

2020 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS AND FINANCIAL CONDITION

Management's Discussion and Analysis

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INTRODUCTION

This management's discussion and analysis ("MD&A") of the financial results and financial condition of Bridgemarq Real Estate Services Inc. for the three and nine months ended September 30, 2020, has been prepared as at November 5, 2020. The three months ended September 30, 2020, shall be referred to in this MD&A as the "Quarter". The nine-month period ended September 30, 2020 shall be referred as the "YTD". The comparative period of the three months ended September 30, 2019, shall be referred to in this MD&A as the "Prior Year Quarter". The comparative period for the nine-months ended September 30, 2019 shall be referred as the "Prior Year Period". The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS") and is expressed in Canadian dollars unless otherwise stated.

The definitions of terms capitalized in this MD&A are provided in the Glossary of Terms commencing on page 34.

This MD&A is intended to provide the reader with an assessment of the Company's past performance as well as its financial position, performance objectives and future outlook. The information in this MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and the Company's audited financial statements for the year ended December 31, 2019, prepared in accordance with IFRS. Additional information relating to the Company, including its 2019 Annual Information Form, is available on SEDAR at www.sedar.com or on the Company's website at www.bridgemarq.com.

This MD&A makes reference to Distributable Cash Flow, which is a non-GAAP measure and does not have any standardized meaning under IFRS. Please see *Distributable Cash Flow reconciled to Cash Flow from Operations* for a reconciliation of Distributable Cash Flow to cash flow from operating activities in the consolidated statements of cash flows and further information about Distributable Cash Flow.

Management's Discussion and Analysis of Results and Financial Condition

Highlights

The table below sets out selected historical information and other data for the Company.

- Net and comprehensive loss for the Quarter was \$2.2 million, or \$0.23 per Restricted Voting Share, compared to net and comprehensive earnings of \$2.4 million or \$0.26 per Restricted Voting Share for the Prior Year Quarter.
- Distributable Cash Flow for the Quarter was \$4.2 million, compared to Distributable Cash Flow of \$4.8 million in the Prior Year Quarter.
- Distributable Cash Flow for the rolling twelve-month period ended September 30, 2020 was \$1.24 per Share as compared to \$1.27 per Share for the rolling twelve-month period ended September 30, 2019. The decrease in Distributable Cash Flow was mainly driven by lower revenues and higher management fees partially offset by lower payments on the contract transfer obligation.
- The board of directors of Bridgemark (the "Board") declared a cash dividend of \$0.1125 per Restricted Voting Share payable on December 31, 2020, to shareholders of record on November 30, 2020. This represents an annualized dividend of \$1.35 per Restricted Voting Share.

| (Unaudited) (in 000's) except per Share amounts and number of REALTORS® | Three months ended September 30, 2020 | Three months ended September 30, 2019 | Nine months ended September 30, 2020 | Nine months ended September 30, 2019 |
|--|--|--|---|---|
| Fixed franchise fees | \$ 1,239 | \$ 7,389 | \$ 10,056 | \$ 21,982 |
| Variable franchise fees | 8,038 | 3,077 | 19,124 | 8,455 |
| Other revenue | 1,460 | 1,260 | 4,073 | 3,244 |
| Revenues | 10,737 | 11,726 | 33,253 | 33,681 |
| Cost of other revenue | (197) | (155) | (481) | (417) |
| Administration expenses | 50 | (53) | (779) | (767) |
| Management fees | (4,411) | (4,041) | (12,690) | (11,748) |
| Interest expense | (761) | (748) | (2,243) | (2,270) |
| Current income tax expense | (722) | (882) | (2,008) | (2,314) |
| Cash used in investing activities | (462) | (1,117) | (3,362) | (3,081) |
| Distributable Cash Flow | \$ 4,234 | \$ 4,730 | \$ 11,690 | \$ 13,084 |
| Dividends paid | \$ 3,201 | \$ 3,201 | \$ 9,602 | \$ 9,602 |
| Interest on Exchangeable Units paid | \$ 1,452 | \$ 1,452 | \$ 4,355 | \$ 4,355 |
| Net and comprehensive earnings (loss) | \$ (2,207) | \$ 2,422 | \$ 8,744 | \$ 1,783 |
| Number of REALTORS® | 18,930 | 19,184 | 18,930 | 19,184 |

| | | | | |
|---|-----------|---------|-----------|-----------|
| Net and comprehensive earnings (loss) per Share | \$ (0.23) | \$ 0.26 | \$ 0.53 | \$ 0.19 |
| Dividends paid per Restricted Voting Share | \$ 0.34 | \$ 0.34 | \$ 1.01 | \$ 1.01 |
| Interest paid on Exchangeable Units per Exchangeable Unit | \$ 0.44 | \$ 0.44 | \$ 1.31 | \$ 1.31 |
| Distributable Cash Flow, rolling twelve-month period ended September 30, | | | \$ 15,855 | \$ 16,175 |
| Distributable Cash Flow per Share, rolling twelve-month period ended September 30, | | | \$ 1.24 | \$ 1.26 |

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In March 2020, the World Health Organization declared a global pandemic caused by the outbreak of the novel coronavirus, specifically identified as "COVID-19". The outbreak has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine and social distancing, have caused material disruption to the Company's business and has resulted in a global economic slowdown. The duration and impact of the COVID-19 outbreak as well as the impact of government actions to control the spread of the disease and the economic impacts are unknown at this time.

Many of our Franchisees were temporarily shut down or operated on a reduced basis from the start of the Pandemic. In Quebec, our Franchisees were forced to shut down for a period of time as real estate was deemed a non-essential service in that province. The impact of government mandated restrictions designed to limit human contact contributed to a significant drop in the business of our Franchisees through the second quarter. While real estate markets did recover during the Quarter to the point where many markets in Canada experienced improved monthly results from June-September compared to the Prior Year Period, the Company's revenues and operating results for the full year of 2020 are expected to be lower than the results for 2019.

The Company and the Manager are committed to the health and safety of all staff and the success of the Company's network of brokerages and REALTORS®. The Manager and the Company responded quickly to government mandated social distancing by moving all employees to work from home, supporting enhanced technology solutions to minimize social contact (such as virtual open houses) and providing enhanced education and communication programs to support REALTORS®.

In response to the impact of COVID-19 on our Franchisees, the Company introduced the Pandemic Fee Relief Plan which was implemented to provide the support that is necessary to preserve our network and the presence of our Brands at a time when we believed the business revenues of our Franchisees could drop to unprecedented levels in a short period of time. The Relief Plan is further discussed under *Business Strategy*.

Management continues to closely evaluate the impact of COVID-19 on the Company's business. It is not possible to estimate the length and severity of these developments and the impact on the future financial results of the Company. The effects of any prolonged decreases in future operating cash flows could result in the Company recording additional impairment charges in future periods on the Company's intangible assets and increased provisions for uncollectible accounts receivable and could have a significant negative affect on the Company's results of operations.

During the Quarter, the Company extended the term of an agreement with the Manager and BBP whereby the Company can defer payment of the monthly management fee payable to the Manager under the MSA and payment of interest on the Exchangeable Units, under certain circumstances, for the period from April, 2020 to December, 2020. Amounts deferred under this agreement are non-interest bearing and are due sixty months after the date of the deferral. Amounts owing under the agreement can be repaid in cash or through the issuance of Exchangeable Units, at the option of the Company. The Company deferred payment to the Manager of \$1.7 million related to management fees and recorded a gain of \$0.3 million during the Quarter. During the YTD, the Company deferred payments to the Manager of \$5.6 million related to management fees and payment of interest on Exchangeable Units of \$1.0 million. The Company recorded a gain of \$1.0 million on the deferral of these payments.

Organization

Bridgemarq's Restricted Voting Shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "BRE". Through its limited partnership holdings, Bridgemarq owns certain Franchise Agreements and Trademarks of real estate services Brands in Canada.

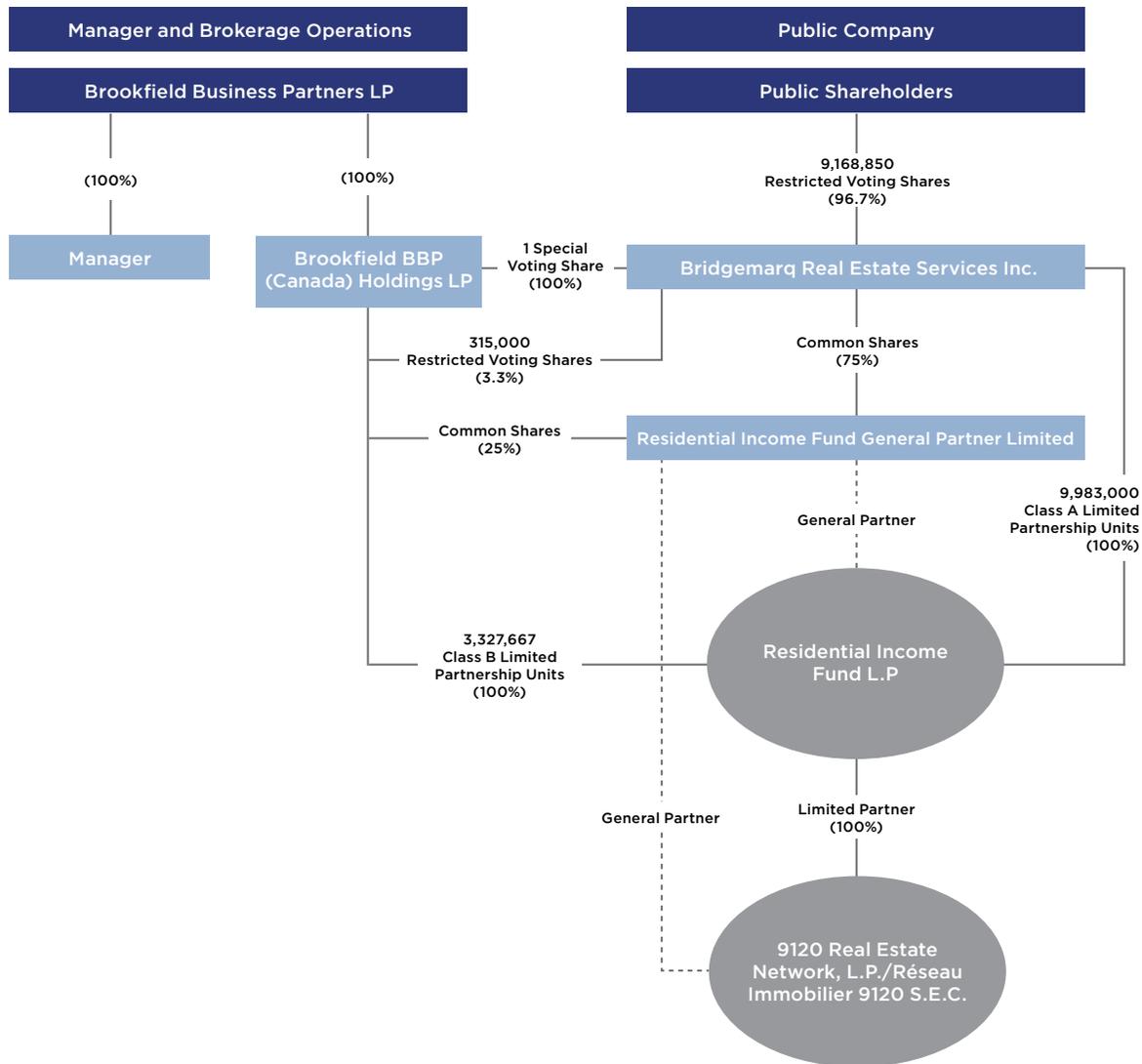
Bridgemarq directly owns a 75% interest in the Partnership which, in turn, owns VCLP. In addition, Bridgemarq directly owns a 75% interest in the General Partner. The Partnership and VCLP own and operate the assets from which Bridgemarq derives its revenue.

Brookfield BBP (Canada) Holdings L.P. ("BBP"), a subsidiary of Brookfield Business Partners L.P., owns the remaining 25% interest in the Partnership through its ownership of exchangeable units of the Partnership (the "Exchangeable Units"), the remaining 25% interest in the General Partner through its ownership of 25 common shares in the General Partner and one Special Voting Share of Bridgemarq. The Special Voting Share entitles BBP to a number of votes at any meeting of the restricted voting shareholders equal to the number of Restricted Voting Shares that may be obtained upon the exchange of all the Exchangeable Units held by the holder and/or its affiliates. In addition to its ownership of the Exchangeable Units, the common shares of the General Partner and the Special Voting Share, BBP indirectly owns 315,000 Restricted Voting Shares.

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The Company receives certain management, administrative and support services from the Manager. Bridgemarq derives its revenue from franchise fees and other services it provides pursuant to certain Franchise Agreements with Franchisees.

The ownership structure of the Company and the Manager is set out below:



Business Strategy

The Company is a Canadian based real estate services firm that supplies REALTORS® with information, tools and services to assist them in providing efficient and effective delivery of real estate sales services in the communities they serve. Through a portfolio of highly regarded real estate services Brands, each of which offers a unique value proposition, the Company caters to the diverse service requirements of regional real estate professionals, in virtually all significant population centres across Canada.

Bridgemarq’s objective is to provide its stakeholders with an investment vehicle that pays a significant portion of its Distributable Cash Flow to its shareholders in the form of dividends. The Company’s revenue is driven primarily by franchise fees derived from long-term Franchise Agreements. These franchise fees have historically been weighted toward fees that are fixed in nature. The Company believes that this has proven to be effective in moderating the variations in overall industry

Management's Discussion and Analysis of Results and Financial Condition

activity that can occur in the Canadian residential real estate market ("Canadian Market"). In response to the measures taken by governments across Canada to combat the spread of COVID-19, the Company announced the Pandemic Fee Relief Plan (the "Relief Plan") to its Franchisees. This temporary, fee plan is designed to provide financial support to the Company's Franchisees at a time when real estate markets were expected to reach unprecedented low levels. The Relief Plan for those Royal LePage Franchisees operating in Quebec consists of a rebate equal to the monthly fixed franchise fee, or \$128 per REALTOR®, for each of March, 2020 and April, 2020. The Relief Plan for Via Capitale Franchisees consists of a rebate equal to \$150 per REALTOR® for April, 2020. The Relief Plan for those Royal LePage Franchisees operating outside of Quebec, is an optional, variable fee only plan and is effective from April 1, 2020 through December 31, 2020, at which time all Franchisees will revert back to the traditional plan, which is weighted towards fees that are fixed in nature. Franchisees, representing approximately 98% of the REALTORS® in the Company Network, who are eligible to participate in the Relief Plan have elected to do so.

The number of REALTORS® in the Company Network, the transaction volumes generated in the markets the Company serves, the manner in which the Company structures the contracted revenue streams, the success in attracting REALTORS® to the Company's Brands through their value propositions and the track record of the Company's Brands are all important factors in the Company's financial and operating performance. These factors, including, among others, general economic conditions and government and regulatory activity impact the Company's performance and are discussed in greater detail throughout this MD&A and in the Company's 2019 Annual Information Form, which is available at www.sedar.com.

The Company seeks to increase its Distributable Cash Flow by increasing the number of REALTORS® in the Company Network through entering into Franchise Agreements and by attracting and retaining REALTORS® through the provision of services and additional fee for service offerings, which increases the productivity of the REALTORS®.

Management Services Agreement

The Company is party to a Management Services Agreement (the "MSA"), which governs the management of the Company and the delivery of services to Brokers and REALTORS® by the Manager. The MSA has a term of ten years expiring on December 31, 2028. On expiry, the MSA automatically renews for an additional ten-year term unless the Company or the Manager provides notice of their intention to terminate no later than six months prior to expiry.

Under the terms of the MSA, the Company pays a monthly management fee to the Manager comprised of:

- a fixed management fee of \$840,000, plus
- a variable management fee equal to the greater of a) 23.5% of Distributable Cash (as such term is defined in the MSA) or 0.342% of the market value of the Restricted Voting Shares on a diluted basis for the first five years of the initial term of the MSA and b) 25% of Distributable Cash or 0.375% of the market value of the Restricted Voting Shares on a diluted basis thereafter.

During the second quarter of 2020, the Company entered into an agreement with the Manager whereby the Company may, in certain circumstances, defer payment of the monthly management fee payable under the MSA for the period from April, 2020 to September, 2020. The agreement was extended to December 31 during the Quarter. Amounts deferred under this agreement are non-interest bearing and are due five years from the date of the deferral. Amounts owing under the agreement can be repaid in cash or through the issuance of Exchangeable Units at the option of the Company. During the Quarter, the Company deferred payment of \$1.7 million related to management fees under this agreement with the Manager. During the YTD, the Company deferred payments of \$5.6 million related to management fees.

In addition, and in accordance with terms of the MSA, on January 3, 2019, the Manager transferred 47 Franchise Agreements under the Royal LePage and Via Capitale brands as well as other agreements which give the Company the rights to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to the Franchise Agreements under IFRS was \$4.7 million and the fair value ascribed to the other agreements was \$4.6 million.

As a result of the capitalization of these Franchise Agreements and other contracts, a portion of future payments for management fees under the MSA is allocated toward reducing the obligation and interest expense associated with the transfer of contracts and Franchise Agreements, with the remainder charged to the Company's statement of net and comprehensive earnings (loss).

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Company Revenues

As at June 30, 2020, the Company received franchise fees from 18,921 REALTORS® contracted with 359 Broker-Owners operating under 298 Franchise Agreements from 676 locations, providing services under the Royal LePage, Via Capitale and Johnston & Daniel Brands, operating collectively as the Company Network, with an approximate 17% share of the Canadian Market, based on 2019 transactional dollar volume.

The Company generates revenue from franchise fees with both fixed and variable components as well as other revenues. Fixed franchise fees represent fees that are payable to the Company as a fixed monthly amount per REALTOR® without regard to transaction volumes generated by that REALTOR®. Approximately 39% of the Company's revenues for the YTD (Prior Year Period- 67%) were derived from fixed franchise fees. Variable franchise fees represent franchise and other fees that are payable to the Company based on the transaction volumes generated by REALTORS®, subject to a cap. Approximately 49% of the Company's revenues for the YTD (Prior Year Period- 25%) were derived from variable franchise fees. Other revenues are derived from ancillary services provided to Franchisees outside of Franchise Agreements and include lead management fees received from Franchisees and fees for referral services paid by third parties. During the YTD, other revenues represented 12% of total revenues (Prior Year Quarter- 8%).

In 2019, approximately 78% of the Company's annual franchise fees were partly insulated from the fluctuations in the Canadian Market as they were not directly driven by transaction volumes. This includes a portion of variable franchise fees which are effectively fixed in nature due to the fact that variable franchise fees are subject to a cap. Effective April 1, 2020, the Company announced the Relief Plan to its Franchisees. This temporary fee plan was implemented to support the 18,921 REALTORS® in the Company Network who would be materially impacted by what was expected to be an unprecedented drop in real estate market activity in Canada as a result of the spread of COVID-19. For those Franchisees outside Quebec, the Relief Plan offers a variable fee option and is effective from April 1, 2020 through December 31, 2020, at which time all Franchisees will revert back to the traditional plan which is weighted towards fees that are fixed in nature. A description of each type of revenue follows:

Fixed Franchise Fees are paid based on the number of REALTORS® in the Company Network. For the first quarter of 2020, fixed franchise fees from Royal LePage Franchisees consisted of a fixed monthly fee of \$133 (2019-\$128) per REALTOR® for approximately 90% of the Royal LePage Network and \$128 per REALTOR® for 10% of the Royal LePage Network. Fixed franchise fees from Via Capitale Franchisees consist primarily of a fixed monthly fee of \$170 per REALTOR®. For those approximately 350 Royal LePage REALTORS® who participate in the Royal LePage commercial real estate program, an additional monthly fee of \$100 is paid to the Company.

Effective April 1, 2020, the Company introduced the Relief Plan to the Franchisees in the Company Network. Under the terms of the Relief Plan, Royal LePage Franchisees operating in Quebec received a rebate equal to the monthly fixed franchise fee, of \$128 per REALTOR®, for each of March, 2020 and April, 2020 while Via Capitale Franchisees received a rebate of \$150 in April, 2020. The rebates provided to Franchisees operating in Quebec amounted to \$0.6 million for the YTD.

Under the Relief Plan, Franchisees representing approximately 82% of REALTORS® in the Company Network will pay only variable franchise fees from April 1, 2020 through December 31, 2020 as described below.

Variable Franchise Fees are calculated as a percentage of Gross Revenues earned by REALTORS®. Variable franchise fees are substantially all earned from Royal LePage Franchisees, are driven by the transactional dollar volume transacted by the REALTORS® and, prior to April 1, 2020, were derived as 1% of each REALTOR®'s Gross Revenues, subject to an annual cap of \$1,400 per year (2019-\$1,350). Certain REALTORS® in the Royal LePage Network work as part of a Team. All REALTORS® who are members of a Team pay fixed franchise fees. However, for the purposes of the \$1,400 variable fee annual cap, the Gross Revenues of all Team members were aggregated to one cap.

The amount of variable franchise fees paid by an individual REALTOR® can change depending upon, among other things, the total value of real estate they sell in a given year and increases or decreases in home prices. However, variable franchise fees are subject to a cap. For those REALTORS® or Teams who reach the cap, the variable franchise fee is effectively fixed in nature, in that the variable franchise fee paid by the REALTOR® will not change based on changes in the Canadian Market. In 2019, the variable fees associated with approximately 2,700 REALTORS® and 1,100 Teams (representing more than 4,200 REALTORS®) that exceeded the \$1,350 cap accounted for approximately 13% of revenues.

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Under the terms of the Relief Plan, those Franchisees operating outside of Quebec will pay variable franchise fees derived as 3% of each REALTOR®'s Gross Revenues, subject to a cap of \$2,295 for the period from April 1, 2020 until December 31, 2020. If that REALTOR is a participant in the Royal LePage commercial program, the variable rate applied to Gross Revenue is 4.2% to a cap of \$3,213. As part of the transition to the Relief Plan, the Company provided certain rebates to Franchisees based on individual REALTOR® production from January 1, 2020 to March 31, 2020. These rebates amounted to \$0.6 million. For those REALTORS® who are members of a Team, variable franchise fees are determined as 3% of Gross Revenues up to a cap of \$1,200 per Team member. Under the Relief Plan, Franchisees representing approximately 82% of REALTORS® in the Company Network will pay only variable franchise fees from April 1 through December 31, 2020.

Other Revenues consist of revenues earned for services provided to Franchisees and REALTORS® outside of the franchise fees earned under the Franchise Agreements. Other revenues include referral fees paid by financial institutions for mortgage referrals and fees earned from Franchisees who purchase customer leads from the Company.

Overview of Third Quarter 2020 Operating Results

(Unaudited)

(in 000's) except per Share amounts;
Restricted Voting Shares outstanding;
Exchangeable Units outstanding;
Number of REALTORS®

| | Three months ended September 30, 2020 | Three months ended September 30, 2019 | Nine months ended September 30, 2020 | Nine months ended September 30, 2019 |
|---|--|--|---|---|
| Fixed franchise fees | \$ 1,239 | \$ 7,389 | \$ 10,056 | \$ 21,982 |
| Variable franchise fees | 8,038 | 3,077 | 19,124 | 8,455 |
| Other revenue | 1,460 | \$ 1,260 | 4,073 | \$ 3,244 |
| Revenues | 10,737 | \$ 11,726 | 33,253 | 33,681 |
| Less: | | | | |
| Cost of other revenue | 197 | 155 | 481 | \$ 417 |
| Administration expenses | (50) | 53 | 779 | 767 |
| Management fees | 4,411 | 4,041 | 12,690 | 11,748 |
| Interest expense | 761 | 748 | 2,243 | 2,270 |
| | \$ 5,418 | \$ 6,729 | \$ 17,060 | \$ 18,479 |
| Impairment and write-off of intangible assets | (76) | - | (359) | (650) |
| Amortization of intangible assets | (2,041) | (2,634) | (6,488) | (7,929) |
| Interest expense on Exchangeable Units | (1,452) | (1,452) | (4,355) | (4,355) |
| Gain (loss) on fair value of Exchangeable Units | (3,527) | 633 | 6,356 | (499) |
| Gain (loss) on interest rate swap | 133 | 155 | (2,413) | (1,274) |
| Gain on deferred payments | 310 | - | 1,191 | - |
| Current income tax expense | (722) | (882) | (2,008) | (2,314) |
| Deferred income tax recovery (expense) | (250) | (127) | (240) | 325 |
| Net and comprehensive earnings (loss) | \$ (2,207) | \$ 2,422 | \$ 8,744 | \$ 1,783 |
| Basic earnings (loss) per Restricted Voting Share | \$ (0.23) | \$ 0.26 | \$ 0.92 | \$ 0.19 |
| Diluted earnings (loss) per Share | \$ (0.23) | \$ 0.26 | \$ 0.53 | \$ 0.19 |
| Dividends paid per Restricted Voting Share | \$ 0.34 | \$ 0.34 | \$ 1.01 | \$ 1.01 |
| Interest expense per Exchangeable Unit | \$ 0.44 | \$ 0.44 | \$ 1.31 | \$ 1.31 |
| Restricted Voting Shares outstanding | 9,483,850 | 9,483,850 | 9,483,850 | 9,483,850 |
| Exchangeable Units outstanding | 3,327,667 | 3,327,667 | 3,327,667 | 3,327,667 |
| Number of REALTORS® | 18,930 | 19,184 | 18,930 | 19,184 |

(in 000's)
As at

| | September 30, 2020 | December 31, 2019 |
|-------------------|-----------------------|----------------------|
| Total assets | \$ 93,908 | \$ 94,793 |
| Total liabilities | \$ 131,169 | \$ 131,196 |

Management's Discussion and Analysis of Results and Financial Condition

VARIATION OF OPERATING RESULTS FOR THE QUARTER COMPARED TO THE PRIOR YEAR QUARTER

Revenues:

Revenues have decreased compared to the Prior Year Quarter as a result of the introduction of the Pandemic Plan. The Relief Plan results in approximately 82% of REALTORS® in the Company Network paying only variable franchise fees for the period from April 1st, 2020 to December 31, 2020. This has resulted in a significant reduction in fixed franchise fee revenue and a significant increase in variable franchise fee revenue. Variable franchise fees are subject to a cap of \$2,295 per individual REALTOR®, \$3,213 where that REALTOR® participates in the Royal LePage commercial program or \$1,200 if that REALTOR is a member of a Team. Once a REALTOR® reaches these caps, they pay no franchise fees for the remainder of the year.

Net Earnings:

For the Quarter, the Company incurred a net loss of \$2.2 million or \$0.23 per Share, compared to net earnings of \$2.4 million or \$0.26 per Share in the Prior Year Quarter.

The primary drivers of the decrease in net earnings compared to the Prior Year Quarter were:

- A loss on the determination of the fair value on the Exchangeable Units of \$3.5 million in the Quarter, compared to a gain of \$0.6 million during the Prior Year Quarter;
- A \$0.9 million decrease in revenues as discussed above; and
- A \$0.4 million increase in management fees as a result of decreased amortization of contract transfer obligation; partly offset by
- A \$0.3 million gain recorded on deferred payments; and
- A \$0.6 million decrease in amortization of intangible assets.

Total Assets:

Total assets decreased by \$0.9 million during the YTD. The main drivers of the decrease were:

- A \$5.5 million decrease in the carrying value of intangible assets, due to amortization expense recorded in the YTD;
- Deferred income tax expense of \$0.2 million; and
- A \$0.4 million decrease in accounts receivable and notes receivable due to strong collections; partly offset by;
- A \$5.4 million increase in cash.

Total Liabilities:

Total liabilities decreased by \$0.03 million in the YTD. The main drivers of the decrease were:

- A \$6.3 million decrease in the liability associated with the Exchangeable Units, which is valued based on the trading value of the Restricted Voting Shares (see further discussion under *Annual Operating Results and Cash Flows - Loss on fair value of Exchangeable Units*); and
- A \$1.7 million reduction in the contract transfer obligation; partly offset by;
- Deferred payments of \$5.5 million; and
- A \$2.4 million increase in the interest rate swap liability.

DIVIDENDS AND DISTRIBUTIONS:

Dividends approved by the Board on Restricted Voting Shares were consistent with the Prior Year Quarter at \$0.34 per share.

Interest on Exchangeable Units was consistent with the Prior Year Quarter.

There can be no assurance regarding the amounts of income or cash flow to be generated by the Company and distributed to shareholders or unitholders. The amount of dividends to be paid in respect of the Restricted Voting Shares is determined by the Board based on numerous factors, including, among others, the operating cash flows generated by the company, working capital requirements and opportunities for investment.

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Key Performance Drivers

Key performance drivers of the Company’s business include:

1. The stability of the Company’s revenue streams;
2. The number of REALTORS® in the Company Network;
3. Transaction dollar volumes; and
4. The Company’s growth opportunities.

STABILITY OF THE COMPANY’S REVENUE STREAMS

The stability of the Company’s revenue streams is derived from a number of factors, including the fixed-fee structure of the Company’s franchise fees, the ability to increase franchise fees under the terms of the Franchise Agreements, the geographic distribution of the Company Network, and the length and renewal of the Franchise Agreements owned by the Company.

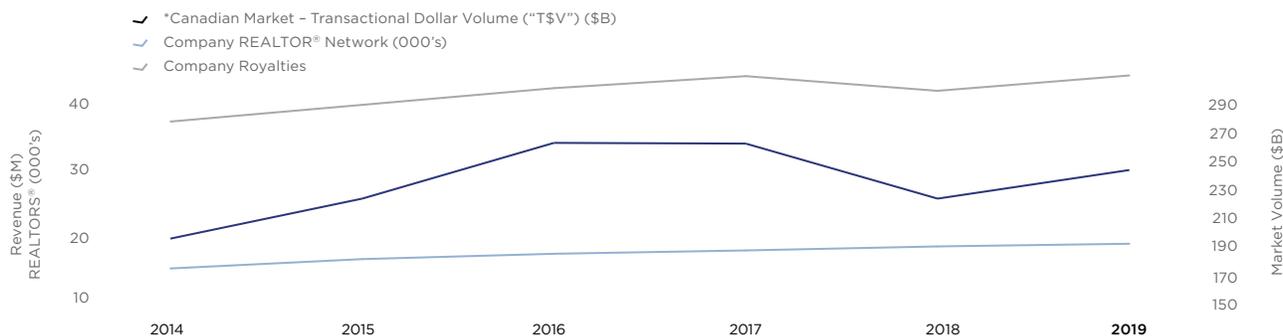
FIXED - FEE STRUCTURE

The Company estimates that for 2019, approximately 78% of its revenues were fixed in nature. In addition to its fixed franchise fees, a substantial portion of the Company’s variable franchise fees were effectively fixed in nature.

The amount of variable franchise fees paid by an individual REALTOR® can change depending upon, among other things, the total value of real estate they sell in a given year and increases or decreases in home prices across Canada. However, variable franchise fees were subject to an annual cap of \$1,400 per REALTOR® or Team of REALTORS® prior to April 1, 2020. For the period from April 1, 2020 to December 31, 2020, variable franchise fees are subject to a cap of \$2,295 per REALTOR® (\$3,213 per REALTOR® who participates in the Royal LePage commercial program) or \$1,200 per Team member. For those REALTORS® or Teams who reach the cap, the variable franchise fee is effectively fixed in nature, in that the variable franchise fee paid by the REALTOR® or Team will not change based on changes in the Canadian Market.

The chart below compares the Company’s annual revenues to the Canadian Market and the underlying number of REALTORS® in the Company Network. The quarterly rolling twelve month changes in the Company’s revenues and the Canadian Market is shown under “Transactional Dollar Volumes” on page 13.

REVENUES, MARKET AND REALTOR® TRENDS



*Source: Canadian Real Estate Association (“CREA”)

INCREASE AND CHANGES IN FEES

Under the terms of the Franchise Agreements, the Company is permitted to increase the franchise fees it charges based on changes in the underlying consumer price index.

Effective January 1, 2020, the Company implemented an increase in the monthly fixed franchise fees paid by Royal LePage and Johnston & Daniel Franchisees from \$128 to \$133 per REALTOR®. The increases were effective January 1, 2020 for approximately 90% of REALTORS® operating under the Royal LePage and Johnston & Daniel Brands with the balance of the taking effect on July 1, 2020. In addition, the Company announced an increase in the maximum annual variable franchise fee payable based on 1% of each REALTOR®’s or Team’s Gross Revenue from \$1,350 to \$1,400 effective January 1, 2020.

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In response to the measures taken by governments across Canada to combat the spread of COVID-19, the Company announced the Relief Plan to its Franchisees. This temporary fee plan is designed to provide financial support to the Company's Franchisees at a time when real estate markets were expected to reach unprecedented lows. The Relief Plan for those Royal LePage Franchisees operating in Quebec is comprised of a rebate of the monthly fixed franchise fee for the months of March, 2020 and April 2020. The Relief Plan for Via Capitale Franchisees consists of a rebate equal to \$150 per REALTOR® to be applied in April, 2020. Under the terms of the Relief Plan, those Franchisees operating outside of Quebec will pay variable franchise fees derived as 3% of each REALTOR®'s Gross Revenues, subject to a cap of \$2,295 for the period from April 1, 2020 until December 31, 2020. If that REALTOR is a participant in the Royal LePage commercial program, the variable rate applied to Gross Revenue is 4.2% to a cap of \$3,213. As part of the transition to the Relief Plan, the Company provided certain rebates to Franchisees based on individual REALTOR® production from January 1, 2020 to March 31, 2020. For those REALTORS® who are members of a Team, variable franchise fees are determined as 3% of Gross Revenues up to a cap of \$1,200 per Team member. The Relief Plan is a temporary measure. All Franchisees will revert back to the traditional plan, which is weighted toward fees that are fixed in nature.

GEOGRAPHIC DISTRIBUTION OF THE COMPANY NETWORK

As at September 30, 2020, the Company Network of 18,930 REALTORS® operated through 289 Franchise Agreements, contracted with 359 Broker-Owners, providing services across the country through 667 locations. Of the Brokerages in the Company Network, approximately 65% operate with fewer than 50 REALTORS® and represent 15% of the REALTORS® in the Company Network. The Company's smallest Franchisees have one REALTOR® while the largest has more than 1,600 REALTORS®.

The Company Network is geographically dispersed. As compared to the distribution of REALTORS® across Canada, the Company Network is under-represented in British Columbia and Alberta. The Company has a relatively strong presence in Ontario (as a result of a historical base there) and Quebec (due in part to operating under two separate brands).

| As at Sep 30, 2020 | Canadian ¹ REALTOR® Population | Company REALTOR® Population |
|--------------------|---|-----------------------------------|
| Ontario | 60% | 59% |
| British Columbia | 16% | 12% |
| Quebec | 10% | 16% |
| Alberta | 8% | 5% |
| Maritimes | 3% | 4% |
| Prairies | 3% | 4% |
| Total | 100% | 100% |

¹ Source: CREA

FRANCHISE AGREEMENTS

Franchise Agreements are contracts between the Company and Franchisees which govern matters such as use of the Trademarks, rights and obligations of Franchisees and the Company, renewal terms, services to be provided by the Company and franchise fees. Over the term of the Franchise Agreement, the Franchisee may undertake activities which require an amendment to the standard contract such as the opening of a new location. These changes are documented by way of an addendum to the standard contract and form part of the Franchise Agreement.

The Royal LePage Franchise Agreements, which represent 95% of the Company's REALTORS®, are for 10 to 20 year terms with a standard renewal term of ten years. These long-duration contracts exceed the industry standard of five years and thereby reduce agreement renewal risk. In addition, the Company regularly attempts to extend contract terms a further ten years in advance of renewal dates when opportunities allow.

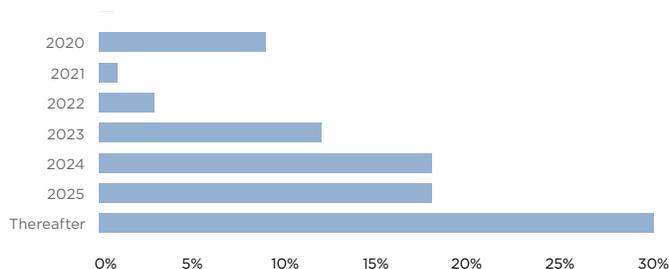
The Via Capitale Franchise Agreements, which represent 5% of the Company's REALTORS®, are typically five years in duration with standard renewal terms extending five years.

Management's Discussion and Analysis of Results and Financial Condition

A summary of the Company's agreement renewal profiles as at September 30, 2020 for the Company Network is shown below.

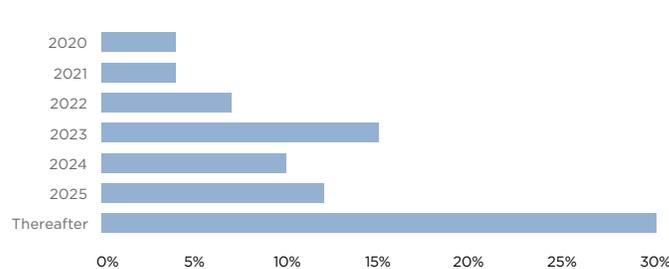
% OF FRANCHISE AGREEMENTS UP FOR RENEWAL

(by Number of REALTORS®)



% OF FRANCHISE AGREEMENTS UP FOR RENEWAL

(by Number of Agreements)



RENEWALS

The Company has historically been able to achieve renewal success in more than 95% of Franchise Agreements as they come due, expressed as a percentage of the underlying number of REALTORS® associated with those agreements. Due to the ongoing success of the Company's Franchisees, a number of opportunities, such as increasing Franchisee locations, present themselves to renew Franchise Agreements before they come due.

During the Quarter, one Franchise Agreement, representing 270 REALTORS® of the Company Network extended their term or renewed.

During the Quarter, three Franchise Agreements were terminated as a result of Franchisees merging operations and one Franchise Agreement was terminated due to the retirement of the Broker-Owner.

For the YTD, five Franchise Agreements, representing 200 REALTORS® of the Company Network extended their term or renewed.

For the YTD, seven Franchise Agreements were terminated, six of which were as a result of Franchisees merging operations and one of which was due to the retirement of the Broker Owner.

NUMBER OF REALTORS® IN THE COMPANY NETWORK

For the YTD, the Company Network of 18,930 REALTORS® decreased by 181 REALTORS® compared to a net increase of 386 REALTORS® (including 495 added through the transfer of Franchise Agreements from the Manager on January 3, 2019) in the Prior Year Period.

| | 2003 ¹ - 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 ³ |
|---|--------------------------|---------|---------|---------|---------|---------|-------------------|
| Company Network | | | | | | | |
| Opening REALTOR® Count | 9,238 | 15,377 | 16,794 | 17,580 | 18,135 | 18,725 | 19,111 |
| Net REALTOR® growth (attrition) for the period | 6,139 | 1,417 | 786 | 555 | 590 | 386 | (181) |
| Closing REALTOR® Count | 15,377 | 16,794 | 17,580 | 18,135 | 18,725 | 19,111 | 18,930 |
| % Change in the period | 66% | 9% | 5% | 3% | 3% | 2% | -1% |
| Canadian REALTOR® Population² | | | | | | | |
| CREA REALTOR® Membership | 110,821 | 114,664 | 121,212 | 125,316 | 129,752 | 133,242 | 133,120 |
| % Change in the period | 56% | 3% | 6% | 3% | 4% | 3% | 0% |

¹ Opening Count as at August 2003, CREA opening count of 71,267

² Source: CREA, CREA Membership data as of Sep 30, 2020 not available as of MDA date

³ As at Sep 30, 2020

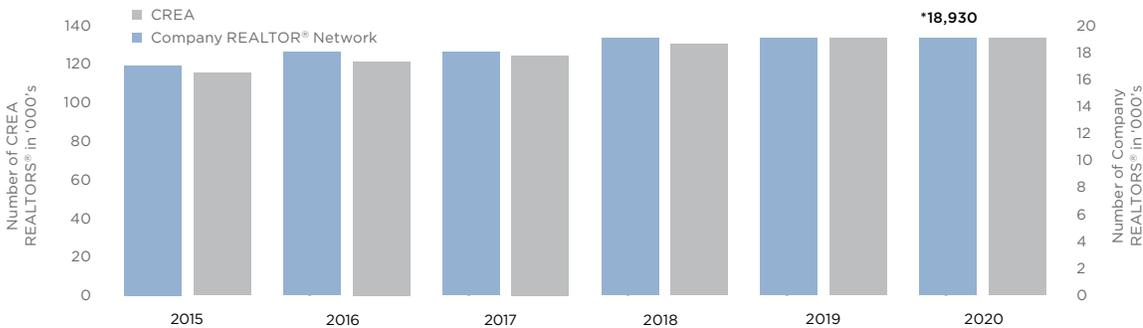
Management’s Discussion and Analysis of Results and Financial Condition

The increase in the number of Canadian REALTORS® in the Company Network has in part been driven by the growth in the Canadian Market, increases in discount brokerage offerings (which have attracted new entrants to the industry), and an apparent increase in market activity serviced by REALTORS® operating as Teams. Since 2003, the Company’s Network has grown at a 3.9% compound annual growth rate (“CAGR”), outperforming the 3.6% growth in the industry despite the addition of competitive offerings over the same time period.

The number of REALTORS® in the Company Network increases when the Company enters into new Franchise Agreements with Franchisees and when our existing Franchisees are successful in increasing the number of REALTORS® at their Brokerage through recruiting or acquisitions.

CANADIAN REAL ESTATE REALTORS®

(Years ended December 31)

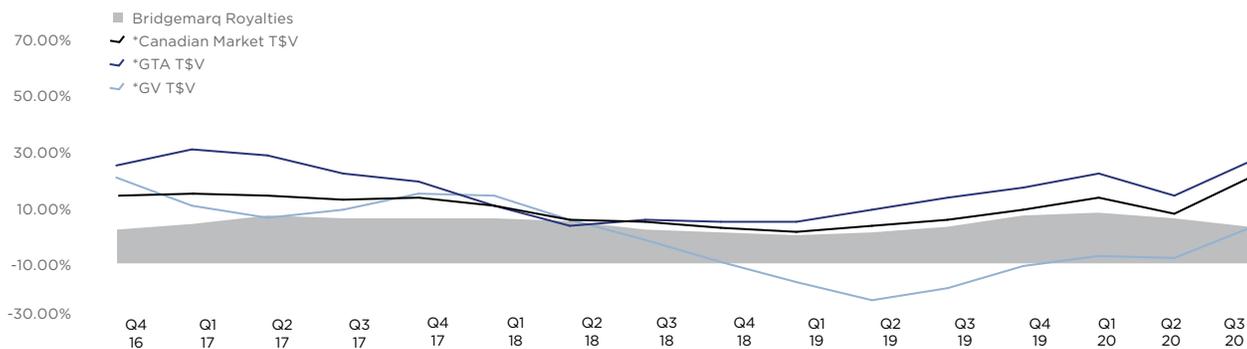


*As at Sep 30, 2020

TRANSACTIONAL DOLLAR VOLUMES

The chart below shows the cumulative growth in the Canadian Market and select urban markets as compared to the growth in the Company’s revenues since the fourth quarter of 2016.

QUARTERLY ROLLING TWELVE-MONTH % CHANGE



*Source: CREA

Transactional dollar volume of real estate in Canada began to decline nationally during the first quarter of 2017 as real estate values and volumes weakened. After prolonged weakness over the previous two years driven by weakness in the Greater Toronto Area (“GTA”, which experienced peak growth in the first quarter of 2017) and the Greater Vancouver Area (“GVA”) market (which peaked in the second quarter of 2016), Canadian market growth turned positive in the second quarter of 2019 when the GTA showed its first year-over-year quarterly improvement in twelve months. This momentum continued into the second quarter of 2019 when the GVA market came off of 30-year lows. After four consecutive quarters of growth in

Management's Discussion and Analysis of Results and Financial Condition

transaction dollar volume, home sale volumes fell dramatically in the face of government actions to combat the spread of COVID-19 during the second quarter of 2020. However, during the Quarter, activity across Canada rebounded dramatically (to record levels in some markets) as pent up demand, low interest rates, changing work and commuting patterns and other factors increased the demand for housing.

During the Quarter, the Canadian Market closed up 63%, at \$109.1 billion, as compared to the Prior Year Quarter at \$66.8 billion. The increase in transaction dollar volume was driven by a 39% increase in units sold and a 22% increase in price.

For the rolling twelve-month period ended September 30, 2020, the Canadian Market closed up 20%, at \$280.3 billion, as compared to the rolling twelve-month period ended September 30, 2019 at \$233.9 billion, driven by a 11% increase in prices and an 8% increase in units sold.

During the Quarter, the GTA market closed up 60%, at \$31.2 billion, as compared to the Prior Year Quarter. The increase in transaction dollar volume was driven by a 37% increase in units sold and a 13% increase in prices.

For the rolling twelve-month period ended September 30, 2020, the GTA closed up 16%, at \$80.1 billion, as compared to the rolling twelve-month period ended September 30, 2019 at \$68.9 billion driven by a 12% increase in price and a 4% increase in units sold.

During the Quarter, the GVA market closed up 55%, at \$10.8 billion, as compared to the Prior Year Quarter, driven by a 40% increase in number of units sold and a 12% increase in selling prices.

For the rolling twelve-month period ended September 30, 2020, the GVA market closed up 32%, at \$30.2 billion, as compared to the rolling twelve-month period ended September 30, 2019 at \$22.8 billion driven by a 11% increase in units sold and a 5% increase in selling prices.

During the Quarter, the Greater Montreal Area ("GMA") market closed up 66%, at \$7.3 billion, as compared to the Prior Year Quarter, driven by a 43% increase in units sold and a 24% increase in prices.

For the rolling twelve-month period ended September 30, 2020, the GMA market closed up 17%, at \$22.3 billion, as compared to the rolling twelve-month period ended September 30, 2019 at \$19.3 billion driven by an 12% increase in prices and a 5% increase in units sold.

COMPANY'S GROWTH OPPORTUNITIES

Growth in the Company's revenues is achieved through:

- Increasing the number of REALTORS® in the Company Network through recruitment growth;
- Entering into new Franchise Agreements;
- Increasing the productivity of REALTORS®;
- Expanding the range of products and services supporting Franchisees and their REALTORS®; and
- Increasing the adoption of the Company's products and services and growing other revenues.

The products and services offered by the Company are supported by ongoing training programs for Brokers and REALTORS®, which assist in leveraging the Company's competitive advantages to attract and retain REALTORS®.

GROWTH IN THE NUMBER OF REALTORS® AND OTHER REVENUES

The Company strives to increase the number of REALTORS® in the Company Network through the continued momentum of converting competing brokerages and REALTORS® to the Company's Brands and developing programs to increase REALTOR® growth. This is generally achieved through entering into new Franchise Agreements.

Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network has increased by 105% (9692 REALTORS®). This represents a CAGR of % in the Company Network.

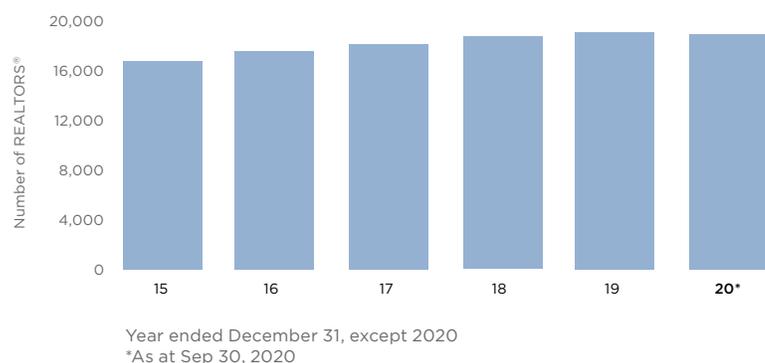
In accordance with terms of the MSA, on January 3, 2019, the Manager transferred 47 Franchise Agreements comprised of 495 REALTORS® operating under the Royal LePage and Via Capitale brands, for nominal consideration. The fair value ascribed to the Franchise Agreements was \$4.7 million.

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During the YTD, the Company has experienced a net reduction of 181 in the number of REALTORS® in the Company Network. During the second quarter, many of the provincial real estate licensing bodies suspended their training and examination operations as a result of COVID 19 restricting the ability for new entrants to the profession to replace those who retire. In addition, the uncertainty created by the pandemic has made many REALTORS® more cautious in considering changing from their existing Brand to one of the Company's Brands.

A summary of Company Network growth since 2015 is summarized in the chart below.

COMPANY GROWTH



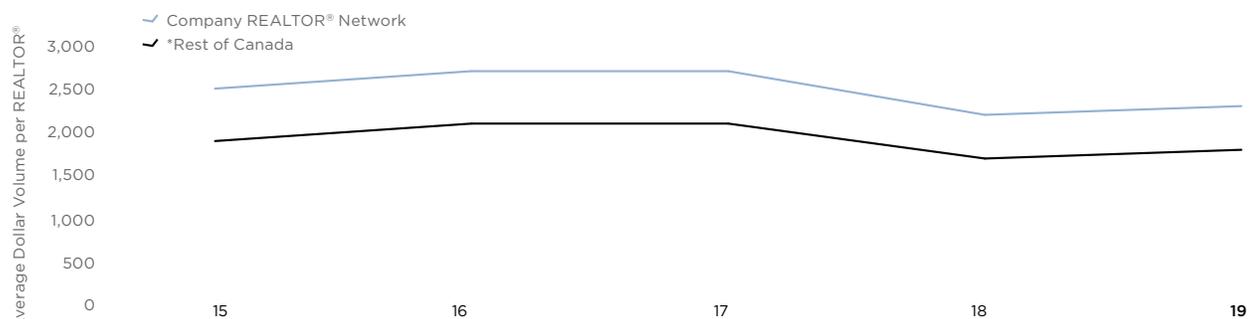
REALTOR® Productivity

The average REALTOR® in the Company Network generated approximately \$2.1 million in transactional dollar volume for the twelve months ended December 31, 2019, compared to an estimated \$1.8 million in transactional dollar volume generated by an average Canadian REALTOR®, outside the Company Network. The transactional dollar volume generated by an average Canadian REALTOR® increased by 6% compared to 2018, which is consistent with the increase in the Canadian Market.

Management believes that the higher productivity of the Company's Network of REALTORS®, makes the Company less prone to a loss of REALTORS® during a period of reduced transactional dollar volume. The average transactional dollar volume per REALTOR® for the years ended December 31, 2015, through 2019, is summarized in the chart below.

CANADIAN RESIDENTIAL REAL ESTATE MARKET REALTOR® PRODUCTIVITY

(Average T\$V per REALTOR®, in '000 of Canadian dollars)



*Source: CREA

PRODUCTS AND SERVICES

During the third quarter, the Company continued to provide leadership and support to the Network by creating and evolving products and services to operate productively and safely during the pandemic. As a result, the Company's Brands, Franchisees and Network of REALTORS® have continued to maintain a high level of service.

Royal LePage continued its phased roll out of rlpSPHERE across Canada. rlpSPHERE is a new technology platform designed to drive revenue, reduce costs and improve client service levels. This digital ecosystem seamlessly brings together all of the tools and systems Franchisees and their REALTORS® need to more easily run and grow their business.

Management’s Discussion and Analysis of Results and Financial Condition

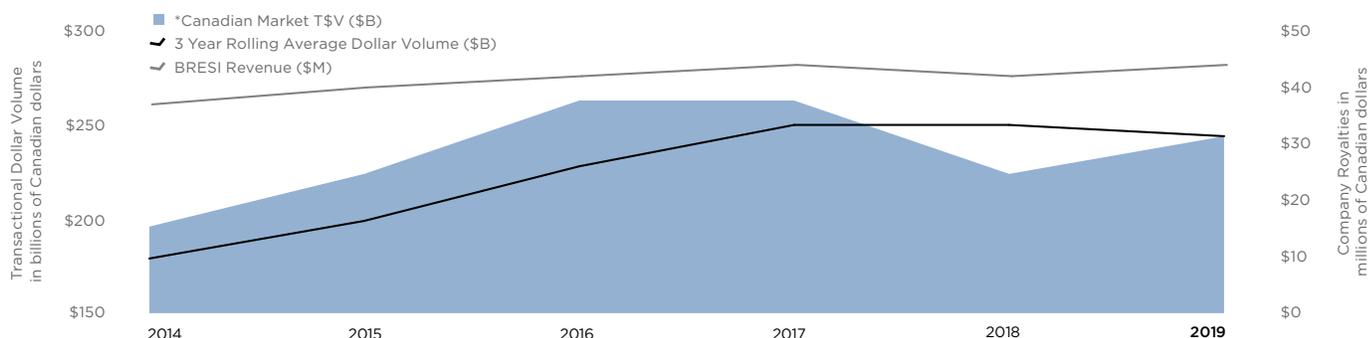
The Canadian Residential Real Estate Market

Since 2004, the Canadian Market has grown at a CAGR of 6% compared to our revenues, which have grown at a rate of 4%. Our fee structure has historically been biased towards fees that are fixed in nature, limiting our participation in significant increases or decreases in the Canadian Market. However, for the period from April 1, 2020 to December 2020, the Company has implemented the Relief Plan to its Franchisees. This temporary, fee plan is a variable fee only plan and is designed to provide financial support to the Company’s Franchisees. As such, for 2020, the Company’s franchise fees will be more closely correlated with the changes in the Canadian Market.

In the second quarter of 2019, the Canadian Market saw its first year-over-year improvement in almost two years on the strength of improvement in the GTA market. Markets improved through the rest of 2019 as the GVA market bounced off 30-year lows. Overall, the Canadian Market increased 9% in 2019 compared to 2018. That improvement continued into the first quarter of 2020 until mid-March when governments across Canada began placing restrictions on the operation of businesses and social interaction in an effort to fight the spread of COVID-19. COVID-19 has had dramatic impacts on the Canadian economy and the Canadian Market. The second quarter of 2020 started off very weak with the Canadian Market off 58% in April compared to 2019. After continued weakness in May, June results showed a strong bounce back with a 13% year-over-year improvement. During the Quarter, the markets continued to improve, reaching record levels in some areas. Overall, the Canadian market improved by 63% compared to the Prior Year Quarter. While the market appears to have to have come back quickly, it remains to be seen whether broader economic factors such as unemployment, GDP contraction and immigration policy will impact this trend. The extent to which COVID-19 will continue to impact the Canadian Market and the business of the Company is not known at this time.

TRANSACTION DOLLAR VOLUME - CANADIAN RESIDENTIAL REAL ESTATE MARKET

(2014–2018)

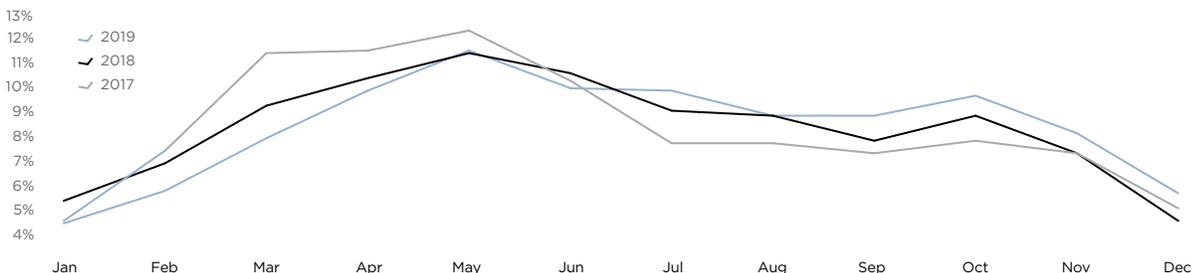


*Source: CREA

The Company’s revenues are affected by the seasonality of the Canadian Market, which typically sees stronger transactional dollar volumes in the second and third quarters of each year, as summarized in the chart below.

CANADIAN RESIDENTIAL REAL ESTATE MARKET

(*% Canadian Market T\$V by month)



*Source: CREA

Management's Discussion and Analysis of Results and Financial Condition

Canadian Market Outlook

A summary of key commentary on the Canadian Market, as reported by the Canadian Real Estate Association ("CREA"), the Toronto Regional Real Estate Board ("TRREB") and the Bank of Canada ("BoC") follows:

From CREA¹: Statistics released by the Canadian Real Estate Association (CREA) show national home sales set another record in September 2020. Home sales recorded over Canadian MLS® Systems edged up a further 0.9% between August and September, raising them to yet another new all-time monthly record.

The small change from August to September had under its surface a mixed bag of results with about 60% of local markets seeing gains. Increases in Ottawa, Greater Vancouver, Vancouver Island, Calgary and Hamilton-Burlington sales were mostly offset by declines in the Greater Toronto Area (GTA) and Montreal; although, activity in the two largest Canadian markets is still historically very strong.

Actual (not seasonally adjusted) sales activity posted a 45.6% y-o-y gain in September. It was a new record for the month of September by a margin of some 20,000 transactions, the equivalent of a normal month of September with an entire month of December tacked on. Sales activity was up in almost all Canadian housing markets compared to September 2019.

So far this year, some 402,578 homes have traded hands over Canadian MLS® Systems, up 5.8% from the first nine months of 2019.

The number of newly listed homes fell back by 10.2% in September, reversing the surge to record levels seen in August. New supply was down in two-thirds of local markets, led by declines in and around Vancouver and the GTA.

With sales edging up in September and new supply dropping back, the national sales-to-new listings ratio tightened to 77.2% — the highest in almost 20 years and the third-highest monthly level on record for the measure.

Based on a comparison of sales-to-new listings ratio with long-term averages, about a third of all local markets were in balanced market territory, measured as being within one standard deviation of their long-term average. The other two-thirds of markets were above long-term norms, in many cases well above.

The number of months of inventory is another important measure of the balance between sales and the supply of listings. It represents how long it would take to liquidate current inventories at the current rate of sales activity.

There were just 2.6 months of inventory on a national basis at the end of September 2020 – the lowest reading on record for this measure. At the local market level, a number of Ontario markets are now into weeks of inventory rather than months. Much of the province of Ontario is close to or under one month of inventory.

The Aggregate Composite MLS® Home Price Index (MLS® HPI) rose by 1.3% m-o-m in September 2020.

From TRREB²: On October 6, 2020 – The Toronto Regional Real Estate Board announced that sales reported through TRREB's MLS® System by Greater Toronto Area REALTORS® amounted to 11,083 – a new record for the month of September. This result was up by 42.3 per cent compared to September 2019.

Following a record third quarter, sales through the first nine months of 2020 were up by approximately one per cent compared to the same period in 2019.

"Improving economic conditions and extremely low borrowing costs sustained record-level sales in September, as we continued to account for the substantial amount of pent-up demand that resulted from the spring downturn. Further improvements in the economy, including job growth, would support strong home sales moving forward. However, it will be important to monitor the trajectory of COVID-19 cases, the related government policy response, and the impact on jobs and consumer confidence," said the President of TRREB.

¹ Source: Canadian home sales and prices set records again in September, published October 15, 2020

² Source: TORONTO REGIONAL REAL ESTATE BOARD RELEASES RESALE HOUSING REPORT published October 6, 2020

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Year-over-year sales growth in September continued to be driven by ground-oriented market segments, including detached and semi-detached houses and townhouses. Annual growth rates were also higher for sales reported in the GTA regions surrounding the City of Toronto. The September 2020 MLS® Home Price Index Composite Benchmark was up by 11.6 per cent year-over-year. The average selling price for all home types combined in September was \$960,772 – up by 14 per cent year-over-year. Price growth was driven by the low-rise market segments. The relatively better supplied condominium apartment segment experienced a comparatively slower pace of price growth.

“On a GTA-wide basis, market conditions tightened in September relative to last year, with sales increasing at a faster pace than new listings. With competition between buyers increasing noticeably, double-digit year-over-year price growth was commonplace throughout the region in September, resulting in the overall average selling price reaching a new record,” said TRREB’s Chief Market Analyst.

“The housing market recovery experienced throughout the summer benefitted the broader economy as well. Home sales reported through TRREB’s MLS® System result in billions of dollars in spin-off expenditures, support for tens of thousands of jobs, and billions of dollars in taxes paid to all levels of government. The demand for housing and the related economic impacts will continue in the post-COVID period as population growth resumes. Policymakers will need to continue their efforts to bring more housing supply on line to meet this longer-term demand,” said TRREB’s CEO.

From the BoC³: The Bank of Canada maintained its target for the overnight rate at the effective lower bound of 1/4 percent, with the Bank Rate at 1/2 percent and the deposit rate at 1/4 percent. The Bank is maintaining its extraordinary forward guidance, reinforced and supplemented by its quantitative easing (QE) program. The Bank is recalibrating the QE program to shift purchases towards longer-term bonds, which have more direct influence on the borrowing rates that are most important for households and businesses. At the same time, total purchases will be gradually reduced to at least \$4 billion a week. The Governing Council judges that, with these combined adjustments, the QE program is providing at least as much monetary stimulus as before.

The global and Canadian economic outlooks have evolved largely as anticipated in the July Monetary Policy Report (MPR), with rapid expansions as economies reopened giving way to slower growth, despite considerable remaining excess capacity. Looking ahead, rising COVID-19 infections are likely to weigh on the economic outlook in many countries, and growth will continue to rely heavily on policy support.

Oil prices remain about 30 percent below pre-pandemic levels. Meanwhile, non-energy commodity prices, on average, have more than fully recovered. Despite continued low oil prices, the Canadian dollar has appreciated since July, largely reflecting a broad-based depreciation of the US dollar.

In Canada, the rebound in employment and GDP was stronger than expected as the economy reopened through the summer. The economy is now transitioning to a more moderate recuperation phase. In the fourth quarter, growth is expected to slow markedly, due in part to rising COVID-19 case numbers. The economic effects of the pandemic are highly uneven across sectors and are particularly affecting low-income workers. Recognizing these challenges, governments have extended and modified business and income support programs.

After a decline of about 5 ½ percent in 2020, the Bank expects Canada’s economy to grow by almost 4 percent on average in 2021 and 2022. Growth will likely be choppy as domestic demand is influenced by the evolution of the virus and its impact on consumer and business confidence. Considering the likely long-lasting effects of the pandemic, the Bank has revised down its estimate of Canada’s potential growth over the projection horizon.

CPI inflation was at 0.5 percent in September and is expected to stay below the Bank’s target band of 1 to 3 percent until early 2021, largely due to low energy prices. Measures of core inflation are all below 2 percent, consistent with an economy where demand has fallen by more than supply. Inflation is expected to remain below target throughout the projection horizon.

As the economy recuperates, it will continue to require extraordinary monetary policy support. The Governing Council will hold the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2 percent inflation target is sustainably achieved. In our current projection, this does not happen until into 2023. The Bank is continuing its QE program and recalibrating it as described above. The program will continue until the recovery is well underway. We are committed to providing the monetary policy stimulus needed to support the recovery and achieve the inflation objective.

³ Source: BoC press release published October 28, 2020

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Third Quarter and Year To Date Operating Results and Cash Flows

| (Unaudited) (in 000's) except per Share amounts and | Three months ended September 30, 2020 | Three months ended September 30, 2019 | Nine months ended September 30, 2020 | Nine months ended September 30, 2019 |
|--|--|--|---|---|
| Number of REALTORS®; | | | | |
| Revenues | | | | |
| Fixed franchise fees | \$ 1,239 | \$ 7,389 | \$ 10,056 | \$ 21,982 |
| Variable franchise fees | 8,038 | 3,077 | 19,124 | 8,455 |
| Other revenue | 1,460 | 1,260 | 4,073 | 3,244 |
| | 10,737 | 11,726 | 33,253 | 33,681 |
| Less: | | | | |
| Cost of other revenue | 197 | 155 | 481 | 417 |
| Administration expenses | (50) | 53 | 779 | 767 |
| Management fees | 4,411 | 4,041 | 12,690 | 11,748 |
| Interest expense | 761 | 748 | 2,243 | 2,270 |
| | 5,418 | 6,729 | 17,060 | 18,479 |
| Impairment and write-off of intangible assets | (76) | - | (359) | (650) |
| Amortization of intangible assets | (2,041) | (2,634) | (6,488) | (7,929) |
| Interest on Exchangeable Units | (1,452) | (1,452) | (4,355) | (4,355) |
| Gain (loss) on fair value of Exchangeable Units | (3,527) | 633 | 6,356 | (499) |
| Gain (loss) on interest rate swap | 133 | 155 | (2,413) | (1,274) |
| Gain on deferred payments | 310 | - | 1,191 | - |
| Earnings (loss) before income taxes | (1,235) | 3,431 | 10,992 | 3,772 |
| Current income tax expense | 722 | 882 | 2,008 | 2,314 |
| Deferred income tax expense (recovery) | 250 | 127 | 240 | (325) |
| Net and comprehensive earnings (loss) | \$ (2,207) | \$ 2,422 | \$ 8,744 | \$ 1,783 |
| Basic earnings (loss) per Restricted Voting Share | \$ (0.23) | \$ 0.26 | \$ 0.92 | \$ 0.19 |
| Diluted earnings (loss) per Share | \$ (0.23) | \$ 0.26 | \$ 0.53 | \$ 0.19 |
| Number of REALTORS® | 18,930 | 19,184 | 18,930 | 19,184 |
| Cash Flow Information (in 000's) | | | | |
| Cash provided by (used for): | | | | |
| Operating activities | \$ 4,893 | \$ 5,846 | \$ 18,410 | \$ 11,962 |
| Investing activities | (462) | (1,117) | (3,362) | (3,081) |
| Financing activities | (3,201) | (3,201) | (9,602) | (7,602) |

During the Quarter, the Company generated net loss of \$2.2 million compared to net earnings of \$2.4 million in the Prior Year Quarter.

Revenues for the Quarter totaled \$10.7 million, compared to \$11.8 million for the Prior Year Quarter. Under the Relief Plan implemented April 1, 2020, variable franchise fees represented 75% of revenues for the Quarter (Prior Year Quarter – 26%). Total revenues decreased compared to Prior Year Quarter due to fees being primarily variable and subject to a cap. Under the Relief Plan, REALTORS® and Teams which reach these caps, will pay no franchise fees for the remainder of the year.

Fixed franchise fees for the Quarter decreased compared to the Prior Year Quarter, due to the Relief Plan implemented effective April 1, 2020. Fixed fees in the quarter represent fixed franchise fees from Franchisees in Quebec as substantially all brokerages outside of Quebec elected to pay variable fees for the remainder of 2020.

Variable franchise fees for the Quarter increased as a result of Relief Plan implemented on April 1, 2020, under which variable fees are determined as 3% of Gross Revenue (4.2% for those REALTORS® participating in the Royal LePage commercial program) compared to 1% in Prior Year Quarter.

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Other Revenues consist of revenues earned from referral fees (including mortgage referrals and lead referrals to REALTORS®). Revenue from the sale of customer leads improved as high consumer interest resulted in a larger pool of leads available for distribution.

Cost of other revenue represents the direct costs associated with lead management referrals and other revenues, which have increased compared to the Prior Year Quarter.

Administration expenses for the Quarter decreased by \$0.1 million due to a net recovery of bad debt expense of \$0.3 million compared to a bad debt recovery of \$0.1 million in the Prior Year Quarter.

Management fee expense of \$4.4 million for the Quarter increased due to a smaller portion of the management fee paid to the Manager being allocated to the contract transfer obligation compared to Prior Year Quarter.

Interest expense of \$0.7 million has increased compared to the Prior Year Quarter as a result of interest accretion on deferred payments partly offset by the benefit of lower interest rates.

Impairment and write-off of intangible assets represents an impairment of \$0.1 million for the Quarter compared to nil during the Prior Year Quarter. During the Quarter, the Company recorded impairment charges related to six Franchise Agreements where their carrying value exceeded their recoverable amount.

Amortization of Intangible Assets for the Quarter totaled \$2.0 million compared to \$2.6 million in the Prior Year Quarter. The lower charge is due a number of intangible assets becoming fully amortized during 2019.

Interest on Exchangeable Units represents the distributions to Exchangeable Unitholders. For the Quarter, total distributions amounted to \$0.44 per Exchangeable Unit, unchanged from the Prior Year Quarter. Distributions to Exchangeable Unitholders are determined with reference to dividends paid on Bridgemarq's Restricted Voting Shares.

Gain (loss) on fair value of Exchangeable Units represents the change in the fair value of the Exchangeable Units. The Exchangeable Units are valued based on the value of the Company's Restricted Voting Shares. At September 30, 2020, the Company's Restricted Voting Shares were valued at \$12.81 per share compared to \$11.75 at June 30, 2020, resulting in a loss of \$3.5 million for the Quarter. This loss represents an increase in the obligation associated with the conversion features of the Exchangeable Units. For the Prior Year Quarter, the price of the Company's Restricted Voting Shares decreased from \$14.91 at June 30, 2019 to \$14.72 at September 30, 2019, resulting in a gain of \$0.6 million.

Gain on interest rate swap of \$0.1 million is a non-cash item which represents the change in fair value of the Company's interest rate swap which swaps the variable interest rate obligation on \$55.0 million of the Company's outstanding debt facilities to a fixed rate of 3.94% for the period from November 2019 through December 31, 2023.

Income Tax Expense The effective income tax rate paid by the Company for the Quarter was greater than 100% (Prior Year Quarter-26%). The Company's effective income tax rate in the consolidated statement of net and comprehensive earnings is significantly different than the Company's enacted income tax rate of 26.5%. The difference in the effective income tax rate is driven by a number of items that are included in the determination of net earnings but excluded from the determination of taxable income as well as items that are excluded from the determination of net earnings but included in the determination of taxable income. Items included in determining net earnings that are not included in determining taxable income include, among other things, non-deductible amortization of intangible assets, interest on Exchangeable Units, fair valuation adjustments on Exchangeable Units, gains on deferred payments and losses associated with the interest rate swaps. Items included in the determination of taxable income but excluded from the determination of net earnings include payments associated with the contract transfer obligation and rebates provided to Franchisees under the Relief Plan.

Cash provided by operating activities decreased to \$4.9 million compared to \$5.8 million in the Prior Year Quarter as result of lower revenues, higher management fees and a net increase in non-cash working capital, partly offset by deferred payments to the Manager and BBU.

Cash used in investing activities decreased to \$0.4 million from \$1.0 million in the Prior Year Quarter as a result of a reduction in the amount of management fees allocated to repayment of the contract transfer obligation.

Cash used in financing activities represent dividends paid to shareholders which are consistent with the Prior Year Quarter.

Management's Discussion and Analysis of Results and Financial Condition

Revenues for the YTD totaled \$33.3 million, compared to \$33.6 million for the Prior Year Period. Fixed franchise fees represented 30% of revenues for the YTD (Prior Year Period – 65%). Variable franchise fees represented 58% of revenues for the YTD (Prior Year Period – 25%). Total revenues decreased compared to Prior Year Period due to fees being primarily variable and subject to a cap. Under the Relief Plan, REALTORS® and Teams which reach these caps, will pay no franchise fees for the remainder of the year.

Fixed franchise fees for the YTD decreased by 54% as compared to the Prior Year Period, due to the introduction of the Relief Plan on April 1, 2020.

Variable franchise fees for the YTD increased by 126%, due to the introduction of the Relief Plan on April 1, 2020.

Other Revenues consist of revenues earned from referral fees (including mortgage referrals and lead referrals to REALTORS®). Other revenue from the sale of customer leads improved as high consumer interest resulted in a larger pool of leads available for distribution. Revenue from mortgage referrals was also stronger due to the impact of the transition of the referral programs in Quebec.

Cost of other revenue represents the direct costs associated with lead management referrals and other revenues.

Administration expenses of \$0.8 million for the YTD are consistent with the Prior Year Period.

Management fee expense of \$12.7 million for the YTD increased due to a smaller portion of the management fee paid to the Manager being allocated to the contract transfer obligation.

Interest expense of \$2.2 million has decreased compared to the Prior Year Period as a result of the lower interest rates in the YTD, partly offset by interest accretion on deferred payments.

Impairment and write-off of intangible assets represents an impairment of \$0.4 million for the YTD compared to \$0.7 million during the Prior Year Period. During the YTD, the Company recorded impairment charges related to 15 Franchise Agreements where their carrying value exceeded their recoverable amount. In the Prior Year Period, the Company recorded impairment charges for nine Franchise Agreements.

Amortization of Intangible Assets for the YTD totaled \$6.5 million compared to \$7.9 million in the Prior Year Period. The lower charge is due a number of intangible assets becoming fully amortized during 2019.

Interest on Exchangeable Units represents the distributions to Exchangeable Unitholders. For the YTD, total distributions amounted to \$1.32 per Exchangeable Unit unchanged from the Prior Year Period. Distributions to Exchangeable Unitholders are determined with reference to dividends paid on Bridgemarq's Restricted Voting Shares.

Gain (loss) on fair value of Exchangeable Units represents the change in the fair value of the Exchangeable Units. The Exchangeable Units are valued based on the value of the Company's Restricted Voting Shares. At September 30, 2020, the Company's Restricted Voting Shares were valued at \$12.81 per share compared to \$14.72 at December 31, 2019, resulting in a gain of \$6.4 million for the YTD. This gain represents a decrease in the obligation associated with the conversion features of the Exchangeable Units. For the Prior Year Period, the price of the Company's Restricted Voting Shares increased from \$14.57 at December 31, 2018 to \$14.72 at September 30, 2019, resulting in a loss of \$0.5 million.

Loss on interest rate swap of \$2.4 million is a non-cash item which represents the change in fair value of the Company's interest rate swap which swaps the variable interest rate obligation on \$55.0 million of the Company's outstanding debt facilities to a fixed rate obligation of 3.94% for the period from November 2019 through December 31, 2023.

Income Tax Expense The effective income tax rate paid by the Company for the YTD was 20% (Prior Year Period –53%). The Company's effective income tax rate in the consolidated statement of net and comprehensive earnings is significantly different than the Company's enacted income tax rate of 26.5%. The difference in the effective income tax rate is driven by a number of items that are included in the determination of net earnings but excluded from the determination of taxable income as well as items that are excluded from the determination of net earnings but included in the determination of taxable income. Items included in determining net earnings that are not included in determining taxable income include, among other things, non-deductible amortization of intangible assets, interest on Exchangeable Units, fair valuation adjustments on Exchangeable Units, gains on deferred payments and losses associated with the interest rate swaps. Items included in the determination of taxable income but excluded from the determination of net earnings include payments associated with the contract transfer obligation and rebates provided to Franchisees under the Relief Plan.

Management's Discussion and Analysis of Results and Financial Condition

Cash provided by operating activities increased to \$18.4 million compared to \$12.1 million in the Prior Year Period as result deferred payments to the Manager and BBU and lower instalments for income taxes partly offset by lower revenues and higher management fees.

Cash used in investing activities increased to \$3.3 million from \$3.1 million in the Prior Year Period as a result of rebates provided under the Relief Plan, partly offset by lower amount of management fees allocated to repayment of the contract transfer obligation.

Cash used in financing activities increased by \$2.0 million compared to the Prior Year Period when the Company borrowed \$2.0 million under its debt facilities.

Summary of Quarterly Results

| (Unaudited) For three months ended, | 2020 | | | | 2019 | | | | 2018 |
|---|-------------------|------------|-----------|----------|----------|----------|------------|----------|------|
| (in 000's) except per Share amounts and number of REALTORS®; number of REALTORS®; | Sept. 30 | 30-Jun | Mar. 31 | Dec. 31 | Sept. 30 | 30-Jun | Mar. 31 | Dec. 31 | |
| Revenues | | | | | | | | | |
| Fixed franchise fees | \$ 1,239 | \$ 1,276 | \$ 7,541 | \$ 7,303 | \$ 7,389 | \$ 7,267 | \$ 7,326 | \$ 7,146 | |
| Variable franchise fees | 8,038 | 8,467 | 2,619 | 2,183 | 3,077 | 3,233 | 2,145 | 1,799 | |
| Other revenue | 1,460 | 1,651 | 962 | 1,182 | 1,260 | 1,338 | 646 | - | |
| | 10,737 | 11,394 | 11,122 | 10,668 | 11,726 | 11,838 | 10,117 | 8,945 | |
| Less: | | | | | | | | | |
| Cost of other revenue | 197 | 165 | 119 | 107 | 155 | 153 | 109 | - | |
| Administration expenses | (50) | 174 | 655 | 429 | 53 | 316 | 398 | 543 | |
| Management fees | 4,411 | 4,203 | 4,076 | 3,730 | 4,041 | 4,013 | 3,694 | 1,547 | |
| Interest expense | 761 | 732 | 750 | 761 | 748 | 757 | 765 | 666 | |
| | 5,418 | 6,120 | 5,522 | 5,641 | 6,729 | 6,599 | 5,151 | 6,189 | |
| Impairment and write-off of intangible assets, net | (76) | (113) | (170) | (32) | - | (168) | (482) | (245) | |
| Amortization of intangible assets | (2,041) | (2,198) | (2,249) | (2,631) | (2,634) | (2,639) | (2,656) | (1,871) | |
| Interest on Exchangeable Units | (1,452) | (1,452) | (1,452) | (1,451) | (1,452) | (1,452) | (1,452) | (1,452) | |
| Gain (loss) on fair value of Exchangeable Units | (3,527) | (11,048) | 20,931 | - | 633 | 6,655 | (7,787) | 7,254 | |
| Gain (loss) on interest rate swap | 133 | (211) | (2,335) | 659 | 155 | (460) | (969) | (97) | |
| Gain on deferred payments | 310 | 881 | - | - | - | - | - | - | |
| Gain (loss) on fair value of purchase obligation | - | - | - | - | - | - | - | 77 | |
| Earnings (loss) before income tax | (1,235) | (8,021) | 20,247 | 2,186 | 3,431 | 8,535 | (8,195) | 9,855 | |
| Current income tax expense | 722 | 556 | 730 | 675 | 882 | 703 | 729 | 1,045 | |
| Deferred income tax expense (recovery) | 250 | 599 | (609) | 218 | 127 | 80 | (532) | (65) | |
| Net and comprehensive earnings (loss) | \$ (2,207) | \$ (9,176) | \$ 20,126 | \$ 1,293 | \$ 2,422 | \$ 7,752 | \$ (8,392) | \$ 8,875 | |
| Basic earnings (loss) per Restricted Voting Share | \$ (0.23) | \$ (0.97) | \$ 2.12 | \$ 0.14 | \$ 0.26 | \$ 0.82 | \$ (0.88) | \$ 0.94 | |
| Diluted earnings (loss) per Share | \$ (0.23) | \$ (0.97) | \$ 0.05 | \$ 0.14 | \$ 0.26 | \$ 0.20 | \$ (0.88) | \$ 0.24 | |
| Number of REALTORS® | 18,930 | 18,921 | 19,120 | 19,111 | 19,184 | 19,046 | 19,231 | 18,725 | |

Management's Discussion and Analysis of Results and Financial Condition

DISTRIBUTABLE CASH FLOW

Distributable Cash Flow represents operating income before deducting amortization and net impairment of intangible assets minus income tax expense minus cash used in investing activities. Distributable Cash Flow is used by the Company to measure the amount of cash generated from operations, which is available for distribution to the Company's shareholders on a diluted basis, subject to working capital requirements.

The calculation of Distributable Cash Flow for the three and nine months ended September 30, 2020 is presented in the tables below with comparative amounts for 2019.

| (\$ 000's) | Three months ended September 30, 2020 | Three months ended September 30, 2019 | Nine months ended September 30, 2020 | Nine months ended September 30, 2019 |
|------------------------------------|--|--|---|---|
| Fixed franchise fees | \$ 1,239 | \$ 7,389 | \$ 10,056 | \$ 21,982 |
| Variable franchise fees | 8,038 | 3,077 | 19,124 | 8,455 |
| Other revenue | 1,460 | 1,260 | 4,073 | 3,244 |
| Revenues | 10,737 | 11,726 | 33,253 | 33,681 |
| Less: | | | | |
| Cost of other revenue | 197 | 155 | 481 | 417 |
| Administration expenses (recovery) | (50) | 53 | 779 | 767 |
| Management fees | 4,411 | 4,041 | 12,690 | 11,748 |
| Interest expense | 761 | 748 | 2,243 | 2,270 |
| Current income tax expense | 722 | 882 | 2,008 | 2,314 |
| Cash used for investing activities | 462 | 1,117 | 3,362 | 3,081 |
| Distributable Cash Flow | \$ 4,234 | \$ 4,730 | \$ 11,690 | \$ 13,084 |

During the Quarter, the Company generated Distributable Cash Flow of \$4.2 million compared to \$4.8 million in the Prior Year Quarter. The decrease is primarily due to lower revenues and higher management fees partly offset by lower cash used in investing activities as a result of a lower portion of management fees allocated to repayment of the contract transfer obligation. Distributable Cash Flow for the YTD was \$11.7 million, down from the \$13.2 million generated in the Prior Year Period as a result of lower revenues, higher management fees an increase in cash used in investing activities as a result of fee rebates under the Relief Plan partly offset by lower income tax expenses.

ROLLING TWELVE-MONTH DISTRIBUTABLE CASH FLOW

The calculation of Distributable Cash Flow for Quarter and the Prior Year Quarter on a rolling twelve-month basis is presented in the table below.

| For twelve months ended, (in 000's) except per Share amounts | 2020 September 30, | 2019 September 30, |
|---|-----------------------|-----------------------|
| Revenues | \$ 43,333 | \$ 42,209 |
| Less: | | |
| Administration expenses | 1,208 | 1,310 |
| Management fees | 16,420 | 13,295 |
| Interest expense | 3,004 | 2,936 |
| Current income tax expense | 2,683 | 3,359 |
| Cash used for investing activities | 4,163 | 5,134 |
| | \$ 15,855 | \$ 16,175 |
| Distributable Cash Flow per Share | \$ 1.24 | \$ 1.26 |

For the rolling twelve months ended September 30, 2020, the Company generated Distributable Cash Flow of \$15.9 million or \$1.24 per Share, as compared to \$16.3 million or \$1.27 per Share generated during the Prior Year Quarter. Distributable Cash Flow decreased compared to the Prior Year Quarter primarily due to higher management fees, partially offset by higher revenues, a reduction in payments on contract transfer obligation and lower income taxes. While management fees under the MSA are higher after January 1, 2019, the Company no longer acquires Franchise Agreements from the Manager, but rather, enters into agreements with the Franchisees directly.

Management's Discussion and Analysis of Results and Financial Condition

Distributable Cash Flow is a non-GAAP measure and does not have a standardized meaning under IFRS and, accordingly, may not be comparable to similar measures used by other companies. Management believes that Distributable Cash Flow is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash flow generated after investing activities which is available to holders of Restricted Voting Shares and Exchangeable Unitholders, subject to working capital and other requirements. Investors are cautioned, however, that Distributable Cash Flow should not be interpreted as an alternative to using net earnings (as a measure of profitability) or cash provided by operating activities (as a measure for cash flows) to evaluate the Company's financial performance.

Cash Flow From Operating Activities Reconciled to Distributable Cash Flow

The table below presents a reconciliation of cash flow from operating activities, as presented in the consolidated statements of cash flows, to Distributable Cash Flow, a measure used by the Company to assess the resources available to the Company for distribution to holders Restricted Voting Share and holders of Exchangeable Units.

| (Unaudited) (\$ 000's) | Three months ended September 30, 2020 | Three months ended September 30, 2019 | Nine months ended September 30, 2020 | Nine months ended September 30, 2019 |
|---|--|--|---|---|
| Cash flow from operating activities | \$ 4,893 | \$ 5,846 | \$ 18,410 | \$ 11,962 |
| Add (deduct): | | | | |
| Interest on Exchangeable Units | 1,452 | 1,452 | 4,355 | 4,355 |
| Income tax expense | (722) | (882) | (2,008) | (2,314) |
| Income taxes paid | 720 | 630 | 1,980 | 3,057 |
| Changes in non-cash working capital items | 336 | (1,199) | (583) | (881) |
| Interest expense | (2,162) | (2,111) | (6,456) | (6,325) |
| Interest paid | 2,098 | 2,111 | 6,311 | 6,311 |
| Interest income | (36) | - | (88) | - |
| Interest received | 34 | - | 84 | - |
| Deferral of payments | (1,413) | - | (5,425) | - |
| Gain on deferred payments | (310) | - | (1,191) | - |
| Recovery of franchise agreement expenses | (194) | - | (337) | - |
| Cash used in investing activities | (462) | (1,117) | (3,362) | (3,081) |
| Distributable Cash Flow | \$ 4,234 | \$ 4,730 | \$ 11,690 | \$ 13,084 |

The Company has paid out, in the past, and could pay out, in any given period, cash in excess of net earnings to shareholders as a significant portion of the Company's operating expenses is made up of non-cash amortization of intangible assets and other non-cash charges to net earnings. Management does not view the payment of cash in excess of net earnings as an economic return of capital as these intangible assets and other non-cash charges are not expected to require a further cash outlay in the future. The value of intangible assets is dependent upon the Company's ability to retain and renew the underlying Franchise Agreements and to ensure the ongoing integrity of the Trademarks. The Company has paid out a significant portion of its Distributable Cash Flow in the past in the form of dividends to holders of Restricted Voting Shares and interest to Exchangeable Unitholders.

Debt Facilities

As at September 30, 2020 the Company's \$80.0 million financing is comprised of the following three arrangements, maturing December 31, 2023:

- A \$55.0 million term facility (the "Term Facility"). The Term Facility bears interest at a variable rate of Banker's Acceptances ("BAs") +1.70% or Prime + 0.5%;
- A \$20.0 million acquisition facility (the "Acquisition Facility") to support acquisitions pursued by the Company, bearing interest at a variable rate of BAs +1.70% or Prime + 0.5%. A standby fee of 0.15% applies on undrawn amounts under this facility; and
- A \$5.0 million revolving operating facility (the "Operating Facility") to meet the Company's day-to-day operating requirements, bearing interest at a variable rate of BAs +1.70% or Prime + 0.5%.

Borrowings under each of these arrangements are secured by a first ranking security interest in substantially all assets of the Company.

Management's Discussion and Analysis of Results and Financial Condition

The covenants of this financing prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense at a minimum of 3:1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4:1 as outlined in the loan agreement. Consolidated EBITDA is defined as operating income before deducting amortization and net impairment or recovery of intangible assets and interest expense. Senior Indebtedness is defined as borrowings on the Company's debt facilities. Senior Interest Expense is defined as interest on Senior Indebtedness. The Company is compliant with these covenants for all periods presented.

The Company has entered into an interest rate swap agreement to swap the variable interest rate obligation on the \$55.0 million Term Facility to a fixed rate obligation of 3.94% through December 31, 2023. This interest rate swap is a financial instrument and is disclosed at its fair value with any change in that fair value recorded as a gain or loss in the Company's consolidated statements of net and comprehensive earnings. At September 30, 2020 the Company determined that the fair value of the interest rate swap represents a liability of \$2.9 million (December 31, 2019 - \$0.5 million). For the Quarter, the Company recognized a fair value gain of \$0.1 million (Prior Year Quarter- gain of \$0.6 million).

Liquidity

Distributable Cash Flow is a significant source of liquidity for the Company. Distributable Cash Flow is derived substantially from revenues received. Given that Franchisees are contractually obligated to pay franchise fees for up to ten years under the Franchise Agreements and given the high degree of success the Company has had in renewing its Franchise Agreements in the past when they come due, the Company believes that the existing portfolio of Franchise Agreements, along with its non-cash working capital and capital resources, will generate sufficient cash flow for the Company to meet its operating commitments.

The Company's ability to grow its Distributable Cash Flow is dependent upon its ability to increase the size of the Network, which it can do by, a) supporting Franchisees in their efforts to recruit REALTORS® to their Brokerages, b) assisting Franchisees to acquire Brokerages from outside the Network and, c) entering into new Franchise Agreements. In addition, the Company has the opportunity to grow its sources of other revenue and may consider other types of investments in the future. The Company has entered into the Acquisition Facility to provide capital resources in the event they are presented with opportunities to grow the Company. The Company meets regularly with the Manager during the year to determine the Manager's progress in identifying potential new Franchise Agreements.

In light of the possible negative impacts of COVID-19 on its business, the Company is preparing for reduced cash flows from reduced revenues and slower economic activity. The Company's variable franchise fee revenues are recognized when a real estate transaction is finalized. Much of the weaker housing activity experienced earlier in the year will be finalized in the last half of the year. In addition, a large proportion of the variable franchise fees payable under the Relief Plan are capped based on each REALTOR®'s Gross Revenue. Once an individual REALTOR® reaches the cap, they will no longer pay franchise fees for the remainder of the year.

The Company is taking measures to reduce costs and preserve liquidity wherever possible. The Company has entered into an agreement with the Manager and BBP whereby the Company can defer payment of the monthly management fee payable to the Manager under the MSA and payment of interest on the Exchangeable Units, under certain circumstances. This agreement has been extended to December, 2020. Amounts deferred under this agreement are non-interest bearing and are due sixty months after the date of the deferral. Amounts owing under the agreement can be repaid in cash or through the issuance of Exchangeable Units, at the option of the Company. During the YTD, the Company deferred payments to the manager of \$5.6 million related to management fees and payments to BBP of \$1.0 million representing interest on Exchangeable Units under the terms of this agreement.

WORKING CAPITAL

Changes in the Company's net working capital are primarily driven by cash flow from operating activities, collections of accounts receivable, payments of accounts payable and payment of dividends and interest.

Overall, working capital increased by \$6.1 million from \$5.5 million as at December 31, 2019 to \$11.6 million as at September 30, 2020. The increase in working capital resulted primarily from:

- A \$5.4 million increase in cash;
- A \$1.3 million decrease in contract transfer obligation; partly offset by
- A \$0.4 million decrease in accounts receivable;
- A \$0.1 million increase in accounts payable.

Management's Discussion and Analysis of Results and Financial Condition

A summary of the Company's working capital is presented below:

| (\$ 000's) As at | Sept. 30, 2020 | June 30, 2020 | Mar. 31, 2020 | Dec. 31, 2019 | Sept. 30, 2019 | June 30, 2019 | Mar. 31, 2019 | Dec. 31, 2018 | Change in Quarter | Change in Year |
|---|-------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|----------------------|-------------------|
| Current assets | | | | | | | | | | |
| Cash | \$10,648 | \$ 9,418 | \$ 3,979 | \$ 5,202 | \$ 5,709 | \$ 4,090 | \$ 3,635 | \$ 4,339 | \$ 1,230 | \$ 4,939 |
| Accounts receivable and current portion of notes receivable | 4,132 | 5,139 | 5,038 | 4,559 | 4,602 | 5,561 | 5,343 | 4,125 | (1,007) | (470) |
| Prepaid expenses | 130 | 124 | 256 | 211 | 187 | 192 | 190 | 207 | 6 | (57) |
| Current income tax receivable | 145 | 147 | 73 | 173 | 218 | 901 | 984 | 358 | (2) | (73) |
| Goods and Services tax receivable | - | - | - | - | - | 62 | 87 | 264 | - | - |
| | \$15,055 | \$14,828 | \$ 9,346 | \$ 10,145 | \$ 10,716 | \$10,806 | \$10,239 | \$ 9,293 | \$ 227 | \$ 4,339 |
| Current liabilities | | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 1,342 | \$ 2,197 | \$ 1,172 | \$ 1,210 | \$ 1,212 | \$ 1,243 | \$ 1,289 | \$ 1,003 | \$ (855) | \$ 130 |
| Contract transfer obligation | 604 | 842 | 1,280 | 1,920 | 2,705 | 3,122 | 3,106 | - | (238) | (2,101) |
| Purchase obligation | - | - | - | - | - | - | - | - | - | - |
| Interest payable to Exchangeable Unitholders | 484 | 968 | 484 | 484 | 484 | 484 | 484 | 484 | (484) | - |
| Dividends payable to Restricted Voting shareholders | 1,067 | 1,067 | 1,067 | 1,067 | 1,067 | 1,067 | 1,067 | 1,067 | - | - |
| | 3,497 | 5,074 | 4,003 | 4,681 | 5,468 | 5,916 | 5,946 | 2,554 | (1,577) | (1,971) |
| Net working capital | \$ 11,558 | \$ 9,754 | \$ 5,343 | \$ 5,464 | \$ 5,248 | \$ 4,890 | \$ 4,293 | \$ 6,739 | \$ 1,804 | \$ 6,310 |

Cash and Capital Resources

A summary of cash and capital resources available to the Company as at September 30, 2020 and December 31, 2019 is presented below:

| (Unaudited) (in 000's) As at | September 30, 2020 | Dec. 31, 2019 |
|------------------------------------|-----------------------|------------------|
| Cash | \$ 10,648 | \$ 5,202 |
| Term Facility | - | - |
| Acquisition Facility | 1,500 | 1,500 |
| Operating Facility | 5,000 | 5,000 |
| Net borrowing capacity | \$ 6,500 | \$ 6,500 |
| Available resources | \$ 17,148 | \$ 11,702 |

As at September 30, 2020, \$18.5 million of the Acquisition Facility has been drawn by the Company, leaving \$6.5 million available under the debt facilities. This is consistent with the net borrowing capacity as at December 31, 2019.

In addition to the capital resources included in the table above, the Company generates Distributable Cash Flow and has agreed to payment deferrals for amounts payable to the Manager and to BBP as described above under Liquidity which can be used to fund dividend payments and interest on Exchangeable Units, subject to working capital and operating requirements.

Management's Discussion and Analysis of Results and Financial Condition

Commitments

The estimated discounted contractual liabilities and their dates of maturity are summarized in the chart below.

| As at September 30, | 2020 | 2021 | 2022 | 2023 | Beyond 2023 | Total |
|--|-----------------|-----------------|-----------------|------------------|------------------|-------------------|
| Accounts payable and accrued liabilities | \$ 1,342 | \$ - | \$ - | \$ - | \$ - | \$ 1,342 |
| Current contract transfer obligation | 134 | 470 | - | - | - | 604 |
| Interest payable to Exchangeable Unitholders | 484 | - | - | - | - | 484 |
| Dividends payable to shareholders | 1,067 | - | - | - | - | 1,067 |
| Interest on long-term debt | 724 | 2,896 | 2,896 | 2,896 | - | 9,412 |
| Interest on contract transfer obligation | 48 | 171 | 143 | 113 | 258 | 733 |
| Long term contract transfer obligation | - | 548 | 573 | 602 | 1,565 | 3,288 |
| Interest rate swap liability | - | - | - | 2,909 | - | 2,909 |
| Debt facilities | - | - | - | 73,500 | - | 73,500 |
| Deferred payments | - | - | - | - | 5,480 | 5,480 |
| Exchangeable Units | - | - | - | - | 42,627 | 42,627 |
| Total | \$ 3,799 | \$ 4,085 | \$ 3,612 | \$ 80,020 | \$ 49,930 | \$ 141,446 |

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Transactions with Related Parties

As at the date of this MD&A, BBP controlled approximately 28.4% of the Company through its ownership of the Exchangeable Units of the Partnership and 315,000 Restricted Voting Shares. The Exchangeable Units were issued by the Company at its inception to affiliates of BBP as consideration for certain assets purchased from those affiliates. These assets included the Trademarks and Franchise Agreements related to the business of its Royal LePage residential real estate brokerage franchise operations.

The Manager operates 26 corporately owned Royal LePage residential Brokerage locations. These locations are serviced by 1,687 REALTORS® with 1,218 REALTORS® operating out of 14 locations in the GTA market, 447 REALTORS® operating from 10 locations in the GV market and 22 REALTORS® operating from two locations in Quebec. In addition, the Manager operates six corporately owned Via Capitale locations in the greater Montreal area representing 51 REALTORS®.

All of the corporately owned operations operate under Franchise Agreements with standard fixed and variable franchise fees. All of the corporately owned brokerages have opted into the Relief Plan. The Franchise Agreements for GTA based locations are up for renewal in 2023, while the Franchise Agreements for the GVA operations are up for renewal between 2023-2024. The Franchise Agreements for the Royal LePage Quebec locations are up for renewal in 2028. The Franchise Agreements for the Via Capitale locations are up for renewal in December 2020.

The management of the Company is provided by the Manager under the terms of the MSA. The Manager is a company controlled by the Exchangeable Unitholders. Under the MSA, the Manager provides certain management, administrative and support services to the Company and its subsidiaries and, in return, is paid a monthly fee equal to \$840,000 plus:

- a) during the first five years of the initial term of the MSA, the greater of:
 - (i) 23.5% of the Distributable Cash (as such term is defined in the MSA) of the Company; and
 - (ii) 0.342% of the Current Market Value (as such term is defined in the MSA), and
- b) after the first five years of the initial term of the MSA, the greater of:
 - (i) 25.0% of the Distributable Cash of the Company; and
 - (ii) 0.375% of the Current Market Value.

Management's Discussion and Analysis of Results and Financial Condition

Under certain circumstances, the Company may pay the monthly fees to the Manager through the issuance of Exchangeable Units of the Partnership.

The Company has entered into an agreement with the Manager and BBP whereby the Company can defer payment of the monthly management fee payable to the Manager under the MSA and payment of interest on the Exchangeable Units, under certain circumstances, through December, 2020. Amounts deferred under this agreement are non-interest bearing and are due sixty months after the date of the deferral. Amounts owing under the agreement can be repaid in cash or through the issuance of Exchangeable Units, at the option of the Company. During the YTD, the Company deferred management fees of \$5.6 million and interest on Exchangeable units of \$1.0 million under the terms of this agreement.

The related party transactions entered into by the Company were transacted at contracted rates or at exchange amounts approximating fair market value. A summary of these amounts can be found in Note 12 of the unaudited condensed consolidated interim financial statements.

On January 3, 2019, in accordance with terms of the MSA, the Manager transferred 47 Franchise Agreements under the Royal LePage and Via Capitale brands representing 495 REALTORS® as well as other agreements which give the Company the rights to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to the Franchise Agreements was \$4.7 million. The fair value ascribed to the other agreements was \$4.6 million.

As a result of the capitalization of these Franchise Agreements and other contracts, a portion of future payments for management fees under the MSA will be allocated toward reducing the obligation and interest expense associated with the transfer of contracts and Franchise Agreements, with the remainder charged to the Company's statement of net and comprehensive earnings (loss).

Critical Accounting Estimates and Assumptions

Substantially all of the Company's activities are based on cash transactions, with revenue and expenditures based on contracted terms. The operating activities not based on contractual terms include bad debt expense (which is included in the Company's administration costs), and the amortization of intangible assets.

The Company's intangible assets are regularly monitored for indications of impairment and reversal of impairment in the carrying value of these assets.

The preparation of financial statements requires management to select appropriate accounting policies and to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, critical accounting policies and estimates utilized in the normal course of preparing the Company's consolidated financial statements require the determination of future cash flows utilized in assessing the fair value and related net impairment or recovery of intangible assets, determining the useful life of intangible assets, assessing the recoverability of accounts receivable, measuring deferred income taxes, measuring the fair value of deferred payments, measuring the fair value of the Exchangeable Units and the interest rate swaps and measuring fair values used for disclosure purposes.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis and, where applicable, relevant forward looking information, as required. These estimates have been prepared in a manner consistent with prior periods. The impact that COVID-19 and government response to containing it could have on the Canadian economy in the short and medium term is unknown. The risks and uncertainties resulting from the pandemic that may affect our future earnings, cash flows and financial condition include the nature and duration of the curtailment and the short to medium-term effect on Canadian real estate markets and the Canadian economy in general. Accordingly, estimates used in the preparation of our financial statements including those associated with evaluations of intangible assets and collectability of accounts receivable may be subject to significant adjustments in future periods. The estimates are also impacted by, among other things, movements in interest rates and cash flow forecasts, which are judgements and are uncertain. The interrelated nature of these factors prevents management from quantifying the overall impact of these movements on the Company's interim condensed consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

Management's Discussion and Analysis of Results and Financial Condition

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The following are the critical judgements that have been made in applying the Company's accounting policies and that have the most significant impact on the amounts in the financial statements.

Forward Looking Information for Accounts Receivable and Notes Receivable

The measurement of estimated credit losses for accounts receivable and notes receivable and the assessment of increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement and is highly uncertain as a result of impact of the COVID-19 pandemic. In assessing the valuation of accounts receivable, the Company evaluates the franchisee's historical payment patterns, the current financial health of the franchisee and expected or possible changes in future events or market conditions to determine whether an allowance for doubtful accounts should be recorded.

Impairment of Intangible Assets and recovery of impairment

Under IAS 36, Impairment of Assets, the Company ensures that the carrying value of intangible assets are not more than their recoverable amount (i.e. the higher of; a) fair value less costs of disposal, and b) value-in-use). The Company regularly reviews intangible assets to determine whether indicators of impairment exist on individual Franchise Agreements, other contracts or Trademarks. When reviewing indicators of impairment for Franchise Agreements or other contracts, the Company considers certain factors including, franchise fees or other revenues earned, term to maturity, historical REALTOR® count, collectability of receivables, estimated future revenues to be earned and underlying market conditions. Where indicators of impairment exist, the Company recognizes impairment charges if the carrying amount of a Franchise Agreement exceeds its recoverable amount or if the recovery of the carrying amount is no longer reasonably assured. The estimation of future revenues and other forward looking information requires significant judgement and is highly uncertain as a result of the potential impact of the COVID-19 pandemic. When an intangible asset has been previously written down to its recoverable amount as a result of recording an impairment loss and the conditions causing such an impairment loss have become more favourable, the previously recorded impairment loss may be reversed and is recorded as a recovery of impairment.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, contract transfer obligation, interest payable to Exchangeable Unitholders, dividends payable to holders of Restricted Voting Shares, debt facilities, interest rate swap liability, deferred management fees and interest, and Exchangeable Unit liability.

The Company is exposed to credit risk with respect to accounts and notes receivable to the extent that any Franchisees are unable to pay their fees. The Company's credit risk is limited to the recorded amount of accounts and notes receivable. Management reviews the financial position of all Franchisees during the application process and closely monitors outstanding amounts receivable on an ongoing basis to evaluate the risk of a default occurring over the expected life of the accounts receivable. This monitoring includes evaluating the franchisee's historical payment patterns, the current financial health of the franchisee and expected or possible changes in future events or market conditions to determine whether an allowance for doubtful accounts should be recorded.

The Company is party to an interest rate swap agreement which swaps the variable interest rate obligation on the \$55.0 million Term Facility to a fixed rate obligation of 3.94% through to the expiry of the Company's Term Facility on December 31, 2023.

The Company is exposed to the risk of interest rate fluctuations on its \$20.0 million Acquisition Facility and its \$5.0 million Operating Facility as the interest rates on these facilities are based on Prime or Banker's Acceptance interest rates. As at September 30, 2020, the Company has drawn \$18.5 million on the Acquisition Facility, and nil on the Operating Facility.

Management's Discussion and Analysis of Results and Financial Condition

Disclosure Controls and Internal Controls over Financial Reporting

The Company takes all necessary steps to ensure that material information regarding the Company's reports filed or submitted under securities legislation fairly presents the financial information of the Company. Responsibility for this resides with management, including the President and Chief Executive Officer and the Chief Financial Officer. Management is responsible for establishing, maintaining and evaluating disclosure controls and procedures as well as internal control over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")

The evaluation of the effectiveness of DC&P, as defined in National Instrument 52-109 *Certification of Disclosures in Issuers' Annual and Interim Filings*, was performed under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. They conclude that these DC&P were adequate and effective as at September 30, 2020. The Company's management can therefore provide reasonable assurance that it receives material information relating to the Company in a timely manner so that it can provide investors with complete and reliable information.

INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management has designed ICFR to provide reasonable assurance that the Company's financial reporting is reliable and that the Company's consolidated financial statements were prepared in accordance with IFRS. The design and effectiveness of ICFR was evaluated as defined in National Instrument 52-109 under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. Based on the evaluations, they conclude that ICFR is adequate and effective to provide such assurance as at September 30, 2020. The design of ICFR is undertaken in accordance with the 2013 COSO framework.

Outstanding Restricted Voting Shares

Bridgemarq is authorized to issue an unlimited number of Restricted Voting Shares, an unlimited number of preferred shares and one Special Voting Share. As of September 30, 2020, Bridgemarq has issued 9,483,850 Restricted Voting Shares, no preferred shares and one Special Voting Share.

Each Restricted Voting Share represents a proportionate voting right in Bridgemarq, and holders of Bridgemarq's Restricted Voting Shares are entitled to dividends if and when declared and distributed by Bridgemarq.

The Special Voting Share is owned by BBP and represents the proportionate voting rights of Exchangeable Unitholders in the Company. The Special Voting Share is not eligible to receive dividends and can be redeemed at \$0.01 per share.

Risk Factors

Risks related to the residential real estate brokerage industry and the business of the Company are outlined in the Company's Annual Information Form, which is available at www.sedar.com and on the Company's website at www.bridgemarq.com under Investor Centre/Other Disclosure Reports. Additional discussion regarding these risks as appropriate is provided in this MD&A.

Management's Discussion and Analysis of Results and Financial Condition

Forward-Looking Statements

This MD&A contains forward-looking information and other “forward-looking statements” within the meaning of applicable securities legislation. Words such as “appears”, “attempts”, “attracting”, “are”, “believes”, “brings”, “can”, “caters”, “charged”, “continue(s)”, “continued”, “considers”, “consist”, “could”, “creating”, “demand”, “derives”, “drive”, “enacting”, “entering”, “entitles”, “estimated”, “estimates”, “evaluate”, “exceed”, “expanding”, “expect(ed)”, “forecast(s)”, “further”, “future”, “generally”, “generates”, “governs”, “grow”, “growing”, “growth”, “have”, “impact”, “improve”, “include”, “increase(s)”, “increasing”, “is”, “leading”, “leveraging”, “limiting”, “maintained”, “makes”, “may”, “meet”, “momentum”, “necessary”, “need”, “objective(s)”, “offers”, “ongoing”, “operate”, “outlook”, “outperforming”, “owns”, “participate”, “paid”, “pays”, “preserve”, “provide(s)”, “provided”, “receives”, “recoverable”, “recovery”, “reduce”, “reflecting”, “remain”, “represents”, “resumes”, “result”, “retain”, “seeks”, “slowdown”, “slow”, “spread”, “strives”, “such as”, “support”, “supplies”, “sustained”, “transfer”, “typically”, “uncertain(ly)”, “will” and other expressions that are predictions of or could indicate future events and trends and that do not relate to historical matters identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those indicated in the forward-looking statements include: the duration and effects of the COVID-19 pandemic, including the impact of COVID-19 on the economy and the Company's business, the impact of government or other regulatory initiatives to address the impact of the spread of COVID-19 on the Canadian economy, including the impact on real estate markets, changes in the supply or demand of houses for sale in Canada or in any particular region within Canada, changes in the selling price for houses in Canada or any particular region within Canada, changes in the Company's cash flow as a result of COVID-19, changes in the Company's strategy with respect to and/or ability to pay dividends, changes in the productivity of the Company's REALTORS® or the commissions they charge their customers, changes in government policy, laws or regulations which could reasonably affect the housing markets in Canada, consumer response to any changes in the housing markets in Canada or any changes in government policy, laws or regulations, changes in general economic conditions (including interest rates, consumer confidence and other general economic factors or indicators), changes in global and regional economic growth, the demand for and prices of natural resources on local and international markets, the level of residential real estate transactions, competition from other real estate brokers or from discount and/or Internet-based real estate alternatives, the closing of existing real estate brokerage offices as a result of COVID-19 or otherwise, other developments in the residential real estate brokerage industry or the Company that reduce the number of REALTORS® in the Company's Network or royalty revenue from the Company's Network, our ability to maintain brand equity through the use of trademarks, the methods used by shareholders or analysts to evaluate the value of the Company and its publicly traded securities, changes in tax laws or regulations, and other risks detailed in the Company's annual information form, which is filed with securities commissions and posted on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to management. Material factors or assumptions that were applied in drawing conclusions or making estimates set out in the forward-looking statements include, but are not limited to: anticipated economic conditions, anticipated impact of government policies, anticipated financial performance, anticipated market conditions, business prospects, the successful execution of the Company's business strategies and recent regulatory developments, including as the foregoing relate to COVID-19. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information DIVIDENDS DECLARED HISTORY

(per Restricted Voting Share*)

| Month Declared | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|----------------|------------------|-----------|-----------|-----------|-----------|-----------|
| January | \$ 0.1125 | \$ 0.1125 | \$ 0.1125 | \$ 0.1083 | \$ 0.1083 | \$ 0.1000 |
| February | \$ 0.1125 | \$ 0.1125 | \$ 0.1125 | \$ 0.1083 | \$ 0.1083 | \$ 0.1000 |
| March | \$ 0.1125 | \$ 0.1125 | \$ 0.1125 | \$ 0.1083 | \$ 0.1083 | \$ 0.1000 |
| April | \$ 0.1125 | \$ 0.1125 | \$ 0.1125 | \$ 0.1083 | \$ 0.1083 | \$ 0.1000 |
| May | \$ 0.1125 | \$ 0.1125 | \$ 0.1125 | \$ 0.1083 | \$ 0.1083 | \$ 0.1000 |
| June | \$ 0.1125 | \$ 0.1125 | \$ 0.1125 | \$ 0.1083 | \$ 0.1083 | \$ 0.1042 |
| July | \$ 0.1125 | \$ 0.1125 | \$ 0.1125 | \$ 0.1083 | \$ 0.1083 | \$ 0.1042 |
| August | \$ 0.1125 | \$ 0.1125 | \$ 0.1125 | \$ 0.1125 | \$ 0.1083 | \$ 0.1042 |
| September | \$ 0.1125 | \$ 0.1125 | \$ 0.1125 | \$ 0.1125 | \$ 0.1083 | \$ 0.1042 |
| October | | \$ 0.1125 | \$ 0.1125 | \$ 0.1125 | \$ 0.1083 | \$ 0.1042 |
| November | | \$ 0.1125 | \$ 0.1125 | \$ 0.1125 | \$ 0.1083 | \$ 0.1042 |
| December | | \$ 0.1125 | \$ 0.1125 | \$ 0.1125 | \$ 0.1083 | \$ 0.1083 |
| | \$ 1.0125 | \$ 1.3500 | \$ 1.3500 | \$ 1.3206 | \$ 1.2996 | \$ 1.2335 |

SHARE PERFORMANCE

(in Canadian dollars)
except shares outstanding
and average daily volume
For three months ended,

| | Sept. 30, 2020 | June 30, 2020 | Mar. 31, 2020 | Dec. 31, 2019 | Sept. 30, 2019 | June 30, 2019 | Mar.31, 2019 | Dec. 31, 2018 | Sept. 30, 2018 |
|---|-------------------|------------------|------------------|------------------|-------------------|------------------|-----------------|------------------|-------------------|
| Trading price range of units (TSX: "BRE") | | | | | | | | | |
| Close | \$ 12.81 | \$ 11.75 | \$ 8.43 | \$ 14.72 | \$ 14.72 | \$ 14.91 | \$ 16.91 | \$ 14.57 | \$ 16.75 |
| High | \$ 14.19 | \$ 11.99 | \$ 15.85 | \$ 15.38 | \$ 14.92 | \$ 17.30 | \$ 17.13 | \$ 17.24 | \$ 19.95 |
| Low | \$ 11.14 | \$ 6.59 | \$ 6.31 | \$ 14.02 | \$ 12.87 | \$ 14.91 | \$ 12.87 | \$ 12.36 | \$ 15.40 |
| Average daily volume | 11,576 | 17,592 | 27,027 | 19,317 | 15,546 | 11,880 | 17,245 | 14,161 | 17,095 |
| Number of restricted voting shares outstanding at period end | 9,483,850 | 9,483,850 | 9,483,850 | 9,483,850 | 9,483,850 | 9,483,850 | 9,483,850 | 9,483,850 | 9,483,850 |
| Market capitalization (\$000's) | \$ 164,116 | \$ 150,535 | \$ 108,001 | \$ 188,586 | \$ 188,586 | \$ 191,020 | \$ 216,643 | \$ 186,664 | \$ 214,593 |

Management's Discussion and Analysis of Results and Financial Condition

CANADIAN REAL ESTATE MARKET

| For Three months ended | Sept. 30 2020 | June 30 2020 | Mar. 31 2020 | Dec. 31 2019 | Sept. 30 2019 | June 30 2019 | Mar. 31 2019 | Dec. 31 2018 |
|--|------------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|
| Canada | | | | | | | | |
| Transaction dollar volume ¹ | \$109,085 | \$ 55,949 | \$ 57,920 | \$ 57,324 | \$ 66,821 | \$ 76,313 | \$ 44,414 | \$ 46,390 |
| Average selling price | \$ 604,211 | \$ 538,831 | \$ 531,722 | \$ 500,938 | \$ 494,268 | \$ 490,529 | \$ 470,307 | \$ 488,699 |
| Number of units sold | 185,561 | 108,087 | 108,930 | 109,381 | 133,331 | 151,680 | 94,436 | 95,056 |
| Number of REALTORS® at period end ² | 133,120 | 133,476 | 133,242 | 133,242 | 132,254 | 131,388 | 130,107 | 129,752 |
| Housing starts | 58,971 | 47,525 | 38,170 | 49,954 | 55,078 | 56,122 | 35,575 | 52,492 |
| Greater Toronto Area | | | | | | | | |
| Transaction dollar volume ¹ | \$ 31,244 | \$ 14,401 | \$ 17,656 | \$ 16,803 | \$ 19,525 | \$ 23,074 | \$ 12,555 | \$ 13,716 |
| Average selling price | \$ 920,168 | \$ 891,167 | \$ 890,822 | \$ 819,319 | \$ 811,602 | \$ 810,661 | \$ 777,054 | \$ 787,300 |
| Number of units sold | 32,821 | 16,152 | 19,820 | 19,868 | 24,007 | 27,772 | 16,178 | 17,395 |
| Housing starts | 12,155 | 11,090 | 6,840 | 6,513 | 8,651 | 7,907 | 7,391 | 11,029 |
| Greater Vancouver Area | | | | | | | | |
| Transaction dollar volume ¹ | \$ 10,839 | \$ 5,343 | \$ 6,536 | \$ 7,463 | \$ 6,986 | \$ 6,640 | \$ 4,254 | \$ 4,900 |
| Average selling price | \$ 1,103,099 | \$ 1,049,475 | \$ 1,029,394 | \$ 982,541 | \$ 982,541 | \$ 990,857 | \$ 971,803 | \$ 1,048,435 |
| Number of units sold | 10,065 | 5,122 | 6,349 | 7,484 | 7,203 | 6,617 | 4,377 | 4,722 |
| Housing starts | 6,415 | 5,384 | 4,380 | 5,912 | 6,506 | 9,951 | 5,772 | 5,348 |
| Greater Montreal Area | | | | | | | | |
| Transaction dollar volume ¹ | \$ 7,291 | \$ 4,329 | \$ 6,004 | \$ 4,963 | \$ 4,385 | \$ 6,130 | \$ 4,806 | \$ 4,000 |
| Average selling price | \$ 499,339 | \$ 465,748 | \$ 435,379 | \$ 408,401 | \$ 402,934 | \$ 398,029 | \$ 387,165 | \$ 384,754 |
| Number of units sold | 15,381 | 10,156 | 14,661 | 11,828 | 10,777 | 15,763 | 13,028 | 10,134 |
| Housing starts | 8,017 | 6,268 | 5,008 | 5,997 | 5,779 | 8,247 | 5,089 | 8,143 |

¹ (in millions Canadian dollars)

² CREA Membership data as of Sep 30, 2020 not available as of MDA date

Source: CREA, CMHC, TREB

| For Twelve months ended | Sept. 30 2020 | June 30 2020 | Mar. 31 2020 | Dec. 31 2019 | Sept. 30 2019 | June 30 2019 | Mar. 31 2019 | Dec. 31 2018 |
|--|------------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|
| Canada | | | | | | | | |
| Transaction dollar volume ¹ | \$ 280,278 | \$ 238,014 | \$ 258,379 | \$ 244,872 | \$ 233,939 | \$ 225,300 | \$ 220,182 | \$ 224,040 |
| Average selling price | \$ 547,462 | \$ 517,728 | \$ 513,347 | \$ 500,938 | \$ 493,018 | \$ 487,746 | \$ 484,604 | \$ 488,700 |
| Number of units sold | 511,959 | 459,729 | 503,322 | 488,828 | 474,503 | 461,922 | 454,355 | 458,442 |
| Housing starts | 194,620 | 190,727 | 199,324 | 196,729 | 199,267 | 193,376 | 190,182 | 196,712 |
| Greater Toronto Area | | | | | | | | |
| Transaction dollar volume ¹ | \$ 80,104 | \$ 68,385 | \$ 77,058 | \$ 71,957 | \$ 68,870 | \$ 65,052 | \$ 60,936 | \$ 60,958 |
| Average selling price | \$ 903,484 | \$ 856,453 | \$ 842,465 | \$ 819,319 | \$ 806,888 | \$ 798,635 | \$ 789,196 | \$ 787,300 |
| Number of units sold | 88,661 | 79,847 | 91,467 | 87,825 | 85,352 | 81,454 | 77,213 | 77,426 |
| Housing starts | 36,598 | 33,094 | 29,911 | 30,462 | 34,978 | 35,754 | 36,796 | 41,107 |
| Greater Vancouver Area | | | | | | | | |
| Transaction dollar volume ¹ | \$ 30,180 | \$ 26,327 | \$ 27,624 | \$ 25,342 | \$ 22,779 | \$ 21,618 | \$ 23,612 | \$ 26,264 |
| Average selling price | \$ 1,039,979 | \$ 1,006,457 | \$ 998,948 | \$ 986,796 | \$ 993,887 | \$ 1,009,281 | \$ 1,036,064 | \$ 1,048,433 |
| Number of units sold | 29,020 | 26,158 | 27,653 | 25,681 | 22,919 | 21,419 | 22,790 | 25,051 |
| Housing starts | 22,091 | 22,182 | 26,749 | 28,141 | 27,577 | 26,565 | 22,312 | 23,404 |
| Greater Montreal Area | | | | | | | | |
| Transaction dollar volume ¹ | \$ 22,586 | \$ 19,681 | \$ 21,481 | \$ 20,284 | \$ 19,321 | \$ 18,683 | \$ 18,054 | \$ 17,653 |
| Average selling price | \$ 434,135 | \$ 415,008 | \$ 405,084 | \$ 394,661 | \$ 388,739 | \$ 385,286 | \$ 380,322 | \$ 377,584 |
| Number of units sold | 52,026 | 47,422 | 53,029 | 51,396 | 49,702 | 48,490 | 47,470 | 46,753 |
| Housing starts | 25,290 | 23,052 | 25,031 | 25,112 | 27,258 | 26,295 | 25,614 | 25,000 |

¹ (in millions Canadian dollars)

Source: CREA, CMHC, TREB

Management's Discussion and Analysis of Results and Financial Condition

DISTRIBUTABLE CASH FLOW AND ITS UTILIZATION

| (\$ 000's) | Three months ended Sept. 30, 2020 | Nine months ended Sept. 30, 2020 | Year ended Dec. 31, 2019 | Year ended Dec. 31, 2018 | Year ended Dec. 31, 2017 | Year ended Dec. 31, 2016 | Year ended Dec. 31, 2015 | Year ended Dec. 31, 2014 |
|---|---|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Fixed franchise fees | \$ 1,239 | \$ 10,056 | \$ 29,285 | \$ 28,326 | \$ 26,816 | \$ 25,844 | \$ 24,771 | \$ 23,256 |
| Variable franchise fees | 8,038 | 19,124 | 10,638 | 10,737 | 10,853 | 10,229 | 9,196 | 8,560 |
| Other revenue | 1,460 | 4,073 | 4,426 | - | - | - | - | - |
| Premium franchise fees | - | - | - | 2,964 | 6,569 | 6,363 | 5,892 | 5,576 |
| Revenues | 10,737 | 33,253 | 44,349 | 42,027 | 44,238 | 42,436 | 39,859 | 37,392 |
| Less: | | | | | | | | |
| Cost of other revenue | 197 | 481 | 524 | - | - | - | - | - |
| Administration expenses | (50) | 779 | 1,196 | 1,259 | 816 | 1,058 | 1,286 | 1,626 |
| Management fees | 4,411 | 12,690 | 15,478 | 7,616 | 8,178 | 7,754 | 7,229 | 6,469 |
| Interest Expense | 761 | 2,243 | 3,031 | 2,686 | 2,532 | 2,606 | 2,428 | 3,419 |
| Current income tax expense | 722 | 2,008 | 2,989 | 5,183 | 5,280 | 4,893 | 4,469 | 3,657 |
| Cash used for investing activities | 462 | 3,362 | 3,934 | 10,849 | 10,119 | 9,366 | 18,121 | 5,985 |
| Distributable Cash Flow | \$ 4,234 | \$ 11,690 | \$ 17,197 | \$ 14,434 | \$ 17,313 | \$ 16,759 | \$ 6,326 | \$ 16,236 |
| Less: | | | | | | | | |
| Dividends to shareholders | 3,201 | 9,602 | 12,803 | 12,803 | 12,485 | 12,325 | 11,619 | 11,305 |
| Interest to Exchangeable Unitholders | 1,452 | 4,355 | 5,806 | 5,806 | 5,750 | 5,710 | 5,434 | 5,856 |
| Total distributions | \$ 4,653 | \$ 13,957 | \$ 18,609 | \$ 18,609 | \$ 18,235 | \$ 18,035 | \$ 17,053 | \$ 17,161 |
| Distributions payment rate ¹ | 110% | 119% | 108% | 129% | 105% | 108% | 270% | 106% |

¹ This represents the total distributions paid as a percentage of Distributable Cash Flow. A percentage greater than 100% indicates periods where the Company utilized its existing cash resources or its debt facilities to finance certain of its investing activities or its distributions to shareholders and holders of Exchangeable Units.

CASH FLOW FROM OPERATING ACTIVITIES RECONCILED TO DISTRIBUTABLE CASH FLOW

| (\$ 000's) | Three months ended Sept. 30, 2020 | Nine months ended Sept. 30, 2020 | Year ended Dec. 31, 2019 | Year ended Dec. 31, 2018 | Year ended Dec. 31, 2017 | Year ended Dec. 31, 2016 | Year ended Dec. 31, 2015 | Year ended Dec. 31, 2014 |
|---|---|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Cash Flow from Operating activities | \$ 4,893 | \$ 18,410 | \$ 15,600 | \$ 18,971 | \$ 21,060 | \$ 20,148 | \$ 20,433 | \$ 16,957 |
| Add (deduct): | | | | | | | | |
| Changes in non-cash working capital items | 336 | (583) | (924) | (229) | 608 | 111 | (1,045) | 127 |
| Interest on Exchangeable Units | 1,452 | 4,355 | 5,806 | 5,806 | 5,750 | 5,710 | 5,434 | 5,856 |
| Change in accrued income taxes | (2) | (28) | 698 | 758 | 35 | 205 | (332) | (456) |
| Change in accrued interest expense | (64) | (145) | (49) | (23) | (21) | (49) | (43) | (263) |
| Change in accrued interest income | (2) | (4) | - | - | - | - | - | - |
| Deferral of payments | (1,413) | (5,425) | - | - | - | - | - | - |
| Gain on deferred payments | (310) | (1,191) | - | - | - | - | - | - |
| Recovery of franchise agreement expenses | (194) | (337) | - | - | - | - | - | - |
| Cash used in investing activities | (462) | (3,362) | (3,934) | (10,849) | (10,119) | (9,366) | (18,121) | (5,985) |
| Distributable Cash Flow | \$ 4,234 | \$ 11,690 | \$ 17,197 | \$ 14,434 | \$ 17,313 | \$ 16,759 | \$ 6,326 | \$ 16,236 |

SELECTED OPERATING INFORMATION

| As at | Sept. 30, 2020 | Jun. 30, 2020 | Mar. 31, 2020 | Dec. 31, 2019 | Sept. 30, 2019 | June 30, 2019 | Mar. 31, 2019 | Dec. 31, 2018 | Dec. 31, 2017 | Dec. 31, 2016 |
|--------------------------------|-------------------|------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|
| Number of REALTORS® | 18,930 | 18,921 | 19,120 | 19,111 | 19,184 | 19,046 | 19,231 | 18,725 | 18,135 | 17,580 |
| Number of locations | 667 | 676 | 677 | 678 | 674 | 671 | 682 | 673 | 658 | 667 |
| Number of franchise agreements | 289 | 298 | 296 | 301 | 297 | 295 | 298 | 291 | 293 | 297 |

Management's Discussion and Analysis of Results and Financial Condition

Glossary of Terms

"BBP" means Brookfield BBP (Canada) Holdings LP, a limited partnership governed by the laws of Ontario and a subsidiary of Brookfield Business Partners LP, together with its affiliates but excluding the Manager and the subsidiaries of the Manager.

"Brands" means the real estate services brands owned or controlled by Bridgemarq namely, Royal LePage, Johnston & Daniel and Via Capitale.

"Bridgemarq" means Bridgemarq Real Estate Services Inc., a corporation incorporated under the laws of the Province of Ontario.

"Broker" means a REALTOR[®] who is licensed with the relevant regulatory body to manage a Brokerage.

"Broker-Owner" means the individual or a controlling group of individuals who have entered into Franchise Agreements to provide services under the Royal LePage, Johnston & Daniel or Via Capitale brands and are licensed with the relevant regulatory body to manage a Brokerage.

"Brokerage" means a real estate brokerage company, usually owned or controlled by a Broker, which may operate one or more offices or divisions.

"Company" means Bridgemarq, together with its subsidiaries.

"Company Network" means collectively the Royal LePage Network and the Via Capitale Network.

"Distributable Cash Flow" means operating income before deducting amortization and net impairment or recovery of intangible assets minus current income tax expense and minus cash used in investing activities. Distributable Cash Flow is used by the Company to measure the amount of cash generated from operations which is available to the Company's shareholders on a diluted basis, where such dilution represents the total number of shares of the Company that would be outstanding if holders of Exchangeable Units converted Class B LP units into Restricted Voting Shares. The Company uses Distributable Cash Flow to assess its operating results and the value of its business and believes that many of its shareholders and analysts also find this measure useful. Distributable Cash Flow does not have any standard meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

"Exchangeable Units" means the 3,327,667 Class B LP Units the Partnership issued at the inception of the Company to an affiliate of BBP in partial consideration for the Partnership's acquisition of the assets of the Partnership from that affiliate. The Class B LP Units, except as otherwise noted, have economic and voting rights equivalent in all material respects to the Class A LP Units which are owned by Bridgemarq. The Class B LP Units are indirectly exchangeable, on a one-for-one basis, subject to adjustment, for Restricted Voting Shares.

"Franchise" means a residential real estate Brokerage franchise operated pursuant to a Franchise Agreement with the Manager's comprehensive systems consisting of proprietary technological, marketing, promotional, communication and support systems.

"Franchise Agreements" means the franchise agreements and addendums thereto pursuant to which Brokerage offices offer residential brokerage services to their REALTORS[®], including use of the Trademarks.

"Franchisees" means Brokerages which pay franchise fees under the Franchise Agreements.

"General Partner" means Residential Income Fund General Partner Limited, a corporation incorporated under the laws of the Province of Ontario to be the general partner of the Partnership and a subsidiary of Bridgemarq.

"Gross Revenue" means, in respect of a Franchisee, the gross commission income (net of payments to cooperating Brokerages) earned in respect of the closings of residential resale real estate transactions through REALTORS[®] associated with such Franchisee.

"International Financial Reporting Standards" or **"IFRS"** means a set of accounting standards developed by an independent, not-for-profit organization called the International Accounting Standards Board (IASB). IFRS is a global framework that provides general guidance for the preparation of financial statements and its disclosure to the public to convey measurable and comparable financial information.

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"Interest Rate Swaps" means the financial arrangement entered into with a Canadian Chartered Bank to fix the interest rate on the Company's \$55.0 million Term Facility at 3.94% from October 29, 2019 to December 31, 2023. The fluctuation of the fair value of the Interest Rate Swap is primarily driven by changes in the expected variable interest rate yield curve from the expected variable interest rate yield curve at the inception of the financial arrangements.

"Management Services Agreement" or **"MSA"** means the fourth amended and restated management services agreement, made effective November 6, 2018, together with any amendments thereto, between the Company and the Manager pursuant to which, among other things, the Manager provides management and administrative services to the Company including management of the assets of the Company.

"Manager" means Bridgemarq Real Estate Services Manager Limited, a corporation incorporated under the laws of the Province of Ontario and an indirectly, wholly-owned subsidiary of BBP, together with its subsidiaries. The Manager provides management and administrative services to the Company, including management of the assets of the Company.

"Network" means the collection of Brokerages and REALTORS[®] which operate under one of the Brands controlled by the Company.

"Partnership" means Residential Income Fund L.P., a limited partnership established under the laws of the Province of Ontario, and a subsidiary of Bridgemarq.

"REALTOR[®]" and **"REALTORS[®]"** are the exclusive designation for a member/members of The Canadian Real Estate Association and are defined as an individual/group of individuals licensed to trade in real estate.

"Restricted Voting Share(s)" means the restricted voting shares in the capital of Bridgemarq.

"Royal LePage" means a nationally recognized real estate Brand controlled by the Company.

"Royal LePage Network" means the network of Franchisees operating under the Royal LePage and Johnston & Daniel Brands.

"Share" means a Restricted Voting Share on a diluted basis, where such dilution represents the total number of shares of the Company that would be outstanding if holders of Exchangeable Units converted Class B LP units into Restricted Voting Shares.

"Special Voting Share" means the share of Bridgemarq issued to the holder of the Exchangeable Units to represent voting rights in Bridgemarq proportionate to the number of votes the Exchangeable Unitholders would obtain if they converted their Exchangeable Units to Restricted Voting Shares.

"System for Electronic Document Analysis and Retrieval" or **"SEDAR"** means a Canadian mandatory document filing and retrieval system for all Canadian public companies where documents such as prospectuses, financial statements and material change reports are filed and are accessible by the public to further the goal of transparency and full disclosure.

"Team" means a group of REALTORS[®] who work together and market themselves as part of a team rather than as individual REALTORS[®].

"Trademarks" means the trade-mark rights related to Bridgemarq's business.

"Via Capitale" means a real estate Brand controlled by the Company which operates primarily in the province of Quebec.

"Via Capitale Network" means the network of Franchisees operating under the Via Capitale Brand.

"VCLP" means 9120 Real Estate Network, L.P./Réseau Immobilier 9120 S.E.C., a limited partnership established under the laws of the Province of Quebec, and a subsidiary of Bridgemarq.