



ORCA TOUCHSCREEN TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

ORCA TOUCHSCREEN TECHNOLOGIES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

(Unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
Current		
Cash	\$ 1,065	\$ 384,829
Restricted cash	5,750	5,750
Accounts receivable	22,241	15,089
Prepaid expenses	3,712	137,157
	<u>32,768</u>	<u>542,825</u>
Loan receivable (Note 3)	208,827	100,000
Intangible assets (Note 4)	33,680	40,674
Investment (Note 5)	112,080	112,080
	<u>\$ 387,355</u>	<u>\$ 795,579</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 113,591	\$ 44,883
Due to related parties (Note 10)	81,619	2,645
Short term loan (Note 6)	15,302	-
	<u>210,512</u>	<u>47,528</u>
Shareholders' equity		
Share capital (Note 9)	3,993,647	3,080,976
Share subscription (Note 13)	29,539	926,901
Reserve (Note 9)	1,074,864	1,014,666
Deficit	(4,921,207)	(4,274,492)
	<u>176,843</u>	<u>748,051</u>
	<u>\$ 387,355</u>	<u>\$ 795,579</u>

Nature of operations and going concern (Note 1)**Subsequent events** (Note 13)

Approved and authorized by the Board:

/s/ "Soo Rae Park" Director /s/ "Yong Chul Kim" Director
Soo Rae Park **Yong Chul Kim**

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

ORCA TOUCHSCREEN TECHNOLOGIES LTD.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Expenses:				
Amortization of intangible asset	\$ 2,331	\$ -	\$ 6,994	\$ -
Audit and accounting fees	4,500	-	16,920	24,126
Business development (Note 7)	-	271,657	184,600	696,657
Consulting fees	11,163	(302,385)	171,065	150,600
Filing and regulatory	7,424	6,866	27,294	32,365
General and administrative	1,041	2,772	8,240	66,094
Interest expense (recovery)	221	-	306	(874)
Investor relations (Note 8)	50	75,423	10,412	75,423
Legal fees	4,992	38,566	44,471	154,638
Management fees (Note 10)	24,000	24,000	72,000	67,000
Royalty payments (Notes 4 and 10)	12,000	-	36,000	12,000
Share-based payment (Note 9)	6,620	-	41,542	18,104
Travel	-	4,339	35,738	28,042
Loss before other items	(74,342)	(121,238)	(655,582)	(1,324,175)
Other items:				
Interest income (Note 3)	3,064	-	8,867	-
Net loss and comprehensive loss for the year	\$ (71,278)	\$ (121,238)	\$ (646,715)	\$ (1,324,175)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding	\$ 55,911,100	\$ 45,276,301	\$ 54,965,183	\$ 43,012,955

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

ORCA TOUCHSCREEN TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	Nine months ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (646,715)	\$ (1,324,175)
Items not affecting cash:		
Amortization of intangible assets	6,994	-
Share based payments	41,542	18,104
Changes in non-cash working capital items:		
Accounts receivable	(7,152)	(11,070)
Prepaid expenses	133,445	(1,460,817)
Accounts payable and accrued liabilities	68,708	(24,765)
Due to related parties	78,974	(5,000)
	<u>(324,204)</u>	<u>(2,807,723)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	1,113,361	3,196,687
Share issue costs	(182,034)	(272,029)
Loan payable	15,302	(110,929)
Share subscription	(897,362)	249,384
	<u>49,267</u>	<u>3,063,113</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan receivable	(108,827)	-
Change in cash during the year	(383,764)	255,390
Cash, beginning of year	384,829	26,106
Cash, end of year	\$ 1,055	\$ 281,496

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ORCA TOUCHSCREEN TECHNOLOGIES LTD.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended September 30, 2016

	Share capital		Reserve	Share Subscription	Deficit	Total
	Number	Amount				
Balance, December 31, 2015	52,295,234	\$ 3,080,976	\$ 1,014,666	\$ 926,901	\$ (4,274,492)	\$ 748,051
Share units issued for cash (Note 9)	3,711,204	1,094,705	18,656	-	-	1,113,361
Share unit issue costs (Note 9)	-	(182,034)	-	-	-	(182,034)
Shares subscribed (Note 9)	-	-	-	(897,362)	-	(897,362)
Share-based compensation (Note 9)	-	-	41,542	-	-	41,542
Loss and comprehensive loss for the period	-	-	-	-	(646,715)	(646,715)
Balance, September 30, 2016	56,006,438	\$ 3,938,602	\$ 1,074,864	\$ 29,539	\$ (4,921,207)	\$ 176,843

For the nine months ended September 30, 2015

	Share capital		Reserve	Share Subscription	Deficit	Total
	Number	Amount				
Balance, December 31, 2014	40,440,000	\$ 368,500	\$ 185,479	\$ -	\$ (486,396)	\$ 67,583
Shares issued for cash (Note 9)	1,037,382	518,691	-	-	-	518,691
Share units issued for cash (Note 9)	8,053,327	1,968,361	709,635	-	-	2,677,996
Share unit issue costs (Note 9)	-	(272,029)	-	-	-	(272,029)
Shares subscribed (Note 9)	-	-	-	249,384	-	249,384
Share-based compensation (Note 9)	-	-	18,104	-	-	18,104
Loss and comprehensive loss for the period	-	-	-	-	(1,324,175)	(1,324,175)
Balance, September 30, 2015	49,530,709	\$ 2,583,523	\$ 465,069	\$ 249,384	\$ (1,810,571)	\$ 1,935,554

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

ORCA TOUCHSCREEN TECHNOLOGIES LTD.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Orca Touchscreen Technologies Ltd. (the "Company" or "Orca Touchscreen") was incorporated on December 31, 2013 under the *Business Corporation Act* of British Columbia. The head office of the Company is 1500 – 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. The Company has invested in touchscreen technology in an effort to develop and sell electronic devices.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At September 30, 2016, the Company has not achieved profitable operations and has accumulated losses of \$4,921,207 (December 31, 2015 – \$4,274,492) since inception and expects to incur further losses in the development of its business. This material uncertainty may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

2. BASIS OF PREPARATION

a) Statement of Compliance

These unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2015. These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in compliance with International Accounting Standard ("IAS") 34 - *Interim Financial Reporting*. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2015.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on October 18, 2016.

b) Critical accounting estimates and judgments

Critical accounting estimates are estimates and assumptions made by Management that may result in a material adjustment to the carrying amounts of assets and/or liabilities within the next financial year and are disclosed in Note 2(b) of the Company's annual audited consolidated financial statements for the year ended December 31, 2015. There have been no changes to the Company's critical accounting estimates and judgments during the nine months ended September 30, 2016.

3. LOAN RECEIVABLE

On December 11, 2015, the Company, through its wholly-owned subsidiary Orca Mobile, agreed to advance the principal amount of \$200,000 to an unrelated third party, Smart Sollen Inc. ("Smart Sollen") of Seoul, South Korea to be used to develop its operations to procure and sell electronic components to various joint venture companies in which Orca Mobile has an interest (Note 5). The principal amount was advanced in two instalments: \$100,000 on December 11, 2015 and \$100,000 on January 31, 2016. The term of the agreement is 2 years. Smart Sollen agrees to repay the principal plus interest at a simple rate of 6% per annum by no later than the fifth business day following the last day of the term provided however that Orca Mobile may at any time and from time to time in its sole discretion and on 30 days' notice convert all of the principal and interest then due into 51% of the issued and outstanding common shares of Smart Sollen as fully paid and non-assessable which will entitle Orca Mobile to appoint a majority of the members of the board of directors of Smart Sollen. If on the sixth business day following the end of the term, Orca Mobile has not so converted and if Smart Sollen has failed to pay the unpaid principal and interest then due, then the unpaid principal and interest then due shall be deemed to have converted automatically as aforementioned and Orca Mobile will be entitled to appoint a majority of the directors as aforementioned. During the nine months ended September 30, 2016, interest receivable of \$8,827 was accrued.

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4. INTANGIBLE ASSETS

On May 12, 2014, the Company, through its wholly-owned subsidiary Orca Mobile, entered into an asset purchase agreement and a patent and technology license agreement, both with Sollensys Corporation ("Sollensys"), a company incorporated and based in South Korea. Sollensys is a related party to the Company as its principal shareholder, a senior officer and a director is GwanJe (Frank) Woo, a principal shareholder and CEO and President of the Company (Note 10).

During the nine months ended September 30, 2016, the Company incurred \$36,000 (2015 - \$12,000) in royalty payments to Sollensys pursuant to the terms of the agreement.

The intangible assets are being amortized on a straight-line basis over 5.63 years starting January 1, 2015. The accumulated amortization as at September 30, 2016 is \$16,320 (December 31, 2015 - \$9,326).

5. INVESTMENT

On September 30, 2014, the Company entered into a letter of intent with Sollensys and Mr. Carlos Fernando Rivers Sandoval, governing the proposed incorporation of a Guatemala joint venture company called Sollen-Mobile SA ("Sollen Guatemala") for the purpose of developing, manufacturing and marketing touchscreen-enabled computer and telecommunications hardware and software. The initial paid-in capital of Sollen Guatemala was US\$300,000, of which the Company paid US\$100,000 (\$112,080 CDN) for its 30% share of the investment.

On February 11, 2016, the Company, through its wholly-owned subsidiary, Orca Mobile, entered into a definitive agreement for the joint venture which governs the investment in and the management of Sollen Guatemala.

6. SHORT-TERM LOANS

During the nine months ended September 30, 2016, short-term loans totaling \$15,000 were received by the Company from Smart Sollen for general working capital. The short-term loans bear interest at a simple rate of 6% per annum, are unsecured and are payable on demand. During the nine months ended September 30, 2016 interest payable of \$302 was accrued.

7. BUSINESS DEVELOPMENT

On March 18, 2015, the Company entered into a service agreement with a private equity and venture capital firm based in Singapore, pursuant to which the firm agreed to provide business development services. The initial term of the agreement is three years, unless terminated by either party on thirty days' written notice. Subsequently, by amendment dated October 31, 2015, the Company and the Firm agreed to change the Firm's compensation to fees at a rate of \$500 per hour as invoiced. For the nine months ended September 30, 2016, business development expenses were \$184,600 (2015 - \$696,657).

8. INVESTOR RELATIONS

On January 30, 2015, the Company entered into a consulting agreement with Primoris Group Inc. ("Primoris"), of Toronto, Ontario, by which Primoris agreed to act as the Company's investor relations consultant by providing proactive, customized investor and media relations services. The initial term of the agreement was for one year, beginning January 2015. The term renews automatically on a month-to-month basis until terminated by either party on 30 days' written notice. For the nine months ended September 30, 2016, the Company paid \$10,000 (2015 - \$28,000) to Primoris for investor relation services rendered. On May 31, 2016, the agreement was terminated by mutual agreement.

9. SHARE CAPITAL AND RESERVES

a) Authorized share capital

Unlimited number of common and preferred shares without par value.

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b) Issued share capital

As at September 30, 2016, the Company had 56,006,438 common shares issued and outstanding (December 31, 2015, 52,295,234).

- i. On February 1, 2016, the Company completed a private placement of 1,259,244 units at a price of \$0.30 per unit for gross proceeds of \$377,773. Each unit is comprised of one common share and one-half warrant. The Company paid finders a commission of \$66,834 which was recorded as a share issuance cost;
- ii. On February 16, 2016, the Company completed a private placement of 524,190 units at a price of \$0.30 per unit for gross proceeds of \$157,257. Each unit is comprised of one common share and one-half warrant. The Company paid finders a commission of \$27,000 which was recorded as a share issuance cost;
- iii. On March 4, 2016, the Company completed a private placement of 270,000 units at a price of \$0.30 per unit for gross proceeds of \$81,000. Each unit is comprised of one common share and one-half warrant. The Company paid finders a commission of \$16,200 which was recorded as a share issuance cost.
- iv. On April 18, 2016, the Company completed a private placement of 1,471,150 units at a price \$0.30 per unit for gross proceeds of \$441,345. Each unit is comprised of one common share and one-half warrant. The Company paid finders a commission of \$72,000 which was recorded as a share issuance cost.
- v. On August 16, 2016, the Company completed a private placement of 186,620 units at a price \$0.30 per unit for gross proceeds of \$55,986. Each unit is comprised of one common share and one-half warrant.

c) Escrow agreement

Pursuant to a stock restriction agreement, 8,902,000 common shares of the Company are subject to restrictions on transfer. The restricted shares are to be released at 10% on the listing date and an additional 15% every six months thereafter with the final tranche being released on June 13, 2017. As at September 30, 2016, 2,670,600 (December 31, 2015 - 4,005,900) common shares of the Company are restricted.

d) Stock options

For the nine months ended September 30, 2016, share based compensation expense of \$41,542 (2015 - \$18,104) based on the grant date fair value of the awards recognized over the vesting period, was recorded in net loss.

Details of stock options activities for the nine months ended September 30, 2016 and 2015 are as follows:

	Number of options	Weighted Average Exercise Price
Balance outstanding, January 1, 2015	600,000	\$0.80
Cancelled	(600,000)	\$0.80
Balance outstanding, September 30, 2015	-	-
Balance outstanding, January 1, 2016	2,900,000	\$0.20
Balance outstanding, September 30, 2016	2,900,000	\$0.20
Balance exercisable, September 30, 2016	2,050,000	\$0.20

The weighted average remaining life of options outstanding is 4.22 years.

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e) Warrants

The fair value of warrants issued during the nine months ended September 30, 2016 was determined using the Black Scholes pricing model with the following assumptions:

	2016
Risk-free interest rate	0.59%~0.89%
Annualized volatility	100%
Expected dividend yield	Nil
Expected warrant life in years	5.0

Details of warrants activity is as follows:

	Number of warrants	Weighted Average Exercise Price	Expiry Date
Balance outstanding, January 1, 2015	-	-	-
Issued – May 11, 2015 private placement	935,708	\$0.55	May 11, 2020
Issued – July 27, 2015 private placement	778,859	\$0.40	July 27, 2020
Issued – July 28, 2015 private placement	448,797	\$0.40	July 28, 2020
Issued – September 25, 2015 private placement	1,863,302	\$0.40	September 25, 2020
Balance outstanding, September 30, 2015	4,026,666	\$0.44	
Balance outstanding, January 1, 2016	5,408,931	\$0.43	
Issued – February 1, 2016 private placement	629,622	\$0.40	February 1, 2021
Issued – February 16, 2016 private placement	262,095	\$0.40	February 16, 2021
Issued – March 4, 2016 private placement	135,000	\$0.40	March 4, 2021
Issued – April 18, 2016 private placement	735,575	\$0.40	April 18, 2021
Issued – August 16, 2016 private placement	93,310	\$0.40	August 16, 2021
Balance outstanding, September 30, 2016	7,264,533	\$0.42	

The weighted average remaining life of warrants outstanding is 4.07 years.

f) Reserve

The Company's equity reserve is comprised of share-based payments and the fair value of warrants issued.

10. RELATED PARTY TRANSACTIONS

Related party transactions are comprised of services rendered by directors and/or officers of the Company and a company controlled by an officer of the Company. Related party transactions are in the ordinary course of business and are measured at the exchange amount.

Key management personnel are the Chief Executive Officer, the Chief Financial Officer, the Secretary and three Directors of the Company. The remuneration of key management personnel is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Management fees	\$ 24,000	\$ 55,500	\$ 72,000	\$ 67,000
Accounting fees	4,500	-	13,500	-
Legal fees	4,408	-	30,302	-
Share-based payments	-	-	-	18,104
	\$ 32,908	\$ 55,500	\$ 115,802	\$ 85,104

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)

(Unaudited)

As at September 30, 2016, \$80,005 (December 31, 2015 - \$2,645) was due to directors and officers of the Company for unpaid management, accounting and legal fees.

During the nine months ended September 30, 2016, the Company incurred \$36,000 (2015 - \$12,000) in royalty payments to Sollensys pursuant to the terms of the agreement (Note 4).

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Fair value hierarchy

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

Level 1 - Unadjusted quoted prices 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 or indirectly; and

Level 3 - Inputs for the asset or liability that are not based upon observable market data.

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables, loans receivable accounts payable and accrued liabilities and short-term loans payable approximate their fair value because of the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2016, the Company had a cash balance of \$1,065 to settle current liabilities of \$210,512.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance on-going developments of its technology, such capital to be derived from the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future development of its technology, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and the success of its technology. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents, loans receivable, and short-term investments. The Company limits exposure to credit risk on liquid financial assets by maintaining its cash with high-credit quality financial institutions. Receivables consist mainly of GST receivable from the Government of Canada. The Company has been successful in recovering input tax credits and believes credit risk with respect to receivables to be insignificant. The loan receivable (Note 3) carries moderate credit risk but this risk is mitigated by default terms attached to the loan receivable.

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(Unaudited)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash and restricted cash. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at September 30, 2016, the Company did not have any investments in investment-grade short-term deposit certificates.

b) Foreign currency risk

The majority of the Company's business is conducted in South Korea and Guatemala in United States dollars. As such, the Company is exposed to foreign currency risk in fluctuations between the Canadian dollar and the US dollar. Fluctuations in the exchange rate between the Canadian dollar and the US dollar may have a material adverse effect on the Company's business and financial condition. Fluctuations do not have a significant impact on operating results.

c) Price risk

The markets for touchscreens are fragmented, highly competitive and rapidly changing. With the introduction of technological advances and new entrants into these markets at a rapid pace, the Company expects competition to intensify in the future, which could harm the Company's ability to develop a customer base for its products and to begin generating revenue.

12. CAPITAL MANAGEMENT

The Company considers capital to be the sole element of shareholders' equity. The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the sale and distribution of its products. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.