term horizon! The best companies grow at 15-20% per year, and we aim for steady and controlled growth like

this. While not impossible for us to get there faster, many factors influence growth and share price. We've planted some seeds with our acquisitions that I discussed above, and we look forward to seeing growth in these projects. But it will take more seeds, more watering and more care to get us to where we want to be in the long-term.

#### **Annual General Meeting**

The Premier Annual General Meeting is at 10:00am on Thursday, April 13<sup>th</sup>, 2017 in the Princess Louisa Room at the Fairmont Waterfront Hotel in Vancouver. We will have a hot breakfast and presentation for attendees. The Premier management team will be attending to meet shareholders.

#### **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, suppliers, creditors, and partners who have worked with us over the last couple of years.

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 in 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 will continue to work very hard to increase shareholder value over time. We thank you for your trust, friendship and confidence. We wish you and your families well!

Sincerely,

*"Sanjeev Parsad"*

Sanjeev Parsad  
President & CEO

## **MPIC Fund I, LP**

**c/o Corner Market Capital Corp.**

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**Burnaby, BC, Canada V5G 4P3**

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