Fundamental Research Corp.
Investment Analysis for Intelligent Investors

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SecureCare Capital Inc. – Bond Investment in Factoring Business

Sector/Industry: Alternative Investments **www.securecare.ca**

Summary of Offering	
Issuer	SecureCare Capital Inc.
Maximum Offering	$100 million
Securities Offered	* 1 year @ 7.0% p.a. * 3 year @ 8.0% p.a. * 5 year @ 9.0% p.a.
Minimum Subscription	$10,000 (10 bonds)
Distributions	Interest paid monthly (can be compounded monthly, paid annually)
Management Fees	1.2% p.a. (paid monthly) of assets under management paid after interest on bonds and other third-party fees
Sales fee	* 1 year - 3.0% * 3 year - 5.75% * 5 year - 8.5%
Auditor	Collins Barrow Toronto LLP
Fund Manager	J. Priest Investment Management
Fund Administrator	CommonWealth Fund Services
Asset Originator/Custodian	TFS Management Inc. and TFS RT, Inc.
Registered Plans	Eligible for RRSP, RRIF, TFSA,

- Based on the offering memorandum dated July 25, 2014.
- Capital raised to date: $39 million

FRC Rating	
Expected Annual Yield	7% - 9% p.a.
Rating	3+
Risk	3

*see back of report for rating definitions

Investment Highlights

- SecureCare Capital Inc. ("company", "SCI) is in the business of investing in accounts receivables originated and serviced by the Canadian factoring company, Trade Finance Solutions ("TFS").
- SCI is currently issuing unsecured bonds with one, three, and five year terms. Investors do not have an early redemption option; however, the company can prepay the bonds at any time.
- SCI's manager is InvestCare Capital Corporation. SCI is the second company formed and managed by InvestCare's management. The first company, SecureCare Investments Inc. ("SII"), which has the same business model as SCI, was formed in October 2010. SCI and SII have $78 million in assets under management combined.
- Canada has approximately 57 factoring companies. TFS, formed in 2006, currently manages a portfolio of approximately $140 million. The capital provided by SCI and SII has helped TFS to significantly grow their business in the last two - three years.
- TFS has a relatively shorter track record than other Canadian factoring companies. TFS's key strengths include their strategy to focus on receivables from multinational companies (growth potential), insure almost all of the receivables they purchase, and their ability to expand internationally, and across a wide range of industries.

Risks

- Fixed rate bonds, with longer terms, are exposed to interest rate risks.
- TFS's ability to consistently deploy capital at attractive yields is critical.
- As with most investments, there is no guarantee that SCI will be able to return principal and meet interest payments.
- International factoring deals tend to have higher risk profile than domestic transactions.
- Prepayment risks exist as the company can prepay the bonds at any time prior to maturity.
- Key person risks exist as Peter and Ingrid Johannes own 100% of the voting shares of SCI.
- We were not provided with TFS' financial statements to confirm their historic performance. SII does not have audited FY2013 and FY2014 statements.

Overview

SecureCare Capital Inc., based out of Pickering, Ontario, is issuing unsecured bonds to invest in accounts receivables originated and serviced by TFS. In order to make the bonds eligible for registered plans, management used a shell company (named Edge Investments Inc. and incorporated in 2010) as a vehicle to go into business. The name of the shell company was changed to SecureCare Capital Inc. in August 2013. SCI commenced operations in December 2013.

The founders of SecureCare Capital are Peter Johannes and Ingrid Johannes (spouses). This is the second company/fund formed and managed by them. The first company, SecureCare Investments Inc. ("SII"), which has the same business model as SCI, was incorporated in October 2010. SII started raising capital, by issuing unsecured bonds, in November 2011, and by October 2013, raised the maximum amount of $50 million as set by its offering memorandum. SCI started issuing bonds in December 2013, and to date, has raised approximately $39 million. SII and SCI combined, currently manage approximately $78 million of capital, from over 2,400 bondholders. Management has adopted a more cost-effective structure for SCI. Therefore, they intend to gradually move SII investments into SCI (as SII bonds mature), and wind down SII over the next 5 years.

Management Background

Peter Johannes has been involved in the mortgage / asset based lending business since 1980s. In 2010, he decided to get into the business of investing in accounts receivables, and formed SII. **Encouraged by SII's ability to attract significant amounts of capital in such a short time frame, he and Ingrid Johannes formed their second fund, SCI, in 2013.** In October 2013, they hired a third-party firm, J. Priest Investment Management Inc. ("JPIM"), as the registered Portfolio Manager and Investment Fund Manager. Jason Priest, who is the owner and sole employee of JPIM, acts as an independent portfolio manager of both SCI and SII. Management also engaged CommonWealth Fund Services Ltd. for record keeping, fiduciary and accounting support.

InvestCare Capital Corporation ("InvestCare"), which owns all of the voting common shares of the company, is responsible for the day to day operations. Peter and Ingrid Johannes are the sole shareholders of InvestCare.

InvestCare has four full-time employees. Brief biographies of the key members of this offering, as provided by the company, follow:

Peter Johannes, B.Sc., AMP – President

Peter has 25 years of experience in real estate, mortgage and investment finance. He has previously held registrations as an exempt market dealer, dealing representative, real estate and mortgage broker. Mr. Johannes recently created and operated SecureCare Investments Inc. (SCI), an exempt market bond offering, successfully selling and administering approximately $50 million of securities. He was instrumental in the creation and successful operation of Northwood Mortgage Investment Corporation and has worked as a senior executive and president of companies specializing in the structuring and sales of exempt market investment products, within a venture capital and hedge fund group. Peter holds a B.Sc. (Hons) degree, from the University of Toronto and has received extensive education in investment, finance and compliance, including completing The Investment Funds Institute of

Canada course of study for the Officers' Partners' and Directors' course and the Exempt Market Products exams.

Ingrid Johannes – Managing Director

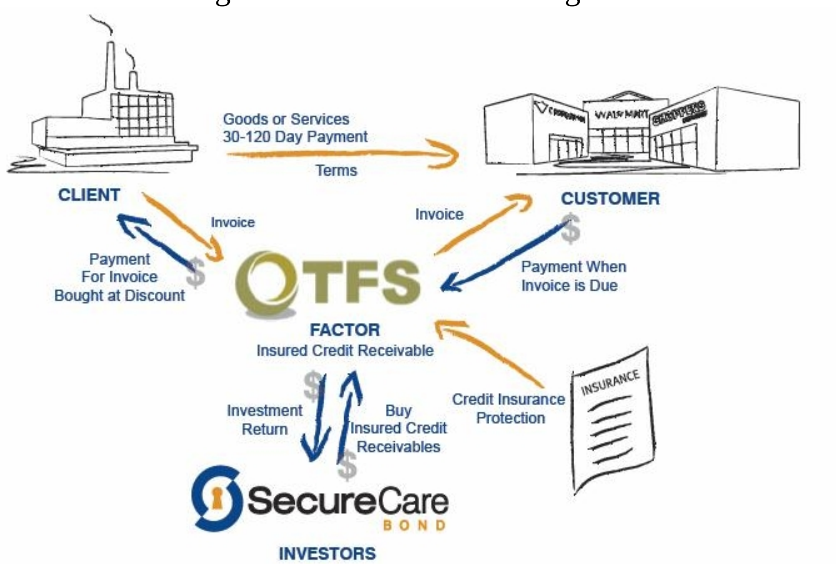
Ingrid has 26 years of service and administration experience. She serves as the chief administrator for SCI and the Corporation. Since November 2012, Ingrid has supervised the systems and administration of both funds, managing growth to approximately $72 million of assets and over 2,400 individual investors. Ingrid was also a mortgage underwriting officer with two mortgage origination companies and, over seventeen years, has held senior roles as a manager and administrator of mid-sized health care centers.

Jason Priest, BA, CFA, FRM, CIM, DMS, CFP – Fund Manager

Jason has owned and managed J. Priest Investment Management Inc., a boutique portfolio management firm in Toronto, since 2009. A graduate of Acadia University, Jason began his career as a Financial Planner with one of Canada's largest insurance companies and quickly became a specialist in investments and financial markets. He earned his Canadian Investment Manager (CIM) and Certified Financial Planner (CFP) designations in 2001, Derivatives Market Specialist (DMS) in 2003, became a Chartered Financial Analyst (CFA) in 2004 and obtained a Financial Risk manager (FRM) designation in 2005. Mr. Priest is a member of the CFA Institute and the Global Association of Risk Professionals (GARP) and has extensive analytical and risk assessment experience, particularly for fixed income investments. He serves as the Ultimate Designated Person and Chief Compliance Officer for J. Priest Investment Management Inc., the registered Portfolio Manager for the Corporation.

Receivables Factoring

In a typical factoring transaction, a factor purchases a company's (vendor) accounts receivables at a discount. The factor then holds the acquired invoice, and collects the receivable from the vendor's customer (debtor / payor) when due. The age of accounts receivables typically range between 30 and 180 days depending on the industry, and the type of service/product. The following chart illustrates a factoring transaction.



Source: Company

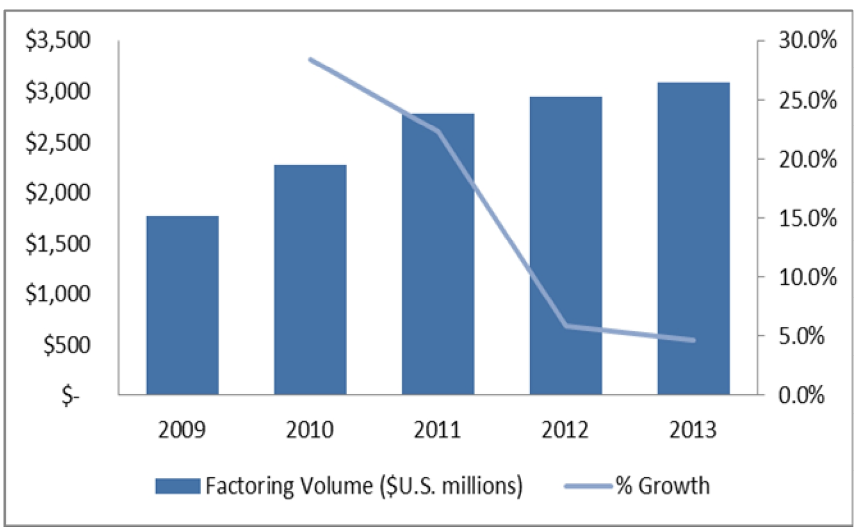
Once the customer (debtor) pays the factor, the factor retains a fee and their original cost to purchase the invoice, and pays the balance amount to the vendor. The factor's fees typically range between 1% and 3% of the amount receivable for every 30 days. The fees vary based on the volume, size of the invoice, and the credit quality of the customer (debtor). **If capital is deployed at all times in a year, a factoring company can generate a gross return of up to 36% p.a. on their capital (assuming an average rate of 3% per month).**

Companies that use factoring are generally small and medium size companies that require cash immediately, and do not have access to lines of credit or traditional forms of financing. They tend to consider factoring as a line of credit, and use it on an ongoing basis (by factoring most or all of their receivables) to fund their critical requirements such as payroll expenses, raw material purchases etc. **As the credit quality of a customer (debtor) is vital in a factoring transaction, smaller companies with large customers usually attain factoring relatively easily and at lower fees.**

There are two main types of factoring – *recourse and non-recourse*. In the case of recourse factoring, a vendor will be liable to pay the factor if the customer (debtor) defaults on its payment. In the case of non-recourse factoring, the vendor has no liability in the event of a default, and the factor takes on all the risk, except in events of fraud and/or trade dispute. In those events, the liability falls back to the vendor. According to TFS, **90% of TFS's factoring transactions are recourse factoring.** Most of the factoring companies in the U.S. and Canada are recourse factors.

Factoring Industry Overview

The worldwide factoring market is estimated at approximately US$3 trillion per year (Source: Factors Chain International / "FCI"). The following chart shows the volume and growth of the industry since 2009. The global factoring industry grew at a rate of **14.8% p.a. CAGR** (compounded annual growth rate) from 2009 to 2013.



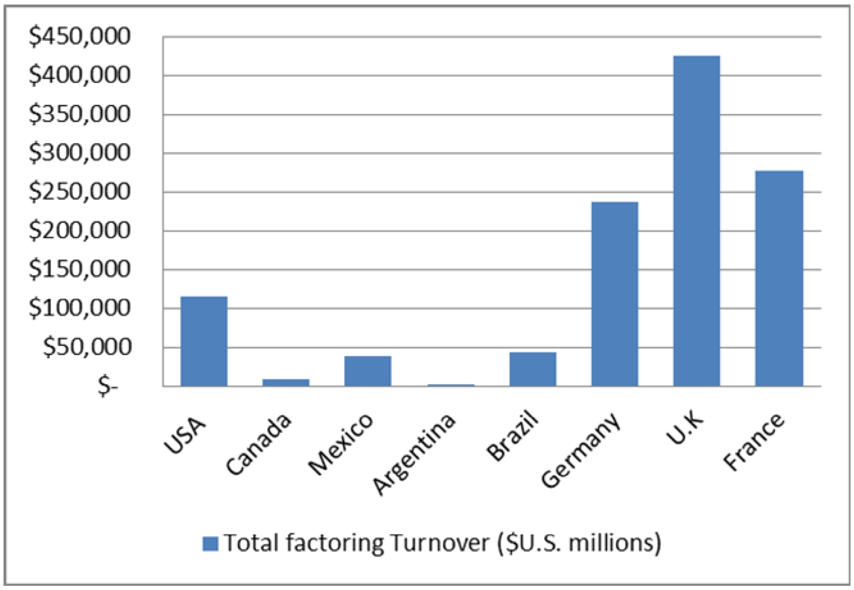
EUR was converted to USD at 1.38

As a constant conversion rate was used, the figures presented in the table are approximations.

Source: Factors Chain International / FRC

In 2013, the U.S. and Canadian factoring markets were estimated at US$115.6 billion, and $7.8 billion, respectively (Source: FCI). **Factoring is much more popular in Europe, which accounts for approximately 60% of the global factoring volume.** Asia is second with 27% of the volume. The Americas account for approximately 9%. One of the main reasons why factoring is more widely adopted in Europe, we believe, is that banks in Europe are more active in factoring compared to their counterparts in the U.S./Canada. **For example, among the six major banks in Canada, only National Bank of Canada (TSX: NA) has a significant presence in the factoring industry.**

The following chart shows the factoring volume in 2013 in various countries. As shown, the markets in North and South American countries are much smaller than their counterparts in Europe.

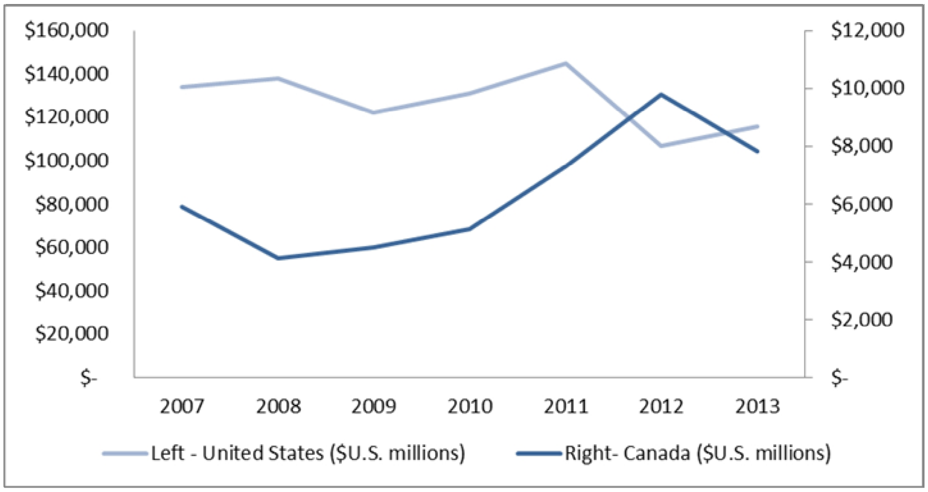


EUR was converted to USD at 1.38

As a constant conversion rate was used, the figures presented in the table are approximations.

Source: Factors Chain International / FRC

Canada has approximately 57 factoring companies (Source: FCI). The factoring market in Canada grew every year from 2008 to 2012, but dropped in 2013. The CAGR over this period was 4.87%. The U.S. is estimated to have approximately 110 factoring companies, and has experienced relatively stable volume from 2007 to 2013; see chart below.



EUR was converted to USD at 1.38

As a constant conversion rate was used, the figures presented in the table are approximations.

Source: Factors Chain International / FRC

Overview of TFS

In early 2011, SII entered into an agreement with TFS to buy a portion of the receivables originated and serviced by TFS. TFS, established in 2006, is a private Canadian company, with offices in Toronto and Miami. TFS offers its clients factoring, purchase order financing, loans against accounts receivable, assistance in obtaining letters of credit, and auto loan financing. **As per the agreement between TFS and SII/SCI, the funds provided by SII/SCI will primarily be used for factoring. Purchase order financing can form a small portion of the portfolio.** In a typical purchase order financing transaction, a company lends capital to a seller of a product / service, to manufacture / complete the product / service, based on a purchase order received from a buyer. Purchase order financing can involve funding finished products or funding unfinished (work in progress) products. TFS only finances finished products' transactions as they are less risky.

TFS typically purchases invoices by initially advancing 80% - 90% of the face value of the receivable amount. The age of receivables tends to range between 30 – 180 days. Once the receivable is collected, TFS retains the amount they paid to purchase the invoice, and their fee of 2.0% to 3% (per 30 days), and returns the remaining amount to the vendor. **Therefore, in a typical transaction, assuming a 3% fee, and a 30 day receivable, the vendor receives 97%, and TFS collects the remaining 3%.**

One of the vital parameters of factoring is the credibility and the credit quality of the debtor. In order to mitigate default risk, TFS tries to purchase invoices from multinational companies, and/or credit worthy firms as the debtor. **Companies such as AT&T, Inc. (NYSE: T), Shoppers Drug Mart (TSX: L), Bell Canada (TSX: BCE), Amazon.com (NASDAQ: AMZN), Walgreens (NYSE: WAG), Lowe's (NYSE: LOW), the U.S. Department of Defense have been few of TFS's debtors.**

TFS tries to mitigate sector risk by providing factoring to a wide range of industries. The following examples of TFS's factoring transactions show the wide range of industries that

TFS exposes themselves to:

- *$800k of hockey sticks sold to XXX*
- *sale of freezers to XXX*
- *sales of a 3-D mobile x-ray machine bought by XXX*
- *staffing services provided to XXX*
- *telecom infrastructure build out service provided for XXX*
- *shipments of Halal beef to XXX in Saudi Arabia*
- *oil drilling supplies to a national oil company in Latin America*

Source: TFS

(Note: the name of the debtors have been substituted with 'XXX's to maintain confidentiality)

As can be seen from the examples above, TFS also has a strong presence outside US/Canada, which differentiates them from most of the other Canadian factoring companies. TFS did not disclose to us the amount the receivables they originated in 2013. However, they did disclose that of the total originations in 2013, the U.S. accounted for 54%, and the remaining came from Canada (11%), Latin America (29%), Asia (1%), Europe (1%), and the Middle East (4%). As international transactions tend to carry a higher risk profile, TFS charges a higher fee for international deals (typically 0.5% per month more than domestic deals).

Countries where TFS does business

Source: TFS

For TFS's factoring transactions outside the US / Canada, typically, either the vendor or the debtor is located in the US / Canada. TFS does not have a physical office location outside the US / Canada, and therefore, most of their business development is done through their Miami office.

In addition to their international presence, it is TFS's policy to insure most of its receivables that led SecureCare to choose TFS as its exclusive asset originator.

Insurance, Letter of Credit / Guarantee – As mentioned earlier, TFS mainly funds recource factoring transactions. If a debtor defaults on a payment, TFS can revert back to the vendor and claim the amount. To protect against a vendor's inability to pay in such an event, TFS purchases credit insurance on the receivables it holds. The insurance protects TFS against: insolvency/bankruptcy of the payor, political risk, business closure, natural disasters, etc. TFS currently uses Lloyd's of London approved insurers. The insurance also provides an additional level of due diligence for TFS as the insurance underwriters perform their own due diligence on a payor before approval.

In certain cases, instead of using insurance, TFS mitigates default risk by demanding a letter of credit / guarantee, guaranteeing payment of the receivable.

As we were not provided with TFS's financial statements, we have not been able to verify TFS's historic loss rate, and/or the number of times they have made insurance claims in the past. SecureCare management indicated to us that they have verified that TFS has only experienced three defaults since inception. The first two of these were during 2006 - 2008, and totaled US$195,000, reflecting a default rate of 0.02% (0.0027% p.a.) on approximately US$918 million in receivables volume since inception to the end of 2013. Both of these were paid by the insurers. The third default was in May 2014. It is currently being contested in court.

We have reviewed the insurance policy signed between TFS and the insurer, which insures TFS for up to $20 million in losses on a total volume of $200 million from June 2014 to May 2015. The deductible and the premium are extremely low compared to the amount covered by the insurance. These amounts are not disclosed in this report to maintain confidentiality for TFS.

Credit insurance does not compensate for fraud and trade disputes between the vendor and the payor. In order to protect against such events TFS:

- ensures the legitimacy of the receivables, and that it represents a genuine payment obligation;
- ensures that the receivables are clear of all liens, and that the receivables can be legally assigned to TFS;
- requires that the payor sign a confirmation of acceptance of the goods or services, and an irrevocable agreement to pay the invoice directly to TFS.

TFS' other risk mitigation strategies include:

- Individual transactions do not generally exceed 15% of the total portfolio.
- Most transactions have a value of less than $4.50 million.

Portfolio Statistics: TFS currently manages a portfolio of approximately $140 million. Their AUM (assets under management) was less than $20 million until 2011.

The following are selected unaudited information on TFS Management Inc. ("TFS MI").

TFS MI is responsible for the acquisition and management of the receivables held by SII and SCI. The assets managed by TFS MI generated revenues of US$39 million (US$2.5 million in 2012) in 2013, of which, US$13 million (US$0.9 million in 2012) came from financing (including factoring), and US$26 million (US$1.6 million in 2012) came from purchase order financing.

(US Dollars in Millions)	Full Year 2013	Full Year 2012
Managed Assets Revenue		
PO Financing/Product	$ 25.8	$ 1.6
Financing (including Factoring) Interest	13.3	0.9
Total Revenue	$ 39.1	$ 2.5
Managed Assets Margin		
PO Financing/Product	10%	7%
Interest (Annualized)	32%	30%
Assets Representing Trade Receivables	$ 90.6	$ 29.1

Source: Offering Memorandum

The above table indicates a 32% margin on the factoring business in 2013. **Their total revenues of US$39.1 million from assets under management of US$90.6 million, implies a return on capital (ROC) of 43% in 2013.** This is much higher than the industry average returns generated by factoring companies. For example, one of the leading factors in Canada, Accord Financial, typically generates 17% - 18% p.a. of the assets under management. The reason for the higher ROC is that **TFS management indicated that for a few of their purchase order financing transactions, which involve the purchase and resale of finished goods, they report the resale price as revenues, which make revenues as a percentage of assets under management high. Note that we have not confirmed the above as TFS did not provide us their financial statements.**

At the end of 2013, TFS MI managed US$90.6 million in receivables, representing 40 clients and 155 payors. According to TFS, the average transaction size was US$1.46 million per client, and US$345k per payor, in 2013. US and Canadian receivables accounted for 63% of the total portfolio.

Additional information Related to Managed Assets:	Clients	Payors
Number	40	155
Average Loans Outstanding (US$1,000,000)	$1.458	$0.345
Canadian	11%	11%
United States	52%	51%
Foreign	37%	38%

Source: Offering Memorandum

Since inception to 2011, TFS has funded its business through the sale of debentures to institutional investors and high net worth investors. SII and SCI have been two of TFS's primary financiers since 2012. The following table shows a summary of TFS's current lenders.

	Amount	Rate (p.a.)
SCI & SII	$78M	14%
Invico Capital Corporation	n/a	n/a
TFS management & original investors	n/a	n/a
Institutions	n/a	n/a
Total	**$140M**	

**Invico Capital, based in Calgary, Alberta, is an alternative investment fund management firm.*
** "n/a" implies data not provided by TFS*

TFS Ownership
TFS ran as a private entity until 2009, when it was acquired by a US OTC listed public company, ONE Bio Corp. The acquisition was a related party transaction as both companies had common significant shareholders. ONE Bio, headquartered in Florida, used to produce herbal extracts, natural supplements and organic products with a focus on Asia Pacific and the US. ONE Bio's objective was to use TFS as their internal financing business unit. One Bio had generated US$52 million in revenues, and US$9 million in 2010. The financing arm (TFS) generated US$11 million in revenues, with gross profit of $1.97 million, or 18% of revenues.

ONE Bio decided to voluntarily deregister its shares from the OTC market in early 2012. TFS was subsequently spun out in 2012, and sold to its management team. Global Funds Holdings Corp. is the current owner of TFS. TFS stated to us that their management team hold most of Global Funds' equity. Further details regarding the ownership of TFS were not provided. **Global Funds have given Peter Johannes the right to acquire 15% of the shares.**

TFS has approximately 39 employees; 29 work out of the Miami office, and 10 from the Toronto office. Their team includes 6 underwriters, 9 business development staff, and 4 collectors. Brief biographies of TFS's senior management members follow:

J. Stephen McDonald – President
Steve is President of both TFS Management and TFS RT. Steve joined the organizations in 2006 and has been active in the factoring industry for the last six years. Prior to working with TFS Management and TFS RT, Steve had 25 years of sales and executive management experience and served as a senior manager for one of the largest telecom infrastructure providers in North America. Since joining TFS Management and TFS RT, Steve has facilitated well over 1,000 credit receivables transactions, involving businesses in 15 different countries, representing over $100 million of goods and services.

Marius Silvasan, MBA - CEO & Credit Committee Chair
- Managing Partner and CEO since 2012
- Completed over 15 business acquisitions internationally
- Leader / Senior Executive with 20 years experience in business development, marketing, sales and finance

- CEO and Director, One Bio Corporation (2009-2012)
- Founder, TelePlus World Corporation (1998)

Cris M. Neely, MBA – Chief Financial Officer

- Prior to joining TFS, CFO for ONE Bio, Corp. and Teleplus World Corp.
- Siemens Enterprise Networks. CFO from 1999 – 2005;
- Held various other executive positions with Siemens Enterprise Networks including Senior Vice President Business Transformation, Director Internal Audit, Director of Finance
- Held management positions with ROLM, IBM and Cisco during his career
- Bachelor of Business Administration, Finance degree from the University of Texas at Arlington and an MBA from Amberton University

Stan Spencer CPA; CA; Hon.BA; B.Comm - Director of Operations

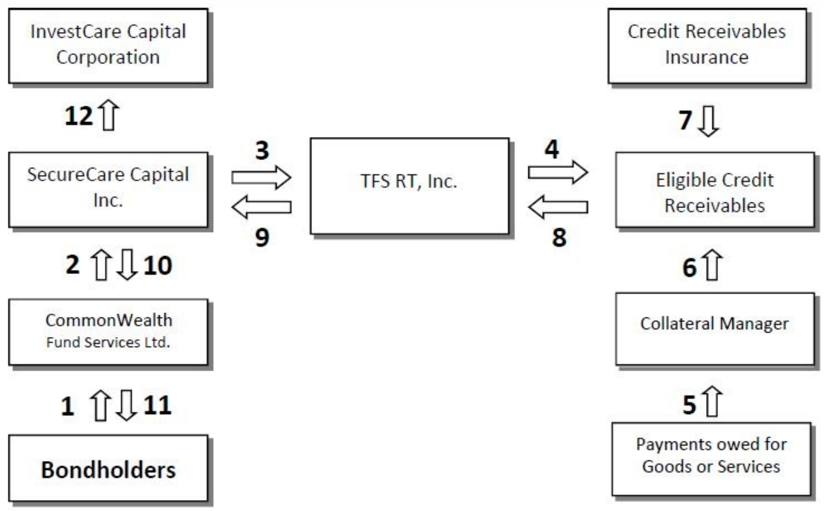
- Articled with Coopers and Lybrand (now PWC) and received C.A designation in 1976; CPA designation in 2012
- 1979 -2007 Partner Mintz & Partners (headed small business division) until merger with Deloitte; partner at Deloitte from 2008-2012 (retired)
- Treasurer and on the Board of Directors for Endowment Fund at Baycrest Centre, Parkinson Society Canada and other charities at various times.

Sandra D. Simmons, Hon. BA (Accounting), CGA – Vice President of Finance

With an honours degree in accounting and a Certified General Accountant designation, Sandra has handled the accounting and administrative needs of both private and public companies. She has been responsible for the financial operations of TFS Management and TFS RT for the last 5 years. Prior to that, Sandra held the positions of Director of Accounting for InterTAN in Canada and Manager of Accounting for Entertainment Partners Canada.

Operating Structure

The following chart shows the operating structure:



Source: OM (see OM for notes)

All the receivables are held in a trust named TFS RT Inc ("trust"). It is a wholly owned subsidiary of Global Funds Holding Corp. **SCI and SII are two of the six beneficiaries of the trust.** The receivables held by the beneficiaries are held in segregated accounts within the trust. The trust has issued a General Security Agreement in favour of its beneficiaries, granting their respective interest in the assets held by the trust.

As mentioned earlier, TFS MI is responsible for the acquisition and management of the receivables held by the trust. TFS MI ("Collateral Manager") is a wholly owned subsidiary of Global Funds Holding Corp. SCI has an agreement with TFS MI, wherein TFS MI has to accept all funds raised by SCI to a maximum of $100 million.

TFS MI has to pay 14% p.a. interest (paid monthly) to the two funds. SCI and SII do not share in any returns above 14% p.a. Even if funds are undeployed in the trust, TFS MI is required to make the 14% p.a. monthly payments to the funds. TFS MI will be considered in default if it misses one monthly payment. **If in default, SCI and SII have the right to take over their share of the assets (receivables) held by the trust.** To date, TFS MI has not defaulted on any its interest payments to SCI and SII.

The following table shows the six beneficiaries and their details:

Beneficiaries	Size	Rate (p.a.)	Investor
SecureCare Investments Inc. (SII)	$39M	14%	Exempt market investors
SecureCare Capital Inc. (SCI)	$39M	14%	Exempt market investors
TFS Canada Bond Series I, Inc.	n/a	n/a	Friends/Family/Original Investors/Management
TFS Canada Bond Series II, Inc.	n/a	n/a	Friends/Family/Original Investors/Management
Trade Finance Solutions Inc.	n/a	n/a	Invico Capital Corporation & Others
Champion Diversified Bond Inc.	n/a	n/a	Friends/Family/Original Investors/Management

TFS RT is not limited in the number of beneficiaries it can serve. **Although SCI and SII cannot pick and choose the receivables they want in their portfolios, they retain the right to refuse any receivables assigned to them. This decision is made by Jason Priest.**

SCI has the following agreements in place with InvestCare and third-party firms.

Management Agreement - As mentioned earlier, InvestCare Capital is responsible for the day to day operations of the company. InvestCare receives 1.2% p.a. (paid monthly) of the assets under management.

Administration Services Agreement with CommonWealth - CommonWealth Fund Services Ltd. acts as a fiduciary and handles the monthly interest payments to bondholders. They are paid the greater of $2,500 per month or 0.10% p.a. (paid monthly) of the assets of under management. CommonWealth, founded in 2007, is a subsidiary of the Caledon Trust Company. CommonWealth has $2+ billion of assets under administration.

Service Agreement with J. Priest Investment Management Inc. – JPIM, run by Jason Priest, acts as the portfolio manager and investment fund manager. JPIM is paid 0.10% p.a. (paid monthly) of the value of bonds under management. JPIM charges a lower fee of 0.06% p.a. to SII.

Payment to InvestCare will be made only after payment to its bondholders, and the fees to JPIM and CommonWealth. The following shows how SCI's revenues (14% p.a. from TFS RT) are distributed:

a) interest payments to bondholders
b) repay bondholder accounts for capital used to pay offering costs, sales fees and commissions
c) pay JPIM fees
d) pay CommonWealth fees
e) pay any expenses of TFS RT that are apportioned to the company
f) pay management fees to InvestCare

Current Portfolio

As of June 30, 2014, SCI had funded $28.23 million to TFS RT, of which, the trust had deployed approximately $19 million to purchase receivables. The company acquired 177 receivables owed by 35 payors, averaging $110,900 per receivable. The receivables are spread across 24 clients.

The tables below detail the geographic and industrial sector exposure of the 177 receivables:

Geographic Exposure (dollars)	
Country	Proportion of Asset Pool
Canada	3.3%
United States	45.2%
Mexico	14.2%
South America	34.9%
Middle East	2.4%
Europe	0.0%
Asia (excluding China)	0.0%
China	0.0%

Exposure by Industry Sector (dollars)	
GICS* Industry Sector	Proportion of Asset Pool
Consumer Discretionary	32.8%
Consumer Staples	6.1%
Energy	14.2%
Financial	4.9%
Health Care	10.3%
Industrial	8.6%
Info Tech	20.8%
Telecom	2.3%

** Standard & Poor's Global Industry Classification Standard*

Source: OM

As of June 30, 2014, the largest payors include AT&T, JP Morgan Chase, Walgreens, Pemex, Dick's Sporting Goods and the Government of Brazil.

The following table shows the number of receivables by age. The weighted average age of the 177 receivables was 44 days.

SecureCare Capital Inc. Eligible Credit Receivables Pool as of June 30th, 2014

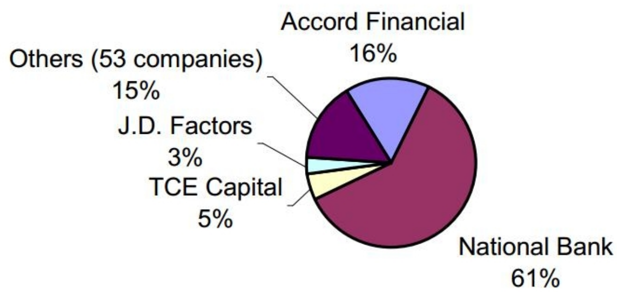
Eligible Credit Receivable Time Outstanding	Number of Receivables	Percent of Pool Value
Less than 30 days	96	54.2%
30 to 59 days	51	28.8%
60 to 89 days	13	7.3%
90 to 119 days	11	6.2%
120 days +	6	3.5%

Source: OM

Industry Players and Performance

As mentioned earlier, there are about 57 factoring companies in Canada at this time, which originated $7.8 billion in receivables in 2013. **National Bank of Canada is the market leader with a 61% market share.** TSX listed Accord Financial is the second largest player with a 16% market share. TCE Capital is third with a 5% share. J.D. Factors, Liquid Financial, and Bibby Financial Services, are other key players.

Market Share(2012)



Source: Accord

Excluding National Bank, the remaining 56 factors originated $3 billion, or $55M each per year. As the bigger players such as Accord, TCE Capital, etc. have significantly higher volumes than what the average suggests, we believe a significant number of companies in the space are very small with volumes well below $55M. **TFS's strong growth in the past two years, we believe, makes them one of the larger players in Canada at this time.**

In the next section, we present few of the key performance figures of Accord Financial for readers to attain a good understanding on some of the important features of the industry.

Accord Financial (TSX: ACD – market capitalization of $76M), formed in 1978, had $1.86 billion in factoring volume in 2013. They had approximately $196 million receivables/loans outstanding, which implies that they were able to turn around their capital 9-10 times in the year. The following table shows their factoring volume since 2004.

Factoring Volume (in $, billions)

Source: Accord Financial

As TFS management has not provided us information on their annual factoring volume, we are not able to comment on their ability to turn around their capital.

The following table shows a summary of ACD's financials. In 2013, Accord generated $19.98 million in revenues from recourse factoring, or 18% of the total receivable (recourse) assets and loans outstanding.

	2012	2013
Factoring volume ($,bn)	$1.87	$1.86
Receivables (recource/non-recource) & loans	$195,527,165	$171,797,608
Receivable (recource) & loans	$108,477,165	$109,774,608
Total Revenues	$25,890,527	$26,073,541
Revenues from receivables (recource)/loans	$19,199,260	$19,981,868
Revenues as a % of receivables (recource)/loans	*17.7%*	*18.2%*
Net Income	$6,376,597	$6,538,011

The following chart shows few of Accord's portfolio's key parameters:

(as a percentage unless otherwise stated)	2013	2012	2011
Receivables Turnover (days)	37	39	44
Managed Receivables past due more than 60 days	4.9	4.6	9.4
Reserves*/Portfolio	1.0	0.8	1.2
Reserves*/Net Charge-offs	393	193	149
Net Charge-offs/Volume	0.02	0.04	0.08

*Reserves comprise the total of the allowance for losses on Loans and on the guarantee of managed receivables.

Source: Accord Financial

Accord's receivables turnover (age of receivables) was 37 days in 2013. This compares to SCI receivables' 44 days. Generally, the shorter the receivables turnover, the lower the risk of the receivables.

The net charge-off (loss) as a percentage of total volume was 0.02%, and as a percentage of the assets under management, was 0.3% in 2013. According to Accord, the long-term industry average is 0.15% to 0.20% of the total annual volume, or 2% - 3% p.a. of the assets under management. The following chart shows the provision for credit losses as a percentage of loans outstanding of the major Canadian banks, which averages 0.46%. Payday lending, which is one of the sectors in the lending business with the highest default rates, has an average default rate of 3.5% - 4% p.a. At 2% - 3% p.a., the risk profile of the factoring business falls in between the two sectors.

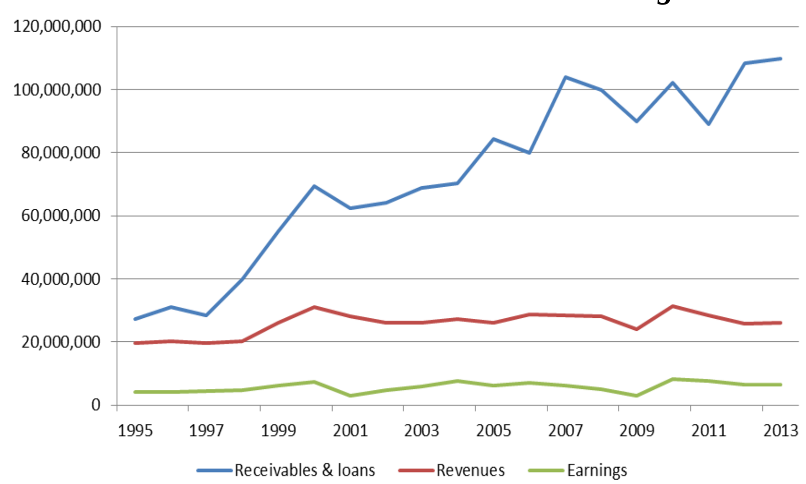
Bank	Provision for credit losses as % of net average loans
Bank of Montreal	0.30%
Bank of Nova Scotia	0.48%
Canadian Imperial Bank of Commerce*	0.82%
Royal Bank of Canada	0.55%
Toronto-Dominion Bank	0.15%
Average	0.46%

* Credit losses charged as % of net loans

Source: Ernst & Young Survey

Accord had debt to capital of 52% at the end of 2013. As debt financing, they use a line of credit from several banks, whose cost of capital is much lower than TFS's source of financings. One of the main reasons why Accord has been able to attain bank financing is that their historical performance has been reasonably steady. The chart below shows Accord's revenue and net income since 1995.

Accord Financial Revenues and Earnings



TFS's goal is to have approximately $250 million in AUM within the next two years. We believe as TFS grows, and builds a stronger track record, they may be able to attain funding with lower costs of capital. If and when TFS attains such funding, they will seek to pay off capital with higher cost.

As per the agreement between TFS and SCI, TFS shall not repay capital to SCI that would require SCI to redeem any of its debentures prior to their maturity date. If TFS attains funding with a lower cost of capital, we believe they may gradually repay capital to SCI as the debentures mature.

Offering Structure

SCI has two types of common shares – Class A and Class B.

Description of Security	Number authorized to be issued	Price per security	Number outstanding as at November 21, 2013	Number outstanding assuming completion of Maximum Offering
Class A Common Shares	Unlimited	$1.00	82,000	82,000
Class B Common Shares	Unlimited	$3,600	5	5

Class A Common shares – no voting rights, no dividends or share of profits – these shares are owned by 164 shareholders, each holding 500 shares.

Class B Common shares – these shares have voting rights, but no right to receive dividends or share of profits - Peter and Ingrid Johannes own all the Class B shares.

SCI has the following types of unsecured bonds outstanding:

Series	Term (years)	Rate (p.a.)	Type
A	1	7.0%	direct subscriptions
B	1	7.0%	deferred plan
C	3	8.0%	direct subscriptions
D	3	8.0%	deferred plan
E	5	9.0%	direct subscriptions
F	5	9.0%	deferred plan

As of June 30, 2014, SCI had raised $29.51 million. The following table shows the distribution:

Bonds Outstanding	Jun-14	
One year term	$11,622,493	39.4%
Three year term	$5,791,343	19.6%
Five year term	$12,099,196	41.0%
	$29,513,032	

There is no early redemption option for investors. However, as mentioned earlier, the company can prepay the bonds at any time prior to maturity. According to management, they have been meeting most of the redemptions so far from new capital raised in the offering. Although the agreement between TFS and SCI does not explicitly state that SCI can take out their capital from TFS RT to meet redemptions, management indicated to us that as they own the receivables, and cash within TFS RT, they have the right to liquidate all of its assets any time, subject to maturity of the receivables. Management stated that they have requested capital back from TFS RT twice in the past to meet redemptions.

The following table shows the sales commissions and offering costs associated with the offering:

		Assuming Maximum Offering
A	Amount to be raised by issuance of this Offering	$100,000,000
B	Selling commissions and fees	$8,500,000 (1)
C	Estimated Offering costs	$500,000 (2)
D	Available Funds: D = A – (B + C)	$91,000,000
E	Additional sources of funding required	Nil (3)
F	Working Capital Deficiency	Nil (4)
G	Total: G = (D + E) – F	$91,000,000

(1) Assuming 8.5% of the gross proceeds of this Offering will be paid as selling commissions (see Item 7 Compensation Paid to Sellers and Finders).
(2) Represents estimated legal, accounting, marketing and due diligence expenses associated with this Offering.
(3) The Corporation does not expect to require additional funds from other sources to advance its business objectives.
(4) The Corporation does not have a working capital deficiency.

The offering pays an upfront sales fee (including EMD fee) as per below:

- 1 year – 3.00%
- 3 year – 5.75%
- 5 year – 8.50%

According to management, SCI currently has $39 million worth of bonds issued, of which, $31 million came from new bond sales, and $8 million came from the renewal of SII bonds, upon maturity, into SCI bonds. As mentioned earlier, SII is not accepting renewal or new capital at this time, as management intends to wind down the fund over the next five years.

The following table compares the structure of SII and SCI.

	SII	SCI
Annual Return on Capital (from TFS)	14.0%	14.0%
Management Fee	1.5% p.a. of the bonds issued	1.2% p.a. of the assets under management
Trustee Fee	0.5% p.a. on funds raised from deferred Plans	
JPIM Fee	0.06% p.a. of the value of bonds under management	0.10% p.a. of the value of bonds under management
CommonWealth Fee	0.10% on AUM or $2,500/month minimum	0.10% on AUM or $2,500/month minimum
Sales Fee	Upfront (no trailer): 1yr - 3% / 3yr - 6% / 5yr - 9%	Upfront (no trailer): 1yr - 3% / 3yr - 5.75% / 5yr - 8.5%
Interest on bonds (p.a.)		
1-year	8.0%	7.0%
2-year	9.0%	8.0%
3-year	10.0%	9.0%

Based on the above, the expected profit (excluding bond interest) for SII and SCI is shown below:

per annum	1-year		3-year		5-year	
	SII	**SCI**	**SII**	**SCI**	**SII**	**SCI**
Revenues	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Management Fee	1.50%	1.20%	1.50%	1.20%	1.50%	1.20%
Trustee Fee	0.50%		0.50%		0.50%	
JPIM Fee	0.06%	0.10%	0.06%	0.10%	0.06%	0.10%
CommonWealth Fee	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Sales Fee (annlzd.)	3.00%	3.00%	2.00%	1.92%	1.80%	1.70%
Net (excluding bond interest)	**8.84%**	**9.60%**	**9.84%**	**10.68%**	**10.04%**	**10.90%**

As shown above, margins are significantly higher for SCI indicating its more cost efficient structure.

Since SII has a longer track record, we start with SII's historic performance in this section.

Financials - SII

The following shows SII's income statement since FY2012. **Note that FY2013 and FY2014 are unaudited statements. Management has indicated to us that they intend to**

have audited statements for SCI every year.

YE - June 30	2012	2013*	2014*
Revenues			
Interest revenues	198,026	2,152,704	6,445,222
Expenses			
Interest on bonds + amortized selling expense	154,193	1,834,154	4,402,620
Management and Target Capital fees	17,571	248,079	258,234
G&A	29,388	70,799	125,625
Sales Commissions (financing)			1,298,429
Expenses	**201,152**	**2,153,032**	**6,084,908**
Operating Income	**(3,126)**	**(328)**	**360,314**
Other Income			999
FOREX gain		1,153	
Taxes			
Net Income (Loss)	**(3,126)**	**825**	**361,313**

* Unaudited

% of Receivables	**2012**	**2013**	**2014**
Interest revenues	13.0%	14.0%	14.0%
Interest on bonds + amortized selling expense	10.1%	11.9%	9.6%
Management and Target Capital fees	1.2%	1.6%	0.6%
G&A	1.9%	0.5%	0.3%
FOREX gain	0.0%	0.0%	0.0%
Taxes	0.0%	0.0%	0.0%
Net Income (Loss)	-0.2%	0.01%	0.8%
Weighted Avg Receivables	$1,523,277	$15,376,457	$46,037,300

YE – June 30

In 2012, SII negotiated with TFS to raise the interest rate they receive from TFS from 13% to 14% p.a. to make it in line with SCI's rate. Revenues grew from $0.20 million in FY2012, to $6.45 million in FY2014. Net Income in FY2014 was $0.36 million versus a net loss of $3,126 in FY2012.

The following table shows a summary of the company's balance sheet. Note that management has yet to finalize SII's FY2014 balance sheet.

	2011	2012	2013*
Assets			
Cash	$ 1,272	$ 91,501	$ 719,089
Prepaid expenses + due from related parties		$ 15,692	$ 121,448
Receivables + Cash held by TFS RT		$ 5,365,977	$ 35,479,371
Total Assets	**$ 1,272**	**$ 5,473,170**	**$ 36,319,908**
Liabilities			
Accounts payable and accrued liabilities	$ 30,600	$ 12,000	$ 39,258
Current portion of bonds payable		$ 4,571,215	$ 15,629,971
	$ 30,600	**$ 4,583,215**	**$ 15,669,229**
LT portion of bonds payable		$ 922,409	$ 20,682,308
Shareholders' Equity			
Share capital	$ 1,100	$ 1,100	$ 1,100
Earnings (Deficit)	$ (30,428)	$ (33,554)	$ (32,729)
	$ (29,328)	**$ (32,454)**	**$ (31,629)**
Liabilities + SE	**$ 1,272**	**$ 5,473,170**	**$ 36,319,908**

* Unaudited

Liquidity Analysis	2011	2012	2013*
Cash	$ 1,272	$ 91,501	$ 719,089
Working Capital	$ (29,328)	$ 889,955	$ 20,650,679
Current Ratio	0.0	1.2	2.3
Bonds Outstanding	$0	$5,493,624	$36,312,279
Debt/Capital	0.00%	100.59%	100.09%
Interest coverage		0.98	1.00

SII had $36.31 million in bonds outstanding as of June 30, 2013, of which, $35.48 million was invested with TFS RT. As shown above, the interest coverage was just 1.0x in FY2013, indicating tight margins and the reason why management decided to adopt a lower cost structure for SCI.

Financials - SCI

SCI's income statements are shown below. SCI generated $0.98 million in revenues, and net profit of $48k, in the six month period ended June 30, 2014.

YE - Dec 31	2013	2014 (6M)*
Revenues		
Interest revenues		975,271
Expenses		
Interest on bonds + amortized selling expense		782,088
Management+JPIM+CommonWealth		126,975
G&A	50	2,005
Expenses	**50**	**911,068**
Operating Income	**(50)**	**64,203**
FOREX gain	1,149	527
Taxes		17,153
Net Income (Loss)	**1,099**	**47,577**

* Unaudited

% of Receivables	2014 (6M) annualized
Interest revenues	14.0%
Interest on bonds + amortized selling expense	11.2%
Management+JPIM+CommonWealth	1.8%
G&A	0.0%
FOREX gain	0.0%
Taxes	0.2%
Net Income (Loss)	0.7%
Weighted Avg Receivables	$13,932,443

The following table shows a summary of the company's balance sheet. SCI had $29.41 million in bonds outstanding as of June 30, 2014, of which, $28.23 million was invested with TFS RT. The interest coverage was 1.08x in the first six months of 2014.

	2013	Q2-2014*
Assets		
Cash	$ 183,417	$ 1,861,450
Receivables + Cash held by TFS RT	$ 371,560	$ 28,226,173
Total Assets	**$ 554,977**	**$ 30,087,623**
Liabilities		
Accounts payable and accrued liabilities	$ 30,271	$ 317,395
Income tax payable		$ 17,153
Interest payable		$ 291,646
Current portion of bonds payable	$ 230,088	$ 12,248,830
	$ 260,359	**$ 12,875,024**
LT portion of bonds payable	$ 293,519	$ 17,163,923
Shareholders' Equity		
Share capital	$ 100,000	$ 100,000
Earnings (Deficit)	$ (98,901)	$ (51,324)
	$ 1,099	**$ 48,676**
Liabilities + SE	**$ 554,977**	**$ 30,087,623**

* Unaudited

Liquidity Analysis	2013	Q2-2014*
Cash	$ 183,417	$ 1,861,450
Working Capital	$ 294,618	$ 17,212,599
Current Ratio	2.1	2.3
Bonds Outstanding	$523,607	$29,412,753
Debt/Capital	99.79%	99.83%
Interest coverage		1.08

Risks

We believe following are the key risks of the offering:

- Fixed rate bonds, with longer terms, are exposed to interest rate risks.
- Prepayment risks exist as SCI can redeem investors at any time prior to maturity.
- Compared to the established players in the Canadian factoring space, TFS has a shorter track record.
- TFS's ability to consistently deploy capital at attractive yields is critical.
- As with most investments, there is no guarantee that SCI will be able to return principal and meet interest payments.
- International factoring deals tend to have a higher risk profile than domestic transactions.
- Although TFS purchases insurance on all the receivables it purchases, insurance does not cover fraud and trade disputes.
- Key person risks exist as Peter and Ingrid Johannes own 100% of the voting shares of SCI.
- We have not reviewed TFS' audited statements to confirm their historic performance.
- SII does not have audited FY2013 and FY2014 statements.
- Although the company has an independent portfolio manager (JPIM), a conflict of interest may arise if Peter Johannes acquires equity in Global Funds.

Rating

Based on our review of the offering, we assign an overall rating of 3+.

FRC Rating	
Expected Annual Yield	7% - 9% p.a.
Rating	3+
Risk	3

If TFS MI is able to consistently deploy capital, they can generate 30% - 35% p.a. on their funds. In such cases, we believe TFS MI will not have any problem paying out the 14% p.a. return to SCI, which will allow SCI to meet the 7% - 9% p.a. interest payments to its bondholders. Our analysis of the factoring market in the US and Canada indicates that there is a lot of room for TFS MI to grow. The key risks are – a) TFS has a relatively shorter track record compared to the established Canadian/US factoring companies, and b) we have not been able to review TFS MI or the trust's financial statements to confirm TFS MI's operating performance. The overall risk of this offering is lowered by the fact that SCI has the right to take over their share of the assets (receivables) if TFS MI defaults on a payment. We assign a risk rating of 3.

Fundamental Research Corp. Rating Scale:

Rating – 1: Excellent Return to Risk Ratio
Rating – 2: Very Good Return to Risk Ratio
Rating – 3: Good Return to Risk Ratio
Rating – 4: Average Return to Risk Ratio
Rating – 5: Weak Return to Risk Ratio
Rating – 6: Very Weak Return to Risk Ratio
Rating – 7: Poor Return to Risk Ratio
A "+" indicates the rating is in the top third of the category, A "-" indicates the lower third and no "+" or "-" indicates the middle third of the category.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk)
2 (Below Average Risk)
3 (Average Risk)
4 (Speculative)
5 (Highly Speculative)

FRC Distribution of Ratings			
Rating - 1	0%	Risk - 1	0%
Rating - 2	23%	Risk - 2	2%
Rating - 3	48%	Risk - 3	31%
Rating - 4	10%	Risk - 4	42%
Rating - 5	6%	Risk - 5	9%
Rating - 6	1%	Suspended	16%
Rating - 7	0%		
Suspended	13%		

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