Founders Advantage Capital Corp.

Management's Discussion and Analysis

For the three months ended March 31, 2017 and 2016

This Management's Discussion and Analysis ("MD&A") contains important information about the results of operations for the three months ended March 31, 2017 and 2016 as well as information about our financial condition and future prospects. We recommend you read this MD&A in conjunction with the interim condensed consolidated financial statements and related notes for the three months ended March 31, 2017 ("interim financial statements"), our 2016 annual consolidated financial statements and our 2016 annual MD&A. The interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements.

All amounts are presented in Canadian dollars unless otherwise stated. *We, us, our*, and *Founders Advantage*, refer to Founders Advantage Capital Corp. and our subsidiaries. Dominion Lending Centres Limited Partnership is referred to herein as "DLC", Club16 Limited Partnership is referred to herein as "Club16", and Cape Communications International Inc. (operating as Impact Radio Accessories) is referred to herein as "Impact". This MD&A is current as of May 29, 2017 and was reviewed and approved for issuance by our Audit Committee on behalf of the Board of Directors.

Advisory

This MD&A contains forward-looking statements, which are subject to risk and uncertainties that could cause our actual results to differ materially from the forward-looking statements. For additional information on forward-looking statements and material risks associated with them, please see the "Cautionary Note Regarding Forward-Looking Statements" section of this document.

This MD&A also includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance. These non-IFRS measures do not have any standardized meaning, and therefore are unlikely to be comparable to the calculation of similar measures used by other companies. Non-IFRS measures are defined and reconciled to the most directly comparable IFRS measure. Please see the "Non-IFRS Measures" section of this document for more information.

Note: all per share figures included throughout this MD&A reflect the results as if the 15:1 common share consolidation that was completed on May 18, 2016 applied to all periods.

We have organized our management's discussion and analysis in the following key sections:

BUSINESS OVERVIEW

Founders Advantage is an investment company that pursues majority interest acquisitions of cash flow positive middle-market privately held entities. Our platform offers disproportionate incentives for growth in favour of our partner entrepreneurs. This investment platform is designed to appeal to entrepreneurs who believe in the sustainable growth of their business and who want the added ability to continue operating their business with a long-term partner.

Our success depends on the ability of our partner entrepreneurs to continue operating their businesses profitably to the extent they can distribute cash flow to the corporate head office.

The nature of our business has significantly changed since February 2016 as a result of adopting a new investment model and putting in place a new management team. Due to the change in the nature of the business, several of the prior period balances included in the illustrative tables throughout this MD&A may not be directly comparable to the current period balances.

The following table outlines the acquisitions we have completed as of May 29, 2017:

(000's) (1)	Date of acquisition	Ownership interest		Annual distribution threshold (2)(3)		Monthly distribution (3)		Adjusted EBITDA (4)
DLC	June 3, 2016	60%	$	14,600	$	540	$	1,849 (5)
Club16	December 20, 2016	60%		5,850		270		1,116
Impact	March 1, 2017	52%		2,960		104		223
Total			**$**	**23,410**	**$**	**914**	**$**	**3,188**

(1) See the "Consolidated Results of Operations" section of this MD&A for further information on each of these subsidiaries.
(2) Minority interest shareholders of these investee entities receive a disproportionate share of the annual cash distributions from these investees for any amounts paid over the annual distribution threshold.
(3) Distribution amounts from DLC and Impact are received on an after-tax basis; Club16 distributions are received on a pre-tax basis and are taxed at the Founders Advantage corporate head office level.
(4) Adjusted EBITDA is for the three months ended March 31, 2017. For the Impact acquisition, the adjusted EBITDA is from the date of acquisition on March 1, 2017 to March 31, 2017. Please see the "Non-IFRS Measures" section of this document for the definition of adjusted EBITDA.
(5) Included within DLC's adjusted EBITDA is negative adjusted EBITDA of $0.8 million related the NCS operations. See the "Financial Highlights" section of this MD&A for further discussion.

FINANCIAL HIGHLIGHTS

Below are the financial highlights of our consolidated results for the three months ended March 31, 2017. You can find a more detailed discussion in the "Consolidated Results of Operations" section of this MD&A. Due to the change in the nature of our business that resulted from the new investment model and management team in 2016, our results may not be directly comparable to prior period balances. For this reason, we have provided an analysis of our results for the current quarter in relation to our results from the immediately preceding quarter.

(000's except per share amounts)		March 31, 2017		December 31, 2016		March 31, 2016
		For the three months ended				
Revenues	$	13,694	$	9,277	$	-
Loss from operations		(1,790)		(1,606)		(2,940)
Adjusted EBITDA (1)		1,413 (2)		998		(1,930)
Net loss for the period		(1,660)		(1,916)		(4,025)
Net loss attributable to:						
Shareholders	$	(1,630)	$	(2,410)	$	(4,025)
Non-controlling interests	$	(30)	$	494	$	-
Adjusted EBITDA attributable to:						
Shareholders	$	255	$	(211)	$	(1,930)
Non-controlling interests	$	1,158	$	1,209	$	-
Loss per share:						
Basic	$	(0.04)	$	(0.07)	$	(0.40)
Diluted	$	(0.04)	$	(0.07)	$	(0.40)

(1) One of the measures we use to assess our overall performance is adjusted EBITDA, which is a supplemental measure of our income from operations in which depreciation and amortization, finance expense and other unusual or one-time items are added back to income from operations to arrive at adjusted EBITDA. Please see the "Non-IFRS Measures" section of this document for additional information.
(2) Included within consolidated adjusted EBITDA is negative adjusted EBITDA of $0.8 million related the NCS operations. See the adjusted EBITDA discussion below.

FINANCIAL POSITION (000's)		As at March 31, 2017		As at December 31, 2016
Cash and cash equivalents	$	9,141	$	7,824
Working capital deficiency		(35,524)		(19,390)
Total assets		278,684		258,171
Total loans and borrowings		45,562		32,455
Shareholders' equity		105,700		106,849
SHARE INFORMATION				
Common shares outstanding		37,948,699		37,714,342

Three-month highlights

Consolidated results

Revenues for the three months ended March 31, 2017 increased to $13.7 million from $9.3 million in the prior quarter, an increase of $4.4 million over the comparative period. The increase in revenues is significantly related to recently completed acquisitions, as Club16's operations added revenues of $4.8 million and the acquisition of Impact in March 2017 has resulted in an increase in revenues of $0.9 million (see the "2017 Key accomplishments" section of this MD&A for discussion of the Impact acquisition). Partially offsetting the increase in revenues from recent acquisitions, is lower revenues from DLC as the volumes of funded mortgages have decreased during the quarter due to expected seasonal variances in the normal home buying season. DLC's lower volume of funded mortgages has resulted in a $1.7 million decrease in revenues, which is being offset in the DLC segment by an increase of $0.4 million in revenues from Newton Connectivity Systems Inc. ("NCS") (please see the "Consolidated Results of Operations" section of this MD&A for further discussion). This seasonal decline in DLC's revenues is consistent with management's expectations as DLC's funded mortgage volumes are at their lowest point in the months of January through March. While the first quarter of each year is the lowest point for funded volumes of mortgages, DLC's revenues have realized significant growth over the same period last year, as revenues have increased from $6.4 million during the three months ended 2016 to $7.3 million in the current quarter.

Loss from operations for the three months ended March 31, 2017 increased to $1.8 million from $1.6 million during the three months ended December 31, 2016. The increase in the consolidated loss from operations is due to lower revenues generated by DLC, which as mentioned above, is due to the seasonal decline in the volumes of funded mortgages. The lower revenues are partially offset by a decrease in DLC's operating expenses of $0.4 million, an increase in income from operations from Club16 of $0.5 million and income from operations from Impact of $0.1 million. The Club16 and Impact variances relate to the timing of the acquisitions. The decline in DLC's operating costs is mainly attributable to lower direct costs, which move in line with funded mortgage volumes, and higher seasonal advertising costs incurred in the prior quarter. Further, DLC's operating expenses include expenditures of $0.3 million related to severance costs.

Adjusted EBITDA has increased during the current period to $1.4 million from $1.0 million in the three months ended December 31, 2016, an increase of $0.4 million. This variance is in part the result of the Club16 and Impact acquisitions, which added $1.0 million and $0.2 million to adjusted EBITDA for the quarter, respectively. Corporate acquisition and due diligence costs have also declined by $0.3 million as much of our due diligence work is now being completed internally. The increase in adjusted EBITDA is partially offset by a decline in DLC's adjusted EBITDA of $1.1 million, which is attributable to seasonal decreases in DLC's revenues and negative adjusted EBITDA of $0.8 million from the NCS operations. While NCS's operations have resulted in negative adjusted EBITDA during the quarter, it is management's expectation that NCS will contribute cumulative positive adjusted EBITDA during 2017 as a result of the synergies obtained from DLC's ownership of NCS. These decreases to the DLC adjusted EBITDA are partially offset by decreases in adjusted operating costs after adjusting for unusual and non-cash items, including other revenue (See "Appendix A" for a reconciliation of adjusted EBITDA to loss from operations). The decline in DLC's operating costs of $0.5 million is the result of higher direct costs in the prior quarter related to seasonal television advertising expenses.

2017 KEY ACCOMPLISHMENTS

With the change in management in February 2016 we continue to focus on sourcing and completing acquisitions consistent with our new investment model. Our key accomplishments during the first quarter of fiscal 2017 are as follows:

Acquisition - Cape Communications International Inc.
On March 1, 2017, we acquired a 52% majority and voting interest in Cape Communications International Inc. (operating as Impact Radio Accessories or "Impact"), which is engaged in the business of designing, manufacturing and retailing of two-way radio accessories in the land mobile radio industry. Impact sells to dealers throughout North America, with its products being used in the field by some of the most recognized companies in public safety, military, security, retail and hospitality. The aggregate purchase consideration was $12.7 million. The purchase was funded by our existing credit facilities, which were amended to fund the acquisition.

Dividend declared
On March 15, 2017, we declared our first quarterly dividend of $0.0125 per share ($0.05 per share annualized), which resulted in a payment of $0.5 million. The dividend was paid on April 12, 2017 to shareholders of record as at March 31, 2017.

ATB refinancing
Concurrent with the acquisition of Impact, we amended our corporate credit facilities to increase the revolving acquisition credit facility from $17.0 million to $28.0 million, and cancel our $5.0 million non-revolving demand acquisition credit facility. This amendment increased our available borrowing limit from $22.0 million to $28.0 million, which was used to fund the acquisition of Impact.

SEGMENT SUMMARY

We are organized into three reportable business segments, which are comprised of DLC, Club16 and Impact operations. For more information on each of the segments please see the segmented analysis under the "Consolidated Results of Operations" section of this MD&A. "Corporate" used throughout this MD&A is not a separate reportable business segment and is used to refer to the corporate head office of Founders Advantage.

2017 OUTLOOK AND STRATEGIC OBJECTIVE

The information in this section is forward-looking and should be read in conjunction with the "Cautionary note regarding forward looking statements" section found at the end of this MD&A.

Corporate

Our management team continues to market our investment strategy across North America and receives numerous inbound proposals from founders and their advisors each week. We have a robust pipeline of potential transactions that we continue to review and assess. Our 2017 key financial priorities include:

- continuing to focus on acquiring investees with consistent historical EBITDA, significant free cash flows generations, and expected annual organic growth;
- maximizing shareholder value through on-going monitoring of our operating subsidiaries; and
- seeking sources of capital to fund operations and finance future acquisition opportunities.

DLC segment

Throughout 2017, DLC expects to continue its organic growth initiative of expanding its network of mortgage brokers and franchisees by focusing on recruiting initiatives. As a result, we anticipate DLC having steady growth in its funded mortgage volumes in 2017, resulting in steady growth in revenues and adjusted EBITDA compared to 2016.

During 2017, DLC's management team will also be focused on integrating NCS into its operations. Through synergies obtained from DLC's ownership of NCS, it is anticipated that DLC can increase NCS's market share by having additional DLC mortgage brokers using the NCS platform.

Industry commentary

The mortgage brokerage industry is currently being impacted by the introduction of changes to the mortgage rules by the Canadian Federal Government. The new rules were effective as of October 17, 2016, and will impact homebuyers' eligibility for new government-backed insured mortgages. These changes are likely to result in many homebuyers qualifying for lower mortgage amounts than they would have prior to the introduction of these rules. While DLC is not a lender and does not itself offer mortgages, it does offer mortgage brokerage services, whereby it assists customers in obtaining and negotiating new mortgages and mortgage renewals.

DLC continues to assess the impact of these changes on its business. During the first three months of 2017 DLC has continued to experience growth in its year-over-year funded mortgage volumes, with a 11.2% increase in volumes over the same period last year. Growth in the funded volumes of mortgages on a per broker basis has seen some leveling off during the first quarter of 2017 when compared to the same period last year, however there has been no decline in overall volumes per broker. While there does appear to be some slowdown in growth on a per broker basis, this ease in growth is more than offset by the increase in volumes of funded mortgages resulting from adding new franchisees and mortgage brokers during the same period. This is consistent with management's expectations, as historically, DLC has been able to sustainable grow its revenues in difficult economic times by adding new franchisees and mortgage brokers, and as such, it is not anticipated that the new rules will have a significant long-term effect on DLC's revenues.

Club16 segment

Club16's organic growth initiatives for 2017 include expanding one of its existing clubs to allow for membership growth as well as introducing personal training services into three more of the existing fitness clubs. The offering of personal training is a relatively new service for Club16, which has resulted in continuous adjusted EBITDA growth over the past year. These services had a 43% gross margin during Q1 2017. It is anticipated that these initiatives will have a positive impact on 2017 fitness club membership revenues and adjusted EBITDA.

Impact segment

Throughout 2017, Impact expects to continue to organically grow their operations by adding new distributors for its products and by working with its existing key distributors to establish long-term partnerships. By establishing these partnerships with certain distributors, Impact expects to generate higher sales by entering into long-term sales contracts, and by increasing order quantities through arrangements such as automatic quarterly order quantities. These initiatives are expected to result in adjusted EBITDA growth in the coming year. As a part of this sales growth initiative, Impact has added two new sales staff during the first quarter of 2017.

CONSOLIDATED RESULTS OF OPERATIONS

See the "Accounting Policies" section of this MD&A, notes to our March 31, 2017 interim financial statements and the notes to the December 31, 2016 annual financial statements for significant accounting policies and estimates as they relate to the following discussion.

Below is selected financial information from our 2017 consolidated interim financial results. Due to the change in the nature of our business in February 2016 (see "Business Overview" section of this MD&A) our results may not be directly comparable to prior period balances. For this reason, we have provided an analysis of our results for the current quarter in relation to our results from the immediately preceding quarter.

We currently operate three reportable business segments, being the DLC, Club16 and Impact operations. While our operating results reflect 100% of DLC's, Club16's and Impact's results, we own a 60% interest in DLC and Club16 and a 52% interest in Impact. A reconciliation of our reportable segments to our consolidated results presented in this table can be found in Appendix B.

(000's)		March 31, 2017		For the three months ended December 31, 2016		March 31, 2016
Revenues	$	13,694	$	9,277	$	-
Operating expenses		15,484		10,883		2,940
Loss from operations		**(1,790)**		**(1,606)**		**(2,940)**
Other expense, net		(653)		(304)		(1,085)
Loss before tax		**(2,443)**		**(1,910)**		**(4,025)**
Add back:						
Depreciation and amortization		2,113		1,473		-
Finance expense		528		876		-
Other adjusting items (1)		1,215		559		2,095
Adjusted EBITDA (2)	**$**	**1,413**	**$**	**998**	**$**	**(1,930)**

(1) Other adjusting items include share-based payments, loss on sale of investments, corporate start-up costs, professional fees related to arbitration settlement and other revenue. See "Appendix A" for a detailed reconciliation of adjusting items.
(2) One of the measures we use to assess our overall performance is adjusted EBITDA, which is a supplemental measure of our loss from operations in which depreciation and amortization, finance expense and other unusual or one-time items are added back to income from operations to arrive at adjusted EBITDA. Please see the "Non-IFRS Measures" section of this document for additional information.

Revenues

(000's)		March 31, 2017		For the three months ended December 31, 2016		March 31, 2016
	$	**13,694**	**$**	**9,277**	**$**	**-**

Our consolidated revenues for the three months ended March 31, 2017 increased over the three-month period ended December 31, 2016 from $9.3 million to $13.7 million, an increase of $4.4 million. This increase can be primarily attributed to the inclusion of a full quarter of Club16's revenue of $5.5 million, 31 days of Impact's revenues of $0.1 million, offset by a $1.3 million decline in DLC's revenues over the comparative period. The decrease in DLC's revenues is due to the expected seasonal variances with the normal home buying season, which typically results in the lowest volumes of funded mortgages in the months of January through March of each year. On December 20, 2016, we acquired Club16, resulting in 12 days of Club16's financial results included in the three months ended December 31, 2016.

Operating expenses

	For the three months ended		
(000's)	March 31, 2017	December 31, 2016	March 31, 2016
Direct costs	$ 2,232	$ 2,478	$ -
Acquisition and due diligence costs	281	632	1,215
General and administrative	9,643	5,279	767
Share-based payments	1,215	1,021	958
Depreciation and amortization	2,113	1,473	-
	$ 15,484	**$ 10,883**	**$ 2,940**

Direct costs

Our consolidated direct costs relate to the DLC, Club16 and Impact operations. DLC's direct costs are comprised of franchise recruiting and support costs and advertising fund expenditure, the Club16's direct costs relate primarily to costs of personal training, and the Impact direct costs relate to the cost of product sales. During the three months ended March 31, 2017, we incurred $2.2 million in direct costs, compared to $2.5 million during the comparative period, a decrease of $0.3 million. DLC's direct costs decreased $1.2 million in the current quarter primarily due to seasonal television advertising costs incurred in the prior quarter, offset by the inclusion of Impact's direct costs of $0.4 million and Club16's direct costs of $0.5 million.

Acquisition and due diligence costs

We incurred $0.3 million in acquisition and due diligence costs during the three months ended March 31, 2017, compared to $0.6 million during the three months ended December 31, 2016, a decrease of $0.3 million. Quarter-over-quarter costs have decreased as certain due diligence processes are now being completed internally at a reduced cost. The cost of these acquisition and due diligence activities, whether completed or in process, are expensed as incurred.

Acquisition and due diligence costs incurred during the three months ended March 31, 2016 relates to the adoption of the new business plan and the acquisition of DLC.

General and administrative

During the three months ended March 31, 2017, we incurred $9.6 million in consolidated general and administrative expenses compared to $5.3 million during the three months ended December 31, 2016. This increase is primarily the result of a full quarter of Club16's expenses being included in the current quarter of $3.8 million, up from $0.6 million in the prior quarter due to the timing of the acquisition. The consolidated results also included Impact's general and administrative costs for 31 days, or $0.3 million, due to the timing of the transaction. Further, DLC's general and administrative expenses have increased by $0.8 million over the prior quarter primarily due to the inclusion of NCS's general and administrative expense from the date of acquisition. Of the $0.8 million increase in DLC's general and administrative expenses, $0.3 million relate to severance costs incurred within DLC and NCS. Corporate general and administrative expenses have remained relatively consistent quarter-over-quarter, and are comprised primarily of professional fees, salary and salary-related costs, advertising and promotion and travel.

General and administrative expenses incurred during the three months ended March 31, 2016 related to consulting and professional fees, and salaries and salary-related costs which includes termination benefits of $0.5 million incurred as a results of the change in our business in February 2016.

Share-based payments

During the three months ended March 31, 2017, we incurred $1.2 million in non-cash shared-based payments, compared to $1.0 million during the three months ended December 31, 2016, an increase of $0.2 million. Share-based payments are higher during the current quarter due to revising the length of the vesting period of the shares held in escrow and the issuance of share appreciation rights related to the Impact shares (see note 10 of the interim financials). In addition we continue to expense the options and escrow shares granted in previous periods over their respective vesting periods.

Share-based payments incurred during the three months ended March 31, 2016 related to share options issued in 2015, the issuance of DSUs to one of our directors and the issuance of shares held in escrow.

Depreciation and amortization

Depreciation and amortization primarily relates to the acquisition of, and subsequent additions to, finite life intangible assets acquired as a part of the DLC and Club16 transactions. The intangible assets acquired as a part of these transactions that are being amortized into consolidated income include software, DLC's renewable franchise rights, the Club16 brand name license, customer relationships and intellectual property rights.

We incurred $2.2 million in non-cash depreciation and amortization during the current quarter, compared to $1.5 million during the three months ended December 31, 2016, an increase of $0.7 million. The variance is primarily the result of higher depreciation and amortization related to the inclusion of a full quarter of Club16's amortization expense, which resulted in an increase of $0.6 million, and the acquisition of Impact, which resulted in an additional $0.1 million in depreciation.

Finance expense

	For the three months ended		
(000's)	March 31, 2017	December 31, 2016	March 31, 2016
	$ 528	**$ 876**	**$ -**

We incurred $0.5 million in financing costs during the current quarter, compared to $0.9 million during the three months ended December 30, 2016, a decrease of $0.3 million finance expenses compared to the prior quarter relate mainly to fees incurred for amending the corporate credit facility in December 2016. See the Consolidated Liquidity and Capital Resources section of this MD&A for additional discussion of our credit facilities.

Adjusted EBITDA

	For the three months ended		
(000's)	March 31, 2017	December 31, 2016	March 31, 2016
	$ 1,413	**$ 998**	**$ (1,930)**

Adjusted EBITDA for the quarter was $1.4 million, compared to $1.0 million during the three months ended December 31, 2016, an increase of $0.4 million. The main driver for the change in adjusted EBITDA is the recent acquisitions, as Club16 contributed an additional $1.0 million to adjusted EBITDA and Impact contributed $0.2 million. (see the "Segmented results" section of this MD&A for additional information). Additionally, corporate head office's adjusted negative EBITDA has decreased by $0.2 million over the prior quarter primarily due to lower acquisition and due diligence costs. These increases are offset by a decrease in DLC's adjusted EBITDA over the prior quarter of $1.1 million due to lower revenues on volumes of funded mortgages and losses from the NCS operations, which are partially offset by lower operating costs after adjusting for non-cash items. The decline in DLC's revenues accounts for $1.7 million of this variance (excluding NCS), which corresponds with seasonal variances in the normal home buying season, and is in line with management's expectations. NCS also contributed negative adjusted EBITDA of $0.8 million during the quarter. It is management's expectation that NCS will contribute cumulative positive adjusted EBITDA during 2017, as significant synergies are expected to be obtained through DLC's ownership of NCS. The decrease in DLC's adjusted operating costs relates mainly to higher advertising fund expenditures and promotional costs in the prior quarter related to DLC's seasonal advertising and promotional campaigns.

Adjusted EBITDA for the three months ended March 31, 2016 was negative $1.9 million which is primarily related to acquisition and due diligence costs of $1.2 million and general and administration expenses of $0.8 million.

Segmented Results

We discuss the results of our three reportable segments as presented in our March 31, 2017 interim financial statements: DLC, Club16 and Impact. The performance of our reportable segments is assessed based on revenues, income from operations and adjusted EBITDA. Adjusted EBITDA is a supplemental measure of the segment's income from operations in which depreciation and amortization, finance expense, share-based payment expense and unusual or one-time items are added back to the segments' income from operations to arrive at each segment's adjusted EBITDA. Please see the "Non-IFRS Measures" section of this document for additional information.

A reconciliation of our reportable segments to our consolidated results presented in this table can be found in Appendix B.

DLC segment

	For the three months ended					
(000's) (1)		March 31, 2017		December 31, 2016		March 31, 2016
Revenues	$	7,338	$	8,644	$	-
Operating expenses		6,729		7,153		-
Income from operations		**609**		**1,491**		**-**
Other (expense) income, net		(275)		426		-
Income before tax		**334**		**1,917**		-
Add back:						
Depreciation and amortization		1,338		1,341		-
Finance expense		177		130		-
Other income (2)		-		(462)		-
Adjusted EBITDA	**$**	**1,849**	**$**	**2,926**	**$**	**-**
Adjusted EBITDA attributable to:						
Shareholders	$	1,244	$	1,755	$	-
Non-controlling interests	$	605	$	1,171	$	-

Key performance indicators:					
Funded mortgage volumes (3)	$	6,769,244	$	9,325,208	-
Number of franchises (4)		446		443	-
Number of brokers (4)		5,309		5,237	-

(1) DLC's results generally vary from quarter to quarter as a result of seasonal fluctuations in the reporting segment. This means DLC's results in one quarter are not necessarily a good indication of how they will perform in a future quarter.
(2) Adjustment relates to sales tax amounts recovered during the quarter. This amount was expensed in 2015 and subsequently recovered at the end of 2016.
(3) Funded mortgage volumes are a key performance indicator for the DLC segment that allows us to measure DLC's performance against our operating strategy. These amounts are stated in thousands.
(4) The number of franchises and brokers are as at the respective balance sheet date.

DLC's revenue has decreased from $8.6 million in the prior quarter to $7.4 million in the current period, a decrease of $1.3 million. This decline in revenues is due to lower volumes of funded mortgages during the quarter, which corresponds with the seasonality of the normal home buying season. The lower volumes are in line with management's expectations as January through March is the slowest part of the home buying season. The decline in revenues generated from mortgage volumes is partially offset by an increase in revenues from NCS, which contributed revenues of $0.6 million in the current quarter compared to $0.2 million during the prior quarter due to the timing of the acquisition. While mortgage volumes for the three months ended March 31, 2017 are lower than the prior quarter, DLC's volumes have increased 11.2% over the same period in 2016, which has resulted in revenues increasing from $6.4 million during the three months ended 2016 to $7.3 million in the current quarter.

DLC's operating expenses are comprised of direct costs, general and administrative expenses, and depreciation and amortization expense. Direct costs relate to franchise recruiting and support costs and advertising fund expenditures; general and administrative expenses are comprised mainly of salaries, professional fees, promotional expenses and occupancy costs; and depreciation and amortization primarily relates to the finite life intangible assets, which includes DLC's franchise rights, software and intellectual property rights.

During the three months ended March 31, 2017, DLC incurred $6.7 million in operating expenses compared to $7.2 million during the three months ended December 31, 2016, a decrease of $0.5 million. DLC's decrease in operating costs in the current quarter is primarily due to a decrease in direct costs of $1.2 million related to lower sales commissions paid, which move in line with funded mortgage volumes, as well as lower advertising fund expenditures in Q1 due to the seasonality of the television advertising campaign. The decline in direct costs is partially offset by higher general and administrative expenses of $0.8 million which relates primarily to NCS. Of the $0.8 million in general and administrative expenses, $0.3 million relates to severance costs.

Adjusted EBITDA for the quarter was $1.8 million, compared to $2.9 million during the three months ended December 31, 2016, a decline of $1.1 million. This decline is the result of the expected seasonal decrease in DLC's revenues of $1.7 million (excluding NCS), decrease in adjusted other income of $0.1 million, increase in loss on equity accounted investment of $0.1 million, offset by a decline in adjusting operating costs of $1.6 million (excluding NCS) due to the seasonality of the television advertising campaign and DLC's promotional events. Further, NCS contributed negative adjusted EBITDA of $0.8 million during the quarter. Included within the $0.8 million in negative adjusted EBITDA is $0.2 million in severance related costs. It is management's expectation that significant synergies will be obtained through DLC's ownership of NCS, and as such, NCS's revenues are expected increase significantly starting in Q3 2017, and result in NCS contributing cumulative positive adjusted EBITDA during 2017.

DLC has no comparative period for the same quarter in the prior year as it was acquired in June 2016.

Distributions

DLC began issuing monthly after-tax distributions to its limited partners of $0.90 million in October 2016. As we hold a 60% interest in DLC, the corporate head office receives a monthly after-tax distribution of $0.54 million per month ($6.5 million annually) from DLC. As the DLC entities are taxed at the operating level and distribute income to the limited partnership, no additional taxes are payable on the distributions received from DLC.

Club16 segment

	For the three months ended		
(000's)	March 31, 2017	December 31, 2016	March 31, 2016
Revenues	$ 5,466	$ 633	$ -
Operating expenses	5,022	665	-
Income from operations	**444**	**(32)**	-
Other expense, net	(40)	(6)	-
Income before tax	**404**	**(38)**	**-**
Add back:			
Depreciation and amortization	672	127	-
Finance expense	40	6	-
Adjusted EBITDA	**$ 1,116**	**$ 95**	**$ -**
Adjusted EBITDA attributable to:			
Shareholders	$ 670	$ 57	$ -
Non-controlling interests	$ 446	$ 38	$ -
Key performance indicators:			
Total fitness club members (1)	**80,296**	**78,316**	-

(1) The number of fitness club members is as at the respective balance sheet date.

Club16's income from operations included in our consolidated results for the period is $0.4 million, compared to a loss from operations of $32,379 in the prior quarter. This variance is reflective of the December 20, 2016 acquisition date, as only 12 days of Club16's results were included in our consolidated results at December 31, 2016. While the quarter-over-quarter results are not directly comparable, Club16's revenues, which are driven primarily by the total fitness club members, have continued to grow over the prior quarter, with total members increasing by 1,980 to 80,296 as at March 31, 2017. Operating expenses in the current period are made up primarily of general and administrative expenses of $3.9 million, depreciation and amortization of $0.7 million, and direct costs of $0.4 million, compared to general and administrative expenses of $0.6 million and depreciation and amortization of $0.1 million for the 12 days in the prior quarter. General and administrative expenses are comprised mainly of occupancy costs, salaries and promotional expenses.

Club16 contributed $1.1 million in adjusted EBITDA to the Q1 2017 consolidated results, compared to $0.1 million in the three months ended December 31, 2016 due to the timing of the acquisition. Throughout Q1 2017, Club16's financial results have been stable on a month-over-month basis, contributing positive adjusted EBITDA to the consolidated results and is performing in line with management's expectations.

Club16's revenues and adjusted EBITDA increase significantly in the second quarter of each year, as an annual club enhancement fee is charged to its members in May of each year. In May 2017, the total club enhancement fee received was $2.2 million.

Club16 has no comparative period for the same quarter in the prior year as it was acquired in December 2016.

Distributions

Club16 began issuing monthly pre-tax distributions to its limited partners of $0.45 million in March 2017. As we hold a 60% interest in Club16, the corporate head office receives a monthly distribution of $0.27 million per month ($3.2 million annually) from Club16. As the distributions received are on a pre-tax basis, income taxes on these amounts will be paid at the Founders Advantage corporate head office level. Expenses incurred by the Founders Advantage corporate head office will be used to offset any income tax liabilities generated by the receipt of distributions for Club16.

Impact segment

(000's) (1)		For the three months ended March 31, 2017		December 31, 2016		March 31, 2016
Revenues	$	890	$	-	$	-
Operating expenses		799		-		-
Income from operations		91		-		-
Other income, net		12		-		-
Income before tax		103		-		-
Add back:						
Depreciation and amortization		96		-		-
Share-based payments		24		-		-
Adjusted EBITDA	**$**	**223**	**$**	-	**$**	-
Adjusted EBITDA attributable to:						
Shareholders	$	116	$	-	$	-
Non-controlling interests	$	107	$	-	$	-

(1) Includes 31 days of Impact operations as the acquisition was completed on March 1, 2017.

Impact has no comparative period as it was acquired in March 2017, and as such, the results for the three months ended March 31, 2017 includes only 31 days from Impact's operations. Impact's income from operations included in our consolidated results for the period is $0.1 million, which is comprised of $0.9 million of revenues, net of $0.8 million in operating expenses. Impact's operating expenses are made up primarily of direct costs of $0.4 million, general and administrative expenses of $0.3 million and depreciation and amortization of $0.1 million. General and administrative expenses are comprised mainly of salaries, professional fees, promotional expenses and occupancy costs.

Impact's adjusted EBITDA has been stable month-over-month during the first quarter, and is expected to occasionally benefit from large periodic orders from certain of its regular distributors. Impact has contributed $0.2 million in adjusted EBITDA to the quarterly consolidated results, after adjusting their income from operations for depreciation and amortization, and is performing in line with management's expectations.

Dividends

Impact will begin issuing monthly after-tax dividends to its shareholders of $0.2 million in June 2017. As we hold a 52% interest in Impact, the corporate head office receives a monthly dividend of $0.10 million per month ($1.25 million annually) from Impact. As the Impact entities are taxed at the operating level and pay dividends to the shareholders after-tax income, no additional taxes are payable on the dividends received from Impact.

SUMMARY OF QUARTERLY RESULTS

Selected unaudited financial data published for our operations during the last eight quarters are as follows:

(000's)	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015	June 30, 2015
Revenues	$ 13,694	$ 9,277	$ 10,643	$ 3,018	$ -	$ -	$ -	$ -
(Loss) income from operations	(1,790)	(1,606)	699	(1,832)	(2,940)	(658)	(848)	(758)
Adjusted EBITDA	1,413	998	5,041	(302)	(1,930)	(574)	(186)	(680)
Net (loss) income	(1,660)	(1,916)	(1,171)	949	(4,025)	(1,116)	(151)	(904)
Net (loss) income attributable to:								
Shareholders	(1,630)	(2,410)	(2,842)	599	(4,025)	(1,116)	(151)	(904)
Non-controlling interests	(30)	494	1,671	350	-	-	-	-
Net (loss) income per common share:								
Basic	(0.04)	(0.07)	(0.08)	0.03	(0.40)	(0.11)	(0.02)	(0.09)
Diluted	(0.04)	(0.07)	(0.08)	0.02	(0.40)	(0.11)	(0.02)	(0.09)

Quarterly trends and seasonality
Due to the significant change in our business in February 2016 and the acquisitions of DLC, Club16, and Impact, the prior periods shown in the above table are not necessarily meaningful and should not be relied upon as an indication of future performance.

Our quarterly results generally vary from quarter to quarter as a result of seasonal fluctuations in our reporting segments. This means our results in one quarter are not necessarily a good indication of how we will perform in a future quarter.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

Liquidity

(000's)	As at March 31, 2017	As at December 31, 2016
Cash and cash equivalents	$ 9,141	$ 7,824
Trade and other receivables	8,713	11,742
Prepaids and other assets	1,258	1,340
Notes receivable	261	290
Inventories	4,075	-
Accounts payable and accrued liabilities	(12,665)	(13,916)
Loans and borrowings	(38,937)	(25,064)
Deferred revenue	(1,513)	(970)
Other current liabilities	(771)	(636)
Non-controlling interest rights	(5,086)	-
Net working capital deficit	**$ (35,524)**	**$ (19,390)**

Our capital strategy is aligned with our business strategy and is focused on ensuring that we have sufficient liquidity to fund our operations and service our debt obligations, fund future acquisition opportunities, and drive organic revenue growth in each of our subsidiaries to increase growth in free cash flows in order to return cash to our shareholders.

Our principal sources of liquidity are cash generated from the operations of our subsidiaries, borrowings under credit facilities, related party loans and equity offerings. Our primary uses of cash are for operating expenses, debt repayment, debt servicing costs and acquisitions.

As at March 31, 2017, we had a cash position of $9.1 million (December 31, 2016 - $7.8 million) and a net working capital deficiency of $35.2 million (December 31, 2016 - $19.4 million). The negative net working capital position is primarily due to the increase in loans and borrowings classified as current and the granting of certain rights to the Impact non-controlling interest shareholders. The classification of $38.9 million of loans and borrowings as current is the result of credit facilities held at both the corporate and Club16 levels being due on demand by the lender. At March 31, 2017, we had $1.1 million available to be drawn on the revolving credit facility held at the corporate level. For more information on the non-controlling interest rights, see note 8 of the interim financial statements.

At March 31, 2017, we have a number of financial commitments (see "Commitments" section of this MD&A for further information), which will require that we have various sources of capital to meet our obligations associated with our commitments.

Based on our most recent forecast, we expect to default certain covenants on the demand credit facilities held by the Founders Advantage corporate head office in the fiscal quarters ending September 30, 2017, December 31, 2017 and March 31, 2018. The corporate demand credit facilities are subject to annual review, with the next review date scheduled on August 31, 2017 (see "Capital Resources" section below for more information on these credit facilities). In the event that the lender demands immediate repayment of amounts outstanding under the facilities, we currently do not have sufficient capital to repay these amounts. While there can be no guarantee that a future financing will be successful, management is confident that we will be successful in managing our liquidity needs through securing the financing necessary and obtaining covenant waivers as required. As such, management has concluded that no material uncertainties exist with respect to our ability to manage our liquidity requirements. The assumptions made by management in reaching this conclusion were based on information available as of the date this MD&A was authorized for issuance. Actual circumstances may differ from these assumptions and the impact may be material.

Management is confident in our ability to obtain alternative sources of capital. During the first quarter of 2017, we entered into additional credit facilities and amended existing credit facilities (see "Capital Resources" section below for more information).

At March 31, 2017, we are in compliance with all of our financial covenants.

Sources and uses of cash

The following table is a summary of our consolidated statement of cash flow:

	For the three months ended March 31	
(000's)	2017	2016
Cash provided by (used in) operating activities	$ 3,334	$ (1,578)
Cash (used in) provided by investing activities	(14,912)	8,937
Cash provided by financing activities	12,878	-
Increase in cash	1,300	7,359
Impact of foreign exchange on cash and cash equivalents	17	-
Cash, beginning of period	7,824	9,003
Cash, end of period	**$ 9,141**	**$ 16,362**

Operating activities: The net cash provided by operating activities for the three months ended March 31, 2017 was primarily due to cash flows generated by DLC's operations of $3.1 million, cash flows from Club16's operations of $1.4 million, and cash flows from Impact's operations of $0.5 million. The cash provided by operations is partially offset by cash used by corporate head office of $1.6 million, which is primarily related to acquisition and due diligence costs, finance expense, and general and administrative costs.

Cash used in operating activities for the three months ended March 31, 2016 was significantly related to salaries and salary related costs paid during the period and acquisition and due diligence costs related to the implementation of the new business plan and the acquisition of DLC.

Investing activities: The net cash used in investing activities for the three months ended March 31, 2017 was significantly impacted by the corporate head office acquisition of Impact for $11.3 million (net of cash received), $1.5 million paid to the vendors of

Club16, DLC's investments in intangible assets of $0.7 million, $1.1 million in distributions paid to DLC's non-controlling interest unitholders, and $0.2 million in distributions paid to Club16's non-controlling interest unitholders.

Cash provided by investing activities for the three months ended March 31, 2016 was impacted by the sale of our shares in Auryn Resources Inc. and Polaris Infrastructures Inc. for total proceeds of $8.9 million.

Financing activities: Cash provided by financing activities increased for the three months ended March 31, 2017 as a result of the increase in the corporate senior credit facilities to $28.0 million, of which we had drawn $26.6 million at March 31, 2017, and the increase in the amount drawn on DLC's operating facility of $0.4 million. Offsetting this increase in cash from financing activities was the repayment of $0.8 million in principal repayments of DLC's term loan facilities and $0.1 million of Club16's term loan facilities.

Capital Resources

Our capital structure is composed of total shareholders' equity and loans and borrowings, less cash and cash equivalents. The following table summarizes our capital structure at March 31, 2017 and December 31, 2016.

(000's)		March 31, 2017		December 31, 2016
Loans and borrowings	$	45,562	$	32,455
Less: cash and cash equivalents		(9,141)		(7,824)
Net loans and borrowings	$	36,421	$	24,631
Shareholders' equity	$	105,700	$	106,849

Loans and borrowings
Our available credit facilities are comprised of a revolving acquisition and operating facility at the corporate head office level, as well as acquisition and operating credit facilities within DLC and Club16. For additional details on each of our credit facilities refer to our 2016 annual consolidated financial statements.

Corporate credit facilities
On February 28, 2017, we amended our corporate credit facilities to increase the revolving acquisition credit facility from $17.0 million to $28.0 million ("2017 Amended Credit Agreement") and cancel our $5.0 million non-revolving demand acquisition credit facility. Under the amendments, the revised facility is due on demand and is subject to review on or before August 31, 2017. We are now required to maintain a fixed charge coverage ratio of not less than 1.25:1, and a net funded debt to EBITDA ratios of:

- Less than 4:00:1, up to and including the fiscal quarter ending June 30, 2017;
- 3:00:1 for the fiscal quarter ending September 30, 2017; and
- 2:00:1 for the fiscal quarter ending thereafter.

Concurrent with the increase in the facility, we drew $12.0 million from the facility to fully finance the acquisition of Impact. At May 29, 2017, we have $1.1 million available to be drawn on this facility. As at March 31, 2017, we had borrowed an aggregate of $26.6 million (December 31, 2016 - $13.1 million) and was in compliance with all covenants.

DLC term loan facilities
DLC has two term loans which they have borrowed an aggregate of $9.6 million at March 31, 2017 (December 31, 2016 - $10.4 million). These facilities are held at the DLC subsidiary level. As at March 31, 2017, DLC was in compliance with all covenants.

On April 10, 2017, DLC elected to utilize its excess cash to repay the remaining balance of $1.5 million on one of these term loan facilities. This voluntary prepayment triggered a covenant breach, which the lender waived. The waiver was obtained for DLC's debt service covenant at June 30, 2017. All DLC covenants are forecasted to be in compliance for the remainder of the fiscal period.

Club16 - $7.0 million term loan facility
On January 23, 2017, the Club16 term loan facilities were repaid in full and replaced by a $7.0 million facility, of which $4.1 million was drawn to repay the previous term loan facilities. The available credit remaining will be used to finance equipment purchases and leasehold improvements at future locations. The facility matures on the earlier of (i) demand by the lender, or (ii) 60 months from the date of each drawdown, and is secured by a general security agreement with first charge over the assets of Club16. The new facilities lowered Club16's cost of capital as well as provided additional capital to support its operations.

At May 29, 2017, Club16 has $3.0 million available to be drawn on this facility.

Club16 - $1.5 million revolving facility
On January 23, 2017, Club16 entered into a $1.5 million revolving operating facility to finance their working capital requirements. Borrowings under the revolving facility are due on demand and bear interest at the bank's prime rate plus 1.25% per annum and are secured by a general security agreement with first charge over the assets of Club16. Financial covenants include the requirement to maintain a debt service charge ratio of not less than 1.25 and a maximum debt-to-EBITDA ratio of less than 2.25:1.

At May 29, 2017, Club16 has $1.5 million available to be drawn on this facility.

Dividends
On March 15, 2017, our Board of Directors declared a quarterly cash dividend of $0.0125 per common share. The dividend was paid on April 12, 2017 to shareholders of record as at March 31, 2017.

COMMITMENTS

The following table summarizes the payments due in the next five years and thereafter in respect to our contractual obligations. See note 17 of the interim consolidated financial statements for more information

(000's)	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years	Total
Accounts payable and accrued liabilities	$ 12,665	$ -	$ -	$ -	$ 12,665
Other current liabilities	39	-	-	-	39
Loans and borrowings	38,937	5,351	1,274	-	45,562
Long-term accrued liabilities	-	58	-	-	58
Leases	3,288	8,115	7,300	358	19,061
	$ 54,929	**$ 13,524**	**$ 8,574**	**$ 358**	**$ 77,385**

The Corporation has a potential commitment to purchase an additional 22.2% interest in Impact for total proceeds of $5,100 within one year of the balance sheet date (see note 9 of the interim financial statements).

SHARE CAPITAL

On May 18, 2016, our common shares were consolidated on a 15:1 basis. All figures in this MD&A have been adjusted to reflect the 15:1 consolidation. The number of outstanding share options and deferred share units have also been adjusted proportionately.

As of March 31, 2017, we had 37,948,699 common shares outstanding compared to 37,714,342 at December 31, 2016. As at May 29, 2017, there were 38,128,606 common shares issued and outstanding.

As at May 29, 2017 there were outstanding options to purchase 2,954,745 common shares with exercise prices ranging from $2.40 to $4.40, an aggregate of 487,989 broker warrants with an exercise price of $2.10 and nil deferred share units.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements at March 31, 2017 and May 29, 2017.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Our financial risk management policies have been established in order to identify and analyze risks that we face, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. We employ risk management strategies to ensure our risks and related exposures are consistent with our business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for our risk management framework, our management has the responsibility to administer and monitor these risks.

We are exposed in varying degrees to a variety of risks from the use of financial instruments, which mainly include cash and cash equivalents, trade and other receivables, loans and borrowings, investments, and trade payables and accrued liabilities. As a result of the use of these financial instruments, we are exposed to risks that arise from their use, including market risk, credit risk and liquidity risk. This note describes our objectives, policies and processes for managing these risks and the methods used to measure them.

Our financial instrument classifications as at March 31, 2017 are as follows:

(000's)	Carrying value as at March 31, 2017	Fair value as at March 31, 2017	Classification
Financial Assets			
Cash and cash equivalents	$ 9,141	$ 9,141	FVTPL
Trade and other receivables	9,384	9,384	Loans and receivables
Notes receivable	261	261	Loans and receivables
Investments	2,673	2,673	AFS
Financial Liabilities			
Loans and borrowings	(45,562)	(45,562)	Loans and receivables
Accounts payable & accrued liabilities	(12,665)	(12,665)	Financial liabilities at amortized cost
Other financial liabilities	(122)	(122)	Financial liabilities at amortized cost
Non-controlling interest rights	(8,322)	(8,322)	FVTPL

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: foreign exchange risk, interest rate risk and price risk.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in foreign exchange rates. Our exposure to foreign exchange fluctuations relates to the balances in its USD bank accounts as well as the Impact operations as a significant portion of their business is conducted in USD. Changes in the USD exchange rate can increase or decrease revenues, income from operations, net income and the carrying values of Impact's assets and liabilities. At March 31, 2017, the consolidated USD cash balance is USD $0.8 million (CAD $1.1 million) (December 31, 2016 - USD $36,916 (CAD $44,154)), and the translation effect from changes in the USD exchange rate resulted in net translation losses of $23,322 which were recorded within other comprehensive income. Management has assessed that our exposure to foreign exchange risk at March 31, 2017 is moderate and monitors foreign exchange rates on an ongoing basis.

A 10% weakening of the US dollar against the Canadian dollar would result in a $21,912 decrease in net income before tax for the three months ended March 31, 2017 (March 31, 2016 - $nil).

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are exposed to interest rate risk on our variable rate loans and borrowings. A 1% change in the interest

rates on the loans and borrowings would have a $0.1 million impact on net income for the three months ended March 31, 2017 (March 31, 2016 - $nil).

Price risk - investments
We are exposed to price risk with respect to fluctuations in the prices of our investments. The carrying amounts of our investments are directly related to the current market prices of our investments. As at March 31, 2017, we no longer hold any publicly traded securities.

Credit risk
Credit risk is the risk of financial loss to us if a counterparty to a financial instrument fails to meet its contractual obligations. Our credit risk is mainly attributable to our cash and cash equivalents and trade and other receivables.

We have assessed our exposure to credit risk on our cash and cash equivalents and have determined that such risk is minimal as our cash and cash equivalents are held with financial institutions in Canada.

Our primary source of credit risk relates to DLC's franchisees and agents not repaying receivables owed to DLC. DLC manages its credit risk by performing credit risk evaluations on its franchisees and agents, and by monitoring overdue trade and other receivables. Another source of credit risk comes from Impact's customers not paying amounts owed to Impact which is also managed by performing credit risk evaluations and monitoring overdue trade receivables. The management of both DLC and Impact establish an allowance for doubtful accounts based on the specific credit risk of its customers. As at March 31, 2017, $0.2 million (December 31, 2016 - $0.2 million) of our trade receivables are greater than 90 days outstanding, all of which relate to DLC and Impact's operations. Our maximum exposure to credit risk, as related to certain financial instruments as identified in the table below, approximates the carrying value of the assets of our interim condensed consolidated statement of financial position.

(000's)		March 31, 2017		December 31, 2016
Cash and cash equivalents	$	9,141	$	7,824
Trade and other receivables		9,384		12,413
Notes receivable		261		290
	$	**18,786**	**$**	**20,527**

Liquidity risk
Liquidity risk is the risk that we will not meet our financial obligations as they fall due. We manage this risk by continually monitoring our actual and projected cash flows to ensure there is sufficient liquidity to meet our financial liabilities when they become due. See the "Consolidated Liquidity and Capital Resources" section of this MD&A for further discussion on our liquidity risk.

RELATED PARTY TRANSACTIONS

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the amount established and agreed upon by the related parties.

Investment in Vital Alert
Founders Advantage holds an investment in Vital Alert Communications Inc. ("Vital Alert"). At the time of purchase of the investment on December 23, 2015, two directors of the Corporation were also directors of Vital Alert. In February 2016, one these directors resigned as a director of the Corporation and management determined that as such, Vital Alert was no longer considered a related party of the Corporation from that date forward.

Due to Impact vendors
At March 31, 2017, the Corporation owed the vendors of Impact $0.7 million.

Property leases
DLC leases office space from companies that are controlled by the significant shareholders and founders of DLC. For the three months ended March 31, 2017, the total costs incurred under these leases were $0.1 million (March 31, 2016 - $nil). The lease term maturities range from 2016 - 2020.

Club16 leases office space and a facility for one of its fitness clubs from companies that are controlled by the significant shareholders and founders of Club16. For the three months ended March 31, 2017, the total costs incurred under these leases were $0.1 million (March 31, 2016 - $nil). The lease term maturities range from 2017 - 2020.

Impact leases office space from a company that is controlled by key management personnel and a significant shareholder of Impact. Total costs incurred during the period under this lease was $9,581 (March 31, 2016 - $nil). The lease term matures in 2021. The expense is recorded in general and administrative expenses and is paid monthly; as such no amount remains payable within the Corporation's Interim Consolidated Statement of Financial Position.

Sales tax receivable
On acquisition of DLC, we were indemnified against any sales tax amounts assessed based on DLC's past results. As at March 31, 2017, we have recorded a receivable due from DLC's founders in the amount of $1.6 million for the sales tax amounts payable recorded by DLC.

US state tax receivable
On acquisition of Impact, Founders Advantage was indemnified against any US state sales tax amounts assessed based on Impact's past results. As at March 31, 2017, we have recorded a receivable due from the Impact founders in the amount of $0.2 million for the US state tax amounts receivable recorded by Impact.

Loans and advances
DLC has loans and advances due to companies that are controlled by the significant shareholders and founders of DLC in the amount of $22,499 as at March 31, 2017 (December 31, 2016 - $30,970). These loans and advances are unsecured, due on demand and are non-interest bearing.

DLC has loans and advances due from companies that are controlled by the significant shareholders and founders of DLC in the amount of $22,832 March 31, 2017 (December 31, 2016 - $24,238). These loans and advances are unsecured, due on demand and are non-interest bearing.

Club16 has loans and advances due to companies that are controlled by both significant and minority shareholders of Club16 in the amount of $55,567 as at March 31, 2017 (December 31, 2016 - $nil). The balance is included in accounts payable and accrued liabilities in the Corporation's interim financial statements. These loans and advances are unsecured, due on demand and are non-interest bearing.

Impact has loans and advances due to a company that is controlled by key management personnel and significant shareholder of Impact in the amount of $0.2 million as at March 31, 2017 (December 31, 2016 - $nil). These loans and advances are unsecured, due on demand and are non-interest bearing.

Promissory notes
DLC has entered into two promissory notes payable totaling $2.0 million due to companies that are controlled by key management personnel and significant shareholders of DLC.

Administrative services
Club16 has entered into an agreement to provide administrative services to a company controlled by the significant shareholders and founders of Club16. During the Q1 2017, the total fees charged for services under this agreement were $24,600 (March 31, 2016 - $nil). The agreement can be terminated by either party with six months' prior written notice.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and related notes. Those include estimates that, by their nature, are uncertain and actual results could differ materially from those estimates. The impacts of such estimates may require accounting adjustments based on future results. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

The areas which require management to make significant estimates, judgments and assumptions in determining carrying values include:

Business combinations
We use significant judgement to conclude whether an acquired set of activities and assets are a business, and such differences can lead to significantly different accounting results. The acquisition of a business is accounted for as a business combination. If an acquired set of activities and assets does not meet the definition of a business, the transaction is accounted for as an asset acquisition.

We account for business combinations using the acquisition method. Significant estimation and judgement is required in applying the acquisition method when identifying and determining the fair values of the acquired company's assets and liabilities. The most significant estimates and assumptions, and those requiring the most judgement, involve the fair values of intangible assets and residual goodwill, if any. Valuation techniques applied to intangible assets are generally based on management's estimate of the total expected future cash flows. Significant assumptions used in determining the fair value of the intangible assets identified include the determination of future revenues and cash flows, discount rates and market conditions at the date of the acquisition. The excess acquisition cost over the fair value of identifiable net assets is recorded as goodwill.

These estimates and assumptions have been used in determining the fair value of the intangible assets acquired and included in the DLC and Club16 reportable segments. The fair value of these intangible assets is subject to uncertainty and if changed could significantly differ from those recognized in the financial statements.

Control assessment
We acquire majority interests in private companies, which requires management to apply significant judgement to assess whether the investment structure results in Founders Advantage having control, joint control or significant influence over the investee. The assessment of whether we have control, joint control or significant influence over the investee will determine the accounting treatment for the investment and may have a significant impact on our consolidated financial statements.

Intangible assets
Management has concluded that the DLC brand name has an indefinite useful life. This conclusion was based on a number of factors, including our ability to continue to use the brand and the indefinite period over which the brand name is expected to generate cash flow. Therefore, the determination that the brand has an indefinite useful life involves judgement, which could have an impact on the amortization charge recorded in the consolidated statement of income.

Intangible assets are held in both the DLC and Club16 reportable segments. For each class of intangible assets with finite lives, management must decide the period over which it will consume the assets' future economic benefits. The determination of a useful life period involves the judgement of management, which could have an impact on the amortization charge recorded in the consolidated statement of income.

Impairment of goodwill and intangible assets
Goodwill and indefinite life intangible assets are not amortized. Goodwill and indefinite life intangible assets are assessed for impairment on an annual basis, or when indicators of impairment are identified, by comparing the carrying amount of the asset to its recoverable amount, which is calculated as the higher of the assets' fair value less cost of disposal or its value in use. The value in use is calculated using a discounted cash flows analysis, which requires management to make a number of significant assumptions, including those related to future operating plans, discount rates and future growth rates.

An indefinite life intangible asset (the DLC brand names) are held within the DLC reportable segment and goodwill is held in both the DLC and Club16 reportable segments. We assess for indicators of impairment of goodwill and indefinite life intangible assets at the end of each reporting period. If indicators of impairment exist, we assess the carrying amount of the asset that is considered recoverable.

CGU determination
The determination of CGUs for the purposes of impairment testing requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by a group of assets. In identifying assets to group into CGUs, the Corporation considers how the operations of each of its subsidiaries generates cash flows and how management monitors the entity's operations. The determination of CGUs could affect the results of impairment tests and the amount of the impairment charge, if any, recorded in the consolidated financial statements.

Depreciation of capital assets
Depreciation of capital assets is calculated based on the estimated useful life of the related asset, less its residual value. For each class of capital assets, management must decide the period over which it will consume the assets' future economic benefits. The

determination of a useful life period involves the judgement of management, which could have an impact on the depreciation charge recorded in the consolidated statement of income.

Share-based payments
When share-based awards are granted, we measure the fair value of each award and recognizes the related compensation expense over the vesting period. Management makes a variety of assumptions in calculating the fair value of share-based payments. An option pricing model is used in determining the fair value, which requires estimating the expected volatility, interest rates, expected life of the awards granted and forfeiture rates. Consequently, share-based compensation expense is subject to measurement uncertainty.

Deferred taxes
The determination of our income and other tax liabilities requires the interpretation of complex tax regulations. Judgment is required in determining whether deferred tax assets should be recognized on the consolidated statement of financial position. Deferred tax assets require management to assess the likelihood that we will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each applicable jurisdiction. These estimates and assumptions are subject to uncertainty and if changed could materially affect the assessment of our ability to fully realize the benefit of the deferred tax asset.

Liquidity
As part of its capital management process, the Corporation prepares and utilizes budgets and forecasts to direct and monitor the strategy, ongoing operations and liquidity of the Corporation and its subsidiaries, including ongoing and forecasted compliance with the covenants as set out within the Corporation's lending agreements and the Corporation's ability to meet its commitments and obligations as they become due. Budgets and forecasts are subject to significant judgment and estimates relating to future activity levels, future cash flows and the timing thereof, availability of acceptable financing arrangements and other factors which may or may not be within the control of the Corporation (e.g. customer demand, growth rates, access to capital, etc.).

ACCOUNTING POLICIES

Changes in accounting policies
As a result of the acquisition of Impact on March 1, 2017 certain new accounting policies have been adopted, which are as follows:

Revenue recognition
Impact – Radio accessories
Radio accessories revenue relates to revenues earned from the sale of two-way radio products, and is recognized when the risks and rewards of ownership are transferred to the buyer, it is probable the economic benefits will flow to the Corporation, the amount of revenue can be reasonably estimated, and the costs incurred with respect to the transaction can be reliably measured.

Inventories
Inventories are comprised of Impact's two-way radio products and are measured at the lower of cost and net realizable value. The cost of inventories is assigned on a weighted average cost formula. Cost of inventories is comprised of the purchase price and costs incurred to bring the inventories to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to make the sale.

Warranty provision
The Corporation's warranty provision relates to expected warranty claims on products sold to Impact's customers, and includes the incremental costs related to handling the estimated warranty claims. The provision is estimated based on historical claims and is accrued for as the sale of the product is recognized. Impact provides warranties on its products for either a two or three-year period, and expects these costs to be incurred over the next one to three years. Actual warranty costs are charged against the provision for warranty.

Intangible assets
Intangible assets related to the Impact acquisition includes customer and supplier relationships, non-compete agreements and the Impact brand name. These intangible assets are amortized on a straight-line basis over their respective useful lives. The customer relationships are amortized over the estimated economic life of 15 years. Supplier relationships and the brand name are amortized over five-year terms. The non-compete agreement is amortized over the two-year term of the agreement.

Future accounting standards

Standards that are issued but not yet effective and that we reasonably expect to be applicable at a future date are listed below.

IFRS 9 – Financial instruments: classification and measurement

A finalized version of IFRS 9 was issued in July 2014 and supersedes all previous versions, replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes impairment requirements for financial assets, the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments, de-recognition and general hedge accounting. This standard is to be applied retrospectively, and is effective for accounting periods beginning on or after January 1, 2018, with earlier adoption permitted. We intend to adopt the new standard on the required effective date, and is currently assessing the impact the amendment will have on the consolidated financial statements.

IFRS 15 – Revenue from contracts with customers

IFRS 15 was issued in May 2014, and provides a single comprehensive model to determine how and when an entity should recognize revenue arising from contracts with customers, and is requiring entities to provide users of financial statements with more informative, relevant disclosures. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. We intend to adopt the new standard on the required effective date, and are currently assessing the impact the amendment will have on the consolidated financial statements.

IFRS 16 – Leases

IFRS 16 introduces a single accounting model for leases. The standard requires a lessee to recognize assets and liabilities on its statement of financial position for all leases with a term of more than 12 months. IFRS 16 can be applied through a full or modified retrospective approach for annual reporting periods beginning on or after January 1, 2019.

Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. We intend to adopt the new standard on the required effective date, and are currently assessing the impact the amendment will have on the consolidated financial statements.

RISK FACTORS

The Corporation and its subsidiary are subject to a number of business risks. These risks relate to the structure of the Corporation and the operations at the subsidiary entity. There were no changes to the Corporation's principal risks and uncertainties from those reported in the Corporation's AIF for the fifteen months ended December 31, 2016, dated April 27, 2017.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this document constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "estimate", "will", "expect", "plan", "intend", or similar words suggesting future outcomes or an outlook. Forward-looking information in this document includes, but is not limited to:

- the completion of additional acquisitions;
- that certain start-up costs are not recurring;
- the ability of our investee entities to distribute cash to the corporate head office;
- the revenue from investees in future quarters being greater than the revenue from investees for the current period;
- our existing credit facilities will be renewed at maturity;
- our business plan and investment strategy; and
- general business strategies and objectives.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect. Assumptions have been made with respect to the following matters, in addition to any other assumptions identified in this document:

- taxes and capital, operating, general & administrative and other costs;
- interest rates;
- general business, economic and market conditions;

- the ability of Founders Advantage to obtain the required capital to finance our investment strategy and meet our commitments and financial obligations;
- the ability to source additional investee entities and to negotiate acceptable acquisition terms;
- the ability of Founders Advantage to obtain services and personnel in a timely manner and at an acceptable cost to carry out our activities;
- that DLC will maintain its existing number of franchisees and will add additional franchisees;
- the continuation of existing Canadian mortgage lending and mortgage brokerage laws;
- the absence of material decreases in the aggregate Canadian mortgage lending business;
- the timely receipt of required regulatory approvals.

Although we believe that the expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on them as we can give no assurance that such expectations will prove to be correct. Forward-looking information is based on expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those we anticipated and described in the forward-looking information. The material risks and uncertainties include, but are not limited to:

- the expected benefits of the DLC, Club16 and Impact transactions not being realized;
- the ability to generate sufficient cash flow from investees and obtain financing to fund planned investment activities and meet current and future commitments and obligations;
- general business, economic and market conditions;
- changes in interest rates;
- the uncertainty of estimates and projections relating to future revenue, taxes and costs and expenses;
- changes in, or in the interpretation of, laws, regulations or policies;
- the ability to obtain required regulatory approvals in a timely manner;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- other risks and uncertainties described elsewhere in this document and in our other filings with Canadian securities authorities.

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" herein. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, we undertake no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

NON-IFRS MEASURES

In addition to reporting our results in accordance with IFRS, we use certain non-IFRS financial measures as supplemental indicators of our operating performance. We report these non-IFRS measures as we believe their use provides more insight into our performance. The non-IFRS financial measures do not have standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers.

Adjusted EBITDA

Adjusted EBITDA for both our corporate head office and investees is defined as earnings before interest, taxes, non-cash items such as depreciation, amortization and share-based payments and losses recognized on the sale of investments, and any unusual non-operating one-time items such as corporate start-up costs and other revenues. Adjusted EBITDA is also adjusted for expenses relating to prior mineral property impairment reversal and arbitration. See Appendix A of this MD&A for a reconciliation of adjusted EBITDA to loss from operations, the closest IFRS measure.

While adjusted EBITDA is not a recognized measure under IFRS, management believes that adjusted EBITDA is a useful supplemental measure as it provides management and investors with an insightful indication of the performance of the corporate office and our investees. Adjusted EBITDA also provides an assessment of the adjusted performance of the company by eliminating certain non-recurring items.

Investors should be cautioned, however, that adjusted EBITDA should not be construed as an alternative to a statement of cash flows as a measure of liquidity and cash flows. The methodologies we use to determine adjusted EBITDA may differ from those utilized by other issuers or companies and, accordingly, adjusted EBITDA as used in this MD&A may not be comparable to similar measures used by other issuers or companies. Readers are cautioned that adjusted EBITDA should not be construed as an alternative to net loss or income determined in accordance with IFRS as indicators of an issuer's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

ADDITIONAL INFORMATION

We are publicly traded on the TSX Venture Exchange under the symbol "FCF". You can find more information about us on SEDAR at www.sedar.com and on our website www.advantagecapital.ca.

APPENDIX A

Reconciliation of adjusted EBITDA

The following tables reconciles adjusted EBITDA to loss from operations, which is the most directly comparable measure calculated in accordance with IFRS.

	For the three months ended		
(000's)	March 31, 2017	December 31, 2016	March 31, 2016
LOSS FROM OPERATIONS	**$ (1,790)**	**$ (1,606)**	**$ (2,940)**
Other items in loss before income tax	(653)	(304)	(1,085)
Loss before income tax	(2,443)	(1,910)	(4,025)
Add back:			
Depreciation and amortization	2,113	1,473	-
Finance expense	528	876	-
	198	439	(4,025)
Adjustments to remove:			
Share-based payments	1,215	1,021	958
Loss on sale of investments	-	-	1,105
Corporate start-up costs	-	-	27
Professional fees related to arbitration settlement	-	-	5
Other revenue [1]	-	(462)	-
Adjusted EBITDA	$ **1,413**	**$ 998**	**$ (1,930)**

(1) Adjustment relates to sales tax amounts recovered during the quarter. This amount was expensed in 2015 and a subsequently recovered at the end of 2016.

APPENDIX B

Reconciliation of income from operations revenues, operating income and adjusted EBITDA by operating segment

"Corporate" used in the following segmented tables is not a separate business segment and is only presented to reconcile to the consolidated results.

	For the three months ended		
(000's)	March 31, 2017	December 31, 2016	March 31, 2016
Revenues			
DLC	$ 7,338	$ 8,644	$ -
Club16	5,466	633	-
Impact	890	-	-
Consolidated revenues	13,694	9,277	-
Operating expenses			
DLC	6,729	7,153	-
Club16	5,022	665	-
Impact	799	-	-
Corporate	2,934	3,065	2,940
Consolidated operating expenses	15,484	10,883	2,940
(Loss) Income from operations			
DLC	609	1,491	-
Club16	444	(32)	-
Impact	91	-	-
Corporate	(2,934)	(3,065)	(2,940)
Consolidated loss from operations	(1,790)	(1,606)	(2,940)
Adjusted EBITDA			
DLC	1,849 (1)	2,926	-
Club16	1,116	95	-
Impact	223	-	-
Corporate	(1,775)	(2,023)	(1,930)
Consolidated adjusted EBITDA	**$ 1,413**	**$ 998**	**$ (1,930)**

(1) Included within DLC's adjusted EBITDA is negative adjusted EBITDA of $0.8 million related the NCS operations. See the DLC Segment analysis under the "Consolidated Results of Operations" section of this MD&A for further discussion.