OLYMPIA TRUST RRSP BUSINESS

FINANCIAL REPORT 2013

Olympia was formed under the Business Corporations Act (Alberta) and is headquartered in Calgary, Alberta. Olympia is a reporting issuer in British Columbia, Alberta and Ontario and its common shares are listed on the Toronto Stock Exchange ("TSX"). The majority of Olympia's business is conducted through its wholly owned subsidiary Olympia Trust Company ("Olympia Trust"), a non-deposit taking trust company.

Olympia Trust received its letters patent on September 6, 1995, authorizing the formation of a trust company to be registered under the Loan and Trust Corporations Act (Alberta). Olympia Trust is licensed to conduct trust activities in Alberta, British Columbia, Saskatchewan, Manitoba, Quebec, Newfoundland and Labrador, Prince Edward Island, New Brunswick and Nova Scotia. Olympia Trust acts as a trustee of self-directed registered plans and also provides foreign currency exchange services.

Olympia Trust is not allowed to operate or carry on business in Ontario as it is not federally chartered, as is required under the Ontario Loan and Trust Corporations Act.

The private health services plan division conducts business under Olympia Benefits Inc. ("OBI"), a wholly owned subsidiary of Olympia. OBI was incorporated on May 4, 2006 under the Business Corporations Act (Alberta)

The registered plans division continued to lead the company in growth and profitability in 2013. The division **increased the number of plans administered to 81,280 from 74,635** at the beginning of the year. We also enjoyed tremendous growth in the number of mortgages under administration. At the beginning of the year we had **5,394 mortgages under administration and ended the year with 9,568** mortgages under administration. The company also administers over 14,000 Tax Free Savings Accounts. With the sale of the Shareholder Services Division, **the Registered Plans division will now account for approximately 80% of the company's profits**

[The company's profitability is highly dependent on the RRSP division.]

The Registered Plans Division ("RRSP") **specializes in niche account administration needs that are not provided by most of Olympia Trust's competitors.** Exempt market securities continue to be the main focus of many of RRSP's clients. **One of the division's specialties is the administration of accounts that invest in arm's length mortgages. These investors deal primarily with mortgage brokers and may have several mortgage investments in one account. These mortgages are held by clients in their registered retirement savings plan.** RRSP revenue increased 35% to $14.25 million from $10.58 million when compared to the year ended December 31, 2012, the result of an increase in new clients during the period as well as an increase in the yearly account fees. **RRSP has seen a continued increase in the number of arm's length mortgages being funded during the year ended December 31, 2013, when compared to the year ended December 31, 2012**. Interest increased 25% to $4.43 million from $3.53

million when compared to the year ended December 31, 2012, reflecting an increase in off balance sheet arrangements under administration. Total expenses (direct and administrative), depreciation and amortization increased 28% to $13.08 million from $10.23 million when compared to the year ended December 31, 2012. This increase is largely due to an increase in operating expenses such as rent, depreciation, amortization, salaries and bonuses**. Employee benefits increased as RRSP hired more staff to maintain service excellence for a growing client base.** Earnings before income tax increased 44% to $5.60 million from $3.88 million when compared to the year ended December 31, 2012. RRSP net earnings increased 46% to $4.18 million from $2.87 million when compared to the year ended December 31, 2012**. RRSP is responsible for 53% of Olympia's total revenue (including interest), an increase from 46%** when compared to the year ended December 31, 2012.

Self-Directed Registered Plans ("RRSP") At December 31, 2013, the RRSP division administered self-directed registered plans consisting of securities and mortgages with an approximate **market value of $3.17 billion** (December 31, 2012 – $2.77 billion) plus cash, term deposits and outstanding cheques of $264 million (December 31, 2012 – $202 million). These assets are the property of the account holders and Olympia Trust does not maintain effective control over the assets. Therefore, the assets are not reflected in these consolidated financial statements. **Olympia earned interest income from funds held in trust of $4.15 million** for the year ended December 31, 2013 ($3.26 million - December 31, 2012).

http://www.olympiafinancial.com/media/79874/feb27.pdf

> Valuation of Property – Olympia Trust Company will fund up to 100% Loan-to-Value upon receipt of one of the following:
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> o Tax assessment from the current year. Olympia Trust Company reserves the right to change the Loan-to Value percentage accepted based on fluctuations in the real estate market.
> o Appraisal dated within the last six months. The appraisal must be current market value; **estimates of future values are not accepted.**
> o Purchase/Sale Agreement. This will only be accepted if the property was sold within the last year and the transaction was arms-length.

http://rsp.olympiatrust.com/media/22409/cover_sheet_for_mortgage_package.pdf

Olympia Trust used to take responsibility for ensuring the mortgage complied the RRSP requirements of the Income Tax Act with which are set out above. As a result of the CRA tax problem with their self-administered plans they changed their requirements and made the investor to take responsibly for this and indemnify Olympia Trust as set out below.

The CRA tax issue

Olympia today received a letter (the "CRA Notice") from Canada Revenue Agency ("CRA") wherein the CRA advises that they are proposing to issue assessments against Olympia Trust Company ("OTC") for withholding taxes owing in accordance with Section 116(5) of the Income Tax Act (Canada) (the "Tax Act") as a result of certain OTC clients purchasing securities from a non-resident utilizing funds in their self-directed registered plans in the years 2000 through 2002. The CRA Notice provides that OTC is liable to pay CRA an aggregate of $1.9 million (including penalties of $173,208.43) in connection with these annuitant transactions. The CRA Notice also notes that interest may be payable on the amounts owing but the CRA acknowledges that a substantial amount of time has passed since the date of the subject transactions and have invited us to make submissions requesting interest be waived in the circumstances.

As previously announced on December 19, 2014, OTC did receive an adverse tax ruling from the Tax Court of Canada declaring OTC to be a “purchaser” for the purposes of section 116(5) of the Tax Act, whereby OTC is liable for certain withholding tax obligations relating to share sale transactions completed by certain self-directed registered plans to non-residents from 2001 to 2004. At this time, we understand the new CRA Notice to include additional annuitants that completed share purchases from the same group of non-residents and that these annuitants were not covered under the previous notices of assessment received in 2010.

At the present time, OTC (on the advice of legal counsel) is appealing the tax ruling to the Federal Court of Appeal as we do not agree that OTC is a “purchaser” for the purposes of Section 116(5) of the Tax Act. We intend to request that the CRA hold the notices of assessment contemplated in the CRA Notice in abeyance until the appeal is determined. In the event OTC is successful on its appeal and the Federal Court of Appeal concludes OTC not to be a “purchaser” under Section 116(5) of the Tax Act, it is likely OTC would be entitled to a return of $1.27 million previously paid to CRA in 2010 and would not have to pay the $1.9 million contemplated in the CRA Notice.

In the event OTC is unsuccessful on the appeal, it is unlikely that OTC would recover the amounts previously paid in 2010 and would likely be obligated to pay the amounts contemplated by the CRA Notice. As all of the transactions contemplated by the CRA Notice relate to securities transactions completed by OTC annuitant clients, OTC is proceeding with legal action against such clients to enforce its contractual right to be indemnified for the tax liabilities from the annuitants that completed these transactions. In addition, Olympia believes this to be an insured event and will be making a claim pursuant to our insurance policy. Olympia has $7.0 million of insurance coverage for tax withholding errors. The insurance policy has a $1.0 million deductible.

Further, Olympia notes that the subject transactions are all connected to a fraudulent investment scheme designed to, among other things, deceive Canadian trust companies to believe that the vendors were not offshore entities (as concluded by the Court of Queen’s Bench of Alberta). Further, we understand that up to six (6) other financial institutions did advance registered plan funds in connection with this scheme, and like OTC, these financial institutions did not withhold funds in accordance with Section 116(5) of the Tax Act.

At the present time, the financial impact of the CRA Notice on Olympia is not yet certain as the financial impact depends on various factors, including, among others, the results of OTC’s appeal to the Federal Court of Appeal, insurance coverage for this event and recovery from annuitants from our indemnities.

http://www.olympiafinancial.com/media/79947/w__postdisseminationpdfs_sedar_vancouver_1000990.pdf

FINANCIAL REPORT 2014

Registered Plans Division Generally, the RRSP Division acts as trustee for self-administered registered plans and tax-free savings accounts as permitted by the Income Tax Act (Canada) (the “Tax Act”). The RRSP Division acts as a third-party administrator only and does not provide any investment advice or recommendations to its clients. As such, the RRSP Division is not required to be registered as a dealer or investment adviser under applicable securities laws.

OTC began its RRSP Division in Calgary, Alberta in 1996. Lori Ryan joined OTC in 1996 and continues to manage the division today. In 1997, the Registered Plans Division had only one employee and only 496 accounts. As at the date hereof, the division has 83 employees and approximately 80,000 accounts. The Registered Plans Division currently has off-balance sheet assets under administration of approximately $3.48 billion.

The following plans are offered by the RRSP Division:

- Registered Retirement Savings Plans (RRSP);
- Spousal Registered Retirement Savings Plan (Spousal RRSP);
- Retirement Income Fund (RIF);
- Registered Education Savings Plan (RESP);
- Tax-Free Savings Account (TFSA);
- Locked-In Retirement Account (LIRA);
- Life Income Fund (LIF);
- Locked-in Retirement Income Fund (LRIF); and
- Non-registered investment accounts for individuals and corporations.

A new client is required to complete and sign an application form based on the specific type of plan. A new application form must be completed for each individual plan. For example, if a client opened a RRSP, RESP, and Spousal RRSP, three application forms would be completed by the client.

In order for a client to invest the assets in their plan, **the client must provide Olympia with a Letter of Direction and Indemnity along with a tax or legal opinion confirming that the investment is an eligible investment for the plan. Pursuant to the Letter of Direction and Indemnity, the client confirms to Olympia that the client is solely responsible for the investment, confirms that the investment is eligible for the plan, confirms that the client has received any necessary legal or accounting advice and**

provides that the client will fully indemnify Olympia for any losses or damages suffered by Olympia as a result of the investment.

As the offered plans are all self-directed, the clients solely determine the assets contributed to their plan. The eligibility of assets for various plans is specified in the Tax Act**. As all of Olympia's plans are truly self-directed, Olympia has created a niche market by allowing clients to invest in exempt market securities and arm's length mortgages which investments are discouraged (or prohibited) by other financial institutions.** Also, clients may purchase public securities in their plan with all such transactions being completed for the client by Qtrade Investor Inc., a registered dealer. Olympia's client actually opens a Qtrade account and all trades are facilitated by Qtrade as Olympia is not a registered dealer.

Many of the RRSP Division's clients are recommended to Olympia by entities offering exempt market securities ("Promoters"). These Promoters desire to access capital from registered plans in order to finance their businesses. As such, the Promoter may be selling exempt market securities pursuant to an offering memorandum and has certain investors that want to purchase the offered securities within their RRSP. As most financial institutions do not permit annuitants to invest in exempt market securities, the Promoter would recommend that the investor open an RRSP account with Olympia. The investor would then open a registered account with Olympia and transfer in assets or otherwise fund their new account. The Promoter would provide Olympia with a legal opinion stating that the securities are RRSP eligible and the annuitant (Olympia's client) would provide Olympia with a Letter of Direction and Indemnity directing Olympia to purchase the securities with funds from their registered account. Once all necessary documentation is in place, Olympia advances funds from the registered account to the Promoter in exchange for a certificate to be held in the account. As some transactions can be quite large, one Promoter may bring the RRSP Division hundreds of investors to become clients. The RRSP Division's willingness to service the exempt securities market has provided it with a niche market for registered plans.

Competitive Conditions

The trust company business is a competitive business. The Corporation competes with numerous other companies for customers, qualified service providers and labour, equipment and suppliers.

The RRSP Division competes with other banks, trust companies and securities dealers that offer self-directed registered plans. However**, OTC believes it has a competitive advantage over these other entities when it comes to allowing investors to invest their registered plan funds in exempt market securities and arm's length mortgages. As many other financial institutions do not permit their clients to hold exempt market securities or arm's length mortgages in their registered accounts, OTC has become one of the largest self-directed plan administrators for investors wanting to invest in such products.**

http://www.olympiafinancial.com/media/79938/feb-25_2.pdf

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FSCO licensed mortgage parties and others approach the public to solicit them to invest in syndicated development mortgages and use their RRSP funds to make this investment. Olympia Trust Company (OTC) which was incorporated and licensed in Alberta, is not licensed to conduct business in Ontario. Ontario only permits federally incorporated trust companies to operate in Ontario. Tier 1, which just recently had action taken against it by FSCO, and Fortress use OTC for their RRSP mortgages.

Carrying on business of corporation prohibited

213. (1) No person, other than a registered corporation, shall conduct, undertake or transact in Ontario the business of a loan corporation or of a trust corporation. R.S.O. 1990, c. L.25, s. 213 (1).

Soliciting business

(6) No person, other than a registered corporation and a person duly authorized by it to act on its behalf, shall solicit the business of a trust corporation or loan corporation. R.S.O. 1990, c. L.25, s. 213 (6).

Action of promoters, etc.

(7) No person shall undertake, transact or solicit in Ontario any part or aspect of the business of a trust corporation or a loan corporation for a body corporate that is not registered under this Act. R.S.O. 1990, c. L.25, s. 213 (7).

Offences

214. (1) A person is guilty of an offence if the person,

(a) contravenes any provision of section 213; or

(b) knowingly provides false information in relation to any matter under this Act. 2001, c. 8, s. 173 (1).

Penalty

(2) On conviction for an offence referred to in subsection (1), the person convicted is liable on a first conviction to a fine of not more than $100,000 and on each subsequent conviction to a fine of not more than $200,000. R.S.O. 1990, c. L.25, s. 214 (2); 2001, c. 8, s. 173 (2).

Derivative

(3) Every person who caused, authorized, permitted or participated in an offence referred to in subsection (1) is guilty of an offence and on conviction is liable on a first

conviction to a fine of not more than $100,000 and on each subsequent conviction to a fine of not more than $200,000. R.S.O. 1990, c. L.25, s. 214 (3); 2001, c. 8, s. 173 (3).

Restitution

217. Where a person is convicted of an offence under this Act, the court making the conviction may, in addition to any other penalty, order the person convicted to make compensation or restitution in relation thereto. R.S.O. 1990, c. L.25, s. 217.

https://www.ontario.ca/laws/statute/90l25#BK33

All of Fortress's mortgages are with Olympia Trust as are Tier 1's. People selling these mortgages solicit the investors to open accounts with Olympia Trust because if they want to use another trust company, then they cannot invest. The websites of some the brokers and agents promote Olympia Trust for self administered plans.

UPDATES ON TAX CASES CONCERNING OLYMPIA TRUST

Tax Court of Canada article setting out that Olympia Trust lost the tax case.
https://www.gettaxnetpro.com/blog/Bill%20Innes/olympia-trust-company-v-r-tcc-trustee-of-rrsp-liable-for-tax-under-subsection-1165-when-purchasing-shares-from-non-resident-5/

Federal Court of Appeal dismisses appeal of Olympia Trust
http://decisions.fca-caf.gc.ca/fca-caf/decisions/en/item/126915/index.do