

**BRIDGEMARQ REAL ESTATE SERVICES  
INC.**

**Annual Information Form**

**March 27, 2023**

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## GLOSSARY OF TERMS

**“Board of Directors”** or **“Board”** means the Board of Directors of the Company.

**“Bridgemarq”** means the Company, together with its subsidiaries.

**“Broker”** means an individual licensed with the relevant regulatory body to manage a real estate brokerage office.

**“Broker-Owner”** means the individual or controlling group of individuals who have entered into Franchise Agreements to provide services under the Royal LePage, Johnston and Daniel or Via Capitale brands.

**“Brookfield”** means Brookfield BBP (Canada) LP, a limited partnership governed by the laws of Ontario and controlled by Brookfield Corporation (formerly Brookfield Asset Management Inc.), together with its affiliates, but excluding the Manager and the subsidiaries of the Manager.

**“Business”** means the business of providing residential property brokerage and other services to REALTORS® or Brokers and acting as a franchisor to Broker-Owners.

**“Canadian Real Estate Association”** or **“CREA”** is the national association that represents the real estate industry on federal public policy matters and provides member services and education to REALTORS®.

**“Class A LP Units”** means the Class A ordinary limited partnership units of the Partnership, all of which are held by the Company.

**“Class B LP Units”** means the Class B subordinated limited partnership units of the Partnership, all of which are held by Brookfield.

**“Company”** means Bridgemarq Real Estate Services Inc., a corporation incorporated under the laws of the Province of Ontario.

**“Designated Director”** means a Director of the Company who is appointed as a Director by Brookfield. Brookfield is entitled to appoint up to two-fifths of the Directors so long as Brookfield holds an aggregate of at least 10% of the Restricted Voting Shares (on a diluted basis).

**“Director”** means a director of the Company.

**“Distributable Cash”** has the meaning given to it under “Description of the Partnership – Distributions”.

**“Elected Director”** means a Director of the Company who is not a Designated Director, but rather, is elected by the holders of Restricted Voting Shares.

**“Exchange Agreement”** means the amended and restated exchange agreement among, *inter alia*, Brookfield, Bridgemarq and the Manager, made December 31, 2012, pursuant to which Brookfield has the right to indirectly exchange Class B LP Units (and the Manager will have the right to indirectly exchange Class A LP Units issued to the Manager pursuant to the Management Services Agreement) for shares of the Company on the basis of one Restricted Voting Share for each Class B LP Unit or Class A LP Unit exchanged, subject to adjustment.

**“Fixed Franchise Fees”** means Franchise Fees which are based on a fixed monthly payment without regard to transaction volumes.

**“Franchise”** or **“Franchisee”** means a residential real estate brokerage franchise operated pursuant to a Franchise Agreement with the Manager’s comprehensive systems, which include proprietary technological, marketing, promotional, communications and support systems.

**“Franchise Agreement”** means a franchise agreement between a Franchisee and Bridgemarq pursuant to which the Franchisee operates one or more brokerage offices offering residential brokerage services using the Trademarks and Franchise Systems.

**“Franchise Fees”** means fees paid by Franchisees to Bridgemarq for use of the Franchise Systems and other services provided by Bridgemarq as part of their Business. Franchise Fees include Fixed Franchise Fees and Variable Franchise Fees.

**“Franchise Network”** means the Royal LePage Network and the Via Capitale Network.

**“Franchise Systems”** means the Manager’s comprehensive systems of providing services to REALTORS® and Brokers, including proprietary technological, marketing, promotional, communications and support systems, as more fully described under “Description of the Business”.

**“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 the Company.

**“Independent Director”** means a Director who is unrelated (as such term is defined in the Toronto Stock Exchange Company Manual as it exists as of the date hereof) to Bridgemarq, the Manager and Brookfield.

**“LP Units”** or **“Partnership Units”** means the Class A LP Units and the Class B LP Units.

**“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 Bridgemarq and the Manager pursuant to which, among other things, the Manager provides management and administrative services to Bridgemarq including management of the assets of Bridgemarq, as more particularly described under “Description of the Business – Management Services Agreement”.

**“Manager”** means Bridgemarq Real Estate Services Manager Limited, a corporation incorporated under the laws of the Province of Ontario, together with its subsidiaries. The Manager provides management and administrative services to Bridgemarq under the terms of the MSA. The Manager may delegate the provision of certain of these services to the Via Capitale Manager.

**“Market Capitalization of the Company”** means, with respect to any calendar month, the volume-weighted average trading price of the Restricted Voting Shares on the Toronto Stock Exchange for such calendar month multiplied by the total number of Restricted Voting Shares outstanding at the end of such calendar month, after giving effect to the conversion of the Class B LP Units into Restricted Voting Shares.

**“Multiple Listings Service”** or **“MLS”** means services provided by REALTORS® to affect the purchase and sale of real estate as part of a co-operative selling system. The trademarks MLS®, Multiple Listing Service® and the associated logos are owned by CREA.

**“OBCA”** means the *Business Corporations Act* (Ontario), as amended.

**“Partnership”** means Residential Income Fund L.P., a limited partnership established under the laws of the Province of Ontario, and a subsidiary of the Company.

**“Partnership Agreement”** means the second amended and restated limited Partnership Agreement dated December 31, 2012, between the General Partner and the Bridgemarq, pursuant to which the Partnership is governed.

**“Partnership Assets”** means, collectively, the Trademarks and all rights under the Franchise Agreements and other agreements owned by the Partnership including the right to receive the Franchise Fees and other revenues under those Franchise Agreements and other agreements.

**“Partnership Special Resolution”** means a resolution passed by a majority of not less than 85% of the votes cast, either in person or by proxy, at a meeting of the holders of LP Units or approved in writing by holders of LP Units representing not less than 85% of the votes attached to LP Units entitled to vote on such resolution.

**“REALTOR®”** is a member of the Canadian Real Estate Association who is licensed to trade in real estate and includes Brokers. The trademarks REALTOR®, REALTORS® and the REALTOR® logo are controlled by The Canadian Real Estate Association and identify real estate professionals who are members of CREA.

**“Registration Rights Agreement”** means the registration rights agreement among the Company, the Manager and Brookfield, dated August 7, 2003, pursuant to which the Manager and Brookfield were granted registration rights by the Company.

**“Restricted Voting Shares”** means the Restricted Voting Shares in the capital of the Company.

**“Royal LePage”** means, collectively, the Business as conducted by the Manager under the name Royal LePage, as a franchisor and as the Manager of the Partnership, the General Partner and the Company.

**“Royal LePage Licence Agreement”** means the licence agreement between The Royal Trust Company and Royal LePage Limited (a subsidiary of Brookfield Corporation), pursuant to which Royal LePage Limited was granted the exclusive rights to use the Royal LePage Trademarks, including the “Royal LePage” name and logo, in connection with its Business of providing, in Canada, real estate services and those related financial services offered by Royal LePage.

**“Royal LePage Network”** means, collectively, the network of Franchisees licensed under Franchise Agreements to carry on residential property brokerage operations using one or more Royal LePage Trademarks or the Johnston & Daniel brand.

**“Royal LePage Sub-Licence Agreement”** means the agreement between Brookfield and the Manager, pursuant to which Brookfield and the Manager were granted a licence to use the Royal LePage Trademarks in connection with the Business.

**“Royal LePage Trademarks”** means the trademark rights related to the Business held by or licensed to Royal LePage pursuant to the Royal LePage Licence Agreement, including, without limitation, the “Royal LePage” name and logo.

**“Shareholder(s)”** mean the holder(s) of Shares.

**“Shareholders’ Agreement”** means the Shareholders’ Agreement between Brookfield and the General Partner governing the administration and affairs of the General Partner, dated August 7, 2003.

**“Shares”** means the Restricted Voting Shares and Special Voting Shares.

**“Special Shareholders”** mean holders of Special Voting Shares.

**“Special Voting Shares”** means the Special Voting Shares in the capital of the Company issued to represent voting rights in the Company that accompany securities convertible into or exchangeable for Restricted Voting Shares, including the Class B LP Units held by Brookfield.

**“Tax Act”** means the *Income Tax Act* (Canada) and regulations thereto, as amended from time to time.

**“Team”** means a group of two or more REALTORS<sup>®</sup> who conduct the purchase and sale of real estate as a team.

**“Trademarks”** means the trademark rights related to the Business held by or licensed to Brookfield, or the Manager including, without limitation, those which allow Bridgemarq to operate the Business under the Royal LePage, Johnston & Daniel and Via Capitale brands.

**“TSX”** means the Toronto Stock Exchange.

**“Variable Franchise Fees”** means Franchise Fees which vary each month depending on the transaction volumes of each REALTOR<sup>®</sup> or Team.

**“Via Capitale”** means, collectively, the Business as conducted by the Manager and the Via Capitale Manager.

**“Via Capitale L.P.”** 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 the Company.

**“Via Capitale Manager”** means 9120-5583 Quebec Inc., a wholly owned subsidiary of the Manager, incorporated under the laws of the Province of Quebec, doing business under the name Réseau Immobilier La Capitale /La Capitale Real Estate Network.

**“Via Capitale Network”** means, collectively, the network of Franchisees licensed under Franchise Agreements to carry on residential property brokerage operations using one or more of the Via Capitale Trademarks.

## THE COMPANY

### General

Bridgemarq is a leading provider of services to residential real estate Brokers and their REALTORS<sup>®</sup>. Bridgemarq generates cash flow from Franchise Fees and other services derived from a national network of real estate Brokers and REALTORS<sup>®</sup> in Canada operating under the Royal LePage, Via Capitale and Johnston & Daniel brand names. At December 31, 2022, the Franchise Network consisted of 20,686 REALTORS<sup>®</sup> operating under 283 Franchise Agreements providing services from 725 locations. Bridgemarq generates both Fixed Franchise Fees and Variable Franchise Fees. Variable Franchise Fees are primarily driven by the sales commissions earned by REALTORS<sup>®</sup>, while Fixed Franchise Fees are based on the number of REALTORS<sup>®</sup> in the Franchise Network. In addition to Franchise Fees, Bridgemarq earns revenue from certain ancillary services provided to REALTORS<sup>®</sup> including referrals to financial institutions and other suppliers and lead generation for Brokers and REALTORS<sup>®</sup>.

The Company was incorporated on October 28, 2010 pursuant to the provisions of the OBCA. Bridgemarq was originally structured as an income trust. It was converted to a corporate structure on December 31, 2010. The restructuring was effected pursuant to an arrangement agreement. Each holder of units of Brookfield Real Estate Services Fund received one Restricted Voting Share for each unit held. In addition, Brookfield received one Special Voting Share of the Company for nominal consideration. Detailed information about the restructuring is contained in Bridgemarq's Annual Information Form dated March 19, 2011, which is available at [www.sedar.com](http://www.sedar.com).

The Company's Restricted Voting Shares are listed on the TSX and trade under the symbol "BRE". The registered and head office of the Company is located at 39 Wynford Drive, Suite 200, Toronto, Ontario, M3C 3K5.

The Business of Bridgemarq is conducted indirectly through the Partnership. The Partnership is ultimately controlled approximately 72% by the public and 28% by Brookfield. The shares of the General Partner are owned 75% by the Company and 25% by Brookfield. The registered office and head office of the Partnership and the General Partner are located at 39 Wynford Drive, Suite 200, Toronto, Ontario, M3C 3K5.





## DEVELOPMENT OF THE BUSINESS

### Business Strategy

Bridgemark is a long-established Canadian-based real estate services firm focused on providing services to real estate Brokers and their REALTORS®. Services provided to Brokers and their REALTORS® are intended to assist them with the profitable, efficient and effective delivery of real estate sales services in the communities they serve. Through a portfolio of highly regarded real estate Franchise brands, Bridgemark caters to the diverse service requirements of regional real estate professionals across Canada. Bridgemark serves Canadian consumers and real estate professionals with some of the most relied-upon real estate portals in Canada, including royallepage.ca, royallepagecommercial.com, johnstonanddaniel.ca and viacapitalevenu.com. Together they attracted close to 60 million visits in 2022, making them among the busiest real estate websites in Canada.

Bridgemark's objective is to provide its stakeholders with an investment vehicle that pays a significant portion of its Distributable Cash to shareholders and the holder of Class B Units, subject to working capital requirements and other investment opportunities. Revenue is driven primarily by Franchise Fees derived from long-term Franchise Agreements. These Franchise Fees have traditionally been weighted toward fees that are fixed in nature, which moderates the impact of cyclical variations in Canadian residential real estate. In response to the global pandemic resulting from the spread of COVID-19, Bridgemark offered the Pandemic Fee Relief Plan (the "Relief Plan") effective April 1 to December 31, 2020, which resulted in a temporary suspension of Fixed Franchise Fees and higher Variable Franchise Fees for approximately 82% of REALTORS® in the Franchise Network. Effective January 1, 2021, all Franchisees reverted to the traditional fee plan.

Bridgemark has no employees. Bridgemark is party to the Management Services Agreement with the Manager whereby the Manager performs all management services on behalf of Bridgemark. As a result, the underlying costs of Bridgemark are comprised primarily of management fees paid under the MSA, public company operating costs and carrying costs associated with Bridgemark's debt.

Key drivers that impact Bridgemark's financial and operating performance include:

- the stability of Bridgemark's revenue streams;
- the number of REALTORS® in the Franchise Network;
- transactional dollar volumes generated in Canadian residential real estate markets;
- REALTOR® productivity; and
- products and services offered to REALTORS®

These drivers, in combination with other uncontrollable risk factors including changes in the Canadian and international economies, housing markets in Canada in general, and government and regulatory activity impacting those economies and markets, all impact Bridgemark's performance.

Bridgemark seeks to grow its earnings and increase its cash flow by increasing the number of REALTORS® in the Franchise Network. It does this by attracting and retaining Brokers and their REALTORS® through the provision of high-quality, fee-for-service offerings. The provision of these services is intended to increase the productivity and profitability of Brokers and their REALTORS® and encourage Brokers and REALTORS® to enter into Franchise Agreements with Bridgemark.

### Events Occurring in 2020

#### *Pandemic Fee Relief Plan*

On March 27, 2020, Bridgemark announced a temporary change to the Royal LePage franchise fee structure in response to the significant economic uncertainty surrounding the spread of COVID-19. The Relief Plan allowed Royal LePage Franchisees to elect an alternate fee structure for the period from April 1, 2020 through December 31, 2020. This temporary fee plan provided fee rebates to Bridgemark's Franchisees to support them during an uncertain period at the start of the pandemic. In addition, Fixed Franchise Fees were suspended and Franchisees were charged a higher Variable Franchise Fee subject to a cap resulting in approximately 82% of the Bridgemark Network paying only variable fees for the period from April 2020 to December 2020, subject to a cap.

### ***Deferred Payment of Management Fees and Interest on Exchangeable Units***

During the second quarter of 2020, Bridgemarq entered into an agreement with the Manager and Brookfield whereby Bridgemarq deferred certain payments of the monthly management fee payable to the Manager under the MSA and the payment of certain interest amounts on the Exchangeable Units to Brookfield. 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 Bridgemarq. Bridgemarq deferred payment of management fees to the Manager of \$5.6 million and payment of interest on Exchangeable Units to Brookfield of \$1.0 million. Bridgemarq recorded a gain of \$1.2 million on the deferral of these payments.

### **Events Occurring in 2021**

Effective January 1, 2021, Bridgemarq reverted to its traditional fee plan after implementing the Relief Plan during 2020. The standard fee plan is weighted towards fees that are fixed in nature. The reversion to the standard fee plan, along with improvements in Canadian real estate markets, contributed to an improvement in revenues compared to 2020.

At its meeting on November 8, 2021, the Board of Directors approved a resolution to increase the size of the Board from five members to six and appointed Ms. Jitanjali Datt as an Independent Director of Bridgemarq. Ms. Datt was elected as an Independent Director by the shareholders of the Company at the Company's annual general meeting held on May 12, 2022.

### **Events Occurring in 2022**

Bridgemarq increased certain of the fees it charges to REALTORS<sup>®</sup> during the year. Effective January 1, 2022, the maximum annual Variable Franchise Fees paid by Royal LePage Franchisees increased from \$1,400 to \$1,450 per REALTOR<sup>®</sup>. Effective April 1, 2022, the monthly Fixed Franchise Fees paid by Royal LePage Franchisees increased from \$133 to \$136 per REALTOR<sup>®</sup>. Finally, effective September 1, 2022, the monthly Fixed Franchise Fee charged to Franchisees in the Via Capitale Network increased from \$170 to \$180.

## **DESCRIPTION OF THE BUSINESS**

The Business of Bridgemarq and its Franchisees includes brokering the purchase and sale of real estate in Canada. Bridgemarq provides its Franchisees and their REALTORS<sup>®</sup> with the Franchise Systems designed to make the purchase and sale of real estate more effective and efficient for buyers and sellers of homes, for REALTORS<sup>®</sup> and for Franchisees. The Franchise Systems allow REALTORS<sup>®</sup> to maximize their productivity, Franchisees to attract and retain successful REALTORS<sup>®</sup>, and Bridgemarq, with the support of the Manager, to recruit and retain successful Franchisees.

The enhanced tools of the Franchise Systems provide support for REALTORS<sup>®</sup> and allow them to provide greater value and service to their customers. The Franchise Systems are designed to allow Franchisees and REALTORS<sup>®</sup> to focus on their customers, grow their businesses and spend less time on administrative activities, thereby increasing overall productivity and profitability.

Bridgemarq's Franchise Fees are derived primarily from a diverse national network of 725 independently owned and operated Franchise locations operating under 283 Franchise Agreements. The Royal LePage Network is geographically diverse as REALTORS<sup>®</sup> operate throughout Canada in an approximately similar proportion as the overall Canadian REALTOR<sup>®</sup> population. The Johnston & Daniel brand operates as a division of Royal LePage in central Ontario. The Via Capitale Network operates in the province of Quebec.

### **Franchise Agreements**

The legal relationship between Bridgemarq and a Franchisee is governed by a Franchise Agreement. The standard

term for a Royal LePage Franchise Agreement is ten years, with a right to renew for one ten-year renewal term. Typically, Royal LePage Franchisees renew for further ten-year terms. The standard term for a Via Capitale Franchise Agreement is five years, with a right to renew for a further five-year renewal term. Typically, Via Capitale Franchisees renew for further five-year terms.

Each Franchise location or group of locations is subject to a separate Franchise Agreement. Where an existing Broker-Owner is operating under an existing Franchise Agreement, any changes, such as adding a new location, are typically undertaken by way of an addendum or amendment, which forms a part of the existing Franchise Agreement. The Franchise Agreement grants a Franchisee the right to use the Franchise Systems as well as the Trademarks and specifies comprehensive standards of practice governing the use of the Trademarks, conduct of the Franchisee and its REALTORS<sup>®</sup> and all material operating matters. Substantially all Royal LePage Franchise Agreements grant a non-exclusive right within a prescribed territory while Via Capitale Franchise Agreements generally grant an exclusive right, subject to certain conditions.

Pursuant to its terms, a Franchise Agreement may not be assigned by the Franchisee without the prior consent of Bridgemarq. In most cases, Bridgemarq has a right of first refusal with respect to any offer made to purchase the business of a Franchisee.

A Franchise Agreement may be terminated on the occurrence of certain prescribed events, including the bankruptcy of a Franchisee or default by the Franchisee of its obligations under the Franchise Agreement. Failure to meet minimum Franchise Fee performance levels may result in the termination of the Franchise or termination of the right to renew the Franchise for a successive term.

Bridgemarq has historically enjoyed high renewal rates for Franchise Agreements with more than 98% of Franchisees renewing from 2018-2022 (expressed as a percentage of the number of REALTORS<sup>®</sup> represented by those Franchise Agreements). In addition, the successful growth of Bridgemarq's Franchisees presents opportunities to renew Franchise Agreements before they come due.

## **REALTORS<sup>®</sup>**

As of December 31, 2022, the Franchise Network consisted of 20,686 REALTORS<sup>®</sup> comprised of 20,374 fee-paying REALTORS<sup>®</sup> and 312 Brokers who do not pay Fixed Franchise Fees (as they are primarily responsible for managing their brokerage operations). For the year ended December 31, 2022, the Franchise Network increased by 527 REALTORS<sup>®</sup> due to strong recruitment efforts and brokerage acquisitions by Franchisees during the year. Bridgemarq offers Franchisees recruitment programs to support their recruitment efforts. These programs allow Franchisees to target new REALTORS<sup>®</sup> as well as experienced REALTORS<sup>®</sup> who operate under competing brands. Bridgemarq believes that growth in the overall population of REALTORS<sup>®</sup> across Canada, the perceived value of the tools and technology included in the Franchise Systems and the support provided by Bridgemarq to its REALTORS<sup>®</sup> and Franchisees under the Relief Plan all contributed to the net increase in REALTORS<sup>®</sup> in the Franchise Network during 2021 and 2022.

The Franchise Network is highly productive, with an approximate average transactional dollar volume in 2022 of \$3.7 million per REALTOR<sup>®</sup>, compared to an estimated \$2.1 million in transactional dollar volume generated by an average Canadian REALTOR<sup>®</sup> outside the Franchise Network.

## **Franchise Fees**

Bridgemarq generates Franchise Fees with both fixed and variable components. Approximately 66% of Bridgemarq's revenues during 2022 were represented by Fixed Franchise Fees compared to 62% in 2021 and 28% in 2020. The reduction in the proportion of revenues represented by Fixed Franchise Fees in 2020 is due to the Relief Plan implemented effective April 1, 2020. Management believes that the combination of a revenue stream based on the number of REALTORS<sup>®</sup> in the Franchise Network, increasing REALTOR<sup>®</sup> and Broker productivity and an increasing demand for housing provide the base for a strong and stable cash flow. The table below summarizes the composition of Franchise Fees and other revenues in each of the past three years:

Revenue type	2020	2021	2022
Fixed Franchise Fees	28%	62 %	66 %
Variable Franchise Fees	59%	27 %	25 %
Other Revenue	13%	11 %	9 %
Revenues	100%	100%	100%

### Fixed Franchise Fees

Fixed Franchise Fees are collected from Franchisees based on the number of selling REALTORS® in the Franchise Network. Fixed Franchise Fees from Royal LePage Franchisees consist of a monthly fixed fee of \$136 per selling-REALTOR®, representing an increase from \$133 per month effective April 1, 2022. Fixed Franchise Fees from Via Capitale Franchisees consist of a monthly fee of \$180 per selling-REALTOR®, representing an increase from \$170 per month effective September 1, 2022. For those approximately 492 REALTORS® in the Franchise Network who participate in the Royal LePage commercial real estate program, an additional monthly fee of \$100 is paid to Bridgemarq.

Effective April 1, 2020, Bridgemarq introduced the Relief Plan to the Franchisees in the Franchise Network. Under the terms of the Relief Plan, certain Royal LePage Franchisees who did not elect the variable fee only Relief Plan received a rebate equal to the monthly fixed franchise fee, of \$133 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 these Franchisees amounted to \$0.6 million in 2020.

Under the Relief Plan, Franchisees representing approximately 82% of REALTORS® in the Bridgemarq Network paid only variable franchise fees from April 1, 2020 through December 31, 2020.

### Variable Franchise Fees

Variable Franchise Fees are earned from Royal LePage Franchisees and are driven by the transactional dollar volume transacted by REALTORS®. Variable Franchise Fees are calculated as 1% of gross commission income earned by each Franchisee's REALTORS®, subject to a cap. In 2022, the cap was \$1,450 per year. In 2021 and for the period from January 1, 2020 to March 31, 2020, the cap was \$1,400 per year. For the period from April 1, 2020 to December 31, 2020, Franchise Fees were determined under the terms of the Relief Plan as described further below. Certain REALTORS® in the Franchise 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 variable fee cap, the gross commission income of all Team members is aggregated to one cap.

For the period from April 1, 2020 to December 31, 2020, Royal LePage Franchisees representing approximately 82% of the Franchise Network elected to participate in the variable fee only Relief Plan.

The amount of Variable Franchise Fee paid by an individual REALTOR® or Team can change depending upon, among other things, the total value of real estate they sell in a given year, increases or decreases in home prices, and commission rates charged. However, Variable Franchise Fees are subject to a cap. That annual cap was \$1,450 in 2022, and \$1,400 in 2021 and prior to April 1, 2020 when the Relief Plan was implemented. The cap under the Relief Plan for the period from April 1, 2020 to December 31, 2020 was \$2,259 per REALTOR® (\$3,213 per REALTOR® participating in the Royal LePage commercial program) for those Franchisees who elected the variable fee only Relief Plan. The cap for Teams under the Relief Plan was set at \$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 real estate market. In 2022, the Variable Franchise Fees associated with approximately 3,608 REALTORS® (2021 – 4,559 and 2020 – 4,710) and 1,473 Teams (2021 – 1,343 and 2020 – 1,172) (representing more than 4,509 REALTORS® (2021 – 4,029 and 2020 – 3,600)) that exceeded the variable fee cap accounted for approximately 15% of total revenue (2021 – 17% and 2020 – 37%).

A limited number of smaller Franchisees pay a 4.5% Variable Franchise Fee with no Fixed Franchise Fee.

### *Other Revenues*

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

### **Network Revenue Profile**

#### *The Royal LePage Network*

Revenues generated from the Royal LePage Network accounted for 95% of the revenues in 2022 (2021 - 95% and 2020 - 92%). Fixed Franchise Fees represented approximately 68% of revenue in 2022 (2021- 62% and 2020 - 28%), Variable Franchise Fees represented 27% (2021 - 27% and 2020 - 59%) and other revenues represented 5% (2021 – 11% and 2020 – 13%). Due to the Variable Franchise Fee capping feature, approximately 81% of the revenue earned from the Royal LePage Network was fixed in nature (2021 - 79% and 2020 - 65%).

#### *The Via Capitale Network*

The fees generated from the Via Capitale Network, which services the Quebec market, accounted for 5% of revenues in 2021 (2021 – 5% and 2020 - 8%). Fixed Franchise Fees of \$180 per REALTOR® per month (\$170 prior to September 1, 2022) represented 70% (2021 - 63% and 2020 - 63%) of total revenues earned from the Via Capitale Network.

### **System-Wide Transactional Dollar Volume**

For the twelve months ended December 31, 2022, the Royal LePage Network and the Via Capitale Network, collectively, participated in approximately 28% of all home sales in the \$351 billion Canadian residential real estate market.

### **Locations and Branch Types**

The Royal LePage Network operates in each Canadian province through approximately 676 locations as of December 31, 2022. The Via Capitale Network operates in the province of Quebec through approximately 49 locations. Franchise locations are generally operated from leased premises, with the Franchisee as lessee. The Franchise Agreements provide Bridgemarq with the ability to review locations, signage and other aspects of individual Franchisee locations to ensure that the Trademarks are being used appropriately and the Franchisee is maintaining a high quality operation. Franchises can be located in office/commercial developments, stand-alone premises or more retail-oriented locations such as shopping malls.

### **Technology**

The following is a summary of the Manager’s principal technology, which forms a portion of the Franchise Services:

#### *Consumer Websites*

The Royal LePage website has been branded as Canada’s Real Estate Portal™. Both [www.royallepage.ca](http://www.royallepage.ca) and the Via Capitale website, [www.viacapitalevenu.com](http://www.viacapitalevenu.com), offer a variety of residential resale real estate-related information. In addition to offering listings, Company, brokerage and REALTOR® information, they provide resources for buying, selling and owning real estate.

These websites are continually upgraded to ensure optimal functionality and usability as well as traffic and leads. The website offers a home buyer many ways to search including (a) commute search, which allows the buyer to see listings within a certain drive, walk or bike time from their office, (b) school search, which allows the buyer to search for

homes in a specific school's catchment area and (c) lifestyle search, which allows the buyer to filter property search results by neighbourhood attributes such as pedestrian-friendliness, access to schools, and types of local attractions. The Royal LePage website also features "Your Perfect Life<sup>®</sup>", which allows home buyers to search for neighborhoods based on specific demographic characteristics.

In 2022, the Royal LePage website began offering "QuickQuote<sup>™</sup>", a tool that provides home sellers with an estimate of what their home may be worth. On active listings, it also offers buyers an estimated range of value for residential properties and provides content that serves as conversation starters with agents.

Royal LePage has won numerous awards from the Canadian Marketing Association for its use of data analytics and for developing positive consumer experiences on its website. The website has been designed to enhance search engine optimization and improve user friendliness for consumers. Bridgemarq employs machine learning tools to improve how it manages website traffic to maintain streamlined services for its users, including offering consumers comparable properties that may interest them based on a combination of their own search behaviours and the search patterns of similar users who use the site. More information from photos is also being surfaced to better aid in consumer searches. Behavioural analytics have also been added to what REALTORS<sup>®</sup> receive with their consumer leads so they have more robust intelligence about the consumer's search interests to help them in converting them from a lead to a client. Royal LePage continues to partner with CREA and individual real estate boards to integrate local listings data to supplement traditional sources of listings on its website. This allows consumers to search for competitive listings as well as Royal LePage listings and improves the timeliness of when REALTORS<sup>®</sup> can access these listings and the quality of materials accompanying those listings. The website now displays historical sold data in provinces and regions where permissible by local real estate board rules. A number of real estate boards have introduced consolidated feeds including the introduction of "virtual open house" features to address matters such as open house restrictions. The Via Capitale website includes innovative web tools such as the Via Images search tool, which allows prospective buyers to look for a property using pictures according to a specific category of room as the main search criteria. The pictures are generated based on the search criteria and the potential customers can continue their search by clicking on pictures that they like. Via Capitale is the only real estate company in Quebec that provides this type of search tool.

### ***Company REALTOR<sup>®</sup> Intranet Sites***

The Royal LePage Intranet site, [www.rlpNetwork.com](http://www.rlpNetwork.com) (the "RLP Intranet") and the Via Capitale Intranet site, [monintranet.ca](http://monintranet.ca) (the "Via Intranet") are accessible by authorized REALTORS<sup>®</sup>, Brokers and staff. They are key portals through which Royal LePage and Via Capitale deliver many of their services (including those outlined under "REALTOR<sup>®</sup> Technology Programs") as well as information about additional non-intranet-based services. On the intranet sites, REALTORS<sup>®</sup> and Brokers can access information about brand specific news and events, brand guidelines, marketing materials, training content, production award information, suppliers, privacy policies and other documentation to help them manage their businesses, increase their profitability and develop their business skills. The Intranet sites are fully mobile-optimized.

The RLP Intranet offers a customizable user experience and unique features, including an awards-level tracker, a lead pipeline and sales activity dashboard as well as intuitive referral search intelligence making it easier for REALTORS<sup>®</sup> to promote themselves. Over the past few years, Bridgemarq has added additional information focused on Team support services in order to attract and retain productive Teams within the Franchise Network.

The Via Intranet enables REALTORS<sup>®</sup> to manage their listings and referrals and provides advanced statistics on each listing's viewings. REALTORS<sup>®</sup> have promotional tools and surveys available as well. In addition, the Via Intranet provides detailed information regarding Franchisees' billings and fees.

### ***REALTOR<sup>®</sup> Technology Programs***

Bridgemarq, through the Manager, offers programs to help REALTORS<sup>®</sup> and Brokers run their businesses.

Royal LePage has developed an end-to-end, integrated, cloud-based, AI-enabled brokerage marketing and operations platform, rlpSPHERE. rlpSPHERE is Royal LePage branded, uniquely focused on managing in the Canadian market and compliant with Canadian law and serves the needs of REALTORS<sup>®</sup>, brokerages and Teams by providing the following functionality:

- personal websites with behavioural automation which converts contacts to customers and aids the REALTOR<sup>®</sup> in

addressing customer needs;

- organic and paid lead generation tools;
- automated, multi-channel nurturing and follow-up marketing campaigns to improve lead conversion;
- automated and integrated listings marketing which provides REALTORS® with customizable print and digital marketing materials;
- an integrated customer relationship management platform which validates and sources better lead contact information and ranks lead quality;
- website and lead analytics;
- integration with the brokerage's electronic document management system to track the progress of deals;
- a third party marketplace for additional services to integrate into the system; and
- access to professional "Done For You" services related to their use of the platform.

With rlpSPHERE, Brokers can now generate, track and monetize leads they generate for their REALTORS® throughout their life cycle. For REALTORS®, rlpSPHERE provides a similar lead generation and conversion opportunity as well as a seamless, more efficient digital service to provide to their clients throughout the transaction. Optional customizations and additional functionality are also available to REALTORS® and Teams.

In addition to rlpSPHERE, other programs and tools available to REALTORS® include:

- branded e-mail;
- a collection of cloud computing, productivity and collaboration tools;
- branded e-Store;
- industry and proprietary designation and certification modules;
- marketing tools for Royal LePage Shelter Foundation supporters;
- access to Smart Leads, an end-to-end online lead management solution;
- preferred supplier programs offering discounts on products and services that support the businesses of Brokers and REALTORS®;
- referral directory that promotes intra-brand referrals;
- awards and recognition program information and REALTORS® awards tracking;
- managed social media groups that support intra-brand referrals and networking;
- luxury and commercial real estate marketing programs;
- brand marketing campaign creative assets;
- self-directed, online training on the use of the rlpSPHERE platform;
- in-person and webinar training to support engagement with best practice, emerging trends and usage of the suite of proprietary online tools; and
- valuable resources for new and experienced Teams including access to training, webinars, templates, guidelines, live events and networking opportunities to help Teams improve their productivity and profitability.

Brokers have access to the following additional services:

- online consumer leads programs from competitor listings aimed at developing best practices in brokerages for online customer service and lead conversion including access to tools, resources and account management;
- online recruiting leads;
- recruiting and retention tools in the form of goal setting, roles and responsibility setting within the brokerage, marketing support, a CRM and a brokerage satisfaction survey to support the recruitment of new and experienced REALTORS®;
- profitability education, consulting, benchmarking and templates to help brokers manage profitable businesses;
- best practices sharing forums and resources;
- brokerage and recruiting awards and recognition programs;
- REALTOR® award reporting; and
- brokerage-specific portions of the RLP Intranet and the Via Intranet allowing all brokerages to be able to communicate with their agents.

### ***Royal LePage Financial Reporting System***

The Manager maintains a proprietary system designed to capture Franchise Fees and Broker and REALTOR® revenue information from Royal LePage Franchisees. The financial reporting system allows Royal LePage Franchisees across the country to transmit REALTOR® and transaction information electronically every month to allow for the calculation and billing of Franchise Fees. The system captures useful statistical information, including information on the average split of commissions between REALTORS® acting for the buyer and the seller and net recruiting results, which can be accessed by all Franchisees for comparison purposes. The financial reporting system is also used to determine REALTOR® annual production awards.

### ***Shared Listings and DDF***

Bridgemark is a strong advocate for sharing information among REALTORS® and consumers, including the sharing of listings. Bridgemark believes that broader access to information creates more informed parties to each transaction and smoother transaction execution. The Canadian Real Estate Association was the industry leader in developing a technology platform to enable shared listings across real estate brands. CREA manages the Data Distribution Facility (“DDF”) which gives real estate brokerages and franchisors the ability to display each other’s listings on their websites and allows consumers to view all listings available at once, regardless of what real estate company owns the listing.

Bridgemark’s Royal LePage brand was an early adopter of CREA’s DDF, increasing web traffic significantly.

### ***Access to “SOLD” Data and Historical Transaction Information***

In recent years access to real estate transaction information has increased and been made available to the public by real estate boards and the Multiple Listing Service®, including the transaction prices of residential real estate. Royal LePage has developed infrastructure to support the display of transactional data to consumers who create an account on [www.royallepage.ca](http://www.royallepage.ca). Where real estate boards allow, [www.royallepage.ca](http://www.royallepage.ca) will indicate the current status of a listing (active, pending, or sold) as well as the listing price or selling price, as applicable. In addition to the status of the current listing, [royallepage.ca](http://royallepage.ca) will display previous listings of the property and indicate if the listing was cancelled, expired, or resulted in a sale of the property. If the property was sold, the price at which it was sold will be listed. The amount of information to be displayed to consumers depends upon the availability of data from individual real estate boards.

### **Training**

The Manager provides training to Bridgemark’s Franchisees and REALTORS® with respect to its marketing and technology programs through in-person and web-based training programs led by its Learning Services team and through online learning tools. Over the past three years, due primarily to the impact of the pandemic, substantially all training was conducted remotely with in-person training resuming in the last half of 2022. The Learning Services team includes professionally qualified trainers who now balance virtual and in-person training delivering hands-on training to Brokers, REALTORS® and administration staff covering a wide range of topics, including the optimal use of the proprietary tools and technologies offered by Bridgemark. New learning networks have been developed with brokerage trainers in the form of live virtual Train-the-Trainer events designed to showcase training in development for feedback, seek insights on new training requirements and to build a network of trainers to cross promote and support Bridgemark’s training initiatives.

The Manager’s training programs provide new REALTORS® and industry veterans with productivity-enhancing techniques based on best practices, emerging technologies and industry trends. The Manager also offers several proprietary and outsourced personal coaching, planning and training programs, including specialized industry certifications and designations for luxury properties, real estate for seniors, international property sales, buyer representation, seller representation and social media.

There are a number of online learning tools offered as part of the Franchise Services which are accessible at all times through the RLP Intranet and the Via Intranet. They include webinars from industry experts as well as technology and instructional webinars. In addition, there are a number of programs offered which provide certain REALTORS® with accreditation towards the continuing education requirements of their provincial licenses.

### **Marketing and Promotion**

The Manager’s approach to marketing and communications focuses on increasing brand awareness and positioning of Royal LePage, Johnston & Daniel and Via Capitale as the best residential real estate brands offering the best in



technology and services to their Franchisees, REALTORS® and consumers. In addition, the Manager provides marketing, advertising and recruitment tools that enable Franchisees and REALTORS® to effectively market themselves.

The Manager's initiatives aimed at increasing consumer and REALTOR® awareness include the following:

- digital advertising, which aids with recruiting and retention of REALTORS®;
- product marketing to promote products and services and increase adoption and engagement within the Franchise Network;
- content marketing and advertising through digital and social channels that reinforces key messages and Bridgemaq's status as being among the top knowledge leaders in the country;
- video production that promotes Bridgemaq's brands and their products and services and provides valuable information to consumers on buying and selling homes;
- brand promotions and recruiting campaigns utilizing Bridgemaq's social media presence;
- brand marketing campaigns and creative assets made available to Brokers and REALTORS® for use in their local markets;
- tools for use by REALTORS® to allow them to contact consumers and potential customers in a more targeted manner;
- media relations to support Bridgemaq's brands as among the principal voices of real estate in the Canadian media; the Manager's national and local spokespersons are quoted and interviewed regularly and are viewed as experts in their field;
- a public relations program which includes a quarterly survey of house prices and forecasts, which is widely used by media, municipalities, researchers and independent companies as a national housing reference guide;
- in the case of Via Capitale, a province wide, multi-media advertising campaign across Quebec and exposure to an international network of 80 affiliated real estate websites on five continents operating in 16 languages;
- national and regional events that help raise awareness of Bridgemaq's brands and its products to Brokers and REALTORS® and promote networking and intra-company referral opportunities; and
- support of charitable causes on a local, provincial and national level, including:
  - Via Capitale's sponsorship of two provincial housing initiatives for sick children in Quebec; and
  - the Royal LePage Shelter Foundation which raises money for shelters to house abused women and their children. Since its inception in 1998, the Royal LePage Shelter Foundation has successfully raised and distributed over \$38 million through national and local Broker and REALTOR® initiatives and helps an estimated 50,000 women and children each year through the support of over 200 women's shelters and other charities across the country.

## **Growth Strategy**

The Manager maintains brand-dedicated network development teams that are focused on growing Bridgemaq's presence in the Canadian market. Growth in the Royal LePage Network and Via Capitale Network can come from targeted conversions of REALTORS® and Teams, franchising of new locations and organic REALTOR® growth from within existing brokerages. These development teams are focused on attracting quality brokerages to the Via Capitale Network and the Royal LePage Network and expanding opportunities for existing Franchisees. Key elements of Bridgemaq's growth strategy include:

- identifying key franchise prospects based on profitability, reputation, business acumen and technology orientation;
- ongoing prospecting through various advertising programs, email drip campaigns, dedicated franchising websites, newsletters, press releases, sales and networking events, conferences and in-market activities;
- creating and maintaining a database of brokerages with information including market share, number of REALTORS®, owner/manager details and such other information that is relevant to the pursuit of growing our networks and maintaining market intelligence;
- expanding the range of products and services provided to the Franchise Systems and increasing the adoption by Brokers and REALTORS® of these products and services in order to make Bridgemaq brands more attractive to franchise prospects;
- providing training and other programs to Franchisees that assist Franchisees in developing their unique value proposition and in presenting the distinctive benefits and records of success of REALTORS® and Brokers to potential recruits; and

- providing financial and other consulting to, and otherwise supporting, Franchisees in acquiring local competitors and integrating such competitive brokerage operations into the Franchisees' owned brokerage operations.

## Quality Control

The buying and selling of a residence is typically the largest financial transaction undertaken by an individual in his or her lifetime. Consequently, market knowledge, professionalism, principled conduct and high moral and ethical standards are critical to the success of the Franchise Systems. In order to maintain the reputation, goodwill, customer service, appearance and methods of the Franchise Systems, the Franchise Agreement requires a Franchisee to operate the Franchise under the Royal LePage, Johnston & Daniel or Via Capitale name in accordance with such methods, standard specifications and procedures as prescribed by the Manager.

Potential Franchisees are qualified through a review of their relevant experience, reputation and financial capacity. Owners of Franchises are typically required to direct their full time and attention to the establishment, development and operation of the business of the Franchisee.

The Manager requires Franchisees to operate from suitable premises that meet standards satisfactory to the Manager and that, unless otherwise permitted, are to be used strictly for the operation of the business.

Franchisees are licensed to use the Trademarks and the Franchise Systems for the operation of the Franchise. In order to retain the integrity of the Trademarks and Franchise Systems, all Franchisees are required to abide by certain requirements, including:

- to ensure that only those types of interior and exterior signs that Bridgemarq has approved as meeting its specifications and standards for design and appearance are used in the operation of a Franchisee's business;
- to ensure that any supplies used in the business, including written forms and materials, conform to specifications determined by Bridgemarq; in the case of signs and supplies, the Manager may recommend suitable suppliers; however, the Franchisee may use any supplier it chooses provided the supplier meets the standards established by Bridgemarq;
- to use and maintain such computer hardware, software and related technology that meet Bridgemarq's specifications and standards for use and compatibility with the Franchise Systems;
- to pay additional one-time or ongoing fees that may be necessitated by changes in the real estate marketplace or improvements made to the Franchise Systems by Bridgemarq; and
- to comply with and facilitate any system implemented by Bridgemarq for the transfer of funds directly from the bank account of the Franchisee to the bank account of Bridgemarq.

In the event that a Franchisee defaults on any commitments under its Franchise Agreement, Bridgemarq may notify the Franchisee in writing of the default and provide a reasonable period of time to cure the default. During this period, the Manager, on behalf of Bridgemarq, would work closely with the Franchisee to cure the default. In the event that the Franchisee fails or refuses to cure the default, Bridgemarq has the right to terminate the Franchise Agreement and any related agreements.

In 2020, Bridgemarq terminated nine Franchise Agreements, five of which were terminated as a result of Franchisees merging operations and four of which resulted in the attrition of 27 REALTORS<sup>®</sup>. In 2021, Bridgemarq terminated seven Franchise Agreements, five of which were terminated as a result of Franchisees merging operations and two of which resulted in the attrition of seven REALTORS<sup>®</sup>. In 2022, Bridgemarq terminated three Franchise Agreements, two of which were terminated as a result of Franchisees merging operations and one of which resulted in the attrition of five REALTORS<sup>®</sup>.

Upon termination of its Franchise Agreement, a Franchisee is required to assign all of the business phone numbers and telephone listings to Bridgemarq and permit Bridgemarq to enter the premises of the Franchisee to cure any default of the Franchisee, operate the business for the account of Bridgemarq or secure the Franchisee's complete and timely compliance. Furthermore, upon termination, Bridgemarq may appoint a receiver or manager over the Franchise business and, within 30 days of termination, the franchisor has the right to purchase the business from the Franchisee at a price determined pursuant to a prescribed formula and in a prescribed manner.

## **Franchise Reporting**

Each Franchisee is required to report monthly on key operating, personnel and financial statistics, including gross revenue, number and status of REALTORS<sup>®</sup>, REALTOR<sup>®</sup> roster, number of real estate transactions and fees payable. This reporting is primarily obtained through the Manager's financial reporting system. See "Description of the Business – Technology".

The integrity of Franchisee reporting is maintained through ongoing reviews of key statistics, such as the Manager's review of the paying REALTOR<sup>®</sup> count, and the periodic audit and on-site inspection of the Franchisees' books, records, procedures and statement of gross revenues.

The Manager is responsible for providing internal audit services to Bridgemarq pursuant to the terms of the Management Services Agreement. The internal audit services include reviews for compliance with Franchise Agreements and suggestions to Franchisees on operating issues and regulatory matters, where appropriate. See "Description of the Business – Management Services Agreement".

## **Government Regulation**

### ***Local and Provincial Regulations***

In each province, REALTORS<sup>®</sup> are either self-regulated or regulated by the provincial government. All REALTORS<sup>®</sup> must successfully complete various licensing courses prior to applying for a real estate license. The license is applied for through a real estate brokerage firm. The real estate brokerage firm must be operated by a Broker. No REALTOR<sup>®</sup> may receive a license without first being registered with a Broker. The license allows the licensee to sell real estate anywhere within the province in which he or she is licensed and to collect referral fees, through the brokerage with which he or she is licensed, for business referred to real estate companies anywhere in the world.

Most REALTORS<sup>®</sup> also belong to local real estate boards as well as to the Canadian Real Estate Association and are required by the rules thereof to adhere to prescribed standards of professionalism and a code of ethics. Local real estate boards will often operate a Multiple Listing Service<sup>®</sup> for members (under which properties may be listed, purchased or sold), facilitate arbitration and ethical disputes among members and handle complaints from members of the public.

Provincial regulations also require that all REALTORS<sup>®</sup> be affiliated with licensed Brokers in order to sell real estate. Brokers are licensed by provincial regulatory bodies and must periodically renew their registration. Brokers, among other things, are responsible for the ongoing supervision of REALTORS<sup>®</sup> and the management of trust funds.

### ***Franchise Regulation***

Bridgemarq must comply with laws and regulations adopted in a number of Canadian provinces which regulate the offer and sale of franchises. These laws require, among other things, that Bridgemarq provide prospective Franchisees with a disclosure document containing certain prescribed information.

### ***Employment***

REALTORS<sup>®</sup> in the Franchise Network operate as independent contractors to a brokerage. As independent contractors, REALTORS<sup>®</sup> operate as businesses independent of the real estate brokerage with which they are affiliated. They are responsible for calculating and remitting their own taxes to the Canada Revenue Agency, paying their own health insurance (if they choose to have any) and paying for the majority of their own business expenses. While the terms of independent contractor agreements between a Broker-Owner and a REALTOR<sup>®</sup> vary from Franchisee to Franchisee, it is common for such agreements to have a one-month termination clause, allowing either the Broker-Owner or the REALTOR<sup>®</sup> to terminate the contract on one month's notice.

## **Dividends**

During 2022, the Company paid dividends of \$1.35 per Restricted Voting Share, unchanged from dividends paid in 2021 and 2020. The Board reviews the cash position and forecasts of Bridgemarq at its regularly scheduled Board meetings. The Board considers the recommendation of the Manager in determining the approval of any dividend. The Board targets a dividend level that is sustainable after considering, among other things, the cash resources, working capital requirements and cash flow forecasts of Bridgemarq as well as the investment opportunities available to Bridgemarq.

## **Management Services Agreement**

### ***The MSA***

The MSA has an initial term of ten years ending on November 6, 2028 (the “Initial Term”) and is automatically renewable for successive ten-year terms unless notice of termination is given by Bridgemarq or the Manager at least twelve months prior to the expiry of the Initial Term or subsequent renewal term. Should the MSA not be renewed, Bridgemarq would be required to enter into an alternate arrangement for the provision of the services performed by the Manager.

### ***General***

Pursuant to the provisions of the MSA, the Manager provides certain management, administrative and support services to Bridgemarq. The duties of the Manager include:

- (i) ensuring compliance with continuous disclosure obligations under all applicable securities legislation and stock exchange requirements;
- (ii) providing accounting and financial services;
- (iii) ensuring prompt collections under the Franchise Agreements and otherwise ensuring compliance by Franchisees with their respective obligations under the Franchise Agreements;
- (iv) pursuing the growth of the Franchise Network through the addition of new Franchises;
- (v) negotiating and communicating with third parties with respect to contractual and other matters;
- (vi) providing investor relations services;
- (vii) providing to Shareholders and holders of Special Voting Shares all information to which Shareholders and holders of Special Voting Shares are entitled;
- (viii) calling, holding and distributing materials (including notices of meetings and information circulars) in respect of all meetings of Shareholders and holders of Special Voting Shares;
- (ix) determining the amounts payable from time to time to Shareholders; and
- (x) dealing with Franchisees on questions of interpretation of the Franchise Agreements.

In addition to the management, administrative and support services listed above, the Manager has agreed, among other things, to:

- maintain and use reasonable efforts to expand the Franchise Network, including ongoing improvement of technology, marketing and promotional tools;
- manage and supervise the management of the Franchisees in a manner consistent with that of a competent and qualified manager of similar franchises of branded residential resale real estate brokerages;
- collect all fees and other amounts payable to Bridgemarq under the Franchise Agreements;
- monitor the compliance of Franchisees with the character and quality standards set out under the Franchise Agreements, including with respect to the Trademarks; and
- enforce the observance and performance of Franchise Agreements by owner/operators of Franchises in a manner that is consistent with good and prudent business practices.

In exercising its powers and discharging its duties under the Management Services Agreement, the Manager is required to exercise the degree of care, diligence and skill that a reasonably prudent manager having responsibilities of a similar nature would exercise in comparable circumstances. As a result of the services provided by the Manager under the MSA, the Manager is “a person or company in a special relationship with a reporting issuer” with respect to the Company for the purposes of the *Securities Act* (Ontario).

Under the MSA, the Manager is entitled to 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 of the Partnership and the Distributable Cash of Via Capitale L.P.; and
  - (ii) 0.342% of the Market Capitalization of the Company, 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 Partnership and the Distributable Cash of Via Capitale L.P.; and
  - (ii) 0.375% of the Market Capitalization of the Company.

Under certain circumstances, Bridgemarq has the option to pay the monthly fees to the Manager through the issuance by the Partnership of Class B LP Units. Bridgemarq has historically paid all monthly fees in cash.

The MSA may be terminated prior to the end of the Initial Term or any subsequent renewal term on behalf of Bridgemarq by the Independent Directors if a substantial deterioration in the business of the Partnership and Via Capitale L.P., taken as a whole, occurs that is not caused by force majeure, provided that such termination is approved at a meeting of Shareholders by a resolution approved by holders representing at least 50% of the aggregate number of issued and outstanding Restricted Voting Shares and the Special Voting Share and at least 66<sup>2</sup>/<sub>3</sub>% of the aggregate number of Shares voted at the meeting, in each case excluding any Restricted Voting Shares and the Special Voting Share held by the Manager or any of its affiliated entities. In the event of such termination, and provided that the Manager is not then in default, Bridgemarq will pay to the Manager a fee equal to the aggregate of all fees paid to the Manager under the MSA in the previous calendar year.

The MSA may be terminated by the Manager in the event of the insolvency or receivership of the Company, the Partnership, the General Partner or Via Capitale L.P. or, in the case of default by Bridgemarq in the performance of a material obligation under the MSA (other than as a result of the occurrence of a force majeure event) that is not remedied within 30 days after written notice has been delivered. The MSA may be terminated by Bridgemarq in the event of the insolvency or receivership of the Manager or, in the case of default by the Manager in the performance of a material obligation under the Management Services Agreement (other than as a result of the occurrence of a force majeure event) that is not remedied within 30 days after written notice thereof has been delivered.

The MSA contains provisions to regulate any conflicts of interest that may arise and provides for indemnification by the Manager of Bridgemarq and by Bridgemarq of the Manager in certain circumstances. The MSA may be assigned by any party thereto with the prior written consent of all other parties.

Under the MSA, Bridgemarq has the contractual right to control the character and quality of the services delivered by the Manager and the Franchisees and to require that the Trademarks be used by the Manager and the Franchisees in a manner that enhances the reputation of the Trademarks and the value of the Franchise Agreements. Under the MSA, the Partnership is entitled to:

- inspect the use of the Trademarks by the Manager and the Franchisees to ensure that they are protecting and enhancing the reputation associated with the Trademarks;
- obtain, on a quarterly basis, a certificate from an officer of the Manager to the effect that the Manager is using the Trademarks in accordance with the terms of the MSA and in a manner consistent with the agreements underlying the use of the Trademarks;
- require the Manager to submit periodic reports detailing the operations of the Franchisees and assuring compliance with the Franchise Agreements; and

- establish the standards governing the character and quality of the services delivered and the monitoring and enforcement of standards under the Franchise Agreements.

Under the MSA, the Manager has the ability to develop and offer new products and services to Franchisees or REALTORS® in addition to the products and services as specifically dealt with in the MSA. Pursuant to the terms of the MSA, provided such products and services are new, and not mere enhancements of the products and services already provided as part of the Franchise Systems, the Manager shall be entitled, after negotiation with and the approval of the Independent Directors of the Company, to be reimbursed for its costs and receive additional fees in respect of such products and services.

### **Management of the Company**

The section entitled “Management of the Company” contained in the Company’s Management Information Circular dated March 27, 2023 and the MSA are incorporated herein by reference.

## **DESCRIPTION OF THE COMPANY**

The Company was incorporated on October 28, 2010 pursuant to the provisions of the OBCA for the purpose of reorganizing the Business. Prior to this reorganization, the Company had not carried on any active business since its incorporation.

### **Restricted Voting Shares**

The Company is authorized to issue an unlimited number of Restricted Voting Shares. Holders of Restricted Voting Shares are entitled to (i) one vote per share at meetings of Shareholders of the Company; (ii) receive dividends if, as and when declared by the Board of Directors of the Company (subject to the rights of shares, if any, having priority over the Restricted Voting Shares); and (iii) receive their pro rata share of any remaining property and assets of the Company upon its dissolution or winding up (subject to the rights of shares, if any, having priority over the Restricted Voting Shares). The Restricted Voting Shares are designated as “restricted voting shares” in accordance with applicable securities laws and the rules of the TSX because the Restricted Voting Shareholders do not vote for the Designated Directors who are appointed by the holder of the Special Voting Share. See “Description of the Company – Special Voting Share”. As at the date hereof, there are 9,483,850 Restricted Voting Shares issued and outstanding. The Restricted Voting Shares carry approximately 74% of the voting rights attached to all voting securities of the Company.

### **Preferred Shares**

The Company is authorized to issue an unlimited number of preferred shares and the Directors may issue such preferred shares in series with each series having various rights, privileges, restrictions and conditions attaching to them as determined by the Directors. The preferred shares are available to the Company to provide future financing flexibility. The Company has never issued any preferred shares and there are currently no preferred shares issued and outstanding.

### **Special Voting Share**

Brookfield holds one Special Voting Share in the Company. The Special Voting Share is not transferable other than to affiliates of Brookfield. The Special Voting Share entitles the holder to a number of votes at any meeting of Restricted Voting Shareholders (except that the holder of the Special Voting Share is not entitled to vote for the election of the Elected Directors) equal to the number of Restricted Voting Shares that would be obtained upon the exchange of all the Class B LP Units held by the holder and/or its affiliates, but it does not otherwise entitle the holder to any rights with respect to Bridgemarq’s property or income (other than a nominal amount on the dissolution or winding up of the Company). The Special Voting Share is redeemable at the option of the holder for nominal consideration.

So long as Brookfield holds the Special Voting Share and so long as it and/or its affiliates hold an aggregate of 10% of the Restricted Voting Shares then outstanding (on a diluted basis), Brookfield is entitled to appoint up to two-fifths

of the Directors of the Company. Currently there are two Designated Directors who have been appointed by Brookfield. Mr. Spencer Enright is the Chairman of the Company and the CEO of the Manager. Mr. Joe Freedman is a corporate director and was previously Senior Vice Chairman, Private Equity at Brookfield Asset Management.

### **Principal Holders of Voting Securities**

Brookfield holds 100% of the outstanding Special Voting Shares. To the knowledge of the Directors and officers of the Company, there are no persons or corporations that beneficially own, directly or indirectly, control or direct 10% or more of the Company's outstanding Restricted Voting Shares.

### **Directors**

The Company will have a minimum of three and a maximum of ten directors. The current Directors are Colum Bastable, Lorraine Bell, Jitanjli Datt, Spencer Enright, Joe Freedman and Gail Kilgour. Ms Datt was appointed a Director by the Board on November 8, 2021 and was elected as an Independent Director at the Company's annual general meeting on May 12, 2022. See "Directors and Officers of the Company" for the principal occupations of the Directors.

The majority of the Directors are Independent Directors. Presently, Mr. Spencer Enright and Mr. Joe Freedman are not Independent Directors. Mr. Enright is a senior officer and a director of the Manager. Mr. Freedman has been a senior officer of Brookfield in the past three years and was appointed by Brookfield. Brookfield may remove any Designated Directors as directors at any time in its sole discretion. The Elected Directors may be removed by a resolution passed by a majority of the holders of Restricted Voting Shares. The vacancy created by the removal or resignation of an Elected Director may be filled at the same meeting, failing which it may be filled by the continuing Directors.

### **Audit Committee**

The Audit Committee consists of Lorraine Bell (Chair), Colum Bastable, Jitanjli Datt and Gail Kilgour, all of whom are Independent Directors. All members of the Audit Committee are financially literate, and the Chair of the Audit Committee is a Chartered Professional Accountant. See "Directors and Officers of the Company" for the principal occupations and relevant education and experience of the members of the Audit Committee. See Appendix A for the Audit Committee Charter.

### **Governance Committee**

The Governance Committee consists of Gail Kilgour (Chair), Colum Bastable, Lorraine Bell and Jitanjli Datt, all of whom are Independent Directors. See "Directors and Officers of the Company" for the principal occupations and relevant education and experience of the members of the Governance Committee. See Appendix A for the Governance Committee Charter.

### **Information and Reports**

The Company will furnish materials to shareholders in accordance with and subject to applicable securities laws, including:

- quarterly and annual consolidated financial statements;
- management's discussion and analysis for the periods covered by the financial statements;
- management's information circular, notice of meeting, proxy information and other information to be provided prior to annual meetings of Shareholders; and
- other reports as are from time to time required by applicable law.

All of the information furnished by the Company to Shareholders can be accessed on the Company's website at [www.bridgemarq.com](http://www.bridgemarq.com) or [www.sedar.com](http://www.sedar.com).

### **Book-Entry-Only System**

Registration of interests in and transfers of the Restricted Voting Shares will be made only through the Book-Entry-Only System operated by CDS Clearing and Depository Services Inc (“CDS”). Restricted Voting Shares must be purchased, transferred and surrendered for redemption through a participant in the CDS depository service. All rights of a Shareholder must be exercised through, and all payments or other property to which a Shareholder is entitled will be made or delivered by, CDS or the CDS participant through which the Shareholder holds the Restricted Voting Shares. Upon a purchase of any Restricted Voting Shares, the Shareholder will receive only a customer confirmation from the registered dealer that is a CDS participant and from or through which the Restricted Voting Shares are purchased.

The ability of a beneficial owner of Restricted Voting Shares to pledge those Restricted Voting Shares or otherwise take action with respect to the Shareholder’s interest in those Restricted Voting Shares (other than through a CDS participant) may be limited due to the lack of a physical certificate.

## **DESCRIPTION OF THE PARTNERSHIP**

### **General**

The Partnership is a limited partnership established under the laws of the Province of Ontario to own the Partnership Assets, conduct the Business of Bridgemarq and carry out all activities consistent with the strategy of Bridgemarq and the Management Services Agreement. The following is a summary of the material attributes and characteristics of the Partnership and the LP Units and certain provisions of the Partnership Agreement, which summary is not intended to be complete. Reference is made to the Partnership Agreement and the full text of its provisions for a complete description of the LP Units.

### **General Partner**

The general partner of the Partnership is the General Partner.

### **Partnership Units**

The Partnership is entitled to issue various classes of partnership interests pursuant to the approval of the General Partner. The Partnership has 9,983,000 Class A LP Units and 3,327,667 Class B LP Units issued and outstanding. All of the Class A LP Units outstanding (representing a 75% interest in the Partnership) are held by the Company. All of the Class B LP Units outstanding (representing a 25% interest in the Partnership) are held by Brookfield.

Class B LP Units may be issued, as described under “Description of the Business – Management Services Agreement”, to the Manager in satisfaction of payment of management fees payable under the MSA or as payment for amounts deferred under agreement with the Manager and Brookfield as described under “Description of the Business – Events Occurring in 2020 - Deferred Payment of Management Fees and Interest on Exchangeable Units”.

Class B LP Units, which are issuable in series, may be issued in respect of other acquisitions made by the Partnership from time to time. 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. The Class B LP Units have the following attributes:

(i) the Class B LP Units are exchangeable, indirectly, on a one-for-one basis (subject to customary anti-dilution provisions) for Restricted Voting Shares at the option of the holder, at any time; and (ii) each Class B LP Unit entitles the holder thereof to receive distributions from the Partnership, where practicable, pro rata, with the distributions on the Class A LP Units.

Distributions to holders of Class B LP Units are made at the same time as distributions to the Company on the Class A LP Units and distributions to the General Partner. Distributions from the Partnership occur at approximately the same time as dividends are paid on the Restricted Voting Shares.

The Partnership, Brookfield and the Manager have entered into certain agreements to give effect to the terms of the Class A LP Units and the Class B LP Units issued to the Manager pursuant to the MSA, including the Exchange Agreement specifying the procedures for the indirect exchange of the Class A LP Units and the Class B LP Units issued to Brookfield or the Manager for Restricted Voting Shares referred to under “Retained Interest” and “Description of the Business – Management Services Agreement”.



## **Distributions**

The Partnership will distribute to the General Partner and to limited partners holding LP Units of the Partnership on the last day of each month their pro rata portions of Distributable Cash as set out below. Distributions are made on the Class A LP Units within 30 days of the end of each month and are intended to be received by the Company, and distributions on the Class B LP Units are paid monthly directly to Brookfield. The Partnership may, in addition, make a distribution at any other time.

Distributable Cash represents, in general, all of the Partnership's cash, after:

- satisfaction of its debt service obligations (principal and interest), including on the Debt Facility;
- satisfaction of its other obligations (including, without limitation, amounts payable to the Manager under the Management Services Agreement and all operating expenses of Bridgemarq); and
- retaining reasonable reserves for administrative and other expense obligations and reasonable reserves for working capital or other investing requirements as may be considered appropriate by the board of directors of the General Partner.

## **Allocation of Net Income and Losses**

The income or loss of the Partnership for each fiscal year will be allocated to the General Partner and to the limited partners as 0.001% and 99.999%, respectively. The income or loss of the Partnership for a particular fiscal year will be allocated to each limited partner based on their pro-rata share of cash distributions received.

## **Reimbursement of General Partner**

The Partnership reimburses the General Partner for all direct costs and expenses incurred in the performance of its duties under the Partnership Agreement on behalf of the Partnership.

## **Limited Liability**

The Partnership operates in such a manner as to ensure, to the greatest extent possible, that the liability of the limited partners is limited to the amount of that limited partner's net investment in the Partnership. The General Partner has agreed to indemnify each limited partner for any losses in excess of that limited partner's net investment to the extent that those losses are caused by the negligence of the General Partner in performing its duties and obligations under the Partnership Agreement. The General Partner, at any point in time, may have no significant assets or financial resources.

## **Transfer of Partnership Units**

Class A LP Units are fully transferable and the transferee will be entitled to the rights of a limited partner under the Partnership Agreement on the date on which the transfer is recorded, so long as the transferee of the Class A LP Unit agrees to (i) become a limited partner, and (ii) be subject to the obligations of the Class A LP Units. Class B LP Units will be transferable only as described under "Retained Interest".

## **DESCRIPTION OF THE GENERAL PARTNER**

### **General**

The General Partner is a corporation established under the OBCA to act as the general partner of the Partnership. The Company and Brookfield own 75% and 25%, respectively, of the outstanding shares of the General Partner. Pursuant to the Shareholders' Agreement, in the event that the MSA is terminated, Brookfield will sell all of its shares in the General Partner to the Company or such other person as the Company directs.

## **Functions and Powers of the General Partner**

The General Partner is responsible for managing the Business and affairs of the Partnership, and to make all decisions regarding the Business of the Partnership.

Pursuant to the MSA, the Manager is actively engaged in the Business of the Partnership and in assisting the General Partner in the management of the Business and affairs of the Partnership. For additional information about the MSA, see “Description of the Business – Management Services Agreement”.

The Partnership Agreement provides that all material transactions and agreements involving the Partnership must be approved by the General Partner’s board of directors. Where Brookfield or any of its affiliates has a direct interest in any matter to be approved by the General Partner, such matter must be approved by a majority of the Independent Directors.

## **Restrictions on Authority of the General Partner**

The authority of the General Partner is limited in certain respects under the Partnership Agreement and the Shareholders’ Agreement. The General Partner is prohibited, without the prior approval of the other partners given by Partnership Special Resolution, from dissolving the Partnership, winding up its affairs or selling, exchanging or otherwise disposing of all or substantially all of the assets of the Partnership.

## **Withdrawal or Removal of the General Partner**

The General Partner may not be removed as general partner of the Partnership unless:

- the Shareholders or directors of the General Partner pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding-up of the General Partner, or the General Partner commits certain other acts of bankruptcy or ceases to be a subsisting corporation, provided that certain other conditions are satisfied, including a requirement that a successor General Partner agrees to act as general partner under the Partnership Agreement; or
- a Partnership Special Resolution approving such removal has been passed and a successor General Partner agrees to act as general partner under the Partnership Agreement.

If the General Partner withdraws or is removed as the general partner of the Partnership for any reason, a successor General Partner of the Partnership may be appointed only if (i) such successor has been approved by a Partnership Special Resolution, and (ii) the successor General Partner has the same relative ownership and Board composition as the General Partner.

## **Restrictions Respecting Amendment**

The Partnership Agreement may not be amended in any way that could reasonably adversely affect the rights or obligations of any class of partners, including, without limitation, amendments that affect the voting rights, distribution entitlements or liabilities of that class without the consent of such class of partners given by ordinary resolution at a duly constituted meeting or a written resolution of partners holding a majority of the Partnership interests of such class entitled to vote at a duly constituted meeting.

## **Shareholders’ Agreement**

Brookfield, the Company and the General Partner are parties to the Shareholders’ Agreement, in respect of the General Partner.

### ***Directors***

The Shareholders’ Agreement provides that the board of directors of the General Partner is the same size and has the same composition and committee structure as the Company’s Board of Directors.

The directors of the General Partner are not entitled to compensation for acting as such, but participate in Bridgemark's insurance and indemnification arrangements and are reimbursed for out-of-pocket expenses for attending meetings.

The Directors and officers of the Company are covered under a directors' and officers' insurance policy that provides an aggregate limit of up to \$125 million, inclusive of defense costs, for claims alleging wrongful acts of a Director or officer of the Company. An additional \$75 million of coverage is provided where indemnity is not available from the Company. These limits are part of a Brookfield Asset Management insurance program and accordingly, these limits are shared with other Brookfield companies.

The by-laws of the Company provide for the indemnification of its Directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties of office, subject to customary limitations.

### ***Amendment***

The Shareholders' Agreement provides that it can be amended, modified or waived only with the approval of the General Partner, Brookfield and the Company by Partnership Special Resolution. Any amendment that would adversely affect the rights and obligations of a particular security holder in a manner different from all other similarly situated security holders, or would create or increase the liability of a security holder, requires the approval of each particularly affected security holder in order to be effective against that person.

## **CREDIT FACILITIES**

The Company is party to an \$80 million debt facility (the "Debt Facility") which matures on December 31, 2023 (the "Maturity Date").

The Debt Facility is secured by first ranking security interest in substantially all assets of Bridgemark. All amounts borrowed under the Debt Facility bear interest at variable interest rates of banker's acceptances + 1.70% or Canadian prime + 0.5%, at the option of the Company. Under the Terms of the Debt Facility, Bridgemark has access to the following sources of funds:

- a) a \$55 million non-revolving term facility, due on the Maturity Date (the "Term Facility");
- b) a \$20 million revolving acquisition facility to support acquisitions completed by Bridgemark (the "Acquisition Facility"). A standby fee of 0.15% applies on undrawn amounts under this facility. Bridgemark has drawn \$12.0 million on the Acquisition Facility as of March 27, 2023; and
- c) a \$5 million revolving operating facility to meet Bridgemark's day-to-day operating requirements. No amounts have been drawn on this facility as of March 27, 2023.

The covenants of this financing prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense at a minimum of 3.0 to 1 and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4.0 to 1 (as such terms are defined in the Debt Facility agreements). Consolidated EBITDA is defined as operating income before deducting interest expense and impairment and amortization of intangible assets. In the event that Senior Indebtedness to Consolidated EBITDA exceeds 3.40 to 1, the Company is obligated to make monthly repayments of combined interest and principal in an amount equal to an annual 10% straight line amortization of the outstanding Facilities until such time as the ratio of Senior Indebtedness to Consolidated EBITDA is less than 3.25 to 1 for a period of two consecutive months.

Bridgemark is party to an interest rate swap agreement to swap the variable interest obligation on the \$55 million Term Facility to a fixed rate of 3.94% through December, 2023. The interest rate swap is recorded at its fair value in the Company's financial statements.

### **Security**

The Debt Facility has an unconditional and unlimited guarantee and postponement and assignment of debts and claims issued by the Company and each of its subsidiaries. The Debt Facility is secured by a general security interest from Bridgemark providing for a first-ranking security interest in all of the present and future assets, property and undertakings of Bridgemark.

## Restrictive Covenants

So long as the Debt Facility remains outstanding, Bridgemarq is subject to certain restrictive covenants (subject to certain limitations), including:

- Bridgemarq will not incur, guarantee or otherwise be or become directly or indirectly liable for any indebtedness other than the Debt Facility;
- Bridgemarq will not create any liens on any of its property, other than encumbrances permitted in the Debt Facility;
- Bridgemarq will not directly or indirectly, sell any of its assets if, after giving effect to such sale of assets, a default or event of default occurs under the Debt Facility as a result of such sale. Subject to the foregoing, Bridgemarq may sell assets of less than \$500,000 in any one fiscal year. Additionally, Bridgemarq may sell assets for an amount greater than \$500,000 but less than \$2.0 million provided that (i) notice is duly given to the lender; and (ii) the net proceeds received in excess of \$500,000, in aggregate, in any one fiscal year (the “Excess Net Proceeds”) is reinvested by Bridgemarq in Bridgemarq’s Business. If less than all of the Excess Net Proceeds are reinvested in the Company’s business (such non-reinvested portion being the “Non-Reinvested Amount”), within 30 days after the end of the fiscal year, Bridgemarq will use the Non-Reinvested Amount to ratably repay outstanding Senior Indebtedness of Bridgemarq in accordance with the Debt Facility;
- subject to the limitation on asset sales noted above, Bridgemarq will not enter into a sale and leaseback transaction if, after giving effect to such sale and leaseback transaction, a default or event of default occurs under the Debt Facility;
- Bridgemarq will not undertake any merger, reconstruction, reorganization, recapitalization, combination, statutory arrangement, consolidation, amalgamation, liquidation, dissolution, winding-up or other similar transaction or arrangement or any sale of assets whereby all or substantially all of the undertaking, property and assets of Bridgemarq would become the property of another person (a “Person”) (any of the foregoing being herein referred to as a “Transaction”) unless: (i) that Person agrees to be bound by all terms of the Debt Facility; (ii) that Person is solvent and validly existing under the federal laws of Canada or the laws of a province or territory of Canada; (iii) the liens created by the security under the Debt Facility will continue to be valid against the property acquired by that Person in substantially the same manner and to the same extent and priority as existed immediately prior to such Transaction; (iv) the Transaction is carried out in such a manner as to preserve the rights and powers of the lender under the Debt Facility; (v) no default or event of default will have occurred immediately prior to or as a result of that Transaction; and (vi) prior to or contemporaneously with the completion of the Transaction, the Person will have executed and delivered certain legal opinions and certificates to the lender;
- Bridgemarq shall not purchase, hold or acquire any investments (including equity securities, indebtedness of third parties, options or warrants to acquire these types of securities or guarantees of these securities) except: (i) loans, advances or other forms of indebtedness or investments made between entities within Bridgemarq; (ii) Acquisitions that are of assets or equity securities, of an entity carrying on a business similar to and consistent with the Business; (iii) cash or cash equivalents; and (iv) Guarantees expressly permitted under the Debt Facility;
- Bridgemarq will not materially modify, alter, amend, extend, renew or replace any of its constating documents or by-laws unless any such action would not have or would not reasonably be expected to have a material adverse effect on Bridgemarq;
- Bridgemarq will not make or give effect to any distribution if a default or event of default will have occurred immediately prior to or as a result of that distribution;
- Bridgemarq will not engage in transactions with any Affiliates unless the terms of such transactions are no less favourable than if the transaction were undertaken with an unrelated third party, excluding any transactions in accordance with the terms of the MSA;

- Bridgemarq shall not establish, sponsor, contribute to or assume an obligation to contribute to any pension plan except with the prior written consent of the lenders;
- Bridgemarq will not amend, terminate, surrender or vary (i) the MSA or (ii) any other material contract if such amendment, termination, surrender, variation or waiver would result in a material adverse effect on Bridgemarq;
- Bridgemarq will not change its jurisdiction of incorporation or chief executive office; and
- Bridgemarq shall not carry on any business other than the Business and any business reasonably incidental thereto and will not carry on business outside Canada.

### **RETAINED INTEREST**

The Class B LP Units owned by Brookfield represent a 25% interest in the Partnership and, if all such Class B LP Units were indirectly exchanged for Restricted Voting Shares, they would represent a 26% interest in the Company. In addition, Brookfield owns 315,000 Restricted Voting Shares of the Company, for a combined interest of 28%.

### **EXCHANGE RIGHTS**

Brookfield, the Company and the Manager are parties to an Exchange Agreement. The Exchange Agreement provides Brookfield and the Manager with the right to require the Company to directly or indirectly exchange Class B LP Units or Class A LP Units for Restricted Voting Shares of the Company on the basis of one Restricted Voting Share of the Company for each LP Unit exchanged.

The exchange procedure can be initiated by Brookfield or the Manager delivering to the General Partner, as escrow agent under the Exchange Agreement, a unit certificate in respect of the LP Units to be exchanged.

The LP Units issued to Brookfield or the Manager or an affiliate thereof are subject to certain anti-dilution protections providing for adjustment of the exchange ratio applicable to the exchange of LP Units pursuant to the Exchange Agreement upon the occurrence of certain events, including subdivision or consolidation of the outstanding Restricted Voting Shares, any reclassification of the Restricted Voting Shares outstanding, any capital reorganization of the Company or any consolidation, amalgamation, merger or other form of business combination of the Company with or into any other entity.

The Exchange Agreement may be assigned in whole or in part by Brookfield or the Manager only in connection with a sale by Brookfield or the Manager, as the case may be, of LP Units.

Brookfield and the Manager have been granted demand and “piggy-back” registration rights by the Company. These rights enable Brookfield or the Manager to require the Company to file a prospectus and otherwise assist with a public offering of Restricted Voting Shares held by Brookfield or the Manager or an affiliate thereof, as the case may be, subject to certain limitations. The Company’s expenses will be borne by Brookfield and/or the Manager (or on a proportionate basis if Brookfield and/or the Manager and the Company are selling Restricted Voting Shares) pursuant to the terms and conditions of the Registration Rights Agreement. In the event of a “piggy-back” offering, the Company’s financing requirements are to take priority.

### **DISTRIBUTIONS**

#### **Distributions per Share for Last Three Fiscal Years**

The following table sets out the aggregate dividends declared in respect of the Restricted Voting Shares in each of 2022, 2021 and 2020.

<b>Period</b>	<b>Distributions Per Restricted Voting Share or Unit</b>
2022	\$1.35
2021	\$1.35
2020	\$1.35

## MARKET FOR SECURITIES

The Restricted Voting Shares are currently listed for trading on the TSX under the symbol “BRE”. None of the units of the Partnership, units of Via Capitale L.P. or shares of the General Partner are listed for trading on a recognized exchange, nor is there a market for such securities. The following table sets out the price ranges and volume traded for Restricted Voting Shares on the TSX for each month during 2022:

	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
High	\$17.10	\$17.13	\$16.49	\$16.1	\$14.85	\$14.84	\$14.33	\$15.13	\$14.70	\$15.13	\$13.98	\$14.08
Low	\$16.15	\$16.06	\$14.99	\$13.90	\$13.29	\$13.10	\$12.40	\$12.54	\$13.00	\$13.50	\$12.54	\$12.57
Close	\$16.97	\$16.25	\$15.93	\$13.99	\$14.74	\$13.49	\$13.33	\$13.67	\$14.40	\$13.67	\$13.29	\$12.84
Avg. Daily Volume	9,180	9,205	12,691	18,455	12,762	9,395	10,775	10,600	12,995	8,205	15,386	12,475

## DIRECTORS AND OFFICERS OF THE COMPANY

The names, principal occupations and municipalities of residence of the Company’s Directors and officers (as at December 31, 2022), as well as the year each Director first became a Director, are set out below. Each Director is appointed to serve until the next annual meeting of Shareholders or until his or her successor is elected or appointed. See the Company’s Management Information Circular relating to the Annual Meeting of Shareholders dated March 27, 2023 for disclosures regarding the director nominees proposed for election at the Company’s annual general meeting.

### Directors

<b>Name and Municipality of Residence</b>	<b>Position and/or Office with Company</b>	<b>Present Principal Occupation If Different from Office Held</b>	<b>Period During Which Served as Director</b>	<b>Restricted Voting Shares Beneficially Owned or Controlled as at March 28, 2022<sup>3</sup></b>
Colum Bastable <sup>1, 2, 4</sup> Toronto, ON, Canada <i>Independent Director</i>	Director	Corporate Director	Since May 7, 2019	3,000
Lorraine Bell <sup>1, 2, 5</sup> New York, NY, USA <i>Independent Director</i>	Director, Chair of the Audit Committee	Corporate Director	Since Jan. 3, 2003	15,000
Jitanjli Datt <sup>1, 2, 6</sup> Toronto, ON, Canada <i>Independent Director</i>	Director	Strategic Advisor	Since Nov. 8, 2021	nil
Spencer Enright <sup>7</sup> Oakville, ON, Canada <i>Related Director</i>	Chairman and Director	Chief Executive Officer, Bridgemarq Real Estate Services Manager Limited	Since May 6, 2014	1,300

Joe Freedman <sup>8</sup> Toronto, ON, Canada <i>Related</i> <i>Director</i>	Director	Corporate Director	Since Mar. 12, 2019	20,000
Gail Kilgour <sup>1,2,9</sup> Toronto, ON, Canada <i>Independent</i> <i>Director</i>	Director, Chair of the Governance Committee	Corporate Director	Since Jan. 3, 2003	10,000

<sup>1</sup> Member of the Audit Committee.

<sup>2</sup> Member of the Governance Committee.

<sup>3</sup> As of March 27, 2023, the current directors of the Company owned beneficially, directly and indirectly, 49,300 Restricted Voting Shares representing approximately 0.5% of the issued and outstanding Restricted Voting Shares.

<sup>4</sup> **Colum Bastable – Director.** Mr. Bastable is a Corporate Director and a Fellow of the Institute of Chartered Accountants (Ireland) and holds an Honorary Doctorate of Laws from McMaster University, Ontario. Mr. Bastable has served as a senior executive in the real estate services industry for over 40 years including as Chairman, President and CEO of Cushman & Wakefield Canada Ltd., Managing Partner of Commercial Real Estate Services at Brascan Corporation, and CEO of Royal LePage Limited. Mr. Bastable is on the Board of Trustees of Slate Grocery REIT, an investment trust, where he chairs the Audit Committee and sits on the Governance and Nominating Committee. He is also a member of the Independent Review Committee of Bridgehouse Asset Managers, an asset management company. Mr. Bastable has served as a member of the Board of Trustees of Brookfield Canada Office Properties REIT, an investment trust, and as a Director of Toronto Hydro Corporation, an electric utility. Mr. Bastable has served on the Board of Governors of MacMaster University, a university, as Director of the YMCA, a not-for-profit organization, and on the Campaign Cabinet for the United Way in Toronto, a not-for-profit organization.

<sup>5</sup> **Lorraine Bell – Director and Chair of the Audit Committee.** Ms. Bell is a Corporate Director and a Chartered Professional Accountant with many years of experience both as a Director and in the financial sector as a derivatives and risk management expert. Ms. Bell is a former Director of IBI Group Inc., a services and software company, where she was the Chair of the Audit Committee and a member of the Governance and Human Resources Committee. She also served twelve years as a Director of the Ontario Financing Authority, a government agency. She is a Director of the University of Toronto Associates in New York, Hot Docs Foundation (USA), the Scottish Business Network (USA) as well as being a Trustee of the New York Genealogical and Biographical Society and a Director of the New York Caledonian Club.

<sup>6</sup> **Jitanjali Datt – Director.** Ms. Datt is a Corporate Director and a strategic advisor at Forum Equity Partners, an investment management company. Prior to that, she worked in the investor relations department at Royal Bank of Canada and in equity research at the Canadian Imperial Bank of Commerce. Ms. Datt has studied at a number of progressive educational institutions including the Harvard Business School and the Rotman Initiative for Women in Business and holds the ICD.D designation from the Institute of Corporate Directors.

<sup>7</sup> **Spencer Enright – Director and Chairman.** Mr. Enright is a Chartered Professional Accountant and has been Chief Executive Officer of the Manager since December 2012. Mr. Enright acted as a Senior Vice-President and Chief Operating Officer of an affiliate of the Manager from 2010-2012. Mr. Enright sits on the Board of the Bridgemarq Real Estate Services Charitable Foundation, a charitable organization. Prior to joining Bridgemarq Real Estate Services, he worked in the food manufacturing industry as Senior Vice President and General Manager for The Minute Maid Company Canada Inc. and Chief Financial Officer for Coca-Cola Ltd.

<sup>8</sup> **Joe Freedman – Director.** Mr. Freedman retired as Senior Vice Chairman, Private Equity at Brookfield Asset Management in 2020. While at Brookfield, Mr. Freedman held a number of positions including General Counsel and head of mergers and acquisition transaction execution, fund formation and fund operations. Prior to joining Brookfield, Mr. Freedman practiced as a lawyer specializing in private equity transactions and mergers and acquisitions. Mr. Freedman is a director of the Canadian Civil Liberties Association, a not-for-profit organization, The Centre for Aging and Brain Health Innovation, a not-for-profit organization, RAD Technologies Inc., a technology company and Contact Free LLC, a technology company.

<sup>9</sup> **Gail Kilgour – Director and Chair of the Governance Committee.** Ms. Kilgour, is a Corporate Director with over 25 years of experience in the financial services industry. She is a past Vice-Chair of the Board of Directors for the Ontario Realty Corporation, a Crown Corporation, and Chair of its Governance Committee, a past director of Ontario Infrastructure and Lands Corporation, a Crown Corporation. She is a past Trustee of the University of Guelph, a university, where she chaired its Audit Committee and a past Chair of the Board of St. George's Golf and Country Club.

## Officers

Name, Municipality of Residence and Restricted Voting Shares Owned as at March 27, 2023	Position Held	Five-Year Occupational History
Philip Soper Toronto, ON, Canada 23,072 shares	President and Chief Executive Officer	Mr. Soper is the President and Chief Executive Officer of the Company and President of the Manager. Mr. Soper joined the organization as Vice President and General Manager, Corporate Relocation Solutions in February 2001 and was named President of what is now the Company in 2002, and Chief Executive Officer in 2004.

Spencer Enright  
Oakville, ON,  
Canada  
1,300 shares

Chief Executive  
Officer, Bridgemarq  
Real Estate Services  
Manager Limited

Mr. Enright was appointed Chief Executive Officer of the Manager in December 2012. Mr. Enright acted as a Senior Vice-President and Chief Operating Officer of an affiliate of the Manager from 2010-2012. Mr. Enright sits on the Board of the Bridgemarq Real Estate Services Charitable Foundation, a charitable organization.

Glen McMillan  
Toronto, ON, Canada  
7,000 shares

Chief Financial Officer

Mr. McMillan was appointed Chief Financial Officer of the Company on May 19, 2015. Mr. McMillan is also the Chief Financial Officer of the Manager. Mr. McMillan was a Senior Vice President of Brookfield Capital Partners, an asset management company, from 2011-2015.

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As of March 27, 2023, the current officers and Directors of the Company owned beneficially, directly and indirectly, 79,372 Restricted Voting Shares representing approximately 0.8% of the issued and outstanding Restricted Voting Shares. Brookfield holds one Special Voting Share and 315,000 Restricted Voting Shares.

As of the date hereof, no individual who is, or at any time during the most recently completed financial year of the Company ended December 31, 2022 was, a Director or senior officer of the Company, an individual proposed as a nominee for election to any such position, nor any associates of any such director, senior officer or proposed nominee, has been indebted to the Company nor has any such individual's indebtedness to another entity at any time since the beginning of the most recently completed financial year been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company in connection with the purchase of securities of the Company.

#### INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The section entitled "Interest of Informed Persons in Material Transactions" contained in the Company's Management Information Circular dated March 27, 2023, is incorporated herein by reference.

#### AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Company is Deloitte LLP, Chartered Professional Accountants ("Deloitte"), Suite 200, 8 Adelaide Street West, Toronto, Ontario, Canada, M5H 0A9. The Transfer Agent and registrar for the Company is TSX Trust Company, PO Box 700, Postal Station B, Montreal PQ, H3B 3K3.

#### External Auditor Service Fees (by Category)

The following table sets out further information on the fees paid related to services provided for the years ended December 31, 2020 and December 31, 2021 and fees billed or expected to be billed for the year ended December 31, 2022 by Deloitte to the Company.

<b>Fees</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Audit fees	\$254,000	\$230,000	\$219,000
Audit-related fees	\$43,000	\$33,000	\$43,000
Tax fees	\$20,000	\$17,000	\$17,000
<b>Total fees</b>	<b>\$317,000</b>	<b>\$294,000</b>	<b>\$279,000</b>

**Audit fees** were for professional services rendered for the audit of the Company's consolidated financial statements as of and for the years ended December 31, 2022, 2021 and 2020, quarterly review of the financial statements included in the Company's quarterly reports and review of filings with securities commissions.



**Audit-related fees** include a) administrative fees charged by Deloitte, and b) Canadian Public Accountability Board fees. In 2022, 2021 and 2020, Deloitte charged additional fees totaling \$52,000 related to consultations on accounting matters and other procedures.

**Tax fees** consist of fees for services related to tax compliance, including the preparation of tax returns and refund claims and tax planning and advice.

The Audit Committee of the Board of Directors has determined that the provision of these services is compatible with the maintenance of the independence of Deloitte.

## **MATERIAL CONTRACTS**

The following is a list of material contracts to which Bridgemarq is a party, or which, by their operation, is material to Bridgemarq, particulars of which are disclosed above:

- Debt Facility Credit Agreement (including amendments thereto) and related security documentation;
- Exchange Agreement;
- Royal LePage Licence Agreement;
- Management Services Agreement;
- Partnership Agreement;
- Registration Rights Agreement; and
- Shareholders' Agreement among Brookfield and the Company.

## **RISK FACTORS**

The following section describes the more significant risks related to the residential resale real estate brokerage industry and the Business of Bridgemarq.

### **Residential Real Estate Resale Industry**

The performance of Bridgemarq is dependent upon the receipt of Franchise Fees. Franchise Fees are ultimately dependent on the number of REALTORS® in the Franchise Network and the level of residential real estate transactions in the Canadian market. The real estate industry is affected by all of the factors affecting the economy in general, including, without limitation, changes in interest rates, unemployment, inflation, commodity prices, the impacts of the pandemic, international balance of trade, changes in income tax rates, immigration, changes in government policy, changes in laws and regulations and foreign exchange rates, none of which can be directly controlled by Bridgemarq. In addition, Bridgemarq could be affected by the aging network of REALTORS® and Brokers across the country. The median age of a top-performing REALTOR®, according to the National Association of Realtors in the United States, is approximately 56, and the median age of a Broker-Owner is approximately 60 and there can be no assurance that the number of individuals who seek to become REALTORS® will be sufficient to replace the number of REALTORS® who retire or otherwise leave the industry. REALTORS® are predominantly independent contractors and can terminate their independent contractor agreements with the respective Franchise at any time. In addition, pressure on the rate of commissions charged to the consumer could adversely affect the profitability of REALTORS®, Franchisees and, ultimately, Bridgemarq. Tight market conditions with quick sales and tech-driven models trying to deliver service with lower fees have led to a questioning of the value of traditional real estate brokerage services. All of these factors could have a negative impact on the real estate industry and the Business of Bridgemarq.

### **Competition**

Royal LePage, Johnston & Daniel and Via Capitale compete with other national brands in Canada as well as a large number of local independent companies. Some competing franchisors have strong brand recognition nationally and locally as well as the perception within the industry of having comparable or better technology, REALTOR® and Broker tools and extensive marketing plans and resources. Different fee structures offered by competing franchisors allow for extensive annual marketing and media campaigns and potentially greater brand recognition among

consumers. Some of the competing franchisors, particularly those that have a significant presence in the United States, have the advantage of spillover from U.S. advertising.

The Canadian real estate market continues to see new entrants, offering different value propositions from those of Bridgemark's brands. Recent entrants have targeted the lower service offering segment of the real estate services market while others are offering different value propositions such as a focus on technology, alternate fee models for home-sellers, equity participation, support for REALTORS® and Teams to expand their footprint and various different services for REALTORS®. These competitors could expand their market share and capture a larger segment of the Canadian real estate market, which could impact the Business of Bridgemark.

### **Demographics, Interest Rates, Economy, Consumer Confidence**

Bridgemark operates in the Canadian real estate market and attempts to recruit REALTORS® in every province in Canada to ensure that it is proportionally represented in each real estate market in Canada. The Canadian market is geographically large and economically diverse such that regional factors may negatively affect some regions where Bridgemark does business but may not affect others which could affect Bridgemark's ability to recruit new REALTORS® to the Franchise Network in some parts of the country.

While Bridgemark did manage to grow its Franchise Network in most Canadian provinces in 2021 and 2022, these regional matters plus competition from well-funded competitive brands, the emergence of tech-driven business models and the increasing popularity of lower-service brokerages may make it difficult for Bridgemark to successfully recruit REALTORS® in the future.

Immigration plays an important role in the real estate market. The number of new immigrants to Canada was sharply below historic levels in 2020 due to world-wide travel restrictions. In addition, the shift to employees working from home as a result of the pandemic has altered consumers' views on their ability or desire to purchase a home and the locale where they would consider purchasing. In 2021 and 2022, immigration levels increased to their highest levels ever and, according to policy statements by the federal government, are expected to remain at these high levels in the coming years. In addition, many businesses in Canada have started to have their employees return to work in the office for some portion of the work week. It is very difficult to estimate the impacts these or any other demographic factors could have on the Canadian real estate market and, ultimately Bridgemark. In addition, recent increases in interest rates and higher inflation over an extended period of time may have a negative effect on consumer confidence and make house purchases less affordable for first-time buyers and less appealing for buyers looking to move into larger homes or more expensive neighbourhoods. Lower real estate activity could have a negative impact on the Business of Bridgemark.

### **Commission Rate**

Most REALTORS® in Canada are independent contractors. As such, the decision as to what rate to charge rests solely with the REALTOR® rather than with the Broker-Owner. Additionally, lower fee and fee-for-service brokerage operations have been active in Canadian residential resale real estate for many years with the number of brokerages participating in this sector increasing over time. The ability of REALTORS® to compete by advertising commission rates which are lower than those charged by REALTORS® in the Franchise Network may put downward pressure on client commission rates and negatively impact the profitability of brokerages in the Franchise Network and the Franchise Fees received by Bridgemark.

### **Additional Franchises and Franchise Operations**

The growth of Franchise Fees is dependent upon, among other things, the ability of the Manager to (i) maintain and grow the Franchise Network; (ii) execute its growth strategy for increasing the number of Franchisees; and (iii) recruit REALTORS® to Franchise Network offices. If the Manager is unable to attract qualified Franchisees and continue to grow the Franchise Network, the Business of Bridgemark could be adversely affected. The slowing of growth could lead potential and existing Franchisees to begin to look elsewhere for alternative brand opportunities. The growth of the Franchise Network through adding new Franchisees is somewhat dependent upon the availability of qualified Brokers in desirable locations and new Brokers wishing to start up a real estate brokerage or purchase an existing one.

### **The Closure of Franchises May Affect the Amount of Franchise Fees**

The amount of Franchise Fees payable by Franchisees is dependent both upon the number of Franchisees and the number of REALTORS<sup>®</sup> registered with each Franchisee. The closure or downsizing of a Franchise office will negatively affect the amount of Franchise Fees received by Bridgemaq. Closure of an office could result from any number of factors, including, without limitation; a Broker-Owner being unable to sell or transfer his or her business to a new owner; the failure of an office due to a downturn in the economy or the closure or bankruptcy of a large industry in the city where the Broker-Owner operates. Any one of the above-mentioned factors, among others, could result in the exit of top-producing REALTORS<sup>®</sup> to competitors and could negatively affect the profitability of Franchisees and, ultimately, the Franchise Fees received by Bridgemaq.

### **Non-Renewal of Franchise Agreements**

The Manager has historically had a high degree of success in renewing Franchise Agreements after the end of their term. However, Franchisees and potential Franchisees have many options when selecting a franchisor or a brand with which to associate. Often these competing brands will offer financial and other incentives to induce Franchisees to convert to the competitor's brand upon expiry of the Franchise Agreement. In other cases, Franchisees may decide to leave the Franchise Network to operate as an independent brokerage, effectively establishing and promoting their own brand. As such, there can be no certainty that the Manager will be able to renew all Franchisees at the end of the term of their Franchise Agreement. Moreover, with a significant concentration of REALTORS<sup>®</sup> in the Franchise Network employed at the largest Franchisees, one incomplete renewal can have a disproportionate impact on Franchise Fees. For example, approximately 49% of the REALTORS<sup>®</sup> in the Franchise Network are represented by the twenty largest Franchisees in the Franchise Network. Therefore, the Manager's inability to renew any of these larger Franchisees at the end of the term of their contract could negatively affect the Business and the financial position of Bridgemaq.

### **Increase in the Number and Size of Teams**

Over the past several years, the number and size of Teams in the Franchise Network and the industry in general has been growing and is expected to continue to increase. The largest Team in the Franchise Network is approximately 51 REALTORS<sup>®</sup>, making that Team larger than 62% of Bridgemaq's Franchisees (based on REALTOR<sup>®</sup> count). While each Team is operated differently, some Teams operate very independently from the brokerage with which they are affiliated. Some Teams offer services which are similar to those services offered by brokerages, such as Team brand affiliation, education, training, lead generation, marketing support and regulatory advice. To the extent these large Teams are operating independently of their brokerage, they may place less value on the services offered by Franchisees. This could cause some of these Teams to leave the Franchise Network and run as an independent real estate brokerage. Alternatively, Teams looking for growth through geographical expansion may choose to leave the Franchise Network and affiliate with a competitor whose model supports such expansion. As the revenues of Bridgemaq are largely dependent upon the number of REALTORS<sup>®</sup> in the Franchise Network, the departure of large Teams could have a negative adverse effect on the Business and the profitability of Bridgemaq.

### **Dependence on Key Personnel**

The success of Bridgemaq is largely dependent on the personal efforts of senior management of the Manager. The real estate industry is a people and service-oriented business. While the Manager does provide competitive compensation to its employees and provides them with a positive work environment, the loss of key senior management personnel could have a materially adverse effect on the Business of Bridgemaq.

### **Intellectual Property**

The ability of Bridgemaq to maintain and increase revenue will depend on its ability to maintain its brand equity through the use of the Trademarks. All registered trademarks in Canada can be challenged pursuant to provisions of the *Trademarks Act* (Canada), and the successful challenge of any of the Trademarks could have an adverse effect on Franchise Fees and REALTOR<sup>®</sup> retention. None of the Trademarks have been successfully challenged in the past, and the Manager has no reason to believe that there will be any such challenges in the future or, if challenged, that such challenges would be successful.

Bridgemaq does not own the Royal LePage Trademarks. The Royal LePage Trademarks are licensed from a Canadian chartered bank. Royal LePage Limited (an affiliate of the Company) has obtained the exclusive rights to use the Royal LePage Trademarks, including the "Royal LePage" name and logo, in connection with its business of providing, in

Canada, real estate services and those related financial services offered by Royal LePage Limited that relate to the purchase and sale of real estate, pursuant to the Royal LePage Licence Agreement (the “Licence Agreement”). The rights to use the Royal LePage Trademarks in connection with the Business have been sub-licensed by Royal LePage Limited to Bridgemaq. Pursuant to the terms of the Licence Agreement, the initial term of the agreement is for 25 years commencing as of December 2002 and the term automatically renews thereafter for additional five (5) year periods under the same terms and conditions unless terminated in accordance with the terms of the Licence Agreement. The provisions under which the owner of the Royal LePage Trademarks may terminate the Licence Agreement include (i) a material breach of the Licence Agreement by the licensee; and (ii) a change of control of the licensee or the Partnership. Despite the limited circumstances under which the Licence Agreement could be terminated, there can be no assurance that circumstances will not arise pursuant to which the owner of the Trademarks may terminate the Licence Agreement. Any loss of the right of Bridgemaq to use the Royal LePage Trademarks could have a materially adverse effect on the revenue generated by Bridgemaq.

### **Consumer Portal Real Estate Business**

Tech-driven, consumer portal real estate businesses have operated in the market for many years. While none have achieved material market share in Canada to date, innovation and technological advancement are constant, and disruptive business models could draw consumers away from traditional brokerages. New market entrants, including well-funded U.S. and international companies looking to disrupt the industry, may put pressure on the ability of Brokers and REALTORS® in the Franchise Network to continue to operate profitably. REALTORS® may need to pay higher costs associated with maintaining their current and potential client base or could see a reduction in their client base as buyers and sellers of real estate utilize these consumer portals in greater numbers. Brokers may see these internet-based businesses provide services similar to what they provide to REALTORS® today, but at a lower cost or at a better quality. Some of these consumer portal businesses are also becoming brokerages, competing more directly with the traditional brokerage model. These factors could have a negative adverse effect on the Business of the Franchise Network, and ultimately, the profitability of Bridgemaq.

### **Information Technology**

Under the terms of the MSA, the Manager provides a number of technology-based products and solutions as part of the Franchise Systems. While Bridgemaq and the Manager are careful to ensure that these technology-based products and solutions are secure, these products (and the Manager’s information systems in general) could be compromised by external parties. If the Manager’s information systems were compromised it could lead to an inability to provide products and services to the Franchise Network for an extended period of time, which could result in lower revenues. In addition, in the event that Bridgemaq, the Manager or any Franchisee experiences a breach which results in the loss or theft of personal data, Bridgemaq could suffer reputational harm which could have a material adverse impact on the Business and Bridgemaq.

### **Government Regulation**

The residential real estate business is subject to significant regulatory and licensing requirements at both the federal and provincial levels. Licensing, educational and other requirements and regulations governing the buying and selling of residential properties, the operation of Brokerages and the required qualifications of REALTORS® and Brokers are subject to change and these changes cannot be predicted. Changes to these requirements could negatively impact, among other things, the propensity of individuals to become REALTORS® or Brokers, the cost of licensing to become a REALTOR® or Broker and the profitability of REALTORS® and Franchises in the Franchise Network. Any adverse effects on the Franchise Network could ultimately result in an adverse financial impact on Bridgemaq.

### **Government Policy**

The federal and provincial governments have historically enacted policies which can directly or indirectly affect the market for residential real estate. These policies have served to, among other things, increase (or decrease) the repayment period of a mortgage that is eligible for government-sponsored mortgage insurance, increase (or decrease) the amount of down-payment required to obtain government-sponsored mortgage insurance, increase (or decrease) interest rates (which can have a direct impact on mortgage rates for home buyers), change the borrower qualification criteria under which financial institutions can extend mortgage financing and increase (or decrease) taxes including

(but not limited to) land transfer tax, foreign buyer taxes, vacant homes taxes and property taxes. The Government of Canada, either directly or through its Crown Corporation, Canada Mortgage and Housing Corporation, and provincial and municipal governments in Canada can enact policies which have the direct or indirect effect of increasing or decreasing the volume and price of houses sold in Canada. Changes to government policies could negatively impact, among other things, the price of homes sold, the volume of homes sold, the propensity of people to purchase homes and the propensity of land developers to build homes, each of which could have an adverse financial impact on the Franchise Network and Bridgemaq.

### **Potential Litigation and Other Complaints**

Bridgemaq could, from time to time, be the subject of complaints or litigation from members of the public complaining about poor service, misrepresentation or other legal issues. Bridgemaq could also be the subject of complaints or litigation from its Franchisees or REALTORS® about Franchise contract issues or other operational issues. Adverse publicity resulting from such allegations could materially affect revenue to Brokers and Franchise fees received by Bridgemaq and could cause reputational harm to Bridgemaq, whether the allegations are true or not, and whether Bridgemaq or a Franchisee is ultimately held liable.

### **Dependence of Bridgemaq on Franchise Operations and the Management Services Agreement**

The largest source of revenue of Bridgemaq is the Franchise Fees received from Franchisees and REALTORS®. Pursuant to the MSA, the Manager collects Franchise Fees on behalf of Bridgemaq and is principally responsible for building and supporting the network of Franchisees. Bridgemaq is, therefore, subject to the risks encountered by the Manager in the operation of its Business, including the financial risks and risks relating to the real estate brokerage industry summarized herein, to the extent that the Manager is impaired in its ability to fulfill its obligations under the MSA or otherwise to support the network of Franchisees. In addition, pursuant to the terms of the MSA, the Manager may be terminated in certain circumstances. See “Description of the Business – Management Services Agreement”. If the Manager were to be terminated, retaining a replacement for the Manager may, among other things, (i) require Bridgemaq to pay additional fees, (ii) be on terms less favourable than those contained in the MSA and (iii) negatively affect the cash available for the Company to pay dividends and distributions.

The MSA may be terminated on behalf of Bridgemaq by the Independent Directors of the Company (after approval by the Shareholders) if a substantial deterioration in the business of the Partnership and Via Capitale L.P., taken as a whole, occurs that is not caused by force majeure. The phrase “substantial deterioration of the business of the Partnership and Via Capitale L.P.” is not defined. As a result, it may be subject to differing interpretations, which may give rise to litigation in the event of the termination by the Company of the MSA in its reliance on this provision. The MSA has a current term that expires on December 31, 2028 and is automatically renewable for successive ten-year terms unless notice of termination is given by the Manager or the Company at least twelve months prior to the expiry of the initial or any renewal terms.

### **Dependence of Bridgemaq on the Performance of Franchisees**

The success of Bridgemaq is largely dependent on the operations of its Franchisees. Franchisees are generally small businesses that are susceptible to a number of risks in the operation of their businesses, including risks associated with changes in legislation and regulations governing Franchisees, increases in the costs of operating Franchise locations, increases in the proportion of commission income paid to REALTORS® and certain tax matters, including the possibility that the taxation authorities in Canada could challenge the characterization of REALTORS® as independent contractors and take the position that they are employees. Adverse changes in, or determinations in respect of, any such matters could adversely affect the operations of certain Franchisees and have a negative impact on the ability of such Franchisees to fulfil their obligations to pay Franchise Fees to Bridgemaq.

### **Leverage, Restrictive Covenants**

Bridgemaq has third-party debt service obligations under the Debt Facility. See “Credit Facilities”. The degree to which Bridgemaq is leveraged could have important consequences to the holders of the LP Units and could adversely impact the amount of cash available for the Company to pay dividends and distributions. In addition, the amount of leverage in Bridgemaq could negatively impact Bridgemaq’s ability to obtain additional financing for working capital in the future. All of the borrowings under the Debt Facility bear interest at variable interest rates meaning that an increase in market rates of interest could have an adverse impact on the cash flows of Bridgemaq. While

Bridgemarq has entered into an interest rate swap agreement to fix the interest rate on a portion of Bridgemarq's borrowings, there can be no assurances that the impact of the swap would offset the negative impact of an increase in variable rates.

Bridgemarq's ability to make scheduled payments of the principal or interest associated with its borrowings, or its ability to refinance its indebtedness will depend on its future cash flow, which is subject to the operations of Bridgemarq, prevailing economic conditions, prevailing interest rate levels and financial, competitive, business and other factors, many of which are beyond the control of Bridgemarq.

The Debt Facility contains numerous restrictive covenants that limit the discretion of Bridgemarq with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Bridgemarq to incur additional indebtedness, to create liens or other encumbrances, to make distributions to its Shareholders or Unitholders, or to make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the Debt Facility contains a number of financial covenants that require the Company to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the Debt Facility could result in an event of default, which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Debt Facility were to be accelerated, there can be no assurance that Bridgemarq's assets would be sufficient to repay that indebtedness.

### **Dividends Are Not Guaranteed and Will Fluctuate with the Company's Performance**

There can be no assurance regarding the amounts of income to be generated by Bridgemarq and distributed to the Shareholders or Unitholders. The actual amount of dividends in respect of the Restricted Voting Shares depends upon numerous factors, including the receipt of Franchise Fees from Franchisees.

### **Nature of Restricted Voting Shares**

The Restricted Voting Shares do not represent a direct investment in the Partnership and should not be viewed by Shareholders as Partnership interests. As holders of Restricted Voting Shares, Shareholders do not have all the statutory rights commonly associated with ownership of shares of a corporation, including, for example, the right to bring "oppression" or "derivative" actions. The Company's only assets are Class A LP Units and shares of the General Partner.

### **The Company May Issue Additional Restricted Voting Shares Diluting Existing Shareholders' Interests**

The Company may issue an unlimited number of Restricted Voting Shares for such consideration and on such terms and conditions as shall be established by the Directors without the approval of any Shareholders. Additional Restricted Voting Shares will be issued by the Company upon the exchange of the LP Units held by Brookfield or the Manager.

### **Investment Eligibility and Foreign Property**

There can be no assurance that the Restricted Voting Shares will continue to be qualified investments under the Tax Act or that the Restricted Voting Shares will not be foreign property under the Tax Act. The Tax Act may impose penalties for the acquisition or holding of non-qualified or ineligible investments and on excess holdings of foreign property.

### **The Impacts of the Novel Coronavirus Pandemic are Unknown and Difficult to Predict**

The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak of the novel coronavirus (COVID-19) and characterized it as a pandemic on March 11, 2020. The outbreak has spread throughout the world causing governments and public health organizations in Canada and internationally to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. While many of these restrictions have been removed or reduced, they could be reinstated if there is a significant resurgence in spread of COVID-19 or its variants. While these restrictions or any reinstatement would be expected to be temporary, the duration of any business disruptions and related financial impact on Bridgemarq cannot be reasonably estimated. The possible future impacts of the outbreak or any potential resurgence are unknown and evolving. It appears that any negative impact of the pandemic on Bridgemarq's operations has lessened, however management continues to closely evaluate the impact of

COVID-19, and Canadian real estate markets in general, on Bridgemarq's business. It is not possible to estimate the impact on the future financial results of Bridgemarq of any resurgence of COVID-19 or its variants and there is no assurance that any resurgence will not have a material adverse impact on the future results of Bridgemarq.

#### **ADDITIONAL INFORMATION**

Additional information, including remuneration and indebtedness of the Directors of the Company, the principal holders of the Company's securities and the interest of insiders in material transactions, is contained in the Company's Management Information Circular dated March 27, 2023, prepared for the annual meeting of Shareholders scheduled for May 11, 2023, at which the Independent Directors are to be elected. Additional financial information is provided in the Company's comparative financial statements and management's discussion and analysis for the year ended December 31, 2022, which information is incorporated herein by reference. These documents and additional information regarding the Company are available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.bridgemarq.com](http://www.bridgemarq.com).

## APPENDIX A

### BRIDGEMARQ REAL ESTATE SERVICES INC.

#### BOARD OF DIRECTORS CHARTER

##### 1. ROLE OF BOARD

The role of the Bridgemarq Real Estate Services Inc. (the “Company”) Board of Directors is to oversee, directly and through its committees, the Business and affairs of the Company, which are conducted by the officers and employees of the Company’s manager, Bridgemarq Real Estate Services Manager Limited (the “Manager”). In doing so, the Board acts at all times with a view to the best interests of the Company.

The Board is elected by the Shareholders to oversee management to ensure that shareholder value is advanced in a manner that recognizes the concerns of other stakeholders in the Company, including its Agents, Brokers, Franchisees, suppliers, customers and the communities in which they operate.

##### 2. AUTHORITY AND RESPONSIBILITIES

The Board of Directors meets regularly to review reports by the Manager on the performance of the Company and the Residential Income Fund L.P. (the “Partnership”), which owns the assets from which the Company currently derives its sole source of revenue. In addition to the general supervision of the Manager, the Board performs the following functions either directly or through its appointed committees:

- a) **Strategic Planning** – overseeing the strategic planning process for the Company together with the Manager and reviewing, approving and monitoring the strategic plan for the Company and the Partnership, including fundamental financial and business strategies and objectives;
- b) **Risk Management** – assessing the major risks facing the Company and reviewing, approving and monitoring the manner of managing those risks;
- c) **Manager** – monitoring the performance of the Manager on behalf of the Company and the Partnership with reference to the Management Services Agreement among the Company, the Manager, the Partnership, its general partner and others;
- d) **Operational Review** – reviewing the operations of the Company including, without limitation, changes in the Company’s network and criteria used to evaluate new franchises; and
- e) **Maintaining Integrity** – reviewing and monitoring the controls and procedures within the Company to maintain its integrity, including its disclosure controls and procedures, its internal controls and procedures for financial reporting and compliance with its code of ethics.

##### 3. COMPOSITION AND PROCEDURES

- a) **Size of Board and Selection Process** – At least three-fifths of the directors of the Company are elected each year by the Shareholders at the annual meeting of Shareholders, while a maximum of two-fifths of the directors of the Company are appointed by Brookfield Business Partners in its capacity as the sole holder of the Company’s Special Voting Shares. Any Shareholder may propose a nominee for election to the Board at the annual meeting. The Board also recommends the number of directors on the Board to Shareholders for approval. Between annual meetings, the Board may appoint directors to fill vacancies until the next annual meeting.
- b) **Qualifications** – Directors should have the highest personal and professional ethics and values and be committed to advancing the best interests of the Shareholders of the Company. They should possess skills and competencies in areas that are relevant to the Company’s and Partnership’s activities. A majority of the directors will be “Independent” Directors. “Independent” has the meaning based on the rules and guidelines of the Toronto Stock Exchange and applicable securities regulatory authorities.
- c) **Meetings** – The Board of Directors has at least four scheduled meetings each year. The Manager will be responsible for presenting an agenda to the Board for consideration. Prior to each Board meeting, the Manager



will present agenda items for the meeting to the Directors for consideration. Materials for each meeting will be distributed to the directors in advance of the meetings.

- d) **Committees** – The Board has established the following standing committees to assist the Board in discharging its responsibilities: Audit and Governance. Special committees may be established from time to time to assist the Board in connection with specific matters. The chair of each committee reports to the Board following meetings of the committee. The charter of each standing committee will be reviewed annually by the Board.
- e) **Access to Independent Advisors** – The Board and any committee may at any time retain financial, legal or other advisors at the expense of the Company.

## **BRIDGEMARQ REAL ESTATE SERVICES INC.**

### **AUDIT COMMITTEE CHARTER**

A committee of the Board of Directors of the Company to be known as the Audit Committee (the “Committee”) shall have the terms of reference set out below.

#### **1. MEMBERSHIP AND CHAIRPERSON**

- a) Following each annual meeting of Shareholders, the Board of Directors of the Company (the “Board”) shall appoint from its number three or more directors (the “members”) to serve on the Committee until the close of the next annual meeting of Shareholders of the Company or until a member ceases to be a director, resigns or is replaced, whichever first occurs.
- b) All of the members of the Committee shall be Independent Directors within the meaning of the rules and guidelines of the Toronto Stock Exchange and applicable securities regulatory authorities. No member of the Committee shall be an officer or employee of the Company or Bridgemarq Real Estate Services Manager Limited (the “Manager”) who manages the Company pursuant to a Management Services Agreement. A majority of the members of the Committee shall be directors who are resident Canadians.
- c) No director who receives any compensation from the Company, its affiliates or the Manager, other than director’s fees, shall be eligible for membership on the Audit Committee. Disallowed compensation for a Committee member includes fees paid directly or indirectly for services as a consultant or a legal or financial advisor, regardless of the amount. Disallowed compensation also includes compensation paid to such director’s firm for such consulting or advisory services, even if the director is not the actual service provider.
- d) Each member of the Committee shall, in the judgment of the Board, be financially literate. In addition, at least one member of the Committee shall, in the judgment of the Board, have accounting or related financial management expertise.
- e) The Board shall appoint one of the directors as the chairperson of the Committee. If the chairperson is absent from a meeting, the members shall select a chairperson from those in attendance to act as chairperson of the meeting.

#### **2. RESPONSIBILITIES**

- a) The Committee shall generally assume responsibility for developing the approach of the Company to the following matters: publicly disclosed financial information, financial accounting and reporting, internal control, risk management and insurance, and external and internal audit, and it shall review and make recommendations to the Board on all such matters.
- b) The Committee shall review and, where appropriate, recommend for approval by or report to the Board on the following:
  - i) interim financial statements;
  - i) audited annual financial statements, in conjunction with the report of the external auditor;
  - ii) public disclosure documents containing audited or unaudited financial information, including management’s discussion and analysis of financial condition and results of operations;
  - iii) the effectiveness of management’s policies and practices concerning financial reporting and any proposed changes in major accounting policies; and
  - iv) any report that accompanies published financial statements (to the extent that such a report discusses financial condition or operating results) for consistency of disclosure with the financial statements themselves.
- c) The Audit Committee shall have the following responsibilities in its relations with the external and internal auditors of the Company:

- i) to have the sole responsibility to retain or terminate the external auditor, subject to ratification by the Shareholders, and to approve the fees and expenses of such auditor;
  - ii) to receive, at least annually, a report from the external auditor on its independence and to review any relationship between the auditor and the Company and the Manager or any other relationship that may adversely affect the independence of the auditor and, based on such review, to assess the independence of the auditor;
  - iii) to determine, through discussion with the external and internal auditors, that no restrictions were placed by the Manager on the scope of their examination or on its implementation;
  - iv) to approve the Company's policy on non-audit-related work by its external auditor and pre-approve or reject any proposed non-audit-related work to be conducted by the external auditor for the Company;
  - v) to meet with the external and internal auditors in private session, at least annually, to review any matters arising from the annual external audit and internal audits conducted throughout the year; and
  - vi) to review and approve the annual Internal Audit Plan and Budget.
- d) In addition, the Committee shall:
- i) review such litigation, claims, tax assessments, transactions or other contingencies as the external auditor or any officer of the Company may bring to its attention and that may have a material impact on financial results or that may otherwise adversely affect the financial well-being of the Company; and
  - ii) consider other matters of a financial nature as directed by the Board.

### **3. MEETINGS**

- a) Meetings of the Committee may be called by the chairperson of the Committee, the Chairman of the Board of the Company or the Manager. Meetings will normally be held each quarter and shall be called not less than once annually.
- b) The powers of the Committee shall be exercisable by a meeting at which a quorum is present. A quorum shall be not less than a majority of the members of the Committee from time to time. Subject to the foregoing and unless otherwise determined by the Board, the Committee shall have the power to fix its quorum and to regulate its procedure.
- c) Notice of each meeting shall be given to each member and to the Chairman and the Manager. Notice of a meeting may be given verbally or by letter, e-mail, telephone facsimile transmission or telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting. The notice need not state the purpose or purposes for which the meeting is being held.
- d) Matters decided by the Committee shall be decided by majority vote.
- e) The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee.
- f) The Committee shall report to the Board on its proceedings, any review undertaken and any associated recommendations.

## **BRIDGEMARQ REAL ESTATE SERVICES INC.**

### **GOVERNANCE COMMITTEE CHARTER**

A committee of the Board of Directors of the Company to be known as the Governance Committee (the “Committee”) shall have the terms of reference set out below.

#### **1. MEMBERSHIP AND CHAIRPERSON**

- a) Following each annual meeting of Shareholders, the Board of Directors of the Company (the “Board”) shall appoint from its number three or more directors (the “members”) to serve on the Committee until the close of the next annual meeting of Shareholders of the Company or until a member ceases to be a director, resigns or is replaced, whichever first occurs.
- b) All members of the Committee shall be Independent Directors within the meaning of the rules and guidelines of the Toronto Stock Exchange and applicable securities regulatory authorities.
- c) The Board shall appoint one of the directors as the chairperson of the Committee. If the chairperson is absent from a meeting, the members shall select a chairperson from those in attendance to act as chairperson of the meeting.

#### **2. RESPONSIBILITIES**

- a) The Committee shall generally assume responsibility for developing the approach of the Company to the following matters: Board nominations, size and composition of the Board, Board member effectiveness, Board member orientation and directors’ compensation.
- b) The Committee will perform an annual evaluation of the effectiveness of the Board as a whole, the committees of the Board and the contributions of individual directors.
- c) The Committee will recommend to the Board the compensation and benefits for non-management directors. In reviewing the adequacy and form of compensation and benefits, the committee seeks to ensure that the compensation and benefits reflect the responsibilities and risks involved in being a director of the Company and align the interests of the directors with the best interests of the Shareholders.
- d) The Committee shall consider other matters as directed by the Board.

#### **3. MEETINGS**

- a) Meetings of the Committee may be called by the chairperson of the Committee, the Chairman of the Board of the Company or the Manager. Meetings will be called not less than once annually.
- b) The powers of the Committee shall be exercisable by a meeting at which a quorum is present. A quorum shall be not less than a majority of the members of the Committee from time to time. Subject to the foregoing, and unless otherwise determined by the Board, the Committee shall have the power to fix its quorum and regulate its procedure.
- c) Notice of each meeting shall be given to each member and to the Chairman and the Manager. Notice of a meeting may be given verbally or by letter, e-mail, telephone facsimile transmission or telephone not less than 24 hours before the time fixed for the meeting. Members may waive notice of any meeting. The notice need not state the purpose or purposes for which the meeting is being held.
- d) Matters decided by the Committee shall be decided by majority vote.
- e) The Committee may invite from time to time such persons as it may see fit to attend its meetings and to take part in discussion and consideration of the affairs of the Committee.
- f) The Committee shall report to the Board on its proceedings, any review undertaken and any associated recommendations.