

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Target Capital Inc. (the “Issuer”).

Trading Symbol: TCL

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term “Issuer” includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
- (b) number and recorded value for shares issued and outstanding,
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated February 24, 2017.

Royce Lee
Name of Director or Senior Officer

"Signed Royce Lee"
Signature

Chief Financial Officer
Official Capacity

Issuer Details		
Name of Issuer	For Quarter Ended	Date of Report YY/MM/DD
Target Capital Inc.	December 31, 2016	17/02/24
Issuer Address		
Suite 1020, 140 10 Avenue SE		
City/Province/Postal Code	Issuer Fax No.	Issuer Telephone No.
Calgary, Alberta, T2G 0R1	N/A	(403) 668 - 8949
Contact Name	Contact Position	Contact Telephone No.
Royce Lee	Chief Financial Officer	(403) 476-0280
Contact Email Address	Web Site Address	
cfo@targetcapitalinc.com	www.targetcapitalinc.com	



THIRD QUARTER FINANCIAL STATEMENTS

FOR PERIOD ENDED DECEMBER 31, 2016

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For the three and nine months ended December 31, 2016 and 2015

The accompanying unaudited interim condensed consolidated financial statements and all of the data included in this report have been prepared by and are the responsibility of the Board of Directors and management of Target Capital Inc.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as set out in the Handbook of the Chartered Professional Accountants of Canada and reflect management's best estimates and judgments based on currently available information. In the opinion of management, the unaudited condensed consolidated interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards appropriate in the circumstances.

The Board of Directors has reviewed and approved the accompanying unaudited condensed consolidated interim financial statements for the periods ended December 31, 2016 and 2015.

The Audit Committee, comprised of non-management directors, acts on behalf of the Board of Directors to ensure that management fulfills its financial reporting and internal control responsibilities. In performing its duties, the Audit Committee acts only in an oversight capacity and necessarily relies on the work and assurances of Target's management.

Target's independent auditor, Kenway Mack Slusarchuk Stewart LLP, has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Signed Rick Skauge

Rick Skauge
Chief Executive Officer
Calgary, Alberta
February 24, 2017

Signed Royce Lee

Royce Lee
Chief Financial Officer

TARGET CAPITAL INC.
Interim Condensed Consolidated Statement of Financial Position

As at,	Note	December 31, 2016 (unaudited)	March 31, 2016
\$ Canadian			
Assets			
<i>Current assets</i>			
Cash		\$ 329,103	\$ 69,364
Marketable securities	5	1,377,240	1,159,752
Accounts receivable	19(a)	339,027	439,614
Advances receivable	6	50,000	50,000
Income tax recoverable		106,482	-
Prepaid expenses		2,000	1,144
Total current assets		2,203,852	1,719,874
<i>Non-current assets</i>			
Investments and advances	6	1,243,501	1,243,501
Property under development	7	2,135,000	3,623,556
Equipment and leasehold improvements	8	22,466	44,565
Controlled private companies	9	64,070	64,190
Controlling shareholder agreements	10	27,996	38,952
Deferred income tax asset	14	-	4,983
Total non-current assets		3,493,033	5,019,747
Total assets		\$ 5,696,885	\$ 6,739,621
Liabilities and Equity			
<i>Current liabilities</i>			
Short-term bonds	12	\$ 5,117,500	\$ 5,117,500
Accounts payable and accrued liabilities		110,202	86,948
Interest payable		422,031	160,249
Income tax payable		-	29,920
Current portion of mortgage	13	85,075	75,000
Total current liabilities		5,734,808	5,469,617
<i>Non-current liabilities</i>			
Mortgage	13	887,303	925,000
Deferred income tax liability	14	45,324	-
Total non-current liabilities		932,627	925,000
Total liabilities		6,667,435	6,394,617
<i>Equity (Deficiency)</i>			
Accumulated other comprehensive income	18	591,882	403,755
Share capital	15	1,132,710	1,132,710
Retained earnings (deficit)		(2,704,285)	(1,258,993)
Total equity attributable to equity holders of the Company		(979,693)	277,472
Non-controlling interest	7	9,143	67,532
Total equity (deficiency)		(970,550)	345,004
Total liabilities and equity (deficiency)		\$ 5,696,885	\$ 6,739,621

The related notes form an integral part of these financial statements

TARGET CAPITAL INC.
Interim Condensed Consolidated Statement of Operations

	Note	<i>Nine months ended</i>		<i>Three months ended</i>	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
\$ Canadian (unaudited)					
Revenue					
Controlled private company fees		\$ 510,217	\$ 498,895	\$ 290,663	\$ 267,366
Dividends		82,800	179,140	27,600	35,880
Gain on sale of trailer fee rights		-	42,610	-	42,610
Trailer fees		-	35,806	-	9,161
Interest		10,319	13,316	3,544	4,421
Total revenue		603,336	769,767	321,807	359,438
Expenses					
Interest on bonds		261,782	258,226	87,893	84,390
Salaries and wages		96,869	164,050	27,909	54,901
General and administration		52,569	69,372	11,333	24,199
Bad debts		39,645	94,304	13,492	51,614
Amortization of equipment and leasehold improvements	8	22,099	35,177	6,989	7,709
Amortization of intangible assets	10	10,956	34,957	3,652	12,475
Professional fees		34,760	30,971	11,820	3,825
Interest on line of credit	11	-	20,896	-	1,131
Directors' fees		34,951	31,200	12,750	12,862
Rent		26,235	21,083	7,219	7,027
Royalties		42,002	6,009	13,237	3,969
Operating expenses		621,868	766,245	196,294	264,102
Operating income (loss)		(18,532)	3,522	125,513	95,336
Other Income (expense)					
Impairment loss on property under development	7	(1,611,636)	(1,541,370)	(46,233)	(1,209,192)
Recovery of previous impairment of marketable securities	5	11,029	-	-	-
Total Other income (expense)		(1,600,607)	(1,541,370)	(46,233)	(1,209,192)
Net earnings (loss) before income taxes		(1,619,139)	(1,537,848)	79,280	(1,113,856)
Income tax (recovery)	14	(20,027)	(486,324)	6,546	(329,546)
Net earnings (loss)		\$ (1,599,112)	\$ (1,051,524)	\$ 72,734	\$ (784,310)
Earnings (loss) attributable to:					
Owners of the Company		\$ (1,540,723)	\$ (995,771)	\$ 74,409	\$ (740,572)
Non-controlling interest	7	(58,389)	(55,753)	(1,675)	(43,738)
		\$ (1,599,112)	\$ (1,051,524)	\$ 72,734	\$ (784,310)
Basic and diluted net earnings (loss) per share	15	\$ (0.40)	\$ (0.26)	\$ 0.02	\$ (0.00)

The related notes form an integral part of these financial statements

TARGET CAPITAL INC.
Interim Condensed Consolidated Statement of Comprehensive Income (Loss)

	Note	<i>Nine months ended</i>		<i>Three months ended</i>	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
<i>\$ Canadian (unaudited)</i>					
Net earnings (loss)		\$ (1,599,112)	\$ (1,051,524)	\$ 72,734	\$ (784,310)
Other comprehensive income (loss)					
Revaluation of marketable securities	5	217,488	(621,232)	162,840	113,575
Deferred income tax effect		(29,361)	66,008	(21,983)	(29,692)
		188,127	(555,224)	140,857	83,883
Total comprehensive income (loss)		\$ (1,410,985)	\$ (1,606,748)	\$ 213,591	\$ (700,427)
Earnings (loss) attributable to:					
Owners of the Company		\$ (1,352,596)	\$ (1,550,995)	\$ 215,266	\$ (656,689)
Non-controlling interest	7	(58,389)	(55,753)	(1,675)	(43,738)
		\$ (1,410,985)	\$ (1,606,748)	\$ 213,591	\$ (700,427)

The related notes form an integral part of these financial statements

TARGET CAPITAL INC.
Interim Condensed Consolidated Statement of Changes in Equity

								December 31, 2016	
\$ Canadian (unaudited)	Share capital	Accumulated other comprehensive income	Refundable dividend tax on hand	Retained earnings	Total retained earnings (deficit)	Total	Non- controlling Interest	Total equity	
Balance, March 31, 2016	\$ 1,132,710	\$ 403,755	\$ (251,987)	\$ (1,007,006)	\$ (1,258,993)	\$ 277,472	\$ 67,532	\$ 345,004	
Net earnings (loss)	-	-	-	(1,540,723)	(1,540,723)	(1,540,723)	(58,389)	(1,599,112)	
Tax impact of dividends received	-	-	95,431	-	95,431	95,431	-	95,431	
Revaluation of marketable securities	-	188,127	-	-	-	188,127	-	188,127	
Balance, December 31, 2016	\$ 1,132,710	\$ 591,882	\$ (156,556)	\$ (2,547,729)	\$ (2,704,285)	\$ (979,693)	\$ 9,143	\$ (970,550)	

								December 31, 2015	
\$ Canadian (unaudited)	Share capital	Accumulated other comprehensive income	Refundable dividend tax on hand	Retained earnings	Total retained earnings (deficit)	Total	Non- controlling Interest	Total equity	
Balance, March 31, 2015	\$ 1,132,710	\$ 1,218,737	\$ (173,106)	\$ 238,763	\$ 65,657	\$ 2,417,104	\$ 123,330	\$ 2,540,434	
Net earnings (loss)	-	-	-	(995,771)	(995,771)	(1,051,524)	(55,753)	(1,051,524)	
Tax impact of dividends received	-	-	(66,921)	-	(66,921)	(66,921)	-	(66,921)	
Revaluation of marketable securities	-	(555,224)	-	-	-	(555,224)	-	(555,224)	
Reclassification on sale of securities	-	(128,928)	-	128,928	128,928	-	-	-	
Balance, December 31, 2015	\$ 1,132,710	\$ 534,585	\$ (240,027)	\$ (628,080)	\$ (868,107)	\$ 743,435	\$ 67,577	\$ 866,765	

The related notes form an integral part of these financial statements

TARGET CAPITAL INC.
Interim Condensed Consolidated Statement of Cash Flows

	Note	<i>Nine months ended</i>	
		December 31, 2016	December 31, 2015
<hr/> \$ Canadian (unaudited)			
Cash flows from (used in) operating activities:			
Net earnings (loss)		\$ (1,599,112)	\$ (1,051,524)
Items not affecting cash:			
Amortization of equipment and leasehold improvements	8	22,099	35,177
Amortization of intangible assets	10	10,956	34,957
Deferred income taxes		20,944	(21,139)
Impairment loss on properties under development		1,611,636	1,541,370
Gain on sale of trailer fee rights		-	(42,610)
Refundable dividend tax on hand		95,431	(66,921)
		161,954	429,310
Net changes in non-cash working capital balances			
Accounts receivable		100,587	168,916
Prepaid expenses		(856)	(552)
Accounts payable and accrued liabilities		23,256	(76,351)
Income tax recoverable		(106,482)	(398,263)
Income tax payable		(29,920)	-
Interest payable		261,782	65,433
Net cash from (used-in) operating activities		410,321	188,493
Investing activities			
Repayment of advances receivable		-	25,000
Sale of marketable securities		-	1,294,700
Sale of assets	7	-	14,500
Sale of trailer fee rights	8	-	143,774
Return of Capital distribution	5	-	90,987
Additions to property under development	7	(123,080)	(204,905)
Purchase of controlled private companies (net)	9	120	(29,080)
Purchase of equipment		-	(1,367)
Purchase of controlling shareholder agreements	10	-	(44,420)
Net cash from (used in) investing activities		(122,960)	1,289,189
Financing activities			
Payment of mortgage principle	13	(27,622)	-
Net cash from (used in) financing activities		(27,622)	-
Increase (decrease) in Cash		259,739	1,477,682
Cash, Beginning of period		69,364	(1,429,824)
Cash, end of period		\$ 329,103	\$ 47,858
Other information:			
Dividends received		\$ 82,800	\$ 179,140
Interest paid		\$ -	\$ 213,689
Interest received		\$ 10,319	\$ 13,316
Taxes paid (received)		\$ -	-

The related notes form an integral part of these financial statements

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

1. REPORTING ENTITY

Target Capital Inc. (the “Company”, “Corporation”, or “Target”) was incorporated under the Business Corporations Act of Alberta, Canada and is listed on the TSX Venture Exchange and Canadian Securities Exchange under the symbol “TCI”. The Company’s head office is located at Suite 1020, 140 - 10 Avenue SE in Calgary, Alberta.

The Company has investments in listed public companies, loans receivable, private companies and controlled private companies. The Company’s subsidiary, Industrial Avenue Development Corporation (“IADC”) is involved in the redevelopment of land in the greater Vancouver area.

2. GOING CONCERN

On December 31, 2015; the Company advised its bond holders that it would not be making interest payments on its various classes of unsecured bonds in an effort to increase available cash for further development of its real estate assets for the benefit of all stakeholders. The Corporation also announced that it would not process any bond redemptions for the same reason. On October 31, 2015; the Corporation had received early bond redemption notifications for \$753,600 of 7% renewable bonds with maturity of January 31, 2025. The Corporation did not repay \$750,000 of 7% non-renewable bonds and \$170,000 of 7% renewable bonds that matured on March 31, 2016. The Corporation's failure to pay interest and complete bond redemptions was an event of default under the bond agreements and bond holders have the option to commence legal action against the Corporation.

On January 20, 2016; the Company initiated discussions with bond holders and their representatives to seek concessions to significantly reduce the short and long term cash outflows to these stake holders. Based on discussions with bond holders, the Company does not expect that any enforcement proceedings will be taken in the near future to enforce any rights under the bond agreement. However, there can be no assurance that bond holders will not commence enforcement proceedings.

In March 2016, the Corporation put Industrial Avenue Development Corporation and the Landing at Langley project up for sale. Given the Corporation expected to have further clarity on its real estate development asset in the near future, the Corporation asked bond holders not to commence enforcement proceedings until the sale process concluded. There is no assurance that bond holders will not commence enforcement proceedings.

As a result of the default all bonds are classified as current liabilities in the amount of \$5,117,500; resulting in a working capital deficiency of \$3,530,956.

The Corporation believes these cash preservation measures to be in the best interest of all stakeholders. The Corporation needs to complete its real estate development to maximize the return for both bond holders and shareholders.

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

Sources of funding

The Company has the following sources of funding for its planned operating, investing, and financing cash outflows (including working capital requirements):

- Unrestricted cash in the amount of \$329,103 at December 31, 2016;
- Available line of credit in the amount of \$640,872 at December 31, 2016;
- Quarterly receipt of dividends in the amount of \$27,600;
- Receipts from controlled private company fees and interest income earned on loans receivable from OrganicKidz;
- Potential proceeds from the sale of IADC, the Landing at Langley project, or the undeveloped land.
- Potential proceeds from the sale of marketable securities;
- Potential proceeds from the sale of investments.

Ability of the Company to continue as a going concern

Management acknowledges that uncertainty remains over the Company's ability to meet its ongoing obligations and repay its bonds as they become due. However, as described above, management has reasonable expectation the Company has adequate resources to continue in existence for the foreseeable future.

These financial statements do not reflect the adjustments or reclassifications of assets which would be necessary if the Company were unable to continue as a going concern and therefore be required to realize its assets and liabilities in other than the normal course of business and potentially at amounts significantly different from those recorded in these financial statements.

3. BASIS OF PRESENTATION

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as adopted in Canada. These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2016. No update is provided where an item is not material or there has been no material change from the discussion in our annual financial statements.

These financial statements have been approved and authorized for issuance by the Board of Directors as of February 24, 2017. The policies applied in these financial statements are based on IFRS issued, effective, and outstanding as of December 31, 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for cash, marketable securities, long-term investments, which are measured at fair value, and the investments in controlled private companies which are accounted for using the equity method.

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

(d) Use of judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Estimates and judgments are evaluated and are based on managements' experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from these estimates. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In the process of applying Target's accounting policies, management has made the following judgments, estimates and assumptions which has the most significant effect on the amounts recognized in these financial statements:

Accounting treatment of private company investments

Target is the majority shareholder in a large number of private companies. Target does not consolidate the financial statements of these companies as Target does not have control over management actions per the respective Target-Management agreements, is not entitled to share in their profits, nor required to fund their losses.

Investment fees

Target earns investment fees related to its private company investments. In management's judgment, performance is complete and the fees are recognized as revenue at the commencement of the contract and the anniversary date thereafter when collection is reasonably assured.

Revenue recognition

The amount of revenue recognized is based on management's judgment that performance of the service occurs immediately at the beginning of the contract and upon the annual renewal date.

Income taxes and deferred income taxes

Accounting for income taxes is a complex process requiring management to interpret frequently changing laws and regulations and make judgments related to the application of tax law, estimate the timing of temporary difference reversals, and estimate the realization of tax assets. All tax filings are subject to subsequent government audits and potential reassessment. These interpretations and judgments, and changes related to them, impact current and deferred tax provisions, deferred income tax assets and liabilities and earnings.

The deferred tax amounts recorded are based on estimates of the valuation of capital assets, investments, and property under development. These estimates are also dependent on assumptions regarding future income tax rates and the impact of present or future tax regulations.

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

Accounts receivable & allowance for bad debt

Management has made an estimate of the amount of accounts receivable that will likely not be recoverable. This estimate is based on management's assessment of the financial situation of individual customers.

Amortization

The amortization recorded in these financial statements is based on the value of the underlying assets as of the date of the statements. However, amortization is calculated on an annual basis and subsequent changes to the valuation of the underlying assets could result in a material change to the amount of amortization recorded.

Impairment

An impairment test is performed by comparing the carrying amount of the asset or cash generating unit ("CGU") to its recoverable amount. The recoverable amount is calculated as the higher of an asset's or CGU's fair value less costs to sell and its value in use. Value in use is calculated based upon a discounted cash flow analysis, which requires management to make a number of significant assumptions including assumptions relating to future operating plans, discount rates and future growth rates.

Property under development

Management's judgment that all costs are recoverable is based on its assessment of current and future real estate market conditions including estimates of selling prices and construction and sales costs.

Valuation of long term investments

Investment in Bearspaw Tree Farm has been measured at fair value using a market approach made available by an independent appraiser. The valuation was made on November 1, 2015 and is representative of current fair value.

Advances recoverability

Management has determined that its advances outstanding are fully recoverable. This estimate is based on management's assessment of the financial situation of each individual borrower.

4. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated financial statements are based on the accounting policies consistent with those disclosed in Note 3 to the 2016 annual consolidated financial statements. There have been no changes to the Corporation's significant accounting policies from those disclosed in the 2016 annual consolidated financial statements.

(a) Future accounting policy changes

(i) IFRS 15 – Revenue from contracts with customers

In May 2014, the IASB published IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), replacing IAS 11, "Construction Contracts" and IAS 18, "Revenue" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

the purchaser. Disclosure requirements have also been expanded. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. Target is currently evaluating the impact of adopting IFRS 15 on the financial statements.

(ii) *IFRS 16 - Leases*

In January 2016, the IASB issued IFRS 16 "Leases," which replaces IAS 17 "Leases." For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15 "Revenue from Contracts with Customers." Target is currently evaluating the impact of adopting IFRS 16 on the financial statements.

5. MARKETABLE SECURITIES

	December 31, 2016			March 31, 2016		
	Book value	Fair value	Fair value over (under) book value	Book value	Fair value	Fair value over (under) book value
Eyelogic Systems Inc.	\$ -	\$ -	\$ -	\$ 66,839	\$ -	\$ (66,839)
Olympia Financial Group Inc.	1,149,935	1,377,240	227,305	1,149,935	1,159,752	9,817
	\$ 1,149,935	\$ 1,377,240	\$ 227,305	\$ 1,216,774	\$ 1,159,752	\$ (57,022)

On December 18, 2015 and September 15, 2016, Target return of capital distributions of \$90,987 and \$11,029 respectively. Target had previously provided for full impairment, as Eyelogic, was in the process of dissolution and there was uncertainty of any further activity/distributions.

6. INVESTMENTS AND ADVANCES

	December 31, 2016	March 31, 2016
Short-Term		
Advances Repayable by OrganicKidz Inc. ("OKI")	\$ 50,000	\$ 50,000
	50,000	50,000
Long-Term		
Investment in Organickidz Inc.	1	1
Advances to Organickidz Inc.	75,000	75,000
Investment in Bearspaw Tree Farm Inc.	1,168,500	1,168,500
	1,243,501	1,243,501
Total Investments and Advances	\$ 1,293,501	\$ 1,293,501

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

Target's investment in OKI of \$1 represents a 33% equity interest. Target has significant influence in OKI and therefore accounts for its investment in OKI using the equity method. At this time, OKI has a deficit and therefore the amount recognized is Target's original investment of \$1.

The loan to OrganicKidz Inc. bears interest at 10% and is secured against the assets of OKI. The loan is a term loan with \$25,000 due March 31 and September 30 each year, with the final payment due September 30, 2018. The borrower may make early principal repayments without any penalty. OKI did not pay the scheduled payment on September 30, 2016. Management has come to an agreement with OKI to halt its principal payment until Q2-2018, with ongoing monthly interest payments.

Target's 6.15% holding in Bearspaw Tree Farm is classified as a financial asset at fair value through comprehensive income. An appraisal on November 1, 2015, valued Target's share of the land held by Bearspaw Tree Farm at \$1,371,450. However due to softness in the Calgary real estate market, Management has not increased its assessment of fair market value. Management will re-evaluate its assessment of fair market value in 2017.

7. PROPERTY UNDER DEVELOPMENT

	December 31, 2016	March 31, 2016
Balance as at beginning of fiscal year	\$ 3,623,556	\$ 4,810,620
Additions – development expenditures	123,080	368,806
Impairment of Charleston expenditures	-	(1,209,192)
Impairment on disposition of display suite	(121,100)	(332,178)
Impairment on The Landing expenditures	(1,490,536)	
Asset dispositions	-	(14,500)
Balance as at end of fiscal year	\$ 2,135,000	\$ 3,623,556

On October 14, 2014, the Company acquired an additional 46% interest in Industrial Avenue Development Corporation ("IADC"), bringing its total interest to 96%. The remaining 4% non-controlling interest represents an equity interest owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity and the share of net income or loss attributable to the outside parties is listed on the Statement of Operations and the Statement of Comprehensive Income.

Included in development expenditures is capitalized mortgage interest in the amount of \$26,867 for the nine months ended December 31, 2016 and \$50,560 for the year ended March 31, 2016.

The balance of \$2,135,000 is a direct result of IADC receiving notice of waived conditions related to the sale of the property, which closed on January 31st.

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

8. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	December 31, 2016		
	Office equipment	Leasehold improvements	Total
Cost			
At beginning of fiscal period	\$ 92,455	\$ 134,702	\$ 227,157
Additions	-	-	-
At end of fiscal period	92,455	134,702	227,157
Accumulated amortization			
At beginning of period	88,102	94,490	182,592
Amortization	1,894	20,205	22,099
At end of fiscal period	89,996	114,695	204,690
Closing net book value	\$ 2,459	\$ 20,007	\$ 22,466
			March 31, 2016
	Office equipment	Leasehold improvements	Total
Cost			
At beginning of fiscal year	\$ 91,088	\$ 134,702	\$ 225,790
Additions	1,367	-	1,367
At end of fiscal year	92,455	134,702	227,157
Accumulated amortization			
At beginning of fiscal year	72,154	66,574	138,728
Amortization	15,948	27,916	43,864
At end of fiscal year	88,102	94,490	182,592
Closing net book value	\$ 4,353	\$ 40,212	\$ 44,565

Amounts in the tables above may not properly add due to rounding differences

9. CONTROLLED PRIVATE COMPANIES

	December 31, 2016	March 31, 2016
Private company securities		
Private company securities, beginning of year	\$ 64,190	\$ 36,250
Purchase of private company securities	540	31,540
Sale of private company securities	(660)	(3,600)
Private company securities, end of period	\$ 64,070	\$ 64,190

Target has purchased a majority of the voting shares in 176 private companies (March 31, 2016 - 169). Target's maximum exposure to losses is limited to its initial investment in each private company. Total exposure amounts to \$64,070 (March 31, 2016 - \$64,190).

On December 1, 2015 the Company acquired from Eyelogic Systems Inc. (an affiliated entity) a portfolio of 53

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

Controlled Private Companies (“CPC”), which entitles the Corporation to receive 10% of fees collected which are invoiced by Exempt Experts (“Exempt”) to the CPC. In addition through the acquisition of the CPCs, Target is required to uphold previously signed agreements which pays royalties to Tarman Inc. (“Tarman”) for specific CPC revenues generated.

10. CONTROLLING SHAREHOLDER AGREEMENTS

	December 31, 2016	March 31, 2016
Balance as at beginning of fiscal year	\$ 38,952	\$ -
Additions – purchase of asset	-	43,820
Deductions - amortization	(10,956)	(4,868)
Balance as at end of fiscal year	\$ 27,996	\$ 38,952

On December 1, 2015 the Company acquired from Eyelogic Systems Inc. (an affiliated entity) a portfolio of 53 Controlled Private Companies (“CPC”) and associated controlling shareholder agreements and royalty agreements for an aggregate price of \$75,000. The asset purchase was accounted for by allocating \$31,180 to controlled private companies and the remaining \$43,820 to controlling shareholder and royalty agreements, an intangible asset. The controlling shareholder and royalty agreements are being amortized on a straight-line basis over 3 years.

11. LINE OF CREDIT

A line of credit has been authorized to a maximum of \$2,000,000 (March 31, 2016 - \$2,000,000) and bears interest at the bank's prime lending rate plus 0.25%. Based on margin requirements, the Company can utilize up to \$640,872 (March 31, 2016 \$756,138) of available credit. The loan is secured by a control agreement over 55,200 common shares of Olympia Financial Group Inc. held by the Company and a general security agreement over the Company's assets. At December 31, 2016, the Company had \$nil (March 31, 2016 - \$nil) outstanding under this facility.

12. BONDS

	December 31, 2016	March 31, 2016
<i>8% renewable</i>	\$ 71,400	\$ 71,400
The bonds bear interest at 8% per annum with interest paid semi-annually and can be redeemed in full, 90 days after a formal request by the bondholder has been made. The bonds have no maturity date.		
<i>9% renewable</i>	64,800	64,800
The bonds bear interest at 9% per annum with interest paid semi-annually and can be redeemed in full, 90 days after a formal request by the bondholder has been made. The bonds have no maturity date.		
<i>7% renewable</i>	750,000	750,000

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

The bond bears interest at 7% per annum with interest paid monthly. The bonds matured on March 31, 2016.

7% renewable	170,000	170,000
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The bond bears interest at 7% per annum with interest paid quarterly. The bonds matured on March 31, 2016.

7% renewable	2,942,300	2,942,300
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The bonds bear interest at 7% per annum with interest paid quarterly. The bonds mature on January 31, 2025; however an early redemption option allows for repayment on January 31 of 2016, 2019 or 2022 at the advance written request of the bondholder.

<i>5% renewable</i>	423,000	423,000
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The bonds bear interest at 5% per annum with interest paid monthly. The bonds mature on April 30, 2022; however an early redemption option, which allow for repayment on April 30th of 2017 at the advance written request of the bondholder.

<i>7% non-renewable</i>	696,000	696,000
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The bond bears interest at 7% per annum with interest paid quarterly. The bond matures on September 30, 2016.

Short-term and Total bonds payable	\$ 5,117,500	\$ 5,117,500
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On October 30, 2015; the notification period closed for early redemption of the 7% renewable bond due January 31, 2025. The Company received notification from bondholders representing \$753,600 of the total \$2,942,300 outstanding. The Corporation did not repay \$750,000 of 7% non-renewable bonds and \$170,000 of 7% renewable bonds that matured on March 31, 2016. Furthermore, the Corporation did not repay the \$696,000 of the 7% non-renewable bonds which matured on September 30, 2016.

On December 31, 2015; the Company advised the bondholders it would not be processing the redemptions. Further, the Company did not make scheduled interest payments to bondholders and as such is in default of interest payment obligations under the governing agreements. The Corporation's failure to pay interest and complete bond redemptions is an event of default under the bonds. As a result of the default all bonds are classified as current liability.

13. MORTGAGE

	December 31, 2016	March 31, 2016
Short term		
Current portion of mortgage	\$ 85,075	\$ 75,000
Long term		
Long-term portion of mortgage	887,303	925,000
Balance as at end of fiscal year	\$ 972,378	\$ 1,000,000

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

On October 14, 2014; as part of the acquisition of Industrial Avenue Development Corporation, the Company assumed a long term mortgage with Canadian Western Bank for a principal amount of \$1,000,000. The mortgage is secured by a general security agreement and land held by IADC with a net carrying amount of \$2,135,000. The mortgage bears interest at the greater of 3.75% per annum or 0.75% above the Bank's Prime Lending Rate, a blend of principle and interest is paid monthly beginning on August 1, 2016. The mortgage is repayable in full over a 10 year period.

14. INCOME TAXES

The income tax expense (recovery) differs from the amount that would have resulted from applying the statutory income tax rate to income before income tax expense as follows:

	December 31, 2016	December 31, 2015
Income (loss) before income tax	\$ (1,619,139)	\$ (1,537,848)
Statutory income tax rates	27%	27%
Estimated income tax expense (recovery) based on statutory rates	(437,168)	(415,219)
Effects of:		
Non-taxable dividends	(22,356)	(48,368)
Change in tax rate	-	20,125
Unrecognized temporary differences from asset impairment	435,142	-
Recognition of non-capital losses and temporary differences	4,115	(43,160)
Non-deductible expenses	240	298
	\$ (20,027)	\$ (486,324)
Income tax expense (recovery):		
Current tax expense (recovery)	\$ (20,027)	\$ (465,185)
Deferred tax expense (recovery)	-	(21,139)
Net Income tax expense (recovery)	\$ (20,027)	\$ (486,324)

The applicable statutory tax rate for the period ending December 31, 2016 is 27% (December 31, 2015 - 27%). The Corporation's applicable tax rate is the Canadian combined rates applicable in the jurisdictions in which the Corporation operates.

Cash income taxes recovered for the period ending December 2016 by the Corporation were \$nil (December 31, 2015 – \$nil).

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

Deferred Income Tax

The components of the deferred tax balances are as follows:

	December 31, 2016	March 31, 2016
Deferred income taxes (liability)/asset:		
Property under development lower than tax basis	\$ 851,312	\$ 416,170
Cumulative eligible capital available for tax purposes	32,283	31,532
Non-capital loss carry forwards	1,857	22,801
Carrying amount of equipment and leaseholds lower than tax basis	12,911	13,664
Carrying amount of investments higher than tax basis	(92,375)	(63,014)
Deferred income tax asset	805,988	421,153
Unrecognized deferred income tax asset	(851,312)	(416,170)
Net deferred income tax asset/(liability)	\$ (45,324)	\$ 4,983

Target has \$7,858 (2016 - \$85,428) of unused tax losses expiring between 2035 and 2036. In addition, Target has \$3,106,773 (2016 - \$1,541,370) of deductible temporary differences in respect of property under development capitalized costs for which no deferred income tax asset has been recognized.

At each reporting date, Target assesses the recoverability of the deferred income tax asset to determine the probability the carrying value of the asset will be realized. The Company has determined that a portion of the carrying value of the deferred income tax asset was not probable of realization, and accordingly de-recognized \$838,829 of deferred income tax.

15. SHARE CAPITAL & EARNINGS PER SHARE

Authorized

Unlimited number of common voting shares

Issued common shares	Amount	Number
Balance at December 31, 2016 and 2015	\$ 1,132,710	3,851,863

Earnings per share are calculated using the weighted average number of shares outstanding during the year.

	Nine months ended December 31,					
	2016			2015		
	Net (loss) attributable to owners of the Company	Weighted average common shares	(Loss) per share	Net (Loss) attributable to owners of the Company	Weighted average common shares	(Loss) per share
Basic and diluted	\$(1,540,723)	3,851,863	\$ (0.40)	\$(995,771)	3,851,863	\$ (0.26)

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

16. RELATED PARTY TRANSACTIONS

(a) During the year, the Company entered into transactions with the following related parties:

Bears paw Tree Farm Inc., Common management
 Controlled private companies, Subsidiaries
 Exempt Experts Inc. (“Exempt”), Common management
 Eyelogic Systems Inc. (“Eyelogic”), Common management
 National Exempt Markets Association (“NEMA”), Common management
 Olympia Financial Group Inc. (“OFGI”), Common management
 Olympia Benefits Inc. (“OBI”), Common management
 OrganicKidz Inc. (“OKI”), Significant common share holdings
 Tarman Inc. (“Tarman”), Common management
 Transparent Investments Inc. (“Transparent”), Common management

(b) Transactions

The following table summarizes the related party transactions that occurred during the nine months ended:

	December 31, 2016	December 31, 2015
Revenue		
<i>Controlled private company fees</i>		
Controlled private companies	\$ 510,217	\$ 498,895
Exempt Experts	9,632	-
<i>Dividends</i>		
Olympia Financial Group Inc.	82,800	179,140
<i>Interest income</i>		
OrganicKidz Inc.	9,412	12,555
<i>Trailer fees</i>		
Olympia Benefits Inc.	-	35,806
<i>G&A and Rent Reimbursements</i>		
Exempt Experts	51,324	143,213
NEMA	4,862	5,400
Olympia Financial Group	100,268	54,219
Eyelogic Systems Inc.	-	22,865
	\$ 768,515	\$ 952,093

TARGET CAPITAL INC.
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	December 31, 2016	December 31, 2015
Expenses		
<i>General and Administration</i>		
Olympia Financial Group Inc.	\$ 3,491	\$ 328
Olympia Benefits Inc.	8,552	3,796
<i>Bad Debt</i>		
Controlled private companies	39,645	94,304
<i>Royalties</i>		
Eyelogic Systems Inc.	-	(6,412)
Tarman Inc.	23,898	12,432
Transparent Investments Inc.	5,829	-
<i>Management fees</i>		
Tarman Inc.	-	12,000
	\$ 81,414	\$ 116,448

These transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(c) Accounts receivable, notes receivable and related party loans include amounts receivable from:

	December 31, 2016	March 31, 2016
Controlled private companies	\$ 337,764	\$ 278,967
Bad debt allowance for controlled private companies	(108,503)	(122,504)
OrganicKidz Inc.	127,336	126,274
Exempt Experts Inc.	95,552	133,835
Olympia Financial Group Inc.	11,353	13
NEMA	525	525
	\$ 464,027	\$ 417,110

(d) Accounts payable and accrued liabilities include amounts payable to:

	December 31, 2016	March 31, 2016
Olympia Financial Group Inc.	\$ 411	\$ 572
Tarman Inc.	9,792	-
Transparent Investments Inc.	4,807	-
	\$ 15,010	\$ 572

17. MANAGEMENT OF CAPITAL

The Company considers equity as capital and at quarter end this totaled \$(979,693) (March 31, 2016 - \$277,472). The Company is not subject to externally imposed capital requirements.

18. COMMITMENTS

The Company has a lease agreement for office space until August 31, 2018. Payments under the lease are approximately \$150,000 per year plus operating costs; however, an office sharing agreement with a group of related companies reduces the cost to approximately \$31,170 per year. Management was in discussions with property management to negotiate an extension of the lease.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments consist of items that will result in future cash receipts, such as: recorded amounts of accounts receivable, marketable securities, related party loans and long-term investments. They also include items that will result in future cash outlays, including: bank indebtedness, accounts payable, accrued liabilities, interest payable, term loan and bonds.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework. The Board of Directors reviews, with management, the risks faced by the Company and the systems that have been put in place to manage these risks.

The Company is exposed to the following risks in respect of certain of the financial instruments held:

(a) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amount of accounts receivable represents the maximum credit exposure.

The Company is exposed to credit risk from its trade customers. The credit risk is influenced mainly by the individual credit characteristics of each client. Geographically, there is a concentration of risk in the Alberta region. The Company makes use of the following techniques to reduce its credit risk:

- Controlled private companies do not receive final approval, and therefore cannot raise funds, until the investment fee for the first year (\$2,500) is paid;
- The Company does not require collateral with respect to accounts receivables. The Company has a significant number of customers, which minimizes concentration of credit risk. Accounts receivable are monitored on a regular basis.

At period end, the Company had \$237,774 in receivables outstanding for more than 90 days, totalling 53% of outstanding receivables (March 31, 2016 - \$409,731 and 73%). Management believes all amounts, net of the allowances made, are collectable.

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

	December 31, 2016	March 31, 2016
Current	\$ 125,037	\$ 82,888
31 to 60 days past due	73,990	69,499
61 to 90 days past due	10,728	-
91 days or more past due	237,774	409,731
	447,529	562,118
Less: Allowance for doubtful accounts	(108,502)	(122,504)
	\$ 339,027	\$ 439,614

The Company is also exposed to credit risk from its related party loans. Target's risk for these loans is reduced due to their secured nature. The OKI loan is secured through a security agreement over all of the corporate assets.

(b) Price risk

The Company is exposed to price risk, which is the risk that the value of its quoted investments will change as a result of volatile market conditions. The Company's investments are not sufficiently diversified to reduce exposure to market risk.

Exposure to Price Risk	December 31, 2016	March 31, 2016
Marketable securities	\$ 1,377,240	\$ 1,159,752

Fair value sensitivity analysis

A 10% decline in the market price at December 31, 2016 would have resulted in a \$137,724 downward adjustment to the fair value of marketable securities with the offset recorded to other comprehensive income and deferred incomes taxes (March 31, 2016 - \$115,975). A 10% increase in the fair value of marketable securities would have had the equal but opposite effect. This analysis assumes that all other variables, in particular systematic risk, remain constant. The analysis is performed on the same basis for the previous quarter.

(c) Interest rate risk

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was as follows:

	December 31, 2016	March 31, 2016
Fixed rate instruments		
<i>Financial asset</i>		
Related party loans	\$ 125,000	\$ 125,000
<i>Financial liabilities</i>		
Short-term bonds	(5,117,500)	(5,117,500)
Long-term bonds	-	-
	\$ (4,992,500)	\$ (4,992,500)
Variable rate instruments		
<i>Financial liabilities</i>		
Line of credit	\$ -	\$ -
Mortgage	(972,378)	(1,000,000)
	\$ (972,378)	\$ (1,000,000)

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

Cash flow sensitivity analysis for fixed rate instruments

Rates are fixed at the initiation of the instruments and are not subject to variability; therefore a change in interest rates at the reporting date does not affect net income or expenses with respect to these fixed rate financial assets and liabilities.

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points (1%) in interest rates, sustained throughout the year, would have decreased equity and after tax earnings by \$5,324 for the period ended December 31, 2016 (March 31, 2016 - \$nil). A 100 basis point (1%) decrease would have had an equal but opposite effect. The analysis assumes that all other variables remain constant, mortgage interest continues to be capitalized against the IADC land redevelopment project, and is performed on the same basis for the previous year.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Bank indebtedness is due on demand and accounts payable are due within 30 days. The short-term bonds are either repayable on demand at the election of the bondholder or on a fixed date within the next year. The mortgage is currently payable on a 10 year term mortgage. The bonds are repayable on various dates between January 2016 and January 2025, See note 12 for the full details of each bond series.

The decrease in liquidity is primarily caused by events described above in note 2. As discussed in note 2, with the exception of short term bonds and interest on bonds payable, the Company has sufficient cash facilities and marketable securities to pay all amounts due within the next year.

	Carrying Amount	6 Months or Less	6 to 12 Months	12 Months or More
Mortgage	\$ 972,378	\$ 42,187	\$ 42,888	\$ 887,303
Short-term bonds	5,117,500	5,117,500	-	-
Accounts payable	110,202	110,202	-	-
Interest payable	442,031	442,031	-	-
	\$ 6,642,111	\$ 5,711,920	\$ 42,888	\$887,303

(e) Fair value

The Company's carrying value of accounts receivable, advances receivable, bank indebtedness, accounts payable and accrued liabilities and interest payable approximates fair value due to the immediate or short-term maturity of these instruments.

The fair value of the bonds and term loan is not materially different from the carrying value as the majority of the bonds and term loan are at interest rates that are consistent with the current rates offered to the Company for debt with similar terms.

Cash, long-term investments and marketable securities are recorded at fair value.

TARGET CAPITAL INC.
Notes to Consolidated Financial Statements

The Company's fair value hierarchy comprises the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of cash and marketable securities were determined using Level 1 inputs. The fair values of long-term investments were determined using level 2 or 3 inputs. In the case of Bearspaw Tree Farm, the input relied upon was a level 2 input, an appraisal of the lands in question dated November 1, 2015.

20. SUBSEQUENT EVENTS

On January 31, 2017, Target Capital's subsidiary, IADC completed the sale of "The Landing at Langley" ("The Langley Project") for consideration of \$2,135,000, previously announced on November 21, 2016. Additional impairments will be made in Target's annual report.

CORPORATE INFORMATION

Directors

Anne Louise Bartlett¹²³
Gerard Janssen¹²³
Brian Newman¹²³
Craig Skauge
Rick Skauge
Greg Walter¹²³

Officers

Rick Skauge
Chief Executive Officer
Craig Skauge
President
Royce Lee
Chief Financial Officer

Board Committees

¹ Audit Committee
² Corporate Governance and
Nomination Committee
³ Compensation Committee

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MANAGEMENT DISCUSSION & ANALYSIS
FOR PERIOD ENDED DECEMBER 31, 2016

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Target Capital Inc.

Management Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the financial position and results of operations of Target Capital Inc. (the "Company", "Corporation", or "Target") for the period ended December 31, 2016.

This MD&A should be read in conjunction with Target's condensed consolidated financial statements for the nine months ended December 31, 2016, as well as the MD&A found in Target's 2016 Annual Report, together with the audited consolidated financial statements and accompanying notes found therein.

This document presents the views of management as at February 24, 2017. Additional information on Target can be found on SEDAR at www.sedar.com.

Information contained in the MD&A is presented on the same basis as the financial statements and was prepared in accordance with International Financial Reporting Standards (IFRS) and is presented in Canadian dollars, Target's functional currency.

Forward-looking statements

The MD&A contains forward-looking statements and information within the meaning of applicable securities legislation. A statement we make is forward-looking when it uses what we know today to make a statement about the future. Forward-looking statements may include words such as *anticipate, believe, could, expect, intend, may, objective, plan and will*. The forward-looking statements contained or incorporated by reference in this MD&A are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. Target cautions readers against placing reliance on forward-looking statements when making decisions, as the actual results could differ appreciably from the opinions, plans, objectives, expectations, forecasts, estimates and intentions expressed in such forward-looking statements, due to various material factors. These factors include, among other things, capital market activity; changes in government monetary, fiscal and economic policies; changes in interest rates, inflation levels and general economic conditions; legislative and regulatory developments; competition; credit ratings; scarcity of human resources; and technological environment.

Forward-looking statements include, but are not limited to, statements with respect to (1) Capacity to deliver results (2) Risk framework (3) Liquidity (4) Trade receivables and (5) Income taxes. All statements, other than statements of historical fact, which address activities, events or developments that we expect or anticipate will or may occur in the future, are forward-looking statements. We include forward-looking statements because we believe it is important to communicate our expectations to our investors. However, all forward-looking statements are based on management's current expectations of future events and are subject to risk and uncertainty.

There have been no events or circumstances that have occurred during the period to which the MD&A relates, or to a period that is not yet complete, that are reasonably likely to cause actual results to differ materially from the forward-looking information identified in this MD&A.

The Company does not undertake to update any forward-looking statements, whether oral or written, made by itself or on its behalf, except to the extent required by securities regulations. The foregoing list of factors is not necessarily exhaustive.

Business Overview

Target was incorporated on June 8, 1993, under the Business Corporations Act of Alberta. The Company had investments in trailer fee rights, listed public companies and private real estate development companies. The Company also makes investments in a majority of the voting shares of certain private companies. The Company receives its revenues from dividends, interest income and investment company fees. Its principal expense is interest on its outstanding bonds.

The Company listed its shares on the TSX-Venture exchange (Symbol "TCI") on December 19, 2008 and on the Canadian Securities Exchange (CSE) on July 8, 2014 (Symbol "TCI").

Our investment business

Since its inception, Target has made strategic investments in companies that show strong potential for future growth. These investments include listed companies, small start-up operations, and land development corporations.

Starting in 2009, Target began acquiring controlling interests in private companies. The nature of the Company's investment in the controlled private companies ("CPC") enables the debt securities of the companies to be eligible for Deferred Plans. A Deferred Plan is a registered retirement savings plan, registered education savings plan, registered retirement income fund, a locked-in retirement account or a tax-free savings account. The promoters managing these companies use the capital raised at their own discretion, without reliance on the management or resources of Target. Target's management and capital are not committed to these controlled private companies.

Target earns fees from each company for enabling these companies to raise funds from Deferred Plans. The annual fee is generally the greater of \$2,500 or 0.5% of the total capital raised by each private company from Deferred Plans. The controlled private companies have raised capital via investments from Deferred Plans varying in size from nil to several million dollars.

Target does not consolidate these controlled private companies for accounting purposes. This is because Target has agreements with these companies that restrict Target's profits to the fees that it charges and its losses to the initial investment made and because Target is not the primary beneficiary of the success or failure of these private companies.

On December 1, 2015 the Company acquired from Eyelogic Systems Inc. (an affiliated entity) a portfolio of 53 Controlled Private Companies ("CPC") and associated controlling shareholder agreements and royalty agreements for an aggregate price of \$75,000.

Our land development business

Target's land development business comprises two investments; Bearspaw Tree Farm and Industrial Avenue Development Corporation.

Bearspaw Tree Farm is a private company which holds land in the northwest corner of Calgary, AB. On July 29, 2015, the City of Calgary approved the Haskayne Area Structure Plan ("Haskayne ASP"), the first milestone in development of the Bearspaw Tree Farm lands. The approval of the Haskayne ASP allows Bearspaw Tree Farm to further efforts toward the development of a high density, mixed use area on the northern edge of the Bow River.

Bearspaw Tree Farm has delivered to Target an updated valuation. As at November 1, 2015, Target's investment in Bearspaw Tree Farm was valued at \$1,371,000. However due to softness in the Calgary real estate market, Management has not increased its assessment of fair market value. Management will re-evaluate its assessment of fair market value in fiscal 2017.

On October 14, 2014, the Company acquired an additional 46% interest in Industrial Avenue Development Corporation ("IADC"), bringing its total interest to 96%. The company purchased the additional interest in IADC to further pursue its growth strategy in land redevelopment. The property under development consists of both land held in Langley, British Columbia and capitalized development costs accumulated over prior years. The Company had intended to build a multi-story residential development called the "Landing at Langley".

In March 2016, the Landing and Langley project was put up for sale. Management had received notice that the conditions pertaining to the sale of The Landing at Langley property have been waived and closed on January 31, 2017.

Results of Operations for the three months ended December 31, 2016

SUMMARY OF FINANCIAL RESULTS FOR THE THREE MONTHS ENDED			
(\$ thousands, except EPS)	December 31, 2016	December 31, 2015	Variation 16 to 15
Total revenue	\$ 321	\$ 359	(10%)
Total expenses	(196)	(264)	(26%)
Other income (expense)	(46)	(1,209)	(96%)
Net earnings (loss) before tax	79	(1,114)	> (100%)
Income tax (recovery)	6	(329)	> (100%)
Net earnings (loss)	\$ 73	\$ (785)	> (100%)
Net earnings (loss) per share attributable to owners of the Company	\$ 0.02	\$ (0.20)	n/a
Net earnings (loss) per share – Basic and diluted	\$ 0.02	\$ (0.20)	n/a

Overview

Target's total revenue decreased 10% or \$37,631 to \$321,807 from \$359,438 mainly due to lower dividend revenue and trailer fees.

Total operating expenses decreased 26% or \$67,808 to \$196,294 from \$264,102 due to lower salaries and wages, professional fees, interest on line of credit, and amortization.

Other income and expenses decreased \$1,162,959 due to impairment losses recorded in the prior year's quarter in relation to a write-down of IADC's real estate asset.

As a result, Target reports an earnings of \$72,732 compared to a loss of \$784,310 in the comparative quarter.

Revenue

Controlled private company fees

Controlled private company ("CPC") fees were relatively stable with an increase of 9% to \$290,663 from \$267,366.

Dividends

Dividend revenue decreased 23% to \$27,600 from \$35,880 due to a reduced dividend per share from Olympia Financial Group Inc. (TSX – "OLY").

Trailer fees

Trailer fee revenue decreased 100% to \$nil from \$9,161 due to the December 21, 2015 sale of all trailer fee rights to Olympia Benefits Inc. (an affiliated entity).

Expenses

Interest on bonds

Interest on bonds varied slightly. As disclosed under "Liquidity and Capital Resources", the company did not complete planned bond redemptions that were scheduled to occur in January, March and September 2016.

Salaries and wages

Salaries and wages decreased 49% to \$27,909 from \$54,901 due to fewer administrative staff, elimination of performance bonuses, as well as a reduction in compensation paid to the Chief Executive Officer and the President. Beginning September 15, 2015; both the CEO and President voluntarily reduced their compensation to zero. On September 1, 2016, the Corporation reduced the number of employees in its finance division.

Interest on line of credit

Interest on the line of credit decreased 100% to \$nil from \$1,131 due to the repayment of the bank indebtedness on September 8, 2015, with proceeds from the sale of 55,000 Olympia shares.

Bad Debt

Bad debt expense decreased 74% to \$13,492 from \$51,614. Bad debt expense relates to allowances made for receivables from controlled private companies and the actual write-off of accounts that were deemed uncollectable.

Royalties

Royalties increased to \$13,237 from \$3,969. As part of the CPC portfolio purchase from Eyelogic Systems on December 1, 2015, Target capital purchased one CPC contract which included a royalty payable to Tarman Inc. (an affiliated entity). In addition, there are royalties that are payable to a contractor and Transparent Investments Inc., to incentivize boosting sales and increasing revenues related to CPCs.

Amortization of equipment and leasehold improvements

Equipment and leasehold amortization decreased 9% to \$6,989 from \$7,709 as the majority of the Company's office equipment became fully depreciated at the end of fiscal 2016.

Amortization of intangible assets

Intangible asset amortization decreased 71% to \$3,652 from \$12,475 due to the December 21, 2015, sale of Trailer fee rights to Olympia Benefits Inc., partially offsetting the effects of the asset sale, intangible asset amortization related to the Company's December 1, 2015 purchase of a portfolio of controlling shareholder agreements and associated revenue stream.

Liquidity and Capital Resources

On December 31, 2015; the Company advised its bond holders that it would not be making interest payments on its various classes of unsecured bonds in an effort to increase available cash for further development of its real estate assets for the benefit of all stakeholders. The Corporation also announced that it would not process any bond redemptions for the same reason. On October 31, 2015; the Corporation had received early bond redemption notifications for \$753,600 of 7% renewable bonds with maturity of January 31, 2025. Additionally, the Corporation did not repay \$750,000 of 7% non-renewable bonds and \$170,000 of 7% renewable bonds that matured on March 31, 2016. The Corporation's failure to pay interest and complete bond redemptions is an event of default under the bond agreements and bond holders have the option to commence legal action against the Corporation.

In March 2016, the Corporation put Industrial Avenue Development Corporation and the Landing at Langley project up for sale. Given the Corporation expected to have further clarity on its real estate development asset in the near future, the Corporation asked bond holders not to commence enforcement proceedings until the sale process is concluded. There is no assurance that bond holders will not commence enforcement proceedings.

As a result of the default, all bonds are classified as current liabilities in the amount of \$5,117,500; resulting in a working capital deficiency of \$3,746,680

The Corporation believes these cash preservation measures to be in the best interest of all stakeholders. The Corporation needs to complete its real estate development to maximize the return for both bond holders and shareholders.

On January 20, 2016; the Company initiated discussions with bond holders and their representatives to seek concessions to significantly reduce the short and long term cash outflows to these stake holders. Based on discussions with bond holders, the Company does not expect that any enforcement proceedings will be taken in the near future to enforce any rights under the bond agreement. Although there can be no assurance that bond holders will not commence enforcement proceedings.

Sources of funding

The Company has the following sources of funding for its planned operating, investing, and financing cash outflows (including working capital requirements):

- Unrestricted cash in the amount of \$329,103 at December 31, 2016;
- Available line of credit in the amount of \$640,872 at December 31, 2016;
- Quarterly receipt of dividends in the amount of \$27,600;
- Receipts from controlled private company fees and interest income earned on loans receivable from OrganicKidz;
- Potential proceeds from the sale of IADC, the Landing at Langley project, or the undeveloped land.
- Potential proceeds from the sale of marketable securities;
- Potential proceeds from the sale of investments.

Ability of the Company to continue as a going concern

Management acknowledges that uncertainty remains over the Company's ability to meet its ongoing obligations and repay its bonds as they become due. However, as described above, management has reasonable expectation the Company has adequate resources to continue in existence for the foreseeable future.

Results of Operations for the nine months ended December 31, 2016

SUMMARY OF FINANCIAL RESULTS FOR THE NINE MONTHS ENDED			
(\$ thousands)	December 31, 2016	December 31, 2015	Variation 16-15
Total revenue	\$ 603	\$ 770	(22%)
Total expenses	(622)	(766)	(19%)
Other Income (expense)	(1,601)	(1,541)	4%
Net earnings (loss) before tax	(1,620)	(1,538)	5%
Income tax (recovery)	(20)	(486)	> (100%)
Net earnings (loss)	\$ (1,600)	\$ (1,052)	52%
Net earnings (loss) per share – Basic	\$ (0.40)	\$ (0.26)	n/a
Net earnings (loss) per share – Diluted	\$ (0.40)	\$ (0.26)	n/a

The calculation of variation is based on whole figures and not on rounded thousands.

Revenue

Controlled private company ("CPC") fees increased 2% to \$510,217 from \$498,895 due to timing of annual fees invoiced and additional capital raising fees invoiced to CPCs compared to same period in prior year.

Dividend revenue decreased 54% to \$82,800 from \$179,140 as Olympia Financial Group Inc. ("Olympia", TSX:OLY) regular quarterly dividend decreased. Additionally, there was a reduction in Target's holdings on September 8, 2015.

Expenses

Interest on bonds

Interest on bonds varied slightly to \$261,782 from \$258,226, due to timing of interest accrual in 2016.

Salaries and wages

Salaries and wages were lower by 41% to \$96,869 compared to \$164,050 for the prior year, due to a reduction in staff.

Professional fees

Professional fees increased 12% to \$34,760 from \$30,971 due to timing of costs being recorded.

Bad debts

Total bad debt expenses were \$39,645 during the period, a decrease of \$54,659 or 58% from \$94,304 in the prior period. Bad debt expense relates to allowances made for receivables from controlled private companies and the actual write-off of accounts that were deemed uncollectable.

Impairment loss on properties under development

During the period, the Corporation disposed of the display suite and recorded an impairment of the IADC capitalized development costs in the amount of \$1,611,636, compared to \$1,541,370 in 2016.

Royalties

Royalties increased to \$42,002 compared to \$6,009 for the prior year, due to a royalty agreement with Tarman Inc., which remained in place related to the purchase of CPCs from Eyelogic Systems on December 1, 2015. In addition, there are royalties that are payable to contractors and Transparent Investments Inc. for all revenues related to sales of new CPC structures.

Rent

Rent increased to \$26,235 compared to \$21,083 for the prior year, which was related to rent allocations amongst related parties and increased operating costs.

Comparison of financial condition at period end with the prior year-end

The table summarizes the financial condition of the company as at December 31, 2016 compared to the comparative year ended March 31, 2016:

COMPARISON OF FINANCIAL CONDITION			
(\$ thousands)	December 31, 2016	March 31, 2016	Variation
Cash	\$ 329	\$ 69	>100%
Marketable securities	1,377	1,160	19%
Accounts receivable	339	440	(23%)
Advances Receivable	50	50	0%
Income tax recoverable	107	-	n/a
Prepaid expenses	2	1	100%
Total current assets	2,204	1,720	28%
Investments and advances	1,244	1,244	0%
Property under development	2,135	3,623	(41%)
Equipment and leasehold improvements	22	45	(50%)
Controlled private companies	64	64	0%
Controlling shareholder agreements	28	39	(28%)
Deferred income tax asset	-	5	n/a
TOTAL ASSETS	5,697	6,740	(15%)
Short-term bonds	5,118	5,118	0%
Accounts payable and accrued liabilities	110	87	27%
Income tax payable	-	30	n/a
Interest payable	422	160	>100%
Current portion of mortgage	85	75	13%
Total current liabilities	5,735	5,470	5%
Mortgage	887	925	(4%)
Deferred income tax liability	45	-	n/a
TOTAL LIABILITIES	6,667	6,395	4%
NET ASSETS (DEFICIENCY)	\$ (970)	\$ 345	n/a

Marketable securities increased 19% due to an increase in share price of Olympia Financial Group. The Olympia share price was \$24.95 at December 31, 2016 compared to \$21.01 at March 31, 2016.

PROPERTY UNDER DEVELOPMENT		
	December 31, 2016	March 31, 2016
Balance as at beginning of fiscal year	\$ 3,623,556	\$ 4,810,620
Additions – development expenditures	123,080	368,806
Impairment of Charleston expenditures	-	(1,209,192)
Impairment on disposition of display suite	(121,100)	(332,178)
Impairment on The Landing expenditures	(1,490,536)	-
Asset dispositions	-	(14,500)
Balance as at end of fiscal year	\$ 2,135,000	\$ 3,623,556

The property under development consists of both land held in Langley, British Columbia and capitalized development costs accumulated over prior years' development. The project consists of a 78 unit five story, wood frame residential development called "The Landing at Langley".

Included in development expenditures is capitalized mortgage interest in the amount of \$26,867 for the nine months ended December 31, 2016 and \$50,560 for the year ended March 31, 2016.

During the current fiscal year, the Corporation halted the majority of development expenditures as the Landing and Langley project was put up for sale. Management has accepted a conditional offer on October 24, 2016, which closed on January 31, 2017.

Quarterly Results

The following table presents the most recent quarterly results along with the previous 8 quarters:

QUARTERLY COMPARISON									
	<u>2017</u>			<u>2016</u>				<u>2015</u>	
(\$ thousands)	<u>31- Dec- 16</u>	<u>30- Sep- 16</u>	<u>30- Jun- 16</u>	<u>31- Mar- 16</u>	<u>31- Dec- 15</u>	<u>30- Sep- 15</u>	<u>30- Jun- 15</u>	<u>31- Mar- 15</u>	<u>31- Dec- 14</u>
Total revenue	322	127	155	245	359	195	215	354	395
Total expenses	(243)	(1,778)	(202)	(207)	(1,473)	(273)	(561)	(222)	(389)
Earnings (loss) before income taxes	79	(1,651)	(47)	38	(1,114)	(78)	(346)	132	6
Net Earnings (loss)	73	(1,645)	(27)	37	(785)	(15)	(240)	101	22
Net Earnings (loss) - Per share	0.02	(0.41)	(0.01)	0.01	(0.20)	(0.00)	(0.06)	0.03	0.01

Due to the nature of Target's business, certain revenues are consistent and earned on a regular basis, such as dividend revenue and loan interest; however other types of revenue are unpredictable due to timing, such as CPC fees and special dividends. As a result, Target's quarterly performance has varied significantly.

Outstanding Share Data

The following table indicates the common shares and stock options issued and outstanding at February 24, 2017, December 31, 2016 and March 31, 2016; indicating no changes.

OUTSTANDING SHARE DATA			
	February 24, 2017	December 31, 2016	March 31, 2016
Common Shares	3,851,863	3,851,863	3,851,863
Stock Options	-	-	-
Weighted average number of shares outstanding during the period Basic and Diluted	3,851,863	3,851,863	3,851,863

Business Risks

Leadership

Target is dependent on members of its senior management and operational staff. A loss of one or more of these individuals could adversely affect Target's business. Target has minimized the impact of losing any one individual by cross-training senior management and operational staff to assume a variety of roles within the Company.

Financing

The decrease in liquidity is primarily caused by events described above in the Liquidity and Capital Resources section. With the exception of bond redemptions and interest on bonds payable, the Company has sufficient cash facilities and marketable securities to pay all amounts due within the next year.

Regulation

The Company is subject to various laws and regulations; any changes to these statutes, or court decisions, regarding their application could negatively impact the Company. Specifically, Target's investments in controlled private companies are reliant on regulations under the Income Tax Act, and there can be no assurance that the Government will not adopt laws or regulatory requirements that could adversely affect this line of business.

Credit risk

Credit risk arises from the Company's accounts receivable due from customers. There is always the potential that a customer will fail to perform its financial obligations. The Company has a significant number of customers, thus minimizing the concentration of risk. Target is committed to a policy of closely monitoring the Company's risk and exposure in the area of accounts receivable. During the period ended December 31, 2016, the Company expensed \$13,492 (December 31, 2015 - \$51,614) in uncollectable accounts receivable balances.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Management regularly reviews future cash requirements to ensure adequate funds are available. At quarter end, Target had a current ratio of 0.38:1 compared to 0.31:1 ratio at the previous year end.

RELATED PARTY TRANSACTIONS

(a) During the year, the Company entered into transactions with the following related parties:

Bearspaw Tree Farm Inc., Common management
Controlled private companies, Subsidiaries
Exempt Experts Inc. (“Exempt”), Common management
Eyelogic Systems Inc. (“Eyelogic”), Common management
National Exempt Markets Association (“NEMA”), Common management
Olympia Financial Group Inc. (“OFGI”), Common management
Olympia Benefits Inc. (“OBI”), Common management
OrganicKidz Inc. (“OKI”), Significant common share holdings
Tarman Inc. (“Tarman”), Common management
Transparent Investments Inc. (“Transparent”), Common management

(b) Transactions

The following table summarizes the related party transactions that occurred during the nine months ended:

	December 31, 2016	December 31, 2015
Revenue		
<i>Controlled private company fees</i>		
Controlled private companies	\$ 510,217	\$ 498,895
Exempt Experts	9,632	-
<i>Dividends</i>		
Olympia Financial Group Inc.	82,800	179,140
<i>Interest income</i>		
OrganicKidz Inc.	9,412	12,555
<i>Trailer fees</i>		
Olympia Benefits Inc.	-	35,806
<i>G&A and Rent Reimbursements</i>		
Exempt Experts	51,324	143,213
NEMA	4,862	5,400
Olympia Financial Group	100,268	54,219
Eyelogic Systems Inc.	-	22,865
	\$ 768,515	\$ 952,093

	December 31, 2016	December 31, 2015
Expenses		
<i>General and Administration</i>		
Olympia Financial Group Inc.	\$ 3,491	\$ 328
Olympia Benefits Inc.	8,552	3,796
<i>Bad Debt</i>		
Controlled private companies	39,645	94,304
<i>Royalties</i>		
Eyelogic Systems Inc.	-	(6,412)
Tarman Inc.	23,898	12,432
Transparent Investment Inc.	5,829	-
<i>Management fees</i>		
Tarman Inc.	-	12,000
	\$ 81,414	\$ 116,448

These transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(c) **Accounts receivable, notes receivable and related party loans include amounts receivable from:**

	December 31, 2016	March 31, 2016
Controlled private companies	\$ 337,764	\$ 278,967
Bad debt allowance for controlled private companies	(108,503)	(122,504)
OrganicKidz Inc.	127,336	126,274
Exempt Experts Inc.	95,544	133,835
Olympia Financial Group Inc.	11,353	13
NEMA	525	525
	\$ 464,027	\$ 417,110

(d) **Accounts payable and accrued liabilities include amounts payable to:**

	December 31, 2016	March 31, 2016
Olympia Financial Group Inc.	\$ 411	\$ 572
Tarman Inc.	9,792	-
Transparent Investments Inc.	4,807	-
	\$ 15,010	\$ 572

SUBSEQUENT EVENTS

On January 31, 2017, Target Capital's subsidiary, IADC completed the sale of "The Landing at Langley" ("The Langley Project") for consideration of \$2,135,000, previously announced on November 21, 2016. Additional impairments will be made in Target's annual report.

CORPORATE INFORMATION

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Brian Newman¹²³
Craig Skauge
Rick Skauge
Greg Walter¹²³

Officers

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Craig Skauge
President
Royce Lee
Chief Financial Officer

Board Committees

¹ Audit Committee
² Corporate Governance and
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³ Compensation Committee

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