FP NEWSPAPERS INC. ANNUAL 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 17, 2017

Management's discussion and analysis, prepared as at March 17, 2017, provides a review of significant developments that affected the performance of FP Newspapers Inc. ("FPI") in the three and twelve months ended December 30, 2016. This review is based on financial information contained in the consolidated financial statements and accompanying notes for the year ended December 30, 2016.

Factors that could affect future operations are also discussed. These factors may be affected by known and unknown risks and uncertainties that may cause the actual future results to be materially different from those expressed in this discussion.

The financial statements, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS). The following information provides analysis of the operations and financial position of FPI and FP Canadian Newspapers Limited Partnership ("FPLP") and should be read in conjunction with the financial statements and accompanying notes.

This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risks and uncertainties set out below under the heading "Caution Regarding Forward-Looking Statements". The reader is cautioned not to place undue reliance on forward-looking statements.

Further information relating to FPI is available at **www.sedar.com** or on FPI's website at **www.fpnewspapers.com**.

FORMATION AND LEGAL ENTITIES

FPI, which was incorporated under the Canada Business Corporations Act on March 17, 2010, is the successor to the business of FP Newspapers Income Fund (the "Fund"). The Fund was created on May 15, 2002 and commenced operations on May 28, 2002 when it completed an initial public offering and purchased an interest in FP Canadian Newspapers Limited Partnership ("FPLP").

On December 31, 2010, the Fund completed its conversion from an income trust to a corporate structure pursuant to a plan of arrangement. Under the plan of arrangement, Unitholders of the Fund received, for each Unit of the Fund held, one common share of the resulting public corporation, FPI. The common shares of FPI commenced trading on the Toronto Stock Exchange on January 7, 2011 under the symbol "FP". Concurrently, the Fund's Units were delisted. Effective at the close of market on November 21, 2016 the Company delisted from trading on the Toronto Stock exchange and effective at the opening November 22, 2016, the common shares of FPI commenced trading on TSX Venture Exchange.

As a result, FPI owns securities entitling it to 49% of the distributable cash of FPLP.

FPLP is a limited partnership formed on August 9, 1999. Effective November 29, 2001, FPLP acquired the business assets and assumed certain liabilities of the Winnipeg Free Press and the Brandon Sun. On July 13, 2004, FPLP acquired the business assets and liabilities of Canstar Community News ("Canstar"). On February 28, 2011, FPLP acquired the business assets and assumed certain liabilities of a commercial printing and publishing business operating under the name Derksen Printers based in Steinbach, Manitoba. On October 26, 2012, FPLP acquired substantially all of the assets and assumed certain liabilities of the Carberry News-Express, a weekly paid subscription publication.

FP NEWSPAPERS INC.

A summary of selected financial information of FPI for the last three years is as follows:

	2016	2015	2014
	$ in thousands except per share amounts		
Revenue	2,378	3,906	5,734
Net (loss) earnings	(9,491)	(23,776)	4,047
Net (loss) earnings per share	(1.375)	(3.445)	0.586
Total assets	9,787	17,574	43,588
Total long-term liabilities	972	174	-
Dividends declared	-	1,104	3,658
Dividends declared per share	-	0.160	0.530

Revenue for the year ended December 30, 2016 was $2.4 million compared to $3.9 million in 2015. The decrease was primarily the result of lower equity earnings from FPI's investment in FPLP. A non-cash write-down of $11.1 million was recorded in the twelve months ended December 31, 2016, based on FPI's determination that its 49% equity investment in FPLP was impaired, primarily due to continued declines in revenue and earnings experienced by FPLP. In 2015 FPI recorded non-cash write-downs of $26.4 million. The write-downs resulted in a net loss of $9.5 million for the year ended December 30, 2016 compared to a net loss of $23.8 million for the year ended December 30, 2015. Excluding the non-cash write-downs of the equity investment in FPLP, FPI reported net earnings of $1.6 million for the year ended December 30, 2016, compared to net earnings of $2.7 million for 2015. The decrease in net earnings is primarily due to a decrease in the equity share of the net earnings of FPLP, with details of this decline disclosed in the FPLP section of this report. For the year ended December 30, 2016, FPI recorded a current income tax expense of $0.1 million and a deferred income tax expense of $0.5 million compared to a current income tax expense of $0.6 million and a deferred income tax expense of $0.5 million in 2015. The deferred income tax expense is primarily due to FPI's share of FPLP's timing differences primarily relating to FPLP's change in its pension obligation. Other comprehensive income for 2016 was $0.9 million compared to other comprehensive loss of $0.7 million in 2015. The change in other comprehensive income (loss) results from FPI's equity share of FPLP's recognition of remeasurements gains and losses related to its defined benefit pension plan.

As at December 30, 2016, FPI had 6,902,592 shares outstanding.

SUMMARY OF QUARTERLY RESULTS

A summary of FPI's quarterly revenue, net (loss) earnings and net (loss) earnings per share for the years ended December 30, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
	In thousands of dollars (except per share amounts)		
Revenue			
Quarter 1	$ 391	$ 606	$ 809
Quarter 2	740	1,367	1,638
Quarter 3	196	526	1,052
Quarter 4	1,051	1,407	2,235
Net (loss) earnings			
Quarter 1	$ 250	$ 399	$ 545
Quarter 2	(5,683)	(17,655)	1,148
Quarter 3	90	331	738
Quarter 4	(4,148)	(6,851)	1,616
Net (loss) earnings per share			
Quarter 1	$ 0.036	$ 0.058	$ 0.079
Quarter 2	(0.823)	(2.558)	0.166
Quarter 3	0.013	0.048	0.107
Quarter 4	(0.601)	(0.993)	0.234

A non-cash write-down of $6.2 million was recorded in the second quarter of 2016 and a write-down of $4.9 million was recorded in the fourth quarter of 2016. A non-cash write-down of $18.6 million was recorded in the second quarter of 2015 and a write-down of $7.8 million was recorded in the fourth quarter of 2015. These write-downs were based on FPI's determination that its 49% equity investment in FPLP was impaired, primarily due to continued declines in revenue and earnings experienced by FPLP.

Excluding the non-cash write-down of the equity investment in FPLP, FPI reported net earnings of $0.7 million for the three months ended December 30, 2016, compared to net earnings of $1.0 million for the same period in 2015.

Lower levels of revenue, net earnings and net earnings per share in the first and third quarters of 2016 and 2015 are due to lower EBITDA(1) of FPLP.

RESULTS OF OPERATIONS OF FPLP

A summary of selected financial information of FPLP for the last three years is as follows:

	2016	2015	2014
		In thousands of dollars	
Revenue	80,505	89,026	99,039
Net (loss) earnings (*)	(17,850)	(31,232)	11,699
Total assets (*)	66,670	93,064	142,763
Total long-term liabilities(**)	37,522	45,325	56,712

* The reduction in net (loss) earnings and total assets results primarily from FPLP recording an impairment charge relating to its goodwill of $12.7 million during the second quarter of 2016 and $10.0 million during the fourth quarter of 2016 and $23.2 million during the second quarter of 2015 and $16.0 million during the fourth quarter of 2015, primarily due to continued declines in revenue and earnings.

**The reduction in long-term liabilities in 2016 from 2015 results from a reduction in FPLP's pension plan liability primarily due to an increase in the discount rate for calculating the liabilities. The reduction of long-term liabilities in 2015 from 2014 results from $6.3 million of principal repaid on the renewal of the long-term debt agreement in January 2015.

SUMMARY OF ANNUAL RESULTS

Revenue:

A summary of annual revenue by major category is as follows:

	2016	2015
	In thousands of dollars	
Print advertising	$ 47,150	$ 54,627
Circulation	25,042	24,972
Commercial printing	4,703	4,853
Digital	2,700	3,647
Other	910	927
	$ 80,505	$ 89,026

FPLP's revenue for the twelve months ended December 31, 2016 was $80.5 million, a decrease of $8.5 million or 9.6% from the prior year. Print advertising revenues for the year ended December 31, 2016 were lower by $7.5 million or 13.7% compared to last year. FPLP's largest print advertising revenue category, display advertising including colour, was $27.5 million, a decrease of $5.0 million or 15.5% from the prior year, primarily due to decreased spending in the automotive, government and telecommunications categories. Classified advertising revenues for the 2016 year decreased by $1.1 million or 14.0% compared to last year, primarily due to lower spending in the employment and real estate categories. Flyer distribution revenues were $12.6 million, a decrease of $1.3 million or 9.2% from 2015, primarily due to a decrease in flyer volumes, with much of this decline the result of the consolidation of two large grocery chains and the reduction to one flyer program.

Circulation revenues for the year ended December 31, 2016 increased by $0.1 million or 0.3%, primarily due to higher subscription rates and new digital subscription revenues from the Winnipeg Free Press website, partially offset by lower unit sales. Commercial printing revenues for 2016 decreased by $0.1 million and digital revenues for 2016 decreased by $0.9 million or 25.9%, primarily due to on-line advertising revenue declines on the Winnipeg Free Press website and other digital offerings.

Operating Expenses:

Operating expenses by major category are as follows:

	2016	2015
	In thousands of dollars	
Employee compensation, excluding restructuring charges	$ 34,322	$ 37,742
Newsprint – own use	5,588	5,923
Newsprint – commercial printing	1,289	1,299
Delivery	14,219	14,736
Other	14,458	15,221
Depreciation and amortization	4,159	4,293
	74,035	79,214
Restructuring charges	393	495
	$ 74,428	$ 79,709

Operating expenses for the year ended December 31, 2016 were $74.4 million, a $5.3 million or 6.6% decrease from last year. Employee compensation costs, excluding restructuring charges, for the year decreased by $3.4 million or 9.1%, primarily due to employee reductions in 2016. Restructuring charges for the year ending December 31, 2016 were $0.4 million, for voluntary and involuntary severance payments for employees. Newsprint expense for FPLP's own publications for the year decreased by $0.3 million or 5.7%, primarily due to lower printing volumes mainly from fewer circulation copies, partially offset by a higher newsprint price. Delivery costs decreased by $0.5 million or 3.5% primarily due to lower carrier costs from a reduced number of circulation subscriptions delivered and lower flyer volumes. Other expenses for the year decreased by $0.8 million or 5.0% compared to the prior year, primarily due to lower outside costs and declining use of production supplies as a result of lower printed pages.

EBITDA(1), excluding goodwill impairment charges, for the year ended December 31, 2016 was $10.2 million compared to $13.6 million in 2015, a decrease of 24.8%. EBITDA(1) margin, excluding the goodwill impairment charge, for the twelve months ended December 31, 2016 was 12.7% compared to 15.3% in 2015, excluding the goodwill impairment charge.

For the year ended December 31, 2016, finance costs decreased by $0.1 million or 9.3% primarily due to the lower level of debt outstanding as a result of the $3.0 million principal repayment made on the long-term debt during the first two quarters of 2016.

As a result of continued declines in revenue and earnings, FPLP recorded an aggregate impairment charge relating to its goodwill of $22.7 million during the year ended December 31, 2016. Excluding this impairment charge, FPLP's net earnings were $4.8 million for the year ended December 31, 2016, compared to net earnings of $8.0 million in the prior year, excluding the $ 39.2 million impairment charge relating to goodwill recorded in 2015.

Under IFRS, comprehensive income includes remeasurement gains and losses related to FPLP's defined benefit pension plan. These gains or losses are primarily related to changes in actuarial discount rate assumptions and returns of plan assets differing from expected interest income. The actuarial gain in 2016 was due to an increase in the discount rate and returns of plan assets.

SUMMARY OF FOURTH QUARTER RESULTS

Revenue:

A summary of revenue for the three months ended December 31, 2016 and 2015 by major category is as follows:

	Three months ended December 31, 2016	December 31, 2015
	In thousands of dollars	
Print advertising	$ 12,325	$ 14,476
Circulation	6,369	6,288
Commercial printing	1,193	1,264
Digital	731	856
Other	263	242
	$ 20,881	$ 23,126

FPLP's revenue for the three months ended December 31, 2016 was $20.9 million, a decrease of $2.2 million or 9.7% from the same three months in the prior year. Print advertising revenues for the three months ended December 31, 2016 were $12.3 million, a 14.8% decrease compared to the same quarter last year. FPLP's largest print advertising revenue category, display advertising including colour, was $7.5 million, a decrease of $1.3 million or 15.3% from the same period in the prior year, primarily due to decreased spending in the automotive and government categories. Classified advertising revenues for the fourth quarter decreased by $0.3 million or 17.6% compared to the same period last year, primarily due to a decrease in the real estate and employment categories. Flyer distribution revenues for the fourth quarter were lower by $0.5 million or 12.6% than the same period last year, primarily due to a decrease in flyer volumes, with much of this decline the result of the consolidation of two large grocery chains and the reduction to one flyer program.

Circulation revenues for the fourth quarter increased by $0.1 million primarily due to higher subscription rates and new digital subscription revenues from the Winnipeg Free Press website, partially offset by lower unit sales. Commercial printing revenues for the fourth quarter were lower by $0.1 million or 5.6%, primarily attributable to lower page counts in recurring print contracts. Digital revenues for the fourth quarter decreased by $0.1 million or 14.6% compared to the same period last year, primarily due to a decrease in on-line web ad revenues on the Winnipeg Free Press website.

Operating Expenses:

	Three months ended December 31, 2016	December 31, 2015
	In thousands of dollars	
Employee compensation	$ 8,197	$ 9,071
Newsprint – own use	1,483	1,505
Newsprint – commercial printing	325	339
Delivery	3,613	3,783
Other	3,765	3,850
Depreciation and amortization	972	1,067
	$ 18,355	$ 19,615
Restructuring charge	86	325
	$ 18,441	$ 19,940

Operating expenses for the three months ended December 31, 2016 were $18.4 million, a $1.5 million or 7.5% decrease from the same quarter last year. Employee compensation costs, excluding restructuring charges, for the fourth quarter decreased by $0.9 million or 9.6%, primarily due to the voluntary and non-voluntary reductions of employees across all our business units. Restructuring charges of $0.1 million were incurred in the fourth quarter of 2016 relating to employee severance payments, compared to severance payments of $0.3 million in the same quarter last year. Newsprint expense for FPLP's own publications for the quarter was virtually the same as the fourth quarter in 2015, primarily due to fewer circulation copies printed offset by a higher newsprint price. Delivery costs decreased by $0.2 million or 4.5% primarily due to lower circulation units and flyer volumes.

EBITDA[(1)], excluding the goodwill impairment charge, for the three months ended December 31, 2016 was $3.4 million, a decrease of $0.8 million or 19.8% from the same period last year. EBITDA[(1)], excluding restructuring charges and excluding the goodwill impairment charge, decreased by $1.1 million or 23.6% versus the same quarter last year. EBITDA[(1)] margin, excluding the goodwill impairment charge, for the three months ending December 31, 2016 was 16.3%, compared to 18.4% in the same period last year.

Due to continued declines in revenue and earnings, FPLP recorded an impairment charge relating to its goodwill of $10.0 million during the fourth quarter. Excluding the goodwill impairment charge, FPLP's net earnings were $2.1 million for the three months ended December 31, 2016, compared to $2.9 million for the same period last year.

QUARTERLY SUMMARY

Newspaper publishing is, to a certain extent, a seasonal business, with a higher proportion of revenues and operating earnings occurring during the second and fourth quarters of the calendar year. Revenue, EBITDA[1] and net earnings of FPLP by quarter for 2016, 2015, and 2014 were as follows:

	2016	2015	2014
	In thousands of dollars		
Revenue			
Quarter 1	$ 19,642	$ 21,300	$ 23,493
Quarter 2	20,773	23,461	25,787
Quarter 3	19,209	21,139	23,575
Quarter 4	20,881	23,126	26,184
	$ 80,505	$ 89,026	$ 99,039
EBITDA[1]			
Quarter 1	$ 2,189	$ 2,684	$ 3,074
Quarter 2	2,877	4,207	4,874
Quarter 3	1,759	2,466	3,679
Quarter 4	3,412	4,253	6,085
	$ 10,237	$ 13,610	$ 17,712
Net (Loss) Earnings			
Quarter 1	$ 797	$ 1,236	$ 1,652
Quarter 2[*]	(11,192)	(20,413)	3,341
Quarter 3	401	1,073	2,146
Quarter 4[*]	(7,856)	(13,128)	4,560
	$ (17,850)	$ (31,232)	$ 11,699

[*] Goodwill impairment charges of $12.7 million in the second quarter of 2016 and $23.2 million in the second quarter 2015 and $10.0 million in the fourth quarter of 2016 and $16.0 million in the fourth quarter of 2015 were recorded primarily due to continued declines in revenues and earnings.

FINANCIAL CONDITION OF FPLP

LIQUIDITY AND CAPITAL RESOURCES OF FPLP

Cash and cash equivalents at December 31, 2016 was $10.0 million compared to $10.7 million at December 31, 2015. Cash and cash equivalents may be used to reduce debt, to fund future capital expenditures, to pay future distributions (including future income taxes payable by the partners), or for other strategic initiatives or general purposes. During the year ended December 31, 2016, operating activities provided $5.0 million, cash flows used in investing activities were $0.7 million and $5.1 million was used for financing activities. Cash flow from operations, together with cash balances on hand, are currently expected to be sufficient to fund FPLP's operating requirements, capital expenditures, required principal and interest payments under FPLP's credit facility and finance lease obligations and anticipated distributions, assuming that advertising revenues do not materially deteriorate beyond management's current expectations.

CASH FLOW FROM OPERATING ACTIVITIES

During the year ended December 31, 2016, cash generated from operating activities was $5.0 million, compared to $11.1 million for 2015. The decrease in cash generated from operating activities is primarily due to lower earnings for the year and an increase in pension funding requirements resulting from lower discount rates used in the funding calculation compare to the previous year.

INVESTING ACTIVITIES

Capital asset additions were $0.7 million for the year ended December 31, 2016, compared to $1.2 million for the prior year. Maintenance capital expenditures in 2016 were primarily for technology hardware and software upgrades across all business units, with the single largest item being the Winnipeg Free Press advertising system upgrade.

FINANCING ACTIVITIES

Financing activities used $5.1 million of cash in 2016, compared to $15.5 million in 2015. Repayment of long-term debt principal in 2016 was $3.0 million compared to $7.3 million in 2015 when the term loan was renewed in the first quarter. In 2016 distributions to partners of FPLP were $0.6 million compared to $6.3 million last year. During the second quarter of 2015 it was decided that until further notice, distributions to the partners of FPLP would be limited to that required to fund the partners' income taxes and administrative costs.

CONTRACTUAL OBLIGATIONS

A summary of FPLP's undiscounted contractual obligations by period is as follows:

		Payments Due by Period			
	Total	**Less than 1 year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
		In thousands of dollars			
Long-term debt	$ 38,861	$ 2,569	$ 11,592	$ 24,700	$ -
Mortgage loan	1,049	92	184	773	-
Finance leases	2,403	905	1,498	-	-
Operating leases	319	116	130	73	-
Other contractual commitments	1,735	644	736	355	-
Total contractual obligations	$ 44,367	$ 4,326	$ 14,140	$ 25,901	$ -

The long-term debt agreement was renewed on January 8, 2015 with a maturity date of January 31, 2020. On the renewal date, $6.3 million of principal was repaid, reducing the outstanding principal to $40.0 million. Principal repayments of $1.0 million are due on the first of June each year and a cash sweep is payable no later than 90 days after the end of each fiscal year with the first cash sweep due no later than March 30, 2016 for the 2015 financial year. The cash sweep is equal to the lesser of $3.5 million or 25% of FPLP's annual distributable cash as defined in the agreement. Maximum principal balances under the agreement are $30.0 million on January 31, 2018 and $20.0 million on January 31, 2020.

FPLP sponsors registered defined benefit and defined contribution pension plans. As at December 31, 2016, the defined benefit plan assets totalled $48.2 million and were invested in a diversified portfolio of Canadian and International equity securities, as well as Canadian bonds and real estate.

The most recent actuarial valuation for the defined benefit plan was performed as at December 31, 2015. This valuation established the contributions FPLP had to make under the defined benefit pension plan from January 1, 2016 until December 31, 2016, the next valuation date.

PRODUCTIVE CAPACITY MAINTENANCE STRATEGY

The key sources of revenue of FPLP are dependent upon our ability to sell and publish display and classified advertising, both in our newspapers and on our websites, our ability to distribute advertising flyers, and our ability to produce and distribute newspapers. The key capital assets used in these activities are premises, computer hardware and software, printing presses and distribution-related machinery. The available capital assets are used by our staff to deliver the products and services which result in revenue to FPLP.

It is the complex interaction of asset utilization, staffing levels and contracted services which ultimately determine our productive capacity on any given day, but there is no single measure which would accurately portray the productive capacity of the business. Generally speaking, we manage the business to ensure there is excess capacity available that would allow us to comfortably increase the volume of advertising, circulation and flyer distribution to take advantage of market opportunities.

FPLP's strategy is to maintain a reasonable level of excess productive capacity to at least ensure we are able to produce and distribute products and services at the current peak volumes. This is accomplished by conducting capital and non-capital preventive maintenance programs for machinery and equipment, performing repairs when necessary, evaluating new technologies as they become available, and investing in new technologies when appropriate.

DEBT MANAGEMENT STRATEGY

Under the HSBC credit facility, as renewed on January 8, 2015, FPLP is required to make principal repayments of $1.0 million on the first of June each year and a cash sweep is payable no later than 90 days after the end of each fiscal year with the first cash sweep due no later than March 30, 2016 for the 2015 financial year. The cash sweep is equal to the lesser of $3.5 million or 25% of FPLP's annual distributable cash as defined in the agreement. Maximum principal balances under the agreement are $30.0 million on January 31, 2018 and $20.0 million on January 31, 2020. The minimum cash sweep payment for the 2016 year is $0.5 million.

The capital assets with the most significant estimated replacement costs are buildings and printing presses, which have very long expected remaining useful lives. The ability to refinance the core debt at maturity will be dependent upon many factors, including the future EBITDA(1) of FPLP and the general conditions in the commercial lending market at the relevant time.

DEBT COVENANTS

The HSBC credit facility (see note 6 to the 2016 Annual Consolidated Financial Statements of FPLP) includes negative covenants which must be observed in order to avoid an accelerated termination of the agreement. These covenants include certain restrictions on paying distributions, the sale of assets, the purchase of investments and acquisitions, share capital, allowing encumbrances and certain issuances of loans or financial assistance. FPLP is restricted from making distributions which exceed distributable cash, as defined in the credit agreement, by more than $1.0 million annually. FPLP is required to maintain a leverage ratio of no greater than 3.5 to 1.0 prior to January 31, 2018 and 3.0 to 1.0 after that, a fixed charge coverage ratio of no less than 2.0 to 1.0, and a current ratio of no less than 1.2 to 1.0, all as defined in the agreement and measured quarterly on a trailing 12-month basis. Financial amounts used in the calculations are specifically defined in the credit agreement, but are substantially equivalent to the corresponding terms used in the external financial reports filed by FPLP. The financial ratios are calculated in accordance with the HSBC credit agreement on a quarterly basis. At December 31, 2016 FPLP is in compliance with all covenants.

FINANCIAL INSTRUMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

At December 30, 2016 there are no derivative contracts in place or off-balance sheet arrangements entered into by FPI.

CREDIT RISK

Credit risk is the risk a customer will fail to perform an obligation or fail to pay amounts due, causing a financial loss. Credit risk arises from cash and cash equivalents and outstanding accounts receivable. The maximum exposure to credit risk is the carrying value of these financial assets. Cash and cash equivalents are all held at large chartered Canadian banks, or Canadian subsidiaries of large international banks, and we do not expect the counterparties to fail to meet their obligations.

As we are in the business of publishing newspapers, in both print and electronic formats, and performing printing services for third parties, included in accounts receivable are amounts owed from advertisers and advertising agencies, circulation customers and commercial print clients. We do not hold collateral as security for these balances. Our credit risk relating to these accounts receivable is spread over a large number of national and local advertising clients and advertising agencies, in addition to many circulation retail customers and third-party printing clients. We manage credit risk on a customer-by-customer basis and establish a reasonable allowance for uncollectible amounts with this allowance netted against the accounts receivable on the balance sheet. The adequacy of the allowance is reviewed on a regular basis and is estimated based on past experience, specific risks associated with the customers and other relevant information.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FPLP's variable interest rate term loan exposes the business to cash flow interest rate risk since the borrowings are in the form of prime-rate loans or bankers' acceptances with an available term of between 30 and 180 days. FPLP's fixed rate finance leases and mortgage loan expose the business to fair value interest rate risk.

We do not have a formal interest rate risk policy but management reviews the pricing of interest-rate swap contracts and would make a recommendation to the Board of Directors if there was a compelling case to purchase a swap contract.

For the year ended December 31, 2016, if interest rates on FPLP's term loan had been 1.0% higher or lower than actually were in effect, with all other variables held constant, interest expense would have been $0.4 million higher or lower (2015 $0.4 million).

LIQUIDITY RISK

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. We believe that we have access to sufficient capital through existing cash balances, future internally generated cash flows and external sources (bank credit markets and debt capital markets) to meet current spending forecasts. Trade payables are due within one year.

RELATED PARTY TRANSACTIONS

In 2016 FPLP purchased the majority of its newsprint from Alberta Newsprint Company ("ANC"), a joint venture owned equally by a limited partnership controlled by Ronald Stern (Chairman of the Board and Director of FPLP), and West Fraser Mills Ltd. ANC, also supplies newsprint to a number of other newspaper publishing operations in both Canada and the United States. Total newsprint purchases from ANC based on actual invoice prices in 2016 were $5.5 million, compared to $5.5 million for the same period last year. While there is no formal contractual obligation in place with respect to future newsprint purchases, selection of a supplier or suppliers will continue to be made by management based on criteria approved by the Audit Committee of FPLP, which reviews newsprint purchasing details with management on a quarterly basis.

DISCLOSURE CONTROLS AND PROCEDURES

Management of FPI and FPLP, including the Chief Executive Officer and Chief Financial Officer, have evaluated the design and effectiveness of FPI's and FPLP's disclosure controls and procedures as of December 30, 2016 and December 31, 2016, respectively, and have concluded that FPI's and FPLP's disclosure controls and procedures were reasonably adequate and effective to ensure that material information relating to FPI and FPLP is recorded, processed, summarized and reported within the time periods specified, and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of FPI and FPLP, including the Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Management assessed the effectiveness of FPI's and FPLP's internal control over financial reporting as of December 30, 2016 and December 31, 2016, respectively, and based on that assessment concluded that FPI's and FPLP's internal controls over financial reporting were effective. No material changes were made in FPI's and FPLP's internal controls over financial reporting during the year ended December 30, 2016 and December 31, 2016, respectively, that have materially affected, or are reasonably likely to materially affect, FPI's and FPLP's internal controls over financial reporting.

CRITICAL ACCOUNTING ESTIMATES

FPLP

Valuation of Intangible Assets and Goodwill
FPLP has estimated the fair value of its cash generating units ("CGUs") and goodwill CGUs, based on historical and expected operating plans, economic conditions and general outlook for the industry and geographic market in which FPLP operates. Significant unfavourable changes to these factors could result in a material impairment of the fair value and/or life of these assets.

In performing the annual impairment testing of goodwill and indefinite life intangibles, a number of assumptions and estimates are made. The fair value definition used is the amount at which an asset could be bought or sold in a current transaction between knowledgeable, willing parties. FPLP uses the fair value less cost to dispose method, which is based on applying market multiples to FPLP's EBITDA.

Had different assumptions or valuation techniques been used in performing the impairment testing, the carrying value of finite life and indefinite life intangibles and goodwill may have been different. FPLP considers the assumptions and techniques used to be reasonable.

Pension Plans
FPLP has a defined benefit pension plan and multiple defined contribution pension plans. The defined benefit pension plan requires actuarial assumptions which include discount rates, rate of compensation increases, mortality assumptions, and other demographic assumptions. A change in the discount rate used in the valuation of the pension obligations could result in a significant increase or decrease in the value of the obligations, which impacts the funded status of the plans as well as the net benefit cost in subsequent years. At December 31, 2016, a 0.5% decrease in the discount rate would increase our defined benefit obligations by $4.2 million, and a 0.5% increase in the discount rate would decrease our defined benefit obligations by $3.7 million. At December 31, 2016, a 0.5% increase in salary assumption would increase our defined benefit obligations by $0.4 million and a 0.5% decrease in salary assumption would decrease our defined benefit obligations by $0.1 million.

The funding for the defined benefit pension plan is based on actuarial valuation reports which are filed with the Manitoba provincial pension commission. The last actuarial valuation report was completed as of December 31, 2015, and the next required valuation report is as of December 31, 2016.

FPI

Valuation of Investment in FPLP
Annually, FPI evaluates whether an impairment exists in its investment in FPLP. FPI completed its impairment assessment by comparing its recoverable amount, fair value less cost to dispose, to its carrying value. Under the fair value less cost to dispose approach, FPI estimates fair value by multiplying earnings before interest, income taxes, depreciation, amortization and other non-recurring costs by multiples based on market comparables.

FPI's assumptions are affected by current market conditions which may affect expected revenues of FPLP. In addition, while FPLP continues to implement cost savings initiatives, operating costs may increase more significantly than expected. FPI has made certain assumptions which may differ or change quickly depending on economic conditions and other events. Accordingly, it is reasonably possible that future changes in assumptions may negatively impact future impairment assessments of FPI's investment in FPLP.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies followed in the financial statements are consistent with those of the previous financial year except as described below.

Accounting standards and amendments issued but not yet effective

IFRS 9 – Financial Instruments

IFRS 9, *Financial Instruments*, first issued in November 2009 with final version released in July 2014 by the IASB, brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39. IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39. IFRS 9 also introduces an expected loss impairment model for all financial assets not carried at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit and loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount. Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities. The standard is effective for annual periods beginning on or after January 1, 2018. FPLP is assessing the impact of adopting this standard on its financial statements.

IFRS 15 – Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, Construction Contracts, and IAS 18, Revenue, as well as various IFRIC and SIC interpretations regarding revenue. Adoption of IFRS 15 is mandatory and will be effective for the Company's beginning on January 1, 2018, with earlier adoption permitted. FPLP is assessing the impact of adopting this standard on its financial statements.

IFRS 16 – Leases

IFRS 16, Leases replaces IAS 17, Leases and related interpretations. The core principle is that a lessee recognize assets and liabilities for all leases with a lease term of more than 12 months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The new standard is intended to provide a faithful representation of leasing transactions, in particular those that do not currently require the lessees to recognize an asset and liability arising from an operating lease. IFRS 16 is effective for annual periods beginning on January 1, 2019, with early adoption permitted for entities that would also apply IFRS 15, Revenue from Contracts with Customers.

BUSINESS RISKS AND UNCERTAINTIES

REVENUE

Print advertising revenues, which account for approximately 59% of total revenue, are historically dependent upon general economic conditions, the specific spending plans of high-volume advertisers and the readership levels of the printed products. A significant downturn in the national or regional economy, like the one which started in 2008, decreases advertising revenue earned by our newspapers. Similarly, a shift from newspaper and/or flyer advertising to digital or other media advertising has and is likely to continue to adversely affect total revenue. Digital competition is not limited to platforms that provide news and includes providers of search engine marketing, display advertising, digital classifieds, social media, mobile advertising and video advertising. A change in promotional strategy by significant users of newspaper advertising, such as the automotive industry, financial services industry, national retailers, employment advertisers and the consolidation of retailers, could adversely affect total revenue. A significant decline in the readership of our printed products would adversely affect print advertising revenues.

DECLINE IN OVERALL USAGE OF NEWSPAPERS AND FLYER DELIVERY

FPI and FPLP could be materially adversely affected if the usage of newspapers or flyer distribution declines significantly. For example, increased usage of the internet by consumers to find news or flyers could result in a decline in their use of newspapers and flyer distribution. Such declines could impair FPLP's ability to maintain or increase FPLP's advertising prices, cause businesses that purchase advertising in FPLP's newspapers and flyer distribution to reduce or discontinue their purchases, and discourage businesses that do not already purchase advertising in FPLP's newspapers and flyer distribution from doing so.

Any of the factors that may contribute to a decline in usage of FPLP's newspapers and flyer distribution could impair FPLP's revenues and have a material adverse effect on our business.

EXPENSES

Newspaper publishing is both capital and labour-intensive and, as a result, newspapers have relatively high fixed-cost structures. During periods of declining revenue, significant portions of costs may remain fixed, resulting in decreased earnings. Employee compensation is our single largest expense category accounting for approximately 46% of FPLP's total operating expenses. The majority of FPLP's employees are unionized and their employment is governed by the terms of collective agreements. The current five-year contracts with the Unifor union expire on June 30, 2018, in respect of the unionized employees and city delivery carriers of the Winnipeg Free Press and Canstar Community News unionized employees and on December 31, 2018 in respect of the Brandon Sun unionized employees. The collective agreements include clauses governing all aspects of the employer/employee relationship and include limitations on FPLP's ability to sub-contract work to independent third parties. Strikes, lockouts, or other labour disruptions could restrict FPLP's ability to service its customers and consequently materially adversely affect its revenues.

Newsprint and other paper is a significant cost for FPLP, accounting for $6.9 million in 2016. Newsprint costs can vary widely from time to time, but over the past five years have been relatively stable. A $10 per tonne increase or decrease in the price of newsprint would have an approximately $0.1 million annualized change to our newsprint expense. If newsprint costs rise rapidly, there is no assurance that advertising and circulation revenues can be increased to offset the increased newsprint expense.

Over the last several years, FPLP has reduced costs in a number of ways. It will be increasingly difficult to continue to reduce costs from current levels. FPLP's ability to achieve cost savings may be impacted by the level of unionization at its businesses, existing third party suppliers and service providers and FPLP's ability to outsource additional components of its business operations in the future.

INTEREST RATE FLUCTUATIONS

FPLP is exposed to fluctuations in short-term interest rates as the amounts borrowed under the term loan facility are in the form of prime-rate loans or bankers' acceptances at varying interest rates. Furthermore, the interest rate spread above the prime-rate loans or bankers' acceptance rate varies based on the leverage ratio. FPLP is also exposed to fluctuations in long-term interest rates and credit spreads relative to the refinancing of its term loan obligation upon its maturity on January 31, 2020. The interest rate on new long-term debt issuances will be based on the prevailing market rates at the time of the refinancing. Increases in interest rates on new debt issuances may have a material adverse effect on our earnings.

FPLP monitors market conditions and the impact of interest rate fluctuations on its interest rate exposure. While there is no formal policy with respect to the use of interest rate swaps as a tool to manage interest rate risk, pricing of swap agreements is reviewed regularly and FPLP has used swap agreements historically when it was determined that these agreements were justified.

PENSION FUND OBLIGATIONS

FPLP has in place a defined benefit pension plan and defined contribution plans. The defined benefit pension plan was started when the Business was acquired by FPLP in November 2001. The plan text mirrored the predecessor plan.

Manitoba provincial pension legislation requires that the funded status of defined benefit pension plans be determined on both a going-concern basis (which assumes the pension plan continues indefinitely) and a solvency basis (which assumes the plan is wound-up on the valuation date). Based on FPLP's most recent actuarial valuation, as of December 31, 2015, the plan had a funding surplus of $5.2 million (funding surplus of $4.3 million in 2015) on a going-concern basis and a funding shortfall of $13.1 million ($11.0 million shortfall in 2015) on a solvency basis. The actual funded status of the pension plan and FPLP's contribution requirements and accounting expense are dependent on many factors, some of which include regulatory developments, actuarial assumptions and methods used, changes in plan demographics and experience and changes in economic conditions such as the return on fund assets and changes in interest rates used for determining the present value of pension obligations. Changes in the above factors can result in significant changes to the determination of the reported pension expense and the level of required funding to the plan, which can produce volatility in FPLP's reported results and cash generated from operating activities and distributable cash(2) of FPLP.

RELIANCE ON PRINTING FACILITIES

FPLP places considerable reliance on the functioning of its two printing operations, particularly the Winnipeg Free Press facility, which produces the Winnipeg Free Press, Brandon Sun and Canstar Community News newspapers and related products. In the event of a shutdown or disruption of one of its facilities, FPLP would attempt to mitigate potential damage by shifting production to the other facility or to a third-party printer. A shutdown or disruption of one of FPLP's facilities could result in FPLP being unable to print some publications, which could have a significant negative impact on FPLP's results.

INFORMATION TECHNOLOGY & OTHER MANUFACTURING SYSTEMS & EQUIPMENT

Our businesses rely on information technology and other critical manufacturing systems to help generate our revenue. There are critical risks associated with these systems including, but not limited to, unauthorized access, computer viruses, sabotage, power loss, system failures, human error and wear and tear on equipment. Our businesses and the revenue we generate could be significantly impacted by a disruption to these critical systems and equipment.

IMPAIRMENT

At December 30, 2016 the carrying value of FPI's investment in FPLP limited partnership units is $8.8 million. At December 31, 2016, FPLP has goodwill with a carrying value of $9.4 million and intangible assets of $6.3 million on its balance sheet. There are many factors which may affect the value of FPI's investment in FPLP and the goodwill and intangible assets of FPLP, some of which include the state of the general and local economy, competition, technology, consumer consumption habits, brand equity and various contractual arrangements. If any of these factors impair the value of these assets, we are required to reduce the carrying value on the balance sheet and record a non-cash write-down in the statement of earnings.

LITIGATION & INSURANCE COVERAGE

The nature of our business has and will continue to expose us to litigation claims, primarily arising from the publication of our editorial content. While we have processes and controls in place in attempts to reduce these risks, and carry insurance coverage against claims of defamation, there is no assurance that our insurance coverage will cover a particular loss, nor can there be any assurance that our insurance coverage will not be exceeded by a specific claim. While FPLP maintains insurance coverage which it feels protects itself from certain material insurable risks, there is no assurance that such insurance will continue to be available on an economically feasible basis, nor can there be any assurance that amounts owing from insurers will be collected.

DEPENDENCE ON KEY PERSONNEL

Our businesses have and will continue to rely on the contribution of critical employees. A loss of a significant number of skilled managerial, editorial or technical personnel would have a negative effect on the quality of our products. FPLP's failure to recruit, train and retain such employees could have an adverse effect on its businesses.

REPUTATION

Our newspaper publications are well known and respected names in the markets we serve and have been for many years. Our reputation as a reliable trusted business partner is important for the continued success of our businesses. Damage to the reputation of any of our brands could have an adverse impact on the business and its future financial performance.

DEBT SERVICING

FPLP'S ability to make scheduled payments of interest and principal and to refinance its indebtedness when it becomes due in January 2020 will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, interest rate levels, competitive, business and other factors, many of which are beyond its control.

The risk factors detailed above represent what are considered to be the most prominent risk factors and are not an all-inclusive list of risk factors.

OUTLOOK

REVENUE

We expect the declining print advertising revenue trend that’s been experienced for the past number of years will continue in 2017. Forecasting the level of decline is extremely difficult. Print ad revenues for the first two months of 2017 are showing a 15.0% decline versus the same period last year. Large display advertising spending reductions by a relatively few national accounts resulted in these large revenue declines historically with automotive, telecommunication, grocery and department stores being the major contributing categories. Retail consolidations and a continuing shift of advertising spending to digital advertising primarily through high traffic social media and search engine websites have also been major contributing factors. Print classified revenues continued to decline primarily resulting from the shift to digital options which has been ongoing for a number of years. The insert delivery business was negatively impacted in 2016 by the consolidation in the grocery category which resulted in the elimination of one recurring weekly flyer program. At the end of 2016 a new large western Canadian grocery chain opened 3 stores in Winnipeg and started a weekly flyer delivery program which will provide new revenue in this category for 2017. The opening of a new outlet store mall in south Winnipeg in the summer/fall of 2017 will offer opportunities for new advertising revenue customers.

Print and digital circulation revenues, which account for approximately 31% of our overall revenues, are expected to be near 2016 levels as subscription rate increases are expected to offset the long term trend of slowly declining print circulation unit sales. We have seen continued increases in Winnipeg Free Press “all Access” digital subscribers who pay $16.99/month for digital access to our Winnipeg products. As of March 2017 we currently have exceeded 5,600 “all access” digital subscribers and have over 6,300 “read now pay later” accounts. Both digital reader categories have shown steady growth since their launch in the latter half of 2015. A new iphone/ipad app will be introduced during the first quarter of 2017 which will improve the paid digital reader’s experience. The introduction of a digital coupon book will also increase marketing efforts to try to keep existing and attract new customers. Newspapers Digital advertising revenues are increasingly being impacted by the dominance of the large multi-national social media and search engine sites. In 2016 digital ad revenues were down by $0.9 million and we are targeting to keep these revenues relatively stable in 2017. Our 2017 target is for small growth in commercial printing revenues after these revenues declined by 3% in 2016. Commercial printing revenues are largely generated by our Derksen Printing Plant in Steinbach.

OPERATING EXPENSES

Employee compensation is our single biggest expense and in 2016 accounted for 49% of our total operating expenses before depreciation and amortization. In 2017 we are planning to reduce employee compensation costs by a further $2.2 million or 6.5% through a combination of retirements and voluntary and involuntary layoffs.

Delivery costs which account for approximately 20% of our operating expenses before depreciation and amortization are budgeted to decrease by approximately $0.6 million in 2017 primarily due to a continuation of a slow decline in printed circulation copies delivered and stream-lining, consolidation and elimination of delivery routes and depots as opportunities arise across all our businesses.

Newsprint price decreases of approximately 5% were announced and implemented during the first quarter of 2017 which together with continued expected lower volumes used should reduce this expense line by approximately $0.5 million in 2017.

We are forecasting other expenses to be relatively flat with increased costs relating to contracting out Winnipeg editorial copy editing work offset by reductions across most other expenses in this category.

CAPITAL INITIATIVES, FINANCE COSTS AND OTHER ITEMS

Maintenance capital spending for 2017 is being budgeted at $0.3 million, but we think this can be reduced if we need to respond to continued lower operating results. Capital projects planned are all related to minor equipment upgrades mostly in the computer hardware and software categories.

Finance costs are forecasted to be slightly lower in 2017, primarily resulting from lower principal balances on our long-term debt and the expiration of all but one of our finance leases during 2016. The 2016 required cash sweep principal repayment on our term loan is due by March 30, 2017 and while the required minimum payment is estimated at $0.5 million, we may decide to use a portion of our available cash on hand to increase this repayment amount. Under the terms of our term loan agreement, the maximum loan balance at January 31, 2018 is $30.0 million, and $20.0 million at the end of the facility on January 31, 2020. The debt facility does include a reduction of our leverage ratio from 3.5x to 3.0x effective January 2018 and at December 31, 2016 the leverage ratio stands at 2.7x. Principal repayments of our finance leases will decrease by approximately $1.0 million in 2017 compared to the 2016 level resulting from the expiration of four lease agreements in 2016.

An actuarial valuation which is required on our defined benefit pension plan as of December 31, 2016 will ultimately determine the required level of employer funding for 2016, but discount rates which increased at the end of 2016 will decrease the required 2017 company pension funding versus prior year levels. The Manitoba government passed pension funding relief measures on December 19, 2016. The funding relief provided to defined benefit plan sponsors allows for the amortization of solvency deficiencies over a ten year period compared to five years in the normal pension regulations. Solvency relief is only available if fewer than one third of members object to the proposal. We are in the process of completing the actuarial study to determine the solvency position of the plan at December 31, 2016 and then will move forward with the process to seek funding relief. While the December 31, 2016 actuarial study is required to precisely quantify the 2017 pension funding requirements, assuming funding relief is obtained, the 2017 funding could be in the region of $1.5 million lower than 2016 levels.

Given the on-going challenges that advertising revenue declines have put on our businesses we have recently formed a committee represented by management, union and employees to open up a dialogue on the significant challenges our businesses face and possible options for dealing with these challenges.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this management's discussion and analysis may constitute forward-looking statements within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. These statements include but are not limited to statements regarding management's, intent, belief or current expectations with respect to market and general economic conditions, future costs and operating performance. Generally, but not always, forward-looking statements will be indicated by words such as "may", "will", "intend", "anticipate", "expect", "believe", "plan", "forecast", "is budgeting for" or similar terminology.

Forward-looking statements are subject to known and unknown risks and uncertainties that may cause the actual results, performance or achievements of FPI or FPLP, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the current general economic uncertainty, FPLP's ability to effectively manage growth and maintain its profitability, FPLP's ability to operate in a highly competitive industry, FPLP's ability to compete with other forms of media, FPLP's ability to attract advertisers, FPLP's reliance upon key personnel, FPLP's relatively high fixed costs, FPLP's dependence upon particular advertising customer segments, indebtedness incurred in making acquisitions, the availability of financing for capital improvements, costs related to capital expenditures, cyclical and seasonal variations in FPLP's revenues, the risk of acts of terrorism, the cost of newsprint, the potential for labour disruptions, the risk of equipment failure, and the effect of Canadian tax laws.

In addition, although the forward-looking statements contained in this management's discussion and analysis are based upon assumptions that management of FPI and FPLP believe to be reasonable, such assumptions may prove to be incorrect.

Forward-looking statements speak only as of the date hereof and, except as required by law, FPI and FPLP assume no obligation to update or revise them to reflect new events or circumstances. Because forward-looking statements are inherently uncertain, readers should not place undue reliance on them.

FOOTNOTES:

(1) EBITDA

FPLP believes that in addition to net earnings as reported on FPLP's consolidated statements of earnings, EBITDA is a useful supplemental measure as it is a measure used by many of FPLP's Unitholders, creditors and analysts as a proxy for the amount of cash generated by FPLP's operating activities. EBITDA is not a recognized measure of financial performance under IFRS. Investors are cautioned that EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of FPLP`s performance. FPLP's method of calculating EBITDA is detailed below and may differ from that used by other issuers and, accordingly, EBITDA as calculated by FPLP may not be comparable to similar measures used by other issuers.

	Three Months Ended December 31,		**Twelve Months Ended December 31,**	
	2016	**2015**	**2016**	**2015**
	In thousands of dollars			
Net (loss) for the period	$ (7,856)	$ (13,128)	$ (17,850)	$ (31,232)
Add (subtract):				
Depreciation and amortization	972	1,067	4,159	4,293
Impairment of goodwill	10,000	16,000	22,700	39,200
Finance costs	314	331	1,302	1,435
Other income	(18)	(17)	(75)	(86)
EBITDA	**$ 3,412**	**$ 4,253**	**$ 10,236**	**$ 13,610**