Q2 2019

Interim Report to Shareholders

BRIDGEMARQ

REAL ESTATE SERVICES

PROFILE

Bridgemarq Real Estate Services Inc. ("Bridgemarq" and, together with its subsidiaries the "Company"), through its relationship with Bridgemarq Real Estate Services Manager Limited (the "Manager"), is a leading provider of services to residential real estate brokers and REALTORS®[1] across Canada. The Company generates cash flow from fixed and variable franchise fees that are received from real estate brokers and REALTORS® operating under the Royal LePage, Via Capitale and Johnston & Daniel brands. Approximately 79 per cent of the Company's revenue is based on fees that are fixed in nature; this provides revenue stability and helps insulate cash flows from fluctuations in the Canadian real estate market. Revenue streams are supported by long-term franchise agreements, predominantly driven by fixed fees based on the number of REALTORS® in the Company's network. As at June 30, 2019, the Company network consisted of 19,046 REALTORS®.

The Company network has an approximate one fifth share of the Canadian residential real estate market based on 2018 transactional dollar volume. The Company is listed on the TSX and trades under the symbol "BRE". For further information about the Company, please visit www.bridgemarq.com.

[1] REALTORS® is a trademark identifying real estate licensees in Canada who are members of the Canadian Real Estate Association.

Q2 2019 FINANCIALS

Management's Discussion and Analysis

Highlights 2
Organization 2
Business Strategy 4
Changes to Management Services Agreement 4
Company Revenues 5
Overview of Second Quarter 2019 Operating Results 6
Variation of Operating Results for the Quarter compared to the Prior Year Quarter 7
Key Performance Drivers 8
Stability of the Company's Royalty Stream 8
Number of REALTORS® in the Company Network 10
Transactional Dollar Volumes 11
Company's Growth Opportunity 12
REALTOR® Productivity 13
The Canadian Residential Real Estate Market 14
Canadian Market Outlook 14
Second Quarter and Year To Date Operating Results and Cash Flows 17
Summary of Quarterly Results 21
Distributable Cash Flow 22
Debt Facilities 24
Liquidity 24
Cash and Capital Resources 26
Commitments 26
Off-Balance Sheet Arrangements 26
Transactions with Related Parties 27
Critical Accounting Estimates and Assumptions 28
Financial Instruments 29
Disclosure Controls and Internal Controls over Financial Reporting 29
Outstanding Restricted Voting Shares 30
Risk Factors 30
Forward-Looking Statements 30
Supplemental Information 31
Glossary of Terms 34
Interim Condensed Consolidated Financial Statements 36

Introduction

This management's discussion and analysis ("MD&A") of the financial results and financial condition of Bridgemarq Real Estate Services Inc., ("Bridgemarq" and, together with its subsidiaries the "Company") for the three and six months ended June 30, 2019, has been prepared as at August 8, 2019. The three-month period ended June 30, 2019, shall be referred to in this MD&A as the "Quarter". The six-month period ended June 30, 2019, shall be referred to in this MD&A as the "YTD". The comparative period of the three months ended June 30, 2018, shall be referred to in this MD&A as the "Prior Year Quarter". The comparative period of the six months ended June 30, 2018, shall be referred to in this MD&A as the "Prior Year Period". The financial information presented herein has been prepared on the basis of International Financial Reporting Standards ("IFRS") and is expressed in Canadian dollars unless otherwise stated.

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

This MD&A is intended to provide the reader with an assessment of the Company's past performance as well as its financial position, performance objectives and future outlook. The information in this MD&A should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2019 and the Company's audited financial statements for the year ended December 31, 2018, prepared in accordance with IFRS. Additional information relating to the Company, including its 2018 Annual Information Form, is available on SEDAR at www.sedar.com.

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

Management's Discussion and Analysis of Results and Financial Condition

Highlights

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

- Net and comprehensive earnings for the Quarter were $7.8 million, or $0.82 per Restricted Voting Share, compared to a net loss of $3.7 million or $0.39 per Restricted Voting Share for the Prior Year Quarter.
- Distributable Cash Flow for the Quarter was $4.9 million, compared to Distributable Cash Flow of $6.8 million in the Prior Year Quarter driven by higher management fees paid under the terms of the Amended MSA partly offset by lower income tax payments and higher revenues. For the YTD, Distributable Cash Flow amounted to $8.4 million, a substantial increase from the $4.7 million generated in the Prior Year Period. Under the terms of the Previous MSA, the Company acquired Franchise Agreements from the Manager during the first quarter of each fiscal year resulting in lower Distributable Cash Flow in the early part of the year. In the Prior Year Period, the Company borrowed $7.2 million on its debt facilities to finance the acquisition of Franchise Agreements. These borrowings permitted the Company to pay out a substantial portion of its remaining Distributable Cash Flow to shareholders and holders of Exchangeable Units.
- Distributable Cash Flow for the rolling twelve-month period ended June 30, 2019 was $1.42 per Share as compared to $1.30 per Share for the rolling twelve-month period ended June 30, 2018. The increase in Distributable Cash Flow was mainly driven by the reduction in cash used in investing activities during the YTD compared to $8.5 million cash used in acquiring Franchise Agreements from the Manager in the Prior Year Period. Under the Amended MSA, the Company no longer acquires Franchise Agreements from the Manager, but rather, enters into agreements with the Franchisees directly. (see *"Changes to the Management Services Agreement" on page 4*).
- The board of directors of Bridgemarq (the "Board") declared a cash dividend of $0.1125 per Restricted Voting Share payable on September 30, 2019, to shareholders of record on August 30, 2019. This represents a targeted annual dividend of $1.35 per Restricted Voting Share.

(Unaudited) (in 000's) except per Share amounts and number of REALTORS®	**Three months ended June 30, 2019**	Three months ended June 30, 2018	**Six months ended June 30, 2019**	Six months ended June 30, 2018
Revenues	**$ 11,685**	$ 11,472	**$ 21,693**	$ 21,942
Administration expenses	**(316)**	(280)	**(714)**	(634)
Management fees	**(4,013)**	(2,103)	**(7,707)**	(3,992)
Interest expense	**(757)**	(679)	**(1,522)**	(1,351)
Current income tax expense	**(703)**	(1,558)	**(1,432)**	(2,770)
Cash used in investing activities	**(1,002)**	(6)	**(1,964)**	(8,536)
Distributable Cash Flow	**$ 4,894**	$ 6,846	**$ 8,354**	$ 4,659
Dividends paid	**$ 3,201**	$ 3,201	**$ 6,402**	$ 6,402
Interest on Exchangeable Units paid	**$ 1,452**	$ 1,452	**$ 2,904**	$ 2,904
Net and comprehensive earnings (loss)	**$ 7,752**	$ (3,665)	**$ (640)**	$ (4,030)
Number of REALTORS®	**19,046**	18,780	**19,046**	18,780
Net and comprehensive earnings (loss) per Share	**$ 0.20**	$ (0.39)	**$ (0.07)**	$ (0.42)
Dividends paid per Restricted Voting Share	**$ 0.34**	$ 0.34	**$ 0.68**	$ 0.68
Interest paid on Exchangeable Units per Exchangeable Unit	**$ 0.44**	$ 0.44	**$ 0.87**	$ 0.87
Distributable Cash Flow, rolling twelve months period ended June 30,			**$ 18,131**	$ 18,246
Distributable Cash Flow per Share, rolling twelve-month period ended June 30,			**$ 1.42**	$ 1.42

Organization

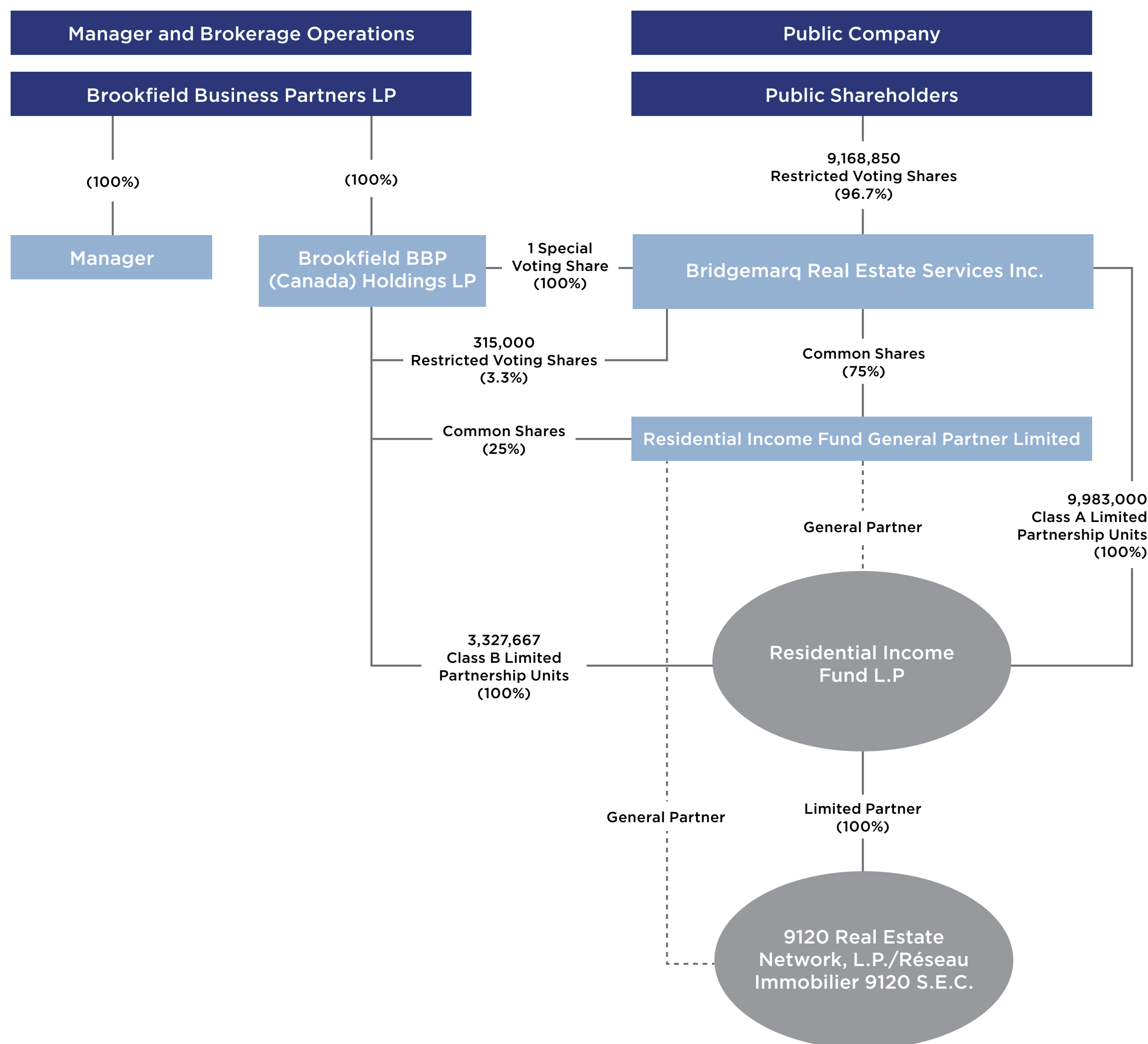
Bridgemarq's Restricted Voting Shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "BRE". Through its limited partnership holdings, Bridgemarq owns certain Franchise Agreements and Trademarks of real estate services Brands in Canada.

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

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

The Company receives certain management, administrative and support services from the Manager. The Company derives its revenue primarily from franchise fees it receives under Franchise Agreements with Franchisees.

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



Management's Discussion and Analysis of Results and Financial Condition

Business Strategy

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

Bridgemarq's objective is to provide its stakeholders with an investment vehicle that pays a substantial amount of its Distributable Cash Flow to its shareholders in the form of dividends. The Company's revenue is driven primarily by franchise fees derived from long-term Franchise Agreements. These franchise fees are weighted toward fees that are fixed in nature. The Company believes that this has proven to be effective in moderating the variations in overall industry activity that can occur in the Canadian residential real estate market ("Canadian Market"). The Company is party to an Amended Management Services Agreement, which governs the management of the Company and the delivery of services to Brokers and REALTORS® by the Manager.

The number of REALTORS® in the Company Network, the transaction volumes generated in the markets the Company serves, the manner in which the Company structures the contracted revenue streams, the success in attracting REALTORS® to the Brands through their value propositions and the track record of the Company's Brands are all important factors in the Company's financial and operating performance. These factors, including, among others, general economic conditions and government and regulatory activity impact the Company's performance and are discussed in greater detail throughout this MD&A and in the Company's 2018 Annual Information Form, which is available at www.sedar.com.

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

Changes to the Management Services Agreement

On November 6, 2018, the Company signed an amended Management Services Agreement (the "Amended MSA") to replace the Management Services Agreement which was set to expire at December 31, 2018 (the "Previous MSA"). The Amended MSA has a term of ten years expiring on December 31, 2028. On expiry, the Amended MSA automatically renews for an additional ten-year term unless the Company or the Manager provides notice of their intention to terminate no later than six months prior to expiry.

Some of the more significant changes in the Amended MSA include:

- The Company is no longer obligated to acquire Franchise Agreements from the Manager on January 1 of each year. Commencing January 1, 2019, the Company enters into Franchise Agreements directly with Franchisees and is responsible for the direct costs of entering into those Franchise Agreements. Those costs generally include allowances paid to Franchisees to defray the cost of converting brokerages and REALTORS® to one of the Company's brands.
- In lieu of paying to acquire Franchise Agreements from the Manager, the Company pays a fixed management fee of $10.1 million per year. This is consistent with the average annual amount paid to the Manager to acquire Franchise Agreements over the period 2016-2018;
- Monthly variable management fees under the Amended MSA are equal to the greater of a) 23.5% of Distributable Cash (as such term is defined in the Amended MSA) or 0.342% of the market value of the Restricted Voting Shares on a diluted basis for the first five years of the term of the Amended MSA and b) 25% of Distributable Cash or 0.375% of the market value of the Restricted Voting Shares on a diluted basis thereafter. The increase from 20% of Distributable Cash under the Previous MSA reflects the significant growth in the Network over the past several years.

In addition, and in accordance with terms of the Amended MSA, on January 3, 2019, the Manager transferred 47 Franchise Agreements under the Royal LePage and Via Capitale brands as well as other agreements which give the Company the rights to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to the Franchise Agreements under IFRS was $4.7 million and estimated annual revenue from those Franchise Agreements is $0.9 million. The fair value ascribed to the other agreements under IFRS was $4.6 million. In 2018, the Manager generated approximately $3.8 million in net revenues under those agreements.

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

The changes in the Amended MSA will have a significant impact on certain measures disclosed by the Company in prior years. For example, the Company is expecting to show lower earnings (as a result of the introduction of a fixed management fee), but the cash impact of this new fixed management fee is expected to be substantially offset by the benefit of not having to pay the Manager for acquiring Franchise Agreements. As a result of entering into Franchise Agreements directly, the Company earns franchise fees from the time they enter into the Franchise Agreements versus earning franchise fees only after they acquired the Franchise Agreements under Previous MSA.

Company Revenues

As at June 30, 2019, the Company earned revenues based on 19,046 REALTORS® contracted with 342 Broker-Owners operating under 295 Franchise Agreements from 671 locations, providing services under the Royal LePage, Via Capitale and Johnston & Daniel brand names operating collectively as the Company Network, with an approximate one fifth share of the Canadian Market based on 2018 transactional dollar volume.

The Company generates revenue from franchise fees with both fixed and variable components as well as other revenues. Fixed franchise fees represent fees that are payable to the Company as a fixed monthly amount per REALTOR® without regard to transaction volumes generated by that REALTOR®. Approximately 62% of the Company's revenue during the Quarter (Prior Year Quarter – 62%) were derived from fixed franchise fees. Variable franchise fees represent franchise and other fees that are payable to the Company based on the transaction volumes generated by REALTORS®, subject to a cap. Approximately 28% of the Company's revenues during the Quarter (Prior Year Quarter – 28%) were derived from variable franchise fees. Other revenues are derived from ancillary services provided to Franchisees outside of Franchise Agreements and include fees received from Franchisees and third parties for referral services paid by third parties. During the Quarter, other revenues represented 10% of total revenues (Prior Year Quarter – nil). Premium franchise fees were variable amounts paid by specific brokerage locations based on the transaction dollar volume generated by the REALTORS® who work out of those locations. The obligation for those brokerages to pay premium franchise fees expired in 2018. Approximately 10% of the Company's revenues during the Prior Year Quarter were derived from premium franchise fees.

Approximately 79% of the Company's revenues in 2018 were partly insulated from the fluctuations in the Canadian Market as they were not directly driven by transaction volumes. This includes a portion of variable franchise fees which are effectively fixed in nature due to fact that variable franchise fees are subject to a cap. The Company believes that the combination of a revenue stream based on the number of REALTORS® in the Network, increasing REALTOR® productivity and steady growth in the Canadian Market provides the base for strong and stable cash flows. A description of each type of revenue follows:

Fixed Franchise Fees are paid based on the number of REALTORS® in the Franchise Network. Fixed franchise fees from Royal LePage Franchisees consist of a fixed monthly fee of $128 per REALTOR®, while fixed fees from Via Capitale Franchisees consist primarily of a fixed monthly fee of $170 per REALTOR®. For those approximately 350 Royal Lepage REALTORS® who participate in the Royal LePage commercial real estate program, an additional monthly fee of $100 is paid to the Company.

On January 1, 2018, the Company increased the Royal LePage fixed fee from $125 to $128 per REALTOR®.

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

On January 1, 2018, the Company implemented an increase in the cap for the variable franchise fee from $1,325 to $1,350 per year.

The amount of variable franchise fee paid by an individual REALTOR® can change depending upon, among other things, the total value of real estate they sell in a given year and increases or decreases in home prices. However, variable franchise fees are subject to a cap of $1,350. For those REALTORS® or Teams who reach the cap, the variable franchise fee is effectively fixed in nature, in that the variable franchise fee paid by the REALTOR® will not change based on changes in the Canadian Market. In 2018, approximately 2,600 REALTORS® and 1,000 Teams (representing more than 2,900 REALTORS®) exceeded the $1,350 cap and accounted for approximately 12% of the Company's 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 the Company.

Premium Franchise Fees were paid by 21 of the Company's larger Royal LePage locations in the Greater Toronto Area (the "GTA"). Each of these Franchisees was obligated to pay premium franchise fees until August 2018 ranging from 1% to 5% of the location's Gross Revenue. Of these locations, 14 were operated by the Manager.

Overview of Second Quarter 2019 Operating Results

(Unaudited)

(in 000's) except per Share amounts; Restricted Voting Shares outstanding; Exchangeable Units outstanding; Number of REALTORS®	**Three months ended June 30, 2019**	Three months ended June 30, 2018	**Six months ended June 30, 2019**	Six months ended June 30, 2018
Revenues	**$ 11,685**	$ 11,472	**$ 21,693**	$ 21,942
Less:				
Administration expenses	**316**	280	**714**	634
Management fees	**4,013**	2,103	**7,707**	3,992
Interest expense	**757**	679	**1,522**	1,351
	$ 6,599	$ 8,410	**$ 11,750**	$ 15,965
Impairment and write-off of intangible assets	**(168)**	(129)	**(650)**	(129)
Amortization of intangible assets	**(2,639)**	(1,926)	**(5,295)**	(3,935)
Interest on Exchangeable Units	**(1,452)**	(1,452)	**(2,904)**	(2,904)
Loss on fair value of Exchangeable Units	**6,655**	(6,988)	**(1,132)**	(9,916)
Gain (loss) on interest rate swap	**(460)**	4	**(1,429)**	63
Loss on fair value of purchase obligation	**–**	(26)	**–**	(544)
Current income tax expense	**(703)**	(1,568)	**(1,432)**	(2,770)
Deferred income tax recovery	**(80)**	10	**452**	140
Net and comprehensive earnings (loss)	**$ 7,752**	$ (3,665)	**$ (640)**	$ (4,030)
Basic earnings (loss) per Restricted Voting Share	**$ 0.82**	$ (0.39)	**$ (0.07)**	$ (0.42)
Diluted earnings (loss) per Share	**$ 0.20**	$ (0.39)	**$ (0.07)**	$ (0.42)
Dividends paid per Restricted Voting Share	**$ 0.34**	$ 0.34	**$ 0.68**	$ 0.68
Interest paid per Exchangeable Unit	**$ 0.44**	$ 0.44	**$ 0.87**	$ 0.87
Restricted Voting Shares outstanding	**9,483,850**	9,483,850	**9,483,850**	9,483,850
Exchangeable Units outstanding	**3,327,667**	3,327,667	**3,327,667**	3,327,667
Number of REALTORS®	**19,046**	18,780	**19,046**	18,780

(in 000's) As at	**June 30, 2019**	December 31, 2018
Total assets	**$ 101,052**	$ 95,659
Total liabilities	**$ 134,770**	$ 122,335

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

REVENUES:

Revenues have increased compared to the Prior Year Quarter primarily as a result of the increase in the number of REALTORS® in the Company Network and the revenues generated from the other agreements transferred from the Manager on January 2, 2019. These increases were partly offset by the expiry of premium fees in August 2018. The total value of real estate bought and sold in Canada increased by 7% to $76.3 billion in the Quarter as compared to the Prior Year Quarter. Nationally, the number of homes sold was up 5% while the average selling price of a home decreased by less than 1%. The Greater Vancouver ("GV") market experienced significant weakness in the Quarter while the GTA market experienced significant growth compared to the Prior Year Quarter. The Company's Network of REALTORS® decreased by 185 REALTORS® in the Quarter.

NET EARNINGS:

For the Quarter, the Company generated net earnings of $7.8 million or $0.82 per Restricted Voting Share, compared to net loss of $3.7 million or $0.39 per Restricted Voting Share for the Prior Year Quarter.

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

- A gain on the determination of the fair value on the Exchangeable Units of $6.7 million in the Quarter, compared to a loss of $7.0 million during the Prior Year Quarter;
- A $0.2 million increase in revenues as outlined above; and
- A $0.8 million decrease in income taxes driven by a decrease in taxable income: partly offset by
- A $1.9 million increase in management fees as a result of the changes in the management fees structure under the Amended MSA;
- A $0.7 million increase in amortization and impairment of intangible assets as a result of the transfer of Franchise Agreements and other contracts on January 3, 2019. The other contracts have shorter amortization periods than the Franchise Agreements; and
- A $0.5 million loss on the fair value of the interest rate swaps compared to a small gain during the Prior Year Quarter;

TOTAL ASSETS:

Total assets increased by $5.4 million during the YTD. The main drivers for the increase are as follows:

- An increase in the carrying value of intangible assets of $3.6 million, driven by the transfer of Franchise Agreements and other contracts totaling $9.3 million on January 3, 2019, partly offset by amortization and impairment charges of $5.9 million;
- An increase in accounts receivable of $1.5 million driven by an increase in revenues compared to the fourth quarter of 2018; and
- An increase in income tax receivable and deferred tax asset totaling $1.0 million; partly offset by
- A $0.2 million decline in cash:
- A $0.2 million decrease in sales tax receivable. and
- A $0.1 million reduction in the interest rate swap asset.

Management's Discussion and Analysis of Results and Financial Condition

TOTAL LIABILITIES:

Total liabilities increased by $12.4 million since December 31, 2018. The main drivers of the increase are as follows:

- A $7.5 million increase in contract transfer obligation owing to the Manager for the transfer of the Franchise Agreements and other contracts on January 3, 2019;
- An increase of $1.1 million in the liability associated with the Exchangeable Units, which is tied to the trading value of the Restricted Voting Shares (see further discussion under Second Quarter and Year To Date Operating Results and Cash Flows – Loss on fair value of Exchangeable Units);
- A net increase in debt facilities of $2.0 million, which the Company drew on the Term Facility during the YTD; and
- A $1.3 million increase in the interest rate swap liability.

Key Performance Drivers

Key performance drivers of the Company's business include:

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

Stability of the Company's Revenue Stream

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

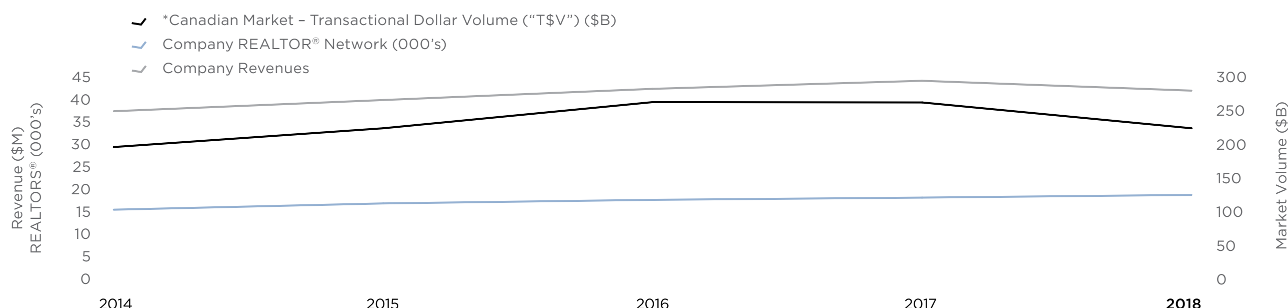
FIXED – FEE STRUCTURE

The Company estimates that approximately 79% of its franchise fees are fixed in nature. In addition to its fixed franchise fees, a substantial portion of the Company's variable franchise fees are effectively fixed in nature.

The amount of variable franchise fee paid by an individual REALTOR® can change depending upon, among other things, the total value of real estate they sell in a given year and increases or decreases in home prices across Canada. However, variable franchise fees are subject to a cap of $1,350 per REALTOR® or Team of REALTORS®. For those REALTORS® or Teams who reach the cap, the variable franchise fee is effectively fixed in nature, in that the variable franchise fee paid by the REALTOR® or Team will not change based on changes in the Canadian Market.

The chart below compares the Company's annual revenues to the Canadian Market and the underlying number of REALTORS® in the Company Network. The quarterly changes in the Company's revenues and the Canadian Market is shown under "Transactional Dollar Volumes".

ROYALTIES, MARKET AND REALTOR® TRENDS



*Source: Canadian Real Estate Association ("CREA")

INCREASE IN FEES

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

On January 1, 2018, the Royal LePage Network fixed monthly franchise fee increased from $125 per REALTOR® to $128 per REALTOR® and the maximum variable franchise fee payable based on 1% of each REALTOR®'s or Team's Gross Revenue increased from $1,325 annually to $1,350.

GEOGRAPHIC DISTRIBUTION OF THE COMPANY NETWORK

As at June 30, 2019, the Company Network of 19,046 REALTORS® operated through 295 Franchisee Agreements, contracted with 342 Broker-Owners, providing services across the country through 671 locations. Of the Brokerages in the Company Network, approximately 63% operate with fewer than 50 REALTORS® and represent 15% of the REALTORS® in the Company Network. The Company's smallest Franchisees have one REALTOR® while the largest has approximately 1,900 REALTORS®.

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

As at June 30, 2019	Canadian[1] REALTOR® Population	Company REALTOR® Population
Ontario	58%	59%
British Columbia	17%	13%
Quebec	10%	15%
Alberta	9%	6%
Maritimes	3%	4%
Prairies	3%	3%
Total	100%	100%

[1] *Source: CREA*

FRANCHISE AGREEMENTS

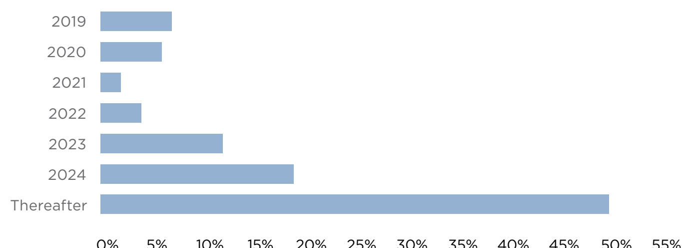
Franchise Agreements are contracts between the Company and Franchisees which govern matters such as the use of the Trademarks, rights and obligations of Franchisees and the Company, renewal terms, services to be provided and franchise fees. Over the term of the Franchise Agreement, the Franchisee may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

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

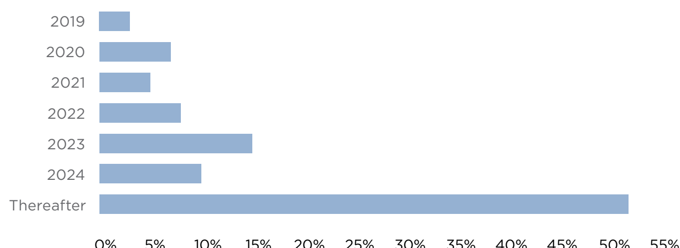
The Via Capitale Franchise Agreements, which represent 5% of the Company's REALTORS®, are typically five years in duration with standard renewal terms extending five years.

A summary of the Company's agreement renewal profiles as at June 30, 2019 for the Company Network is shown below.

% OF FRANCHISE AGREEMENTS UP FOR RENEWAL
(by Number of REALTORS®)



% OF FRANCHISE AGREEMENTS UP FOR RENEWAL
(by Number of Agreements)



RENEWALS

The Company has historically been able to achieve renewal success in more than 99% of Franchise Agreements as they come due, expressed as a percentage of the underlying number of REALTORS® associated with those agreements. Due to the ongoing success of the Company's Franchisees, a number of opportunities, such as increasing Franchisee locations, present themselves to renew Franchise Agreements before they come due.

During the Quarter, 18 Franchise Agreements, representing 2,401 REALTORS® in the Company Network extended their term or renewed.

During the Quarter, one Franchise Agreement was terminated, resulting in the loss of 16 REALTORS® as the broker owner ceased its operations.

For the YTD, 28 Franchise Agreements, representing 3,665 REALTORS® in the Company Network extended their term or renewed.

For the YTD, five Franchise Agreements were terminated, of which three were as a result of Franchisees merging operations and two resulted in the loss of 17 REALTORS®.

Number of REALTORS® in the Company Network

For the Quarter, the Company Network of 19,046 REALTORS® decreased by 185 REALTORS®, compared to a net increase of 72 REALTORS® in the Prior Year Quarter. The largest declines were experienced in BC and Alberta, both of which have suffered from prolonged market weakness.

For the YTD, the number of REALTORS® in the Company Network increased by 321, including the 495 REALTORS® added through the transfer of Franchise Agreements on January 3, 2019 (January 1, 2018 – 563 REALTORS® through the acquisition of Franchise Agreements).

	2003[1] – 2014	2015	2016	2017	2018	**2019[3]**
Company Network						
Opening REALTOR® Count	9,238	15,377	16,794	17,580	18,135	**18,725**
Acquisition/transfer of franchise agreements	4,772	1,577	459	568	563	**495**
Net REALTOR® growth (attrition)	1,367	(160)	327	(13)	27	**(174)**
Closing REALTOR® Count	15,377	16,794	17,580	18,135	18,725	**19,046**
% Change in the period	66%	9%	5%	3%	3%	**2%**

Canadian REALTOR® Population[2]	2003[1] – 2014	2015	2016	2017	2018	**2019**
CREA REALTOR® Membership	110,821	114,664	121,212	125,316	129,752	**–**
% Change in the period	56%	3%	6%	3%	4%	**–**

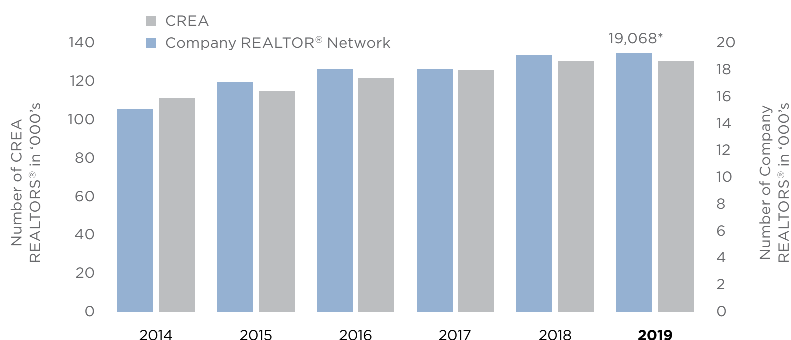
[1] Opening Count as at August 2003, CREA opening count of 71,267
[2] Source: CREA, CREA Membership data as of March 31, 2019 not available as of MDA date
[3] As at June 30, 2019

The increase in the number of Canadian REALTORS® since 2003 has in part been driven by the strong Canadian Markets, increases in discount brokerage offerings (which have attracted new entrants to the industry), and an apparent increase in market activity serviced by REALTORS® operating as Teams. Since 2003, the Company's Network has grown at a 5% compound annual growth rate ("CAGR"), outperforming the 4% growth in the industry despite the addition of competitive offerings over the same time period.

The number of REALTORS® in the Company Network increases when the Company is able to sign new Franchise Agreements with new Franchisees that may have converted to the Company's Brands from a competitor. Under the terms of the Previous MSA, the Company Network would increase when the Company purchased Franchise Agreements from the Manager, generally on January 1 of each year.

CANADIAN REAL ESTATE REALTORS®

(Years ended December 31)

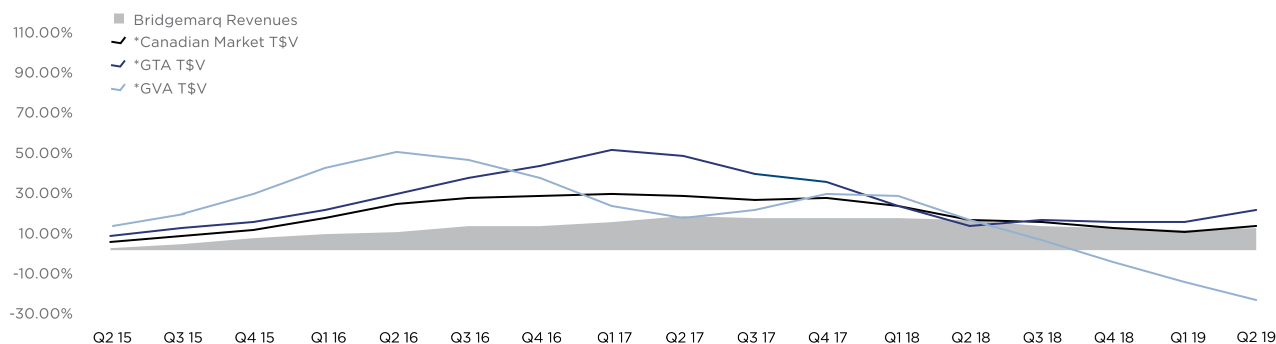


*As at March 31, 2019

Transactional Dollar Volumes

The chart below shows the change in the Canadian Market and select urban markets as compared to the growth in the Company's revenues since the second quarter of 2015.

QUARTERLY ROLLING TWELVE-MONTH % CHANGE



*Source: CREA

Transactional dollar volume of real estate in Canada has declined nationally since the first quarter of 2017 as real estate values and volumes have weakened. Weakness over the past two years is due to weakness in the GTA (which experienced peak growth in the first quarter of 2017) and the GV market (which peaked in the second quarter of 2016). Franchise fee revenues have decreased in 2019 as a result of the reduction in the transactional dollar volumes of the Canadian Market and the expiry of the obligation to pay premium fees for 21 locations.

During the Quarter, the Canadian market closed up 7%, at $76.3 billion, as compared to the Prior Year Quarter, driven by a 5% increase in units sold and a small decrease in price.

For the rolling twelve-month period ended June 30, 2019, the Canadian market was down 3%, at $225.3 billion, as compared to the rolling twelve-month period ended June 30, 2018, driven by a 1% decrease in price and a 3% decrease in units sold.

During the Quarter, the GTA market improved by 22% to $23.1 billion compared to the Prior Year Quarter with a 3% increase in price and an 18% increase in units sold.

For the rolling twelve-month period ended June 30, 2019, the GTA market was up 9%, at $65.1 billion, as compared to the rolling twelve-month period ended June 30, 2018, driven by a 3% increase in price and a 5% increase in units sold.

During the Quarter, the GV market closed down 23%, at $6.6 billion compared to the Prior Year Quarter, driven by a 7% decrease in price and a 17% decrease in units sold.

For the rolling twelve-month period, the GV market was down 34%, at $21.6 billion, as compared to the Prior Year Quarter, driven by a 3% decrease in price and a 32% decrease in units sold.

Company's Growth Opportunities

Growth in the Company's revenues is achieved through:

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

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

GROWTH IN THE NUMBER OF REALTORS®

The Company strives to increase the number of REALTORS® in the Company Network through the continued momentum of converting competing brokerages and REALTORS® to the Company's Brands and developing programs to increase REALTOR® growth. This is generally achieved through entering into new Franchise Agreements and, prior to January 1, 2019, acquiring Franchise Agreements from the Manager.

Since the inception of the Company in August 2003 with 9,238 REALTORS®, the Company Network has increased by 106% (9,808 REALTORS®), of which 86% has been through entering into or acquiring Franchise Agreements and 14% through net recruitment growth. This represents a CAGR of 5% in the Company Network.

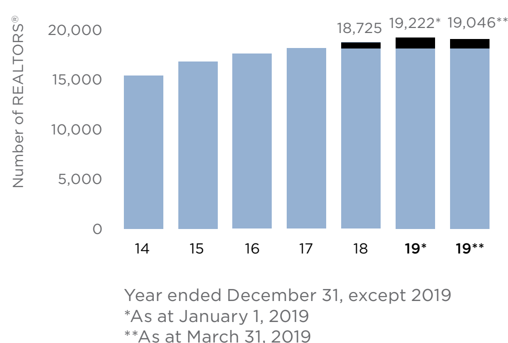
In accordance with terms of the Amended MSA, on January 3, 2019, the Manager transferred 47 Franchise Agreements comprised of 495 REALTORS® operating under the Royal LePage and Via Capitale brands, for nominal consideration. The fair value ascribed to the Franchise Agreements was $4.7 million with estimated annual franchise fee revenues of $0.9 million.

In accordance with the terms of the Previous MSA, on January 1, 2018, the Company acquired 38 Franchise Agreements comprised of 563 REALTORS® operating under the Royal LePage and Via Capitale Brands. The purchase price of these agreements was $9.3 million, with estimated annual franchise fee revenues of $1.3 million.

Management's Discussion and Analysis of Results and Financial Condition

A summary of Company Network growth since 2014 is summarized in the chart below.

COMPANY GROWTH



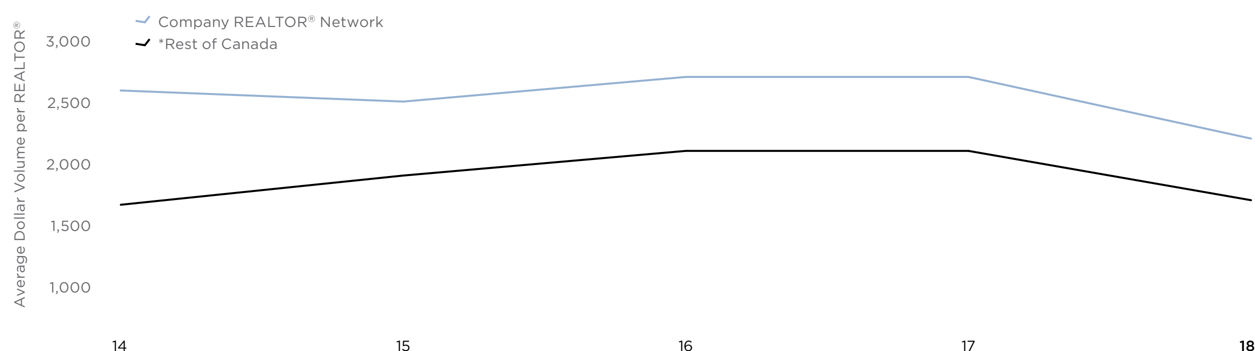
Year ended December 31, except 2019
*As at January 1, 2019
**As at March 31, 2019

REALTOR® Productivity

The average Company REALTOR® in the Company Network generated approximately $2.2 million in transactional dollar volume for the twelve months ended December 31, 2018, compared to an estimated $1.7 million in transactional dollar volume generated by an average Canadian REALTOR®, outside the Company Network. Management believes that the higher productivity of the Company's Network of REALTORS®, makes the Company less prone to a loss of REALTORS® during a period of reduced transactional dollar volume. The average transactional dollar volume per REALTOR® since 2014 is summarized in the chart below.

CANADIAN RESIDENTIAL REAL ESTATE MARKET REALTOR® PRODUCTIVITY

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



*Source: CREA

PRODUCTS AND SERVICES

The Manager, on behalf of the Company, has continued to invest in new products and services to assist Franchisees in managing their businesses as well as provide innovative tools to attract and retain the best talent in the real estate industry. In the Quarter, Via Capitale launched a new marketing tool that promotes listings to over 215 million online visitors in 65 countries. Royal LePage continued to enhance its offering to agent teams through a new series of in-person training events.

Management’s Discussion and Analysis of Results and Financial Condition

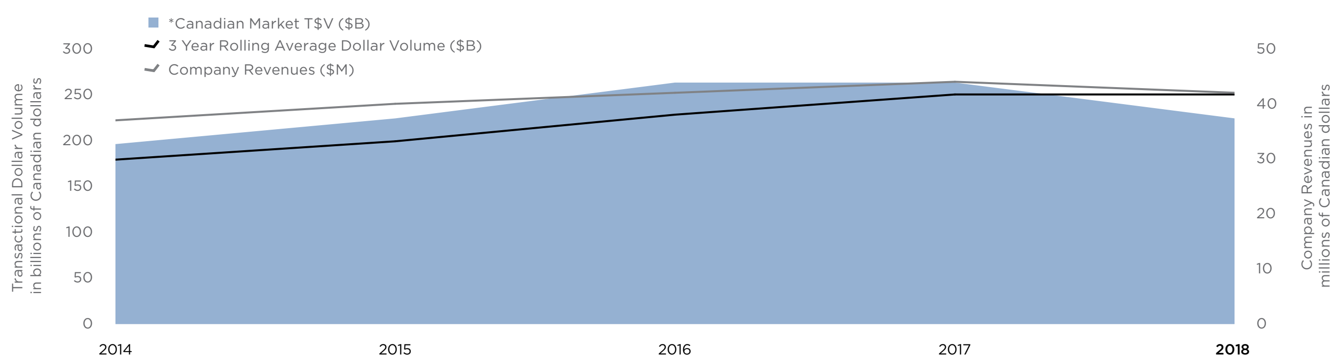
The Canadian Residential Real Estate Market

Since 2014, the Canadian Market has grown at a CAGR of 3% compared to our revenues, which have grown at a rate of 2%. Our fee structure is biased towards fees that are fixed in nature, limiting our participation in significant increases or decreases in the Canadian Market.

The Canadian Market experienced steady growth from 2014 to 2016 and began slowing down after the first Quarter of 2017. In 2016 the Canadian Market experienced growth of 16% driven by 10% increase in units sold and 6% increase in selling price. This momentum continued throughout first six months of 2017, with record sales recorded in Q1 2017, before the Canadian Market saw a decline in last nine months of the 2017. The slowdown continued through 2018 and into 2019, partly the result of higher interest rates, various government-mandated regulations including tightened mortgage rules, and new taxes, which targeted certain foreign buys of residential real estate in Ontario and BC.

MARKET DOLLAR VOLUME – CANADIAN RESIDENTIAL REAL ESTATE MARKET

(2014–2018)

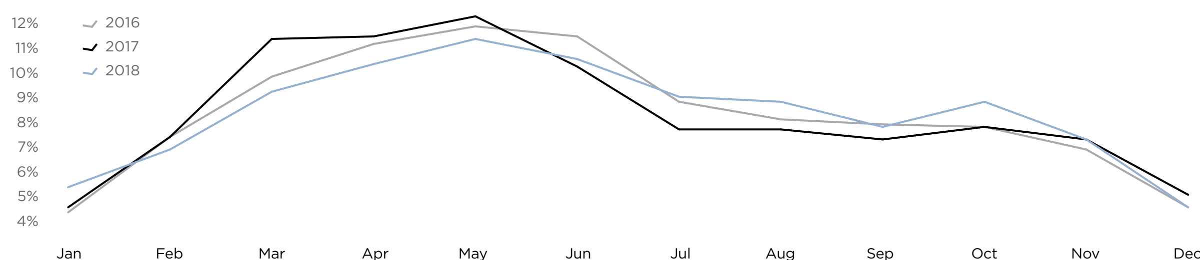


*Source: CREA

The Company’s revenues are affected by the seasonality of the Canadian Market, which typically sees stronger transactional dollar volumes in the second and third quarters of each year, as summarized in the chart below. The impact of the seasonality of the Canadian Market is somewhat mitigated by the fixed-fee nature of the Company’s franchise fees. In the latter part of the year, variable franchise fees can be negatively impacted by the Royal LePage REALTORS® and Teams who have capped with respect to variable franchise fees.

CANADIAN RESIDENTIAL REAL ESTATE MARKET

(*% Canadian Market T$V by month)



*Source: CREA

Canadian Market Outlook

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

Management's Discussion and Analysis of Results and Financial Condition

From CREA[1]: The Canadian Real Estate Association (CREA) has updated its forecast for home sales activity via the Multiple Listing Service® (MLS®) Systems of Canadian real estate boards and associations in 2019 and 2020.

Many of the economic fundamentals that support housing activity remain strong outside of the Prairies as well as Newfoundland and Labrador. Following the release of CREA's previous forecast in March, population and employment growth has remained strong and the unemployment rate has fallen further. Additionally, the Bank of Canada is widely expected to not raise interest rates over the rest of the year.

Budget 2019 also raised the maximum individual withdrawal limit under the Home Buyers' Plan (HBP) from $25,000 to $35,000 and introduced the First Time Homebuyer Incentive, a shared equity program whereby the federal government finances a portion of a home purchase in exchange for an equity share in the home's value. The increased HBP withdrawal limit took effect in late March, while the First Time Homebuyer Incentive is slated to launch in September.

These factors are expected to support to the beginnings of a recovery in home sales over the second half of 2019 after starting this year on a weak footing. Nonetheless, the overall level of sales is expected to remain well below where it was in recent years, as successive policy changes – most notably the implementation of the B-20 stress test – continue to limit access to mortgage financing and dampen housing market sentiment. This is particularly the case in pricier areas where younger buyers have had little choice but to borrow more to get into the market.

National home sales are now projected to edge up 1.2% to 463,000 units in 2019. CREA's previous forecast estimated a decline of 1.6% this year. This would still leave annual sales below the 10-year average and a far cry from the annual record set in 2016, when almost 540,000 homes traded hands. On a per capita basis, the forecast for 2019 would remain effectively tied with 2018 for the weakest year since 2001.

British Columbia is the only province expected to weigh materially on national figures in 2019, with a decline of 13.3% compared to 2018, marking a small upward revision from the previously forecast decline of 14.9%. Other revisions from the previous forecast for sales in 2019 were also upward, with Alberta moving from a 5.6% decline to a 0.9% decline, and Ontario's gain upgraded from 0.9% previously to 3.9%.

Quebec and New Brunswick are still forecast to see the biggest sales gains in percentage terms in 2019 (+7.7% and +10.6%, respectively), with both provinces on track to set new annual records. Sales in Saskatchewan and Newfoundland and Labrador are forecast to improve by almost 5%, albeit from the lowest levels in more than a decade recorded last year. Meanwhile, activity in Manitoba and Nova Scotia is forecast to rise between 3.5% and 4.5% to near-record annual levels.

The national average price is still projected to stabilize (-0.6%) at around $485,000 in 2019 following the 4.1% drop recorded in 2018, which was the largest in almost 25 years. This reflects a stark and growing split between Eastern and Western regions. In line with the balance between supply and demand across the country, average prices are forecast to fall in 2019 in British Columbia, Alberta, Saskatchewan, and rise in Ontario, Quebec and the Maritimes. The average price is also expected to fall for the fifth consecutive year in Newfoundland and Labrador.

Sales are forecast to continue to improve in 2020. Absent the weak start experienced in 2019, national home sales are forecast to rise 4.4% to 483,200 units as interest rates remain near current levels and potential home buyers continue to adjust and adapt to the assortment of recent policy changes. Almost all provinces are forecast to see more sales in 2020 compared to 2019, with gains ranging from 1% to 6%.

That said, the big picture is that sales are expected to remain historically weak in British Columbia, Alberta, Saskatchewan and Newfoundland and Labrador, historically strong in Quebec, New Brunswick, Manitoba and Nova Scotia, and come in close to the 10-year average in Ontario.

The national average price is forecast to edge up by 0.9% to around $490,000 in 2020. Average price trends across Canada in 2020 are generally expected to be more moderate versions of those in 2019, with small declines in British Columbia, Alberta, Saskatchewan and Newfoundland and Labrador, and modest gains in all provinces from Manitoba through the Maritimes.

From TREB[2]: The new President of the Toronto Real Estate Board, Michael Collins, announced that Greater Toronto Area REALTORS® reported 8,860 sales through TREB's MLS® System in June 2019, representing a 10.4 per cent increase compared to June 2018. Over the same time period, total new listings remained at a similar level for the month of June and active listings at month-end were down by 5.7 per cent.

Sales and new listings statistics for the first half of 2019 compared to the same period in 2018 painted a similar story to that of June. Sales were up by 8.5 per cent, while new listings were up by less than one per cent. This shows that sales accounted for a greater share of listings compared to last year, which means that competition between buyers increased, resulting in renewed price growth in many segments of the market.

[1] Source: CREA Updates and Extends Resale Market Forecast, published June 14, 2019
[2] Source: TREB Market Watch, July 4, 2019

"As I start my term as President of the Toronto Real Estate Board, I am proud to say that the Greater Toronto Area continues to grow, in terms of employment, population and overall diversity. As people are attracted to our region from all around the world, they obviously need a place to live. Over the next year, as demand for ownership and rental housing continues to grow, my hope is that we will see more movement from policy makers on two fronts: alleviating the constrained supply of housing and providing more flexibility around demand-side policies, including the OSFI two percentage point mortgage stress test and allowable amortization periods on insured mortgages," said Mr. Collins.

The overall average selling price in June 2019 was $832,703 – up by three per cent compared to the average of $808,066 in June 2018. Price growth was driven by the higher density market segments, including semi-detached houses, townhouses and condominium apartments. The MLS® Home Price Index Composite Benchmark was up by a similar annual rate of 3.6 per cent. For the first half of 2019, the average selling price was $810,661, representing an increase of 2.4 per cent compared to the first half of 2018.

"Buyers started moving off the sidelines in the spring, as evidenced by strong year-over-year price growth throughout the second quarter. However, because we saw virtually no change in the number of new listings, market conditions tightened and price growth picked up, especially for more-higher density home types, which, on average, are less-expensive than traditional detached houses and therefore provide more affordable housing options under the new OSFI stress test regime," said Jason Mercer, TREB's Chief Market Analyst.

From the BoC[3]: Evidence has been accumulating that ongoing trade tensions are having a material effect on the global economic outlook. The Bank had already incorporated such negative effects in previous Monetary Policy Reports (MPR) and in this forecast has made further adjustments in light of weaker sentiment and activity in major economies. Trade conflicts between the United States and China, in particular, are curbing manufacturing activity and business investment and pushing down commodity prices.

Policy is responding to the slowdown: central banks in the US and Europe have signalled their readiness to provide more accommodative monetary policy and further policy stimulus has been implemented in China. In this context, global financial conditions have eased substantially. The Bank now expects global GDP to grow by 3 percent in 2019 and to strengthen to around 3 Ð percent in 2020 and 2021, with the US slowing to a pace near its potential. Escalation of trade conflicts remains the biggest downside risk to the global and Canadian outlooks.

Following temporary weakness in late 2018 and early 2019, Canada's economy is returning to growth around potential, as expected. Growth in the second quarter appears to be stronger than predicted due to some temporary factors, including the reversal of weather-related slowdowns in the first quarter and a surge in oil production. Consumption is being supported by a healthy labour market. At the national level, the housing market is stabilizing, although there are still significant adjustments underway in some regions. A material decline in longer-term mortgage rates is supporting housing activity. Exports rebounded in the second quarter and will grow moderately as foreign demand continues to expand. However, ongoing trade conflicts and competitiveness challenges are dampening the outlook for trade and investment. The Bank projects real GDP growth to average 1.3 percent in 2019 and about 2 percent in 2020 and 2021.

Inflation remains around the 2 percent target, with some recent upward pressure from higher food and automobile prices. Core measures of inflation are also close to 2 percent. CPI inflation will likely dip this year because of the dynamics of gasoline prices and some other temporary factors. As slack in the economy is absorbed and these temporary effects wane, inflation is expected to return sustainably to 2 percent by mid-2020.

Recent data show the Canadian economy is returning to potential growth. However, the outlook is clouded by persistent trade tensions. Taken together, the degree of accommodation being provided by the current policy interest rate remains appropriate. As Governing Council continues to monitor incoming data, it will pay particular attention to developments in the energy sector and the impact of trade conflicts on the prospects for Canadian growth and inflation.

COMPANY MARKET OUTLOOK

Continued home price appreciation in Ontario and Quebec offset weaker real estate markets in western Canada in the Quarter. A modest uptick in the national median home price by the end of the year is possible. While home sales in the Quarter have become more brisk in the GTA compared to last year, inventory has not kept pace. Low inventory may continue putting upward pressure on home prices through to the end of the year. In June, the MLS® Home Price Index Composite Benchmark for the GTA was up by an annual rate of 3.6%[4]. In British Columbia, the decline in sales that initially began in the lower mainland's most expensive trading areas, Vancouver and the region's North Shore, has moved to the relatively affordable suburbs in Greater Vancouver. Despite a strong economy and good supply of listings, market activity remained soft as the region neared its three-year mark of tax policies targeting the real estate market. In June, the MLS® Home Price Index Composite Benchmark price for all

[3] Source: BoC press release published July, 10 2019
[4] TREB, June Market Watch, July 2019

residential properties in Metro Vancouver was $998,700[5]. This represents a 9.6% decrease over June 2018 and a 0.8% decrease compared to May 2019.The strength of the city's economy coupled with increased demand from softened home prices could contribute to the start a sales recovery in the second half of 2019. The Greater Montreal Area has remained one of the strongest real estate markets in the country. The region saw an 8% year-over-year increase in sales during the second quarter while the median price of a single-family home increased 6%[6]. Home price appreciation may continue in the region as demand continues to outpace supply. The number of listings for sale in the second quarter showed an 18% year-over-year decrease[7].

The enhanced housing affordability measures introduced in the federal budget in March are not expected to have a significant effect on home prices. The increase in the registered retirement savings plan withdrawal limit to $35,000 from $25,000 has been in effect since it was announced. The First-Time Home Buyer Incentive – a three-year, $1.25 billion shared equity mortgage program whereby the Canadian Housing and Mortgage Corporation will co-invest up to 5% of the purchase price of an existing home – is expected to begin in September. The program is intended to help young Canadians afford a first home closer to urban centres.

Second Quarter and Year To Date Operating Results and Cash Flows

(Unaudited) (in 000's) except per Share amounts and number of REALTORS®;"	**Three months ended June 30, 2019**	Three months ended June 30, 2018	**Six months ended June 30, 2019**	Six months ended June 30, 2018
Revenues				
Fixed franchise fees	**$ 7,267**	$ 7,058	**$ 14,593**	$ 13,969
Variable franchise fees	**3,233**	3,243	**5,378**	5,813
Premium franchise fees	**–**	1,171	**–**	2,160
Other revenue, net	**1,185**	–	**1,722**	–
	11,685	11,472	**21,693**	21,942
Less:				
Administration expenses	**316**	280	**714**	634
Management fees	**4,013**	2,103	**7,707**	3,992
Interest expense	**757**	679	**1,522**	1,351
	6,599	8,410	**11,750**	15,965
Impairment and write-off of intangible assets	**(168)**	(129)	**(650)**	(129)
Amortization of intangible assets	**(2,639)**	(1,926)	**(5,295)**	(3,935)
Interest on Exchangeable units	**(1,452)**	(1,452)	**(2,904)**	(2,904)
Gain (loss) on fair value of Exchangeable Units	**6,655**	(6,988)	**(1,132)**	(9,916)
Gain (loss) on interest rate swap	**(460)**	4	**(1,429)**	63
Loss on fair value of purchase obligation	**–**	(26)	**–**	(544)
Earnings (loss) before income taxes	**8,535**	(2,107)	**340**	(1,400)
Current income tax expense	**703**	1,568	**1,432**	2,770
Deferred income tax expense (recovery)	**80**	(10)	**(452)**	(140)
Net and comprehensive earnings (loss)	**$ 7,752**	$ (3,665)	**$ (640)**	$ (4,030)
Basic earnings (loss) per Restricted Voting Share	**$ 0.82**	$ (0.39)	**$ (0.07)**	$ (0.42)
Diluted earnings (loss) per Share	**$ 0.20**	$ (0.39)	**$ (0.07)**	$ (0.42)
Number of REALTORS®	**19,046**	18,780	**19,046**	18,780

Cash Flow Information (in 000's)				
Cash provided by (used for):				
Operating activities	**$ 4,658**	$ 5,447	**$ 6,117**	$ 9,168
Investing activities	**(1,002)**	(6)	**(1,964)**	(8,536)
Financing activities	**(3,201)**	(3,201)	**(4,402)**	798

[5] REBGV, June Monthly Report, July 2019
[6] QPAREB, Montreal CMA: Market Tightens to Five Months of Inventory on the Island and in the Suburbs, July 2019
[7] QPAREB, Montreal CMA: Market Tightens to Five Months of Inventory on the Island and in the Suburbs, July 2019

Management's Discussion and Analysis of Results and Financial Condition

During the Quarter, the Company generated net earnings of $7.8 million as compared to a net loss of $3.7 million for the Prior Year Quarter.

Revenues for the Quarter totaled $11.7 million, compared to $11.5 million for the Prior Year Quarter. Fixed franchise fees represented 62% of revenues for the Quarter (Prior Year Quarter – 62%). Revenues increased due to an increase in fixed franchise fees as a result of the increase in the number of REALTORS® in the Company Network and the addition of other revenues during the Quarter (which were earned by the Manager in the Prior Year Quarter). These increases were partly offset by the expiry of the obligation of Franchisees to pay premium franchise fees in 2018.

Fixed franchise fees for the Quarter increased by 3% as compared to the Prior Year Quarter, primarily due to the increase in the REALTOR® base resulting from the transfer of Franchise Agreements on January 3, 2019 representing 495 REALTORS®. In addition, fixed franchise fees includes fees for commercial services, which were earned by the Manager in the Prior Year Quarter.

Variable franchise fees for the Quarter were substantially unchanged compared to the Prior Year Quarter as the impact of weakness in a number of Canadian real estate markets was partly offset by the larger REALTOR® base in the Company Network.

Other Revenues consist of revenues earned from referral fees (including mortgage referrals and lead referrals to REALTORS®). These revenues were assigned to the Company on January 3, 2019 and were earned by the Manager in the Prior Year Quarter.

Premium franchise fees were derived from a number of locations servicing the GTA Market, which paid premium franchise fees based on the location's Gross Revenue. The obligations to pay premium franchise fees expired in 2018.

Administration expenses of $0.3 million for the Quarter were slightly higher than the Prior Year Quarter primarily due to higher bad debt expense.

Management fee expense of $4.0 million for the Quarter increased due to implementation of the new management fee structure under the Amended MSA.

Interest expense was slightly higher compared to the Prior Year Quarter as a result of the interest expense on the contract transfer obligation to the Manager related to the transfer of contracts and Franchise Agreements on January 3, 2019.

Amortization of Intangible Assets for the Quarter totaled $2.6 million, an increase of 37% compared to the Prior Year Quarter as a result of the transfer of Franchise Agreements and other contracts on January 3, 2019. The other contracts transferred have shorter amortization periods than Franchise Agreements.

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

Gain on fair value of Exchangeable Units represents the change in the fair value of the Exchangeable Units. The Exchangeable Units are valued based on the value of the Bridgemarq's Restricted Voting Shares. At June 30, 2019, Bridgemarq's Restricted Voting Shares were valued at $14.91 per Restricted Voting Share compared to $16.91 at March 31, 2019, resulting in a gain of $6.7 million. This gain represents a decrease in the obligation associated with the conversion features of the Exchangeable Units. For the Prior Year Quarter, the price of the Bridgemarq's Restricted Voting Shares increased from $17.40 at March 31, 2018 to $19.50 at June 30, 2018, resulting in a loss of $7.0 million

Loss on interest rate swap of $0.5 million is a non-cash item which represents the change in fair value of the Company's interest rate swaps. The Company has a five-year interest rate swap agreement to swap the variable interest obligation on $53.0 million of the Company's outstanding debt facilities to a fixed rate obligation of 3.64% through October 2019. In March of 2019, the Company entered into an additional interest rate swap agreement to swap the variable interest rate obligation on $55.0 million of the Company's outstanding debt facilities to a fixed rate obligation of 3.94% for the period from November 2019 through December 31, 2023.

Income Tax Expense The effective income tax rate paid by the Company for the Quarter was 10% (Prior Year Quarter – greater than 100%). The Company's effective income tax rate in the interim condensed consolidated statement of net and comprehensive earnings is significantly different than the Company's enacted income tax rate of 26.5%. The difference in the effective income tax rate is driven by a number of items that are included in the determination of net earnings but excluded from the determination of taxable income as well as items that are excluded from the determination of net earnings but included in the determination of taxable income. Items included in determining net earnings that are not included in determining taxable income include, among other things, non-deductible amortization of intangible assets, interest on Exchangeable Units, fair valuation adjustments on Exchangeable Units and losses associated with the interest rate swaps. Items included in the determination of taxable income but excluded from the determination of net earnings include payments associated with the contract transfer obligation.

Cash provided by operating activities decreased to $4.7 million compared to $5.4 million in the Prior Year Quarter due primarily to higher management fees under the terms of the Amended MSA partly offset by lower income tax payments and higher revenues.

Cash used in investing activities is significantly higher than the Prior Year Quarter as a result of the changes to the Management Services Agreement. Under the terms of the Previous MSA, the Company purchased Franchise Agreements from the Manager on January 1 of each year resulting in a significant cash payment in the first quarter of each year. During the Prior Year Quarter, there were no payments associated with the acquisition of Franchise Agreements. Under the terms of the Amended MSA, the Company no longer acquires Franchise Agreements from the Manager, but, rather, enters into Franchise Agreements with Franchisees directly. Cash used in investing activities in the Quarter represents the portion of management fees allocated towards reducing the contract transfer obligation, interest expense associated with the transfer of contracts and Franchise Agreements and direct costs of entering into Franchise Agreements.

Cash provided by financing activities were unchanged and represented dividends paid to holders of the Bridgemarq's Restricted Voting Shares.

During the YTD, the Company generated a net loss of $0.6 million as compared to a net loss of $4.0 million for the Prior Year Period.

Revenues for the YTD totaled $21.7 million, compared to $21.9 million for the Prior Year Period. Fixed franchise fees represented 67% of revenues for the YTD (Prior Year Period – 64%). Revenues decreased primarily as a result the expiry of the obligation of Franchisees to pay premium franchise fees in 2018 and lower variable franchise fees. These reductions were partly offset by an increase in fixed franchise fees as a result of the increase in the number of REALTORS® in the Company Network and the addition of other revenues during the Quarter (which were earned by the Manager in the Prior Year Quarter).

Fixed franchise fees for the YTD increased by 4% as compared to the Prior Year Period, primarily due to the increase in the REALTOR® base resulting from the transfer of Franchise Agreements on January 3, 2019 representing 495 REALTORS®. In addition, fixed franchise fees includes fees for commercial services, which were earned by the Manager in the Prior Year Period.

Variable franchise fees for the YTD decreased by 7% compared to the Prior Year Period as a result of a decrease in the transactional dollar value of certain sectors of the Canadian Market. This decline was partly offset by the larger REALTOR® base in the YTD.

Other Revenues consist of revenues earned from referral fees (including mortgage referrals and lead referrals to REALTORS®). These revenues were assigned to the Company on January 3, 2019 and were earned by the Manager in the Prior Year Period.

Premium franchise fees were derived from a number of locations servicing the GTA Market, which paid premium franchise fees based on the location's Gross Revenue. The obligations to pay premium franchise fees expired in 2018.

Administration expenses of $0.7 million for the YTD were higher than for the Prior Year Period primarily due to higher bad debt expense.

Management's Discussion and Analysis of Results and Financial Condition

Management fee expense of $7.7 million for the YTD increased due to implementation of the new management fee structure under the Amended MSA.

Interest expense was higher compared to the Prior Year Period as a result of the interest expense on the contract transfer obligation to the Manager related to the transfer of contracts and Franchise Agreements on January 3, 2019.

Amortization of Intangible Assets for the YTD totaled $5.3 million, an increase of 35% compared to the Prior Year Period as a result of the transfer of franchise agreements and other contracts on January 3, 2019. The other contracts transferred have shorter amortization period than Franchise Agreements.

Interest on Exchangeable Units represents the distributions to Exchangeable Unitholders. For the YTD, total distributions amounted to $0.88 per Exchangeable Unit (Prior Year Period – $0.88). Distributions to Exchangeable Unitholders are determined with reference to dividends paid on Bridgemarq's Restricted Voting Shares.

Loss on fair value of Exchangeable Units represents the change in the fair value of the Exchangeable Units. The Exchangeable Units are valued based on the value of the Bridgemarq's Restricted Voting Shares. At June 30, 2019, the Bridgemarq's Restricted Voting Shares were valued at $14.91 per Restricted Voting Share compared to $14.57 at December 31, 2018, resulting in a loss of $1,1 million. This loss represents an increase in the obligation associated with the conversion features of the Exchangeable Units. For the Prior Year Period, the price of the Bridgemarq's Restricted Voting Shares increased from $16.52 at December 31, 2017 to $19.50 at June 30, 2018, resulting in a loss of $9.9 million.

Loss on interest rate swap of $1.4 million is a non-cash item which represents the change in fair value of the Company's interest rate swaps. The Company has a five-year interest rate swap agreement to swap the variable interest obligation on $53.0 million of the Company's outstanding debt facilities to a fixed rate obligation of 3.64% through October 2019. In March of 2019, the Company entered into an additional interest rate swap agreement to swap the variable interest rate obligation on $55.0 million of the Company's outstanding debt facilities to a fixed rate obligation of 3.94% for the period from November 2019 through December 31, 2023.

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

Cash provided by operating activities decreased to $6.1 million compared to $9.2 million in the Prior Year Period due primarily to lower revenues and higher management fees under the terms of the Amended MSA partly offset by lower income tax payments.

Cash used in investing activities is significantly lower than the Prior Year Period as a result of the changes to the Management Services Agreement. Under the terms of the Previous MSA, the Company purchased Franchise Agreements from the Manager in January 1 of each year resulting in a cash payment of $8.6 million in the Prior Year Period. Under the terms of the Amended MSA, the Company no longer acquires Franchise Agreements from the Manager, but, rather, enters into Franchise Agreements with Franchisees directly. Cash used in investing activities in the YTD represents the portion of management fees allocated towards reducing the obligation and interest expense associated with the transfer of contracts and Franchise Agreements and direct costs of entering into Franchise Agreements.

Cash provided by financing activities decreased significantly during the YTD as the Company did not borrow funds to acquire Franchise Agreements from the Manager. Borrowings in the YTD of $2.0 million represent the increased availability under the term facility portion of the Company's debt facilities as a result of amendments completed in 2018. In the Prior Year Period, the Company borrowed $7.2 million under its debt facilities to pay for contracts acquired on January 1, 2018.

Dividends paid to holders of Restricted Voting Share were unchanged compared to the Prior Year Quarter.

Summary of Quarterly Results

(Unaudited)

For three months ended,	2019		2018				2017	
(in 000's) except per Share amounts and number of REALTORS®; number of REALTORS®;	**June 30**	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30
Revenues								
Fixed franchise fees	**$ 7,267**	$ 7,326	$ 7,146	$ 7,211	$ 7,058	$ 6,911	$ 6,704	$ 6,741
Variable franchise fees	**3,233**	2,145	1,799	3,121	3,243	2,570	1,420	3,226
Premium franchise fees	**–**	–	–	809	1,171	989	1,342	2,268
Other revenue, net	**1,185**	537	–	–	–	–	–	–
	11,685	10,008	8,945	11,141	11,472	10,470	9,466	12,235
Less:								
Administration expenses	**316**	398	543	82	280	354	110	163
Management fees	**4,013**	3,694	1,547	2,078	2,103	1,889	1,750	2,288
Interest expense	**757**	765	666	669	679	672	609	626
	6,599	5,151	6,189	8,312	8,410	7,555	6,997	9,158
Recovery (impairment and write-off) of intangible assets, net	**(168)**	(482)	(245)	(322)	(129)	–	(61)	709
Amortization of intangible assets	**(2,639)**	(2,656)	(1,871)	(1,900)	(1,926)	(2,009)	(1,959)	(1,989)
Interest on Exchangeable Units	**(1,452)**	(1,452)	(1,452)	(1,452)	(1,452)	(1,452)	(1,451)	(1,444)
Gain (loss) on fair value of Exchangeable Units	**6,655**	(7,787)	7,254	9,151	(6,988)	(2,928)	266	(333)
Gain (loss) on interest rate swap	**(460)**	(969)	(97)	108	4	59	142	547
Gain (loss) on fair value of purchase obligation	**–**	–	77	2	(26)	(518)	113	213
Earnings (loss) before income tax	**8,535**	(8,195)	9,855	13,899	(2,107)	707	4,047	6,861
Current income tax expense	**703**	729	1,045	1,367	1,568	1,202	1,100	1,516
Deferred income tax expense (recovery)	**80**	(532)	(65)	(12)	(10)	(130)	69	388
Net and comprehensive earnings (loss)	**$ 7,752**	$ (8,392)	$ 8,875	$ 12,544	$ (3,665)	$ (385)	$ 2,878	$ 4,957
Basic earnings (loss) per Restricted Voting Share	**$ 0.82**	$ (0.88)	$ 0.94	$ 1.32	$ (0.39)	$ (0.04)	$ 0.30	$ 0.52
Diluted earnings (loss) per Share	**$ 0.20**	$ (0.88)	$ 0.24	$ 0.38	$ (0.39)	$ (0.04)	$ 0.30	$ 0.52
Number of REALTORS®	**19,046**	19,231	18,725	18,799	18,780	18,708	18,135	18,117

DISTRIBUTABLE CASH FLOW

Distributable Cash Flow represents operating income before deducting amortization and net impairment of intangible assets minus income tax expense minus cash used in investing activities. Distributable Cash Flow is used by the Company to measure the amount of cash generated from operations, which is available for distribution to the Company's shareholders on a diluted basis, subject to working capital requirements. The calculation of Distributable Cash Flow for the three and six months ended June 30, 2019 is presented in the table below with comparative amounts for 2018.

($ 000's)	**Three months ended June 30, 2019**	Three months ended June 30, 2018	**Six months ended June 30, 2019**	Six months ended June 30, 2018
Revenues	**$ 11,685**	$ 11,472	**$ 21,693**	$ 21,942
Less:				
Administration expenses	**316**	280	**714**	634
Management fees	**4,013**	2,103	**7,707**	3,992
Interest expense	**757**	679	**1,522**	1,351
Current income tax expense	**703**	1,568	**1,432**	2,770
Cash used for investing activities	**1,002**	6	**1,964**	8,536
Distributable Cash Flow	**$ 4,894**	$ 6,836	**$ 8,354**	$ 4,659

Periods where Distributable Cash Flow is negative indicate that the Company has utilized its existing cash resources or its debt facilities to finance certain of its investing activities or it's distributions to holders of Restricted Voting Share or holders of Exchangeable Units.

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

ROLLING TWELVE-MONTH DISTRIBUTABLE CASH FLOW

A summary of the Company's Distributable Cash Flow generated in the Quarter and the Prior Year Quarter on a rolling twelve months' basis is presented in the table below.

For twelve months ended,	**2019**	2018
(in 000's) except per Share amounts	**June 30**	June 30
Revenues	**$ 41,779**	$ 43,643
Less:		
Administration expenses	**1,339**	907
Management fees	**11,332**	8,030
Interest expense	**2,857**	2,586
Current income tax expense	**3,844**	6,954
Cash used for investing activities	**4,276**	8,488
	$ 18,131	$ 16,678
Distributable Cash Flow per Share	**$ 1.42**	$ 1.30

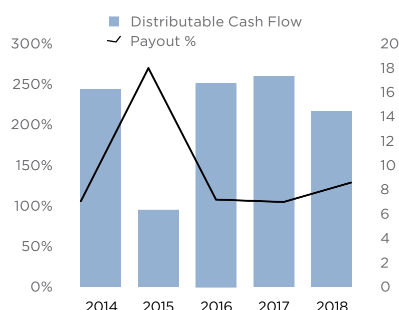
For the twelve months ended June 30, 2019, the Company generated Distributable Cash Flow of $18.1 million or $1.42 per Share, as compared to $16.7 million or $1.30 per Share generated during the twelve months ended June 30, 2018. Distributable Cash Flow on a twelve month rolling basis increased compared to the Prior Year Quarter primarily driven by the reduction in cash used in investing activities during the YTD compared to $8.5 million cash used in acquiring Franchise

Agreements from the Manager in the Prior Year Period. Under the Amended MSA, the Company no longer acquires Franchise Agreements from the Manager, but rather, enters into agreements with the Franchisees directly.

The chart below presents a summary of the Distributable Cash Flow generated by the Company since 2014 and the percentage payout of these amounts to holders of Restricted Voting Share (in the form of dividends) and to the Exchangeable Unitholders (in the form of interest).

DISTRIBUTABLE CASH FLOW

(Years ended December 31, in $ millions)



CASH FLOW FROM OPERATING ACTIVITIES RECONCILED TO DISTRIBUTABLE CASH FLOW

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

(Unaudited) ($ 000's)	**Three months ended June 30, 2019**	Three months ended June 30, 2018	**Six months ended June 30, 2019**	Six months ended June 30, 2018
Cash flow from operating activities	**$ 4,658**	$ 5,447	**$ 6,117**	$ 9,168
Add (deduct):				
Interest on Exchangeable Units	**1,452**	1,452	**2,904**	2,904
Income tax expense	**(703)**	(1,568)	**(1,432)**	(2,770)
Income taxes paid	**1,072**	1,628	**2,427**	3,230
Changes in non-cash working capital items	**(580)**	(104)	**316**	686
Interest expense	**(2,108)**	(2,106)	**(4,214)**	(4,199)
Interest paid	**2,105**	2,093	**4,200**	4,176
Cash used in investing activities	**(1,002)**	(6)	**(1,964)**	(8,536)
Distributable Cash Flow	**$ 4,894**	$ 6,836	**$ 8,354**	$ 4,659

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

Debt Facilities

As at June 30, 2019 the Company's $80.0 million financing is comprised of the following three arrangements, maturing December 31, 2023:

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

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

The covenants of this financing prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense at a minimum of 3:1 (5:1 prior to 2019) and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4:1 (2.5:1 prior to 2019) as outlined in the loan agreement. Consolidated EBITDA is defined as operating income before deducting amortization and net impairment or recovery of intangible assets. Senior Indebtedness is defined as borrowings on the Company's debt facilities. Senior Interest Expense is defined as interest on Senior Indebtedness. The Company is compliant with these covenants for all periods presented.

In October, 2014, the Company entered into a five-year interest rate swap agreement to swap the variable interest obligation on $53.0 million of the Term Facility to a fixed rate obligation of 3.64% through October 2019. In March of 2019, the Company entered into an additional interest rate swap agreement to swap the variable interest rate obligation on the entire $55 million Term Facility to a fixed rate obligation of 3.94% for the period from November 2019 through December 31, 2023. The interest rate swaps are financial instruments and are disclosed at their fair value with any change in that fair value recorded as a gain or loss in the Company's interim condensed consolidated statements of net and comprehensive earnings. At June 30, 2019 the Company determined that the fair value of the interest rate swap represents a liability of $1.3 million (December 31, 2018 – asset of $0.1 million). For the Quarter, the Company recognized a fair value loss of $0.5 million (Prior Year Quarter – gain of less than $0.1 million).

Liquidity

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

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

During the Quarter, the Company generated Distributable Cash Flow of $4.9 million compared to $6.8 million in the Prior Year Quarter. The reduction is due primarily to higher management fees under the terms of the Amended MSA partly offset by lower income tax payments and higher revenues. During the YTD, the Company generated Distributable Cash Flow of $8.4 million compared to Distributable Cash Flow of $4.7 million in the Prior Year Period. Under the terms of the Previous MSA, the Company acquired Franchise Agreements from the Manager during the first quarter of each fiscal year resulting in lower Distributable Cash Flow in the early part of the year. In the Prior Year Period, the Company borrowed $7.2 million on its debt facilities to finance the acquisition of Franchise Agreements. These borrowings permitted the Company to pay out a substantial portion of its remaining Distributable Cash Flow to holders of Restricted Voting Share and holders of Exchangeable Units. The Company paid dividends to shareholders and interest to holders of Exchangeable Units totaling $4.7 million in the Quarter and $9.3 million for the YTD, unchanged from the Prior Year Quarter and Prior Year Period.

Distributable Cash Flow for the rolling twelve-month period ended June 30, 2019 was $1.42 per Share as compared to $1.30 per Share for the rolling twelve-month period ended June 30, 2018. The increase in Distributable Cash Flow was mainly driven by the reduction in cash used in investing activities during the YTD compared to $8.5 million cash used in acquiring Franchise Agreements from the Manger in the Prior Year Period. Under the Amended MSA, the Company will no longer acquire Franchise Agreements from the Manager, but rather, will enter into Franchise Agreements with the Franchisees directly.

WORKING CAPITAL

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

Overall, working capital decreased by $2.0 million from $6.7 million as at December 31, 2018, to $4.7 million as at June 30, 2019. The decrease in working capital resulted primarily from:

- A $1.5 million increase in accounts receivable as a result of higher revenues earned in the month of June relative to December 2018; and
- A $0.5 million increase in current income tax receivable; partly offset by
- A $0.3 million decrease in cash;
- A $0.3 million increase in accounts payable and accrued liabilities;
- A $3.1 million increase in contract transfer obligation owing to the Manager related to the transfer of the Franchise Agreements and other contracts on January 3, 2019;
- A $0.2 million decrease in goods and services taxes receivable; and
- A $0.1 million increase in deferred revenue which relates to revenue received for which the performance obligation has not yet been satisfied.

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

($ 000's) As at	**June 30, 2019**	Mar. 31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sept. 30, 2017	Change in Quarter	Change in Year
Current assets										
Cash	**$ 4,090**	$ 3,635	$ 4,339	$ 4,267	$ 4,888	$ 2,648	$ 3,458	$ 2,644	$ 455	$ (798)
Accounts receivable and current portion of notes receivable	**5,561**	5,343	4,125	4,083	5,234	4,862	4,492	4,779	218	327
Prepaid expenses	**192**	190	207	187	179	164	153	156	2	13
Current income tax receivable	**901**	984	358	48	60	34	–	–	(83)	841
Goods and Services tax receivable	**62**	87	264	–	257	579	–	–	(25)	(195)
	$10,806	$10,239	$ 9,293	$ 8,585	$ 10,618	$ 8,287	$ 8,103	$ 7,579	$ 567	$ 188
Current liabilities										
Accounts payable and accrued liabilities	**$ 1,347**	$ 995	$ 1,003	$ 1,119	$ 1,109	$ 1,014	$ 803	$ 867	$ 352	$ 238
Deferred revenue	**91**	137	–	–	–	–	–	–	(46)	91
Contract transfer obligation	**3,122**	3,106	–	–	–	–	–	–	16	3,122
Purchase obligation	**–**	–	–	2,307	2,310	2,284	1,497	1,611	–	(2,310)
Current income tax liability	**–**	–	–	–	–	–	400	525	–	–
Interest payable to Exchangeable Unitholders	**484**	484	484	484	484	484	484	484	–	–
Dividends payable to Restricted Voting shareholders	**1,067**	1,067	1,067	1,067	1,067	1,067	1,067	1,067	–	–
	6,111	5,789	2,554	4,977	4,970	4,849	4,251	4,554	322	1,141
Net working capital	**$ 4,695**	$ 4,450	$ 6,739	$ 3,608	$ 5,648	$ 3,438	$ 3,852	$ 3,025	$ 245	$ (953)

Cash and Capital Resources

A summary of cash and capital resources available to the Company as at June 30, 2019 and December 31, 2018 is presented below:

(Unaudited) (in 000's) As at	June 30, 2019	December 31, 2018
Cash	$ 4,090	$ 4,339
Term Facility	–	–
Acquisition Facility	1,500	1,500
Operating Facility	5,000	5,000
Net borrowing capacity	$ 6,500	$ 6,500
Available resources	$ 10,590	$ 10,839

As at June 30, 2019, the Company has drawn $18.5 million on the Acquisition Facility.

In addition to the capital resources included in the table above, the Company generates substantial Distributable Cash Flow which can be used to fund dividend payments and interest on Exchangeable Units or to repay amounts owing under the debt facilities.

Commitments

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

As at June 30,	2019	2020	2021	2022	Beyond 2022	Total
Accounts payable and accrued liabilities	$ 1,347	$ –	$ –	$ –	$ –	$ 1,347
Deferred revenue	91	–	–	–	–	91
Current contract transfer obligation	1,833	1,289	–	–	–	3,122
Interest payable to Exchangeable Unitholders	484	–	–	–	–	484
Dividends payable to shareholders	1,067	–	–	–	–	1,067
Interest on long-term debt	2,668	2,896	2,896	2,896	2,896	14,252
Interest on contract transfer obligation	172	232	172	145	383	1,104
Long term contract transfer obligation	–	720	548	572	2,576	4,416
Interest rate swap liability	3	–	–	–	1,307	1,310
Debt facilities	–	–	–	–	73,500	73,500
Exchangeable Units	–	–	–	–	49,616	49,616
Total	$ 7,665	$ 5,137	$ 3,616	$ 3,613	$ 130,278	$ 150,309

Off-Balance Sheet Arrangements

The Company has no off–balance sheet arrangements.

Transactions with Related Parties

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

The Manager operates 24 corporately owned Royal LePage residential Brokerage locations. These locations are serviced by 1,852 REALTORS® with 1,312 REALTORS® operating out of 14 locations in the GTA market and 521 REALTORS® operating from nine locations in the GV market and 19 REALTORS® operating from two locations in Quebec.

All of the corporately owned operations operate under Franchise Agreements with standard fixed and variable franchise fees. The GTA based locations are up for renewal in 2023, while the GV operations are up for renewal between 2023-2024. The Quebec locations are up for renewal in 2028. Included in the GTA based Franchise Agreement was an obligation to pay premium franchise fees ranging from 1% to 5% of Gross Revenue for 11 of the GTA locations until August 2018. Including amounts received from the corporately owned Brokerage, premium franchise fees represented 10% of revenues in the Prior Year Period.

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

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

b) after the first five years of the initial term of the Amended MSA, the greater of:
   - (i) 25.0% of the Distributable Cash of the Company; and
   - (ii) 0.375% of the Current Market Value.

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

The Previous MSA also prescribed the conditions under which the Company purchased Franchise Agreements from the Manager and the formula for calculating the purchase price. The final purchase price for Franchise Agreements was based on, among other things, the average annual franchise fees earned over a specified one-year period, with 80% of the purchase price payable upon acquisition and the remaining balance to be paid at a later date, subject to adjustment.

The related party transactions entered into by the Company were transacted at contracted rates or at exchange amounts approximating fair market value. A summary of these amounts can be found in Note 14 of the interim condensed consolidated financial statements.

On January 3, 2019, in accordance with terms of the Amended MSA, the Manager transferred 47 Franchise Agreements under the Royal LePage and Via Capitale brands representing 495 REALTORS® as well as other agreements which give the Company the rights to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to the Franchise Agreements was $4.7 million and estimated annual revenue from those Franchise Agreements is $0.9 million. The fair value ascribed to the other agreements was $4.6 million and in 2018, the Manager generated approximately $3.6 million in net revenues under those agreements.

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

On January 1, 2018, the Company acquired 38 Franchise Agreements under the Royal LePage and Via Capitale Brands, representing a total of 563 REALTORS®, from the Manager for an estimated purchase price of $8.8 million. A payment of $7.1 million, approximating 80% of the estimated purchase price, plus applicable taxes was paid on January 3, 2018. The remainder was paid on December 23, 2018.

Critical Accounting Estimates and Assumptions

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

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

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

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis and, where applicable, relevant forward looking information, as required. These estimates have been prepared in a manner consistent with prior periods, and management is not aware of any trends, commitments, events or uncertainties that will materially affect the methodology or assumptions utilized in these interim condensed consolidated financial statements. The estimates are impacted by, among other things, movements in interest rates and cash flow forecasts, which are judgements and are uncertain. The interrelated nature of these factors prevents management from quantifying the overall impact of these movements on the Company's interim condensed consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

FORWARD LOOKING INFORMATION FOR ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

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

IMPAIRMENT OF INTANGIBLE ASSETS AND RECOVERY OF IMPAIRMENT

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

ACCOUNTING FOR FRANCHISE AGREEMENTS

The critical judgment made in accounting for the acquisition of Franchise Agreements was determining whether the acquisition was considered the acquisition of assets or a business. In applying the guidance in IFRS 3, Business Combinations ("IFRS 3"), the Company evaluated whether the acquisition included both inputs and processes and whether the integration of acquired inputs and processes into current processes of the Company would meet the definition of a business. The Company evaluated the criteria included in IFRS 3 and determined that the acquisition of Franchise Agreements was an acquisition of assets as no processes were acquired in respect of the Franchise Agreements. In addition, the Company applied judgment with respect to the accounting for the purchase obligation in connection with the purchase of Franchise Agreements. The Company determined that the purchase obligation was an embedded derivative instrument in a non-financial host contract, whereby the value changes in response to changes in the estimated revenue expected to be earned under the Franchise Agreement and the actual revenue earned during the determination period. The Company recorded any change in the fair value of this financial liability in the interim condensed consolidated statement of net and comprehensive earnings.

Financial Instruments

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

Effective January 1, 2019, the Company adopted IFRS 16, "Leases" which introduces changes to lease accounting whereby many of the leases previously accounted for as operating leases will now need to be accounted for as capital leases. IFRS 16 superseded IAS 17-Leases and related interpretations. Upon adoption of IFRS 16, the Company completed an assessment of the impact of adopting IFRS 16 and determined that no adjustments to the interim condensed consolidated financial statements are required as a result of adopting IFRS 16.

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

The Company has entered into two interest rate swap agreements. One agreement swaps the variable interest obligation on $53.0 million of the Term Facility to a fixed rate obligation of 3.64% through October 2019. The second agreement swaps the variable interest rate obligation on the $55.0 million Term Facility to a fixed rate obligation of 3.94% for the period from November 2019 through December 31, 2023. The Company's Term Facility matures on December 31, 2023.

The Company is exposed to the risk of interest rate fluctuations on $2.0 million of its Term Facility, its $20.0 million Acquisition Facility and its $5.0 million Operating Facility as the interest rates on these facilities are based on Prime or Banker's Acceptance interest rates. As at June 30, 2019, the Company has drawn $18.5 million on the Acquisition Facility, and nil on the Operating Facility.

Disclosure Controls and Internal Controls over Financial Reporting

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

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P")

The evaluation of the effectiveness of DC&P, as defined in National Instrument 52-109 *Certification of Disclosures in Issuers' Annual and Interim Filings*, was performed under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. They conclude that these DC&P were adequate and effective as at March 31, 2019. The Company's management can therefore provide reasonable assurance that it receives material information relating to the Company in a timely manner so that it can provide investors with complete and reliable information.

INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management has designed ICFR to provide reasonable assurance that the Company's financial reporting is reliable and that the Company's interim condensed consolidated financial statements were prepared in accordance with IFRS. The design and effectiveness of ICFR was evaluated as defined in National Instrument 52-109 under the supervision of the President and Chief Executive Officer and the Chief Financial Officer. Based on the evaluations, they conclude that ICFR is adequate and effective to provide such assurance as at June 30, 2019. The design of ICFR is undertaken in accordance with the 2013 COSO framework.

Outstanding Restricted Voting Shares

Bridgemarq is authorized to issue an unlimited number of Restricted Voting Shares, an unlimited number of preferred shares and one Special Voting Share. As of August 8, 2019 Bridgemarq has issued 9,483,850 Restricted Voting Shares, no preferred shares and one Special Voting Share.

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

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

Risk Factors

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

Forward-Looking Statements

This MD&A contains forward-looking information and other "forward-looking statements" within the meaning of applicable securities legislation. Words such as "anticipates", "attempts", "attract", "are", "began", "believes", "caters", "can", "continue", "could", "derives", "entitles", "estimated", "estimates", "expect", expects", "forecast", "foreseeable", "further", "future", "generally", "governs", "grow", "growth", "improve", "increase", "objective", "ongoing", "outlook", "owns", "may", "momentum", "pays", "potential", "project", "projected", "provide", "proving", "receives", "reflects", "remain", "relies", "retain", "seeks", "serves", "strives", "supplies", "support "typically", "uncertainty", "will", and other expressions that are predictions of or could indicate future events and trends and that do not relate to historical matters, identify forward-looking statements. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those indicated in the forward looking statements include, but are not limited to: a change in general economic conditions (including interest rates, consumer confidence, commodity prices, real estate legislation and regulations and other general economic factors or indicators), the level of residential real estate transactions, the availability of attractive investment opportunities, the average rate of commissions charged, competition from other real estate brokers or from discount and/or Internet-based real estate alternatives, the closing of existing real estate brokerage offices, other developments in the residential real estate brokerage industry or the Company that reduce the number of REALTORS® in the Company's Network or franchise fee revenue from the Company's Network, availability to generate sufficient cash flows in the future to pay dividends to holders of Restricted Voting Shares and interest to Exchangeable Unitholders, ability to acquire, renew and/or extend Franchise Agreements, the ability to increase fees, the ability to maintain brand equity through the use of trademarks, the methods used by shareholders or analysts to evaluate the value of the Company and its publicly traded securities, the availability of equity and debt financing, conversion of Exchangeable Units into Restricted Voting Shares, a change in tax law or regulations, and other risks detailed in the Company's annual information form, which is filed with securities commissions and posted on SEDAR at www.sedar.com. Forward-looking information is based on various material factors or assumptions, which are based on information currently available to management. Material factors or assumptions that were applied in drawing conclusions or making estimates set out in the forward-looking statements include, but are not limited to: anticipated economic conditions, anticipated impact of government policies, anticipated financial performance, anticipated market conditions, business prospects, the successful execution of the Company's business strategies, regulatory developments and the ability to obtain financing on acceptable terms. The factors underlying current expectations are dynamic and subject to change. Although the forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. The forward-looking statements in this MD&A are made as of the date of this MD&A and the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

SUPPLEMENTAL INFORMATION – DIVIDENDS DECLARED HISTORY

(per Restricted Voting Share*) Month Declared	2019	2018	2017	2016	2015	2014
January	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1000	$ 0.1000
February	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1000	$ 0.1000
March	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1000	$ 0.1000
April	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1000	$ 0.1000
May	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1000	$ 0.1000
June	$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1042	$ 0.1000
July		$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1042	$ 0.1000
August		$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1042	$ 0.1000
September		$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1042	$ 0.1000
October		$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1042	$ 0.1000
November		$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1042	$ 0.1000
December		$ 0.1125	$ 0.1125	$ 0.1083	$ 0.1083	$ 0.1000
	$ 0.6750	$ 1.3500	$ 1.3206	$ 1.2996	$ 1.2335	$ 1.2000

Supplemental Information – Share Performance

(in Canadian dollars) except shares outstanding and average daily volume For three months ended,	June 30, 2019	Mar.31, 2019	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	Mar.31, 2018	Dec. 31, 2017	Sept. 30, 2017
Trading price range of units (TSX: "BRE")								
Close	$ 14.91	$ 16.91	$ 14.57	$ 16.75	$ 19.50	$ 17.40	$ 16.52	$ 16.60
High	$ 17.30	$ 17.13	$ 17.24	$ 19.95	$ 20.15	$ 18.25	$ 16.95	$ 17.60
Low	$ 14.91	$ 12.87	$ 12.36	$ 15.40	$ 16.67	$ 16.27	$ 15.79	$ 15.65
Average daily volume	11,880	17,245	14,161	17,095	10,548	13,445	14,044	11,144
Number of restricted voting shares outstanding at period end	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850	9,483,850
Market capitalization ($000's)	$ 191,020	$216,643	$186,664	$ 214,593	$249,825	$222,920	$ 211,646	$ 212,671

Supplemental Information – Canadian Residential Real Estate Market

For Three months ended	**June 30 2019**	Mar. 31 2019	Dec. 31 2018	Sept. 30 2018	June 30 2018	Mar. 31 2018	Dec. 31 2017	Sept. 30 2017	June 30 2017
Canada									
Transaction dollar volume[1]	**$ 76,313**	$ 44,414	$ 46,390	$ 58,183	$ 71,195	$ 48,272	$ 53,860	$ 59,298	$ 88,349
Average selling price	**$ 490,529**	$470,307	$488,699	$488,875	$ 492,372	$489,959	$500,451	$478,947	$ 531,057
Number of units sold	**151,680**	94,436	95,056	120,750	144,113	98,523	107,623	123,809	166,364
Number of REALTORS® at period end[2]	**131,388**	130,107	129,752	128,646	127,950	126,224	125,269	125,316	123,395
Housing starts	**56,122**	35,575	52,492	49,187	52,928	42,105	55,318	55,486	50,669
Greater Toronto Area									
Transaction dollar volume[1]	**$ 23,074**	$ 12,555	$ 13,716	$ 15,708	$ 18,958	$ 12,576	$ 14,622	$ 13,701	$ 25,600
Average selling price	**$ 810,661**	$777,054	$ 787,300	$786,957	$ 789,893	$ 767,271	$759,900	$747,096	$866,793
Number of units sold	**27,772**	16,178	17,395	20,109	23,531	16,391	19,242	18,339	29,534
Housing starts	**7,907**	7,391	11,029	9,427	8,949	11,702	8,578	11,384	8,381
Greater Vancouver Area									
Transaction dollar volume[1]	**$ 6,640**	$ 4,254	$ 4,900	$ 5,825	$ 8,634	$ 6,906	$ 8,381	$ 9,064	$ 12,899
Average selling price	**$ 990,857**	$ 971,803	$1,048,435	$1,050,945	$1,062,498	$1,040,374	$ 1,051,173	$1,008,187	$1,075,331
Number of units sold	**6,617**	4,377	4,722	5,703	7,988	6,638	7,973	8,990	11,995
Housing starts	**9,951**	5,772	5,348	5,494	5,698	6,864	8,179	5,825	6,931
Greater Montreal Area									
Transaction dollar volume[1]	**$ 6,130**	$ 4,806	$ 4,000	$ 3,747	$ 5,501	$ 4,406	$ 3,946	$ 3,320	$ 5,013
Average selling price	**$ 398,029**	$ 387,165	$ 384,754	$380,962	$ 376,155	$ 369,475	$366,014	$ 376,941	$366,784
Number of units sold	**15,763**	13,028	10,134	9,565	14,743	12,311	10,781	8,808	13,668
Housing starts	**8,247**	5,089	8,143	4,816	7,566	4,475	8,970	5,981	5,102

[1] (in millions Canadian dollars)
[2] CREA Membership data as of June 30, 2019 not available as of MDA date
Source: CREA, CMHC, TREB

For Twelve months ended	**June 30 2019**	Mar. 31 2019	Dec. 31 2018	Sept. 30 2018	June 30 2018	Mar. 31 2018	Dec. 31 2017	Sept. 30 2017	June 30 2017
Canada									
Transaction dollar volume[1]	**$ 225,300**	$ 220,182	$ 224,040	$ 231,510	$ 232,625	$ 249,779	$ 262,455	$ 258,486	$ 264,831
Average selling price	**$ 487,746**	$ 484,604	$ 488,700	$ 491,519	$490,700	$503,263	$ 510,179	$ 506,278	$ 503,155
Number of units sold	**461,922**	454,355	458,442	471,009	474,068	496,319	514,437	510,561	526,342
Housing starts	**193,376**	190,182	196,712	199,538	205,837	203,578	202,284	193,216	187,303
Greater Toronto Area									
Transaction dollar volume[1]	**$ 65,052**	$ 60,936	$ 60,958	$ 61,864	$ 59,857	$ 66,499	$ 76,011	$ 79,379	$ 87,081
Average selling price	**$ 798,635**	$ 789,196	$ 787,300	$780,392	$ 772,318	$ 796,341	$ 822,681	$ 816,514	$803,567
Number of units sold	**81,454**	77,213	77,426	79,273	77,503	83,506	92,394	97,217	108,368
Housing starts	**35,754**	36,796	41,107	38,656	40,613	40,045	38,738	40,092	38,322
Greater Vancouver Area									
Transaction dollar volume[1]	**$ 21,618**	$ 23,612	$ 26,264	$ 29,746	$ 32,985	$ 37,249	$ 37,759	$ 35,086	$ 33,468
Average selling price	**$ 1,009,281**	$ 1,036,064	$1,048,433	$ 1,051,011	$1,044,180	$1,046,443	$1,031,546	$1,004,955	$ 981,996
Number of units sold	**21,419**	22,790	25,051	28,302	31,589	35,596	36,604	34,913	34,082
Housing starts	**26,565**	22,312	23,404	26,235	26,566	27,799	26,204	23,741	25,274
Greater Montreal Area									
Transaction dollar volume[1]	**$ 18,683**	$ 18,054	$ 17,653	$ 17,600	$ 17,173	$ 16,685	$ 16,166	$ 14,444	$ 14,042
Average selling price	**$ 385,286**	$ 380,322	$ 377,584	$371,297	$ 368,182	$ 366,156	$364,510	$363,298	$ 359,671
Number of units sold	**48,490**	47,470	46,753	47,400	46,643	45,568	44,448	39,758	39,041
Housing starts	**26,295**	25,614	25,000	25,827	26,992	24,528	24,756	20,362	20,129

[1] (in millions Canadian dollars)
Source: CREA, CMHC, TREB

Management's Discussion and Analysis of Results and Financial Condition

Supplemental Information – Distributable Cash Flow

DISTRIBUTABLE CASH FLOW AND ITS UTILIZATION

(Unaudited) ($ 000's)	Three months ended June 30, 2019	Six months ended June 30, 2019	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014
Revenues	**$ 11,685**	**$ 21,693**	$ 42,027	$ 44,238	$ 42,436	$ 39,859	$ 37,392
Less:							
Administration expenses	**316**	**714**	1,259	816	1,058	1,286	1,626
Management fees	**4,013**	**7,707**	7,616	8,178	7,754	7,229	6,469
Interest Expense	**757**	**1,522**	2,686	2,532	2,606	2,428	3,419
Current income tax expense	**703**	**1,432**	5,183	5,280	4,893	4,469	3,657
Cash used for investing activities	**1,002**	**1,964**	10,849	10,119	9,366	18,121	5,985
Distributable Cash Flow	**$ 4,894**	**$ 8,354**	$ 14,434	$ 17,313	$ 16,759	$ 6,326	$ 16,236
Less:							
Dividends to shareholders	**3,201**	**6,402**	12,803	12,485	12,325	11,619	11,305
Interest to Exchangeable Unitholders	**1,452**	**2,904**	5,806	5,750	5,710	5,434	5,856
Total distributions	**$ 4,653**	**$ 9,306**	$ 18,609	$ 18,235	$ 18,035	$ 17,053	$ 17,161
Distributions payment rate[1]	**95%**	**111%**	129%	105%	108%	270%	106%

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

CASH FLOW FROM OPERATING ACTIVITIES RECONCILED TO DISTRIBUTABLE CASH FLOW

(Unaudited) ($ 000's)	Three months ended June 30, 2019	Six months ended June 30, 2019	Year ended Dec. 31, 2018	Year ended Dec. 31, 2017	Year ended Dec. 31, 2016	Year ended Dec. 31, 2015	Year ended Dec. 31, 2014
Cash Flow from Operating activities	**$ 4,658**	**$ 6,117**	$ 18,971	$ 21,060	$ 20,148	$ 20,433	$ 16,957
Add (deduct):							
Changes in non-cash working capital items	**(580)**	**316**	(229)	608	111	(1,045)	127
Interest on Exchangeable Units	**1,452**	**2,904**	5,806	5,750	5,710	5,434	5,856
Change in accrued income taxes	**369**	**995**	758	35	205	(332)	(456)
Change in accrued interest expense	**(3)**	**(14)**	(23)	(21)	(49)	(43)	(263)
Cash used in investing activities	**(1,002)**	**(1,964)**	(10,849)	(10,119)	(9,366)	(18,121)	(5,985)
Distributable Cash Flow	**$ 4,894**	**$ 8,354**	$ 14,434	$ 17,313	$ 16,759	$ 6,326	$ 16,236

Supplemental Information – Selected Operating Information

As at	June 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Number of REALTORS®	**19,046**	19,231	18,725	18,135	17,580	16,794	15,377
Number of locations	**671**	682	673	658	667	662	637
Number of franchise agreements	**295**	298	291	293	297	305	302

Management's Discussion and Analysis of Results and Financial Condition

Glossary of Terms

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

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

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

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

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

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

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

"Company" means Bridgemarq, together with its subsidiaries.

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

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

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

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

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

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

"Franchise Network" means the Royal LePage Network and the Via Capitale Network.

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

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

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

"Interest Rate Swaps" means the financial arrangements entered into with a Canadian Chartered Bank to fix the interest rate on $53.0 million of the Company's Term Facility at 3.64% to October 28, 2019 and to fix the interest rate on the Company's $55.0 million Term Facility at 3.94% from October 29, 2019 to December 31, 2023. The fluctuation of the fair value of the Interest Rate Swaps is primarily driven by changes in the expected variable interest rate yield curve from the expected variable interest rate yield curve at the inception of the financial arrangements.

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

"Network" means the collection of Brokerages which operate under one of the Brands controlled by the Company.

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

"Previous Management Services Agreement" or **"Previous MSA"** means the third amended and restated management services agreement, made effective January 1, 2014 and expired effective December 31, 2018 between the Company and the Manager, together with any amendments thereto, pursuant to which, among other things, the Manager provided management and administrative services to the Company, including management of the assets of the Company.

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

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

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

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

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

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

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

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

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

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

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

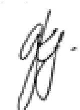
"VCLP" means 9120 Real Estate Network, L.P./Réseau Immobilier 9120 S.E.C., a limited partnership established under the laws of the Province of Quebec, and a subsidiary of Bridgemarq.

Interim Condensed Consolidated Balance Sheets

(Unaudited) (In thousands of Canadian dollars)	Note	June 30, 2019	December 31, 2018
Assets			
Current assets			
Cash		$ 4,090	$ 4,339
Accounts receivable	4,14	5,517	4,024
Current portion of notes receivable	5	44	101
Current income tax receivable	8	901	358
Prepaid expenses		192	207
Goods and Services tax receivable		62	264
		10,806	9,293
Non-current assets			
Notes receivable	5	109	119
Interest rate swap asset	9	–	119
Deferred income tax asset	8	7,063	6,611
Intangible assets	6,7	83,074	79,517
		$ 101,052	$ 95,659
Liabilities and shareholders' deficit			
Current liabilities			
Accounts payable and accrued liabilities	14	$ 1,347	$ 1,003
Deferred revenue	12	91	–
Contract transfer obligation	6,14	3,122	–
Interest payable to Exchangeable Unitholders	10,14	484	484
Dividends payable to shareholders	13	1,067	1,067
		5,166	2,554
Non-current liabilities			
Debt facilities	9	73,317	71,297
Contract transfer obligation	6,14	4,416	–
Interest rate swap liability	9	1,310	–
Exchangeable Units	10	49,616	48,484
		134,770	122,335
Shareholders' deficit			
Restricted voting shares	11	140,076	140,076
Deficit		(173,794)	(166,752)
		(33,718)	(26,676)
		$ 101,052	$ 95,659

See accompanying notes to the interim condensed consolidated financial statements.

Approved on behalf of the Board



Gail Kilgour
Director

Lorraine Bell
Director

Interim Condensed Consolidated Statements of Net and Comprehensive Earnings (Loss)

(Unaudited) (In thousands of Canadian dollars, except per share amounts)	Note	**Three months ended June 30, 2019**	Three months ended June 30, 2018	**Six months ended June 30, 2019**	Six months ended June 30, 2018
Revenues					
Fixed franchise fees		**$ 7,267**	$ 7,058	**$ 14,593**	$ 13,969
Variable franchise fees		**3,233**	3,243	**5,378**	5,813
Premium franchise fees		**–**	1,171	**–**	2,160
Other revenue, net	12	**1,185**	–	**1,722**	–
		11,685	11,472	**21,693**	21,942
Expenses					
Administration expenses	14	**316**	280	**714**	634
Management fees	3,14	**4,013**	2,103	**7,707**	3,992
Interest expense	9	**757**	679	**1,522**	1,351
Impairment and write-off of intangible assets	7	**168**	129	**650**	129
Amortization of intangible assets	7	**2,639**	1,926	**5,295**	3,935
		7,893	5,117	**15,888**	10,041
Operating income		**3,792**	6,355	**5,805**	11,901
Interest on Exchangeable Units	10,14	**(1,452)**	(1,452)	**(2,904)**	(2,904)
Gain (loss) on fair value of Exchangeable Units	10	**6,655**	(6,988)	**(1,132)**	(9,916)
Gain (loss) on interest rate swap	9	**(460)**	4	**(1,429)**	63
Loss on fair value of purchase obligation		**–**	(26)	**–**	(544)
Earnings (Loss) before income tax		**8,535**	(2,107)	**340**	(1,400)
Current income tax expense		**703**	1,568	**1,432**	2,770
Deferred income tax expense (recovery)		**80**	(10)	**(452)**	(140)
Income tax expense	8	**783**	1,558	**980**	2,630
Net and comprehensive earnings (loss)		**$ 7,752**	$ (3,665)	**$ (640)**	$ (4,030)
Basic earnings (loss) per share	13	**$ 0.82**	$ (0.39)	**$ (0.07)**	$ (0.42)
Weighted average number of shares outstanding used in computing basic loss per Share		**9,483,850**	9,483,850	**9,483,850**	9,483,850
Diluted earnings (loss) per share	13	**$ 0.20**	$ (0.39)	**$ (0.07)**	$ (0.42)
Weighted average number of shares outstanding used in computing diluted loss per share		**12,811,517**	12,811,517	**12,811,517**	12,811,517

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Changes in Shareholders' Deficit

(Unaudited) For the six months ended June 30, 2019 (In thousands of Canadian dollars)	**Common Equity**	**Deficit**	**Total Deficit**
Balance, December 31, 2018	$ 140,076	$ (166,752)	$ (26,676)
Net loss	–	(640)	(640)
Dividends paid	–	(6,402)	(6,402)
Balance, June 30, 2019	**$ 140,076**	**$ (173,794)**	**$ (33,718)**

(Unaudited) For the six months ended June 30, 2018 (In thousands of Canadian dollars)	**Common Equity**	**Deficit**	**Total Deficit**
Balance, December 31, 2017	$ 140,076	$ (171,454)	$ (31,378)
Changes in accounting policy	–	114	114
Net loss	–	(4,030)	(4,030)
Dividends paid	–	(6,402)	(6,402)
Balance, June 30, 2018	**$ 140,076**	**$ (181,772)**	**$ (41,696)**

See accompanying notes to the interim condensed consolidated financial statements.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited) (In thousands of Canadian dollars)	Note	**Three months ended June 30, 2019**	Three months ended June 30, 2018	**Six months ended June 30, 2019**	Six months ended June 30, 2018
Cash provided by (used for):					
Operating activities					
Net earnings (loss) for the period		**$ 7,752**	$ (3,665)	**$ (640)**	$ (4,030)
Adjusted for					
Loss (gain) on fair value of Exchangeable Units	10	**(6,655)**	6,988	**1,132**	9,916
Loss on fair value of purchase obligation	6	**–**	26	**–**	544
Loss (gain) on interest rate swap	9,14	**460**	(4)	**1,429**	(63)
Interest expense	14	**2,108**	2,106	**4,214**	4,199
Interest paid		**(2,105)**	(2,093)	**(4,200)**	(4,176)
Interest income		**–**	37	**21**	51
Interest received		**–**	(37)	**(21)**	(51)
Current income tax expense	8	**703**	1,568	**1,432**	2,770
Income taxes paid		**(1,072)**	(1,628)	**(2,427)**	(3,230)
Deferred income tax expense (recovery)	8	**80**	(10)	**(452)**	(140)
Impairment and write-off of intangible assets	7	**168**	129	**650**	129
Amortization of intangible assets	7	**2,639**	1,926	**5,295**	3,935
Changes in non-cash working capital		**580**	104	**(316)**	(686)
		4,658	5,447	**6,117**	9,168
Investing activities					
Payment of contract transfer obligation	6	**(929)**	–	**(1,758)**	–
Purchase of intangible assets	6	**–**	–	**–**	(8,561)
Franchise agreement expenses	7	**(63)**	–	**(206)**	–
Interest expense on contract transfer obligation	6	**100**	–	**211**	–
Interest expense paid on contract transfer obligation	6	**(110)**	–	**(211)**	–
Interest expense on purchase obligation	6,14	**–**	25	**–**	56
Interest expense paid on purchase obligation	6,14	**–**	(31)	**–**	(31)
		(1,002)	(6)	**(1,964)**	(8,536)
Financing activities					
Borrowings under debt facilities	9	**–**	–	**2,000**	7,200
Dividends paid to shareholders	13	**(3,201)**	(3,201)	**(6,402)**	(6,402)
		(3,201)	(3,201)	**(4,402)**	798
Increase (decrease) in cash during the period		**455**	2,240	**(249)**	1,430
Cash, beginning of the period		**3,635**	2,648	**4,339**	3,458
Cash, end of the period		**$ 4,090**	$ 4,888	**$ 4,090**	$ 4,888

See accompanying notes to the interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)
For the three and six months ended June 30, 2019 and 2018
(Expressed in thousands of Canadian dollars, unless stated otherwise)

1. Organization

Bridgemarq Real Estate Services Inc. ("Bridgemarq" and, together with its subsidiaries the "Company"), is incorporated under the *Ontario Business Corporations Act*. Bridgemarq is listed on the Toronto Stock Exchange ("TSX") under the symbol "BRE". Through its ownership interest in Residential Income Fund L.P. (the "Partnership"), Bridgemarq owns certain Franchise Agreements ("Franchise Agreements") and Trademark Rights ("Trademarks") of residential real estate brands in Canada.

Bridgemarq directly owns a 75% interest in the Partnership which, in turn, owns 9120 Real Estate Network, L.P. ("VCLP"). In addition, Bridgemarq directly owns a 75% interest in the general partner of the Partnership, Residential Income Fund General Partner Limited ("RIFGP") (Collectively, the Partnership, VCLP and RIFGP represent the Company's "Subsidiaries" and each of them is a "Subsidiary"). The Partnership and VCLP (together the "Operating Subsidiaries") own and operate the assets from which the Company derives its revenue.

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

The Company receives certain management, administrative and support services from Bridgemarq Real Estate Services Manager Ltd. (formerly known as Brookfield Real Estate Services Manager Ltd. or "BRESML", and together with its subsidiaries, the "Manager"), an indirect wholly owned subsidiary of BBP (see Note 14). The Company is party to an amended and restated Management Services Agreement (the "Amended MSA") with the Manager. The Amended MSA was entered into on November 7, 2018 and governs the relationship between the Manager and the Company. The Amended MSA is effective January 1, 2019 and has a term of ten-years expiring on December 31, 2028. On expiry, the Amended MSA automatically renews for an additional ten-year term unless the Company or the Manager provides notice of their intention to terminate no later than six months prior to expiry. Prior to entering into the Amended MSA, the Company was party to a previous version of the MSA (the "Previous MSA") which, among other things, governed the acquisition of Franchise Agreements by the Company.

During the three months and six months ended June 30, 2019, the Company derived approximately 90% and 92% (three and six months ended June 30, 2018 – 100% and 100%) of its revenues from franchise fees it receives under the Franchise Agreements or other contracts.

2. Significant Accounting Policies

BASIS OF PRESENTATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board using the accounting policies described herein and the accounting policies used to prepare the Annual Financial Statements of the Company as of and for the year ended December 31, 2018, except for those changes in accounting policies described below.

These interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors of the Company on August 8, 2019 and should be read in conjunction with the audited Annual Financial Statements of the Company for the year ended December 31, 2018.

These interim condensed consolidated financial statements have been prepared on a going concern basis and include the accounts of the Company.

The Company's significant accounting policies are as follows:

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2019, the Company adopted IFRS 16, "Leases" which introduces changes to lease accounting whereby many of the leases previously accounted for as operating leases will now need to be accounted for as capital leases. IFRS 16 superseded IAS 17-Leases and related interpretations. Upon adoption of IFRS 16, the Company completed an assessment of the impact of adopting IFRS 16 and determined that no adjustments to the interim condensed consolidated financial statements are required as a result of adopting IFRS 16.

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)
For the three and six months ended June 30, 2019 and 2018
(Expressed in thousands of Canadian dollars, unless stated otherwise)

Effective January 1, 2019, the Company adopted the amendment to IAS 23, "Borrowing Costs" which clarifies that if any asset-specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that asset-specific borrowing becomes part of that entity's general borrowings. The Company has completed its assessment of the impact on its interim condensed consolidated financial statements and determined that there is no impact upon applying the amendments to IAS 23.

Effective January 1, 2019, the Company adopted the amendment to IAS 12, "Income Taxes" which clarifies that an entity must recognize all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognized the originating transaction or event that generated the distributable profits giving rise to the dividend. The Company has completed its assessment of the impact on its interim condensed consolidated financial statements and determined that there is no impact upon applying the amendments to IAS 12.

Effective January 1, 2018 the Company adopted IFRS 15, "Revenue from Contracts with Customers". The Company determined that certain costs associated with the acquisition of Franchise Agreements, which were expensed in prior years, must be capitalized under IFRS 15. The Company adopted the modified retrospective approach with the aggregate impact of any changes being reflected in the opening balance of deficit at the date of initial application. As a result, the Company recorded an increase in the cost of intangible assets of $155 and a net reduction in deficit of $114, after tax, as at January 1, 2018. (see Note 7)

Effective January 1, 2018 the Company adopted IFRS 9, "Financial Instruments". The Company determined that no adjustments to the financial statements were required as a result of adopting IFRS 9. Financial liabilities categorized as "other financial liabilities" and financial assets categorized as "loans and receivables" under IAS 39 are classified as "amortized cost" under IFRS 9.

INTANGIBLE ASSETS

Intangible assets, consisting of Franchise Agreements, Trademarks and other agreements transferred from the Manager ("Ancillary Agreements"), are accounted for using the cost method. Intangible assets are recorded at initial cost less accumulated amortization and accumulated net impairment losses.

Franchise Agreements and Ancillary Agreements are amortized over the term of the agreements plus one renewal period using the straight-line method on an agreement-by-agreement basis. Trademarks are amortized on a straight-line basis over their expected useful life.

The Company acquired Franchise Agreements periodically based on the terms of the Previous MSA and recognized the purchase on the date of acquisition at cost. Under the terms of the Previous MSA, 80% of the estimated purchase price was payable to the Manager at the time of acquisition, and the remainder was deferred until after the final purchase price was determined. The deferred 20% of the estimated purchase price represented the outstanding purchase obligation liability. The purchase obligation liability was updated each reporting period to reflect revisions to the estimated cash flows expected to be earned for each Franchise Agreement during the specified twelve-month period. Subsequent changes to the value of the estimated purchase price and purchase obligation were considered an earn–out provision representing a derivative instrument and were recognized as a fair value change in the interim condensed consolidated statements of net and comprehensive income in the period they arose.

Under the terms of the Amended MSA, the Company is no longer obligated to acquire Franchise Agreements from the Manager. Instead, the Company enters into Franchise Agreements directly with Franchisees. The Franchise Agreements and Ancillary Agreements transferred to the Company on January 3, 2019 (see Note 6) were transferred under the terms of the Amended MSA at nominal cost to the Company. These Franchise Agreements and Ancillary Agreements were recognized at their fair value on the transfer date based on the net present value of estimated future cash flows of those Franchise Agreements and Ancillary Agreements. The contract transfer obligation associated with the transfer of those Franchise Agreements and Ancillary Contracts is a financial instrument that is classified as and measured at amortized cost and is not subject to adjustment based on any changes to estimated future cash flows of the underlying agreements.

The Company may incur franchise agreement expenses prior to or concurrent with entering into Franchise Agreements. These costs include payments to franchisees or prospective franchisees to defray the costs of converting REALTORS® or brokerages to the Company's brands as well as contract specific legal costs, if any. These costs are capitalized on an agreement by agreement basis and amortized over the same term as the agreement to which they relate or, where the underlying agreement is less than a year, charged to the interim condensed consolidated statement of net and comprehensive earnings. Where the franchise agreement expenses represent cash payments to Franchisees, the amortization or charge is recorded as a reduction in revenues.

The Company reviews intangible assets each reporting period to determine whether indicators of impairment or a reversal of impairment exists on individual Franchise Agreements, Trademarks and Ancillary Agreements. When reviewing indicators for impairment or recovery of Franchise Agreements, the Company considers certain factors including, the financial performance of the business, franchise fees earned, term to maturity, historical REALTOR® count, collectability of receivables and underlying market conditions. When reviewing indicators for impairment on individual Ancillary Agreements, the Company considers certain factors including, prior year's revenues and estimated future revenues under each Ancillary Agreement as well as underlying market conditions. Where indicators of impairment exist, the Company recognizes impairment charges if the carrying amount of a Franchise Agreement or Ancillary Agreement (or cash-generating unit) exceeds its recoverable amount (recoverable amount is determined as the higher of a) estimated fair value less costs of disposal and b) value-in-use). Where the counter-parties of one or more Franchise Agreements combine their operations by way of a merger, acquisition or other combination subsequent to the acquisition of the underlying Franchise Agreement, the carrying value of the underlying intangible assets are combined for purposes of evaluating impairment.

If the carrying value of the intangible asset exceeds the recoverable amount, the intangible asset is written down to the recoverable amount and an impairment loss is charged to income in the period. When an intangible asset has been previously written down to its recoverable amount as a result of recording an impairment loss and the conditions causing such an impairment loss have become more favourable, the previously recorded impairment loss may be reversed. Where an impairment loss is reversed, the carrying value of the intangible asset is increased to its revised recoverable amount (the lesser of a) the revised estimate of its recoverable amount, and b) the carrying amount that would have been recorded had no impairment loss been recognized previously) and an impairment reversal is recognized as income in the period.

Franchise Agreements subject to early termination or non-renewal, are written off in the period of termination or when non-renewal becomes reasonably assured.

REVENUE RECOGNITION

The Company is in the business of providing information and services to REALTORS® and real estate brokers in Canada through a portfolio of highly regarded real estate services brands. Certain of these information and services (the "Service Offering") are provided in exchange for franchise fees received from franchisees. The Service Offering is offered as a complete suite of services. Franchisees who pay franchise fees under the Franchise Agreements cannot elect to purchase any service under the Service Offering individually or on a stand-alone basis.

Franchise fees include franchise fees which have both fixed and variable components. Fixed franchise fees are payable to the Company as a fixed monthly amount per REALTOR® without regard to transaction volumes generated by that REALTOR®. Fixed franchise fees are recognized over time, which is when the control of the services and the right to use the trademark are transferred to the customer.

Variable franchise fees are payable to the Company based on the transaction volumes generated by REALTORS®, subject to a cap. Variable franchise fees are a percentage of a REALTORS®'s gross revenue, which is the gross commission income earned on a transaction. Variable franchise fees are recognized at the point in time when a residential real estate transaction is closed and finalized by the REALTOR® and/or a lease is signed by the vendor or lessor.

Premium franchise fees are variable in nature and were calculated as a percentage of a REALTOR®'s gross commission income (ranging from 1% to 5%) for a select number of franchise locations. The obligation for those locations to pay premium franchise fees expired in 2018. Premium franchise fees were recognized as revenue at the point in time when a residential real estate transaction was closed and finalized or a lease was signed by the vendor or lessor.

In addition to the Service Offering, the Company provides certain ancillary services to Franchisees under the Ancillary Agreements. These include information and services provided outside of those provided in the Franchise Agreements. Each Franchisee has the option of purchasing the services provided under the Ancillary Agreements independent of the Service Offering. Revenues under the Ancillary Agreements are derived primarily from referral fees charged to external companies, lead management services provided to Franchisees and other miscellaneous revenues.

Referral fees as disclosed in note 12 consist primarily of external referral fees and lead management services.

External referral fees are generated from external parties who receive service referrals from the Company. External referral fees are recognized as revenue at the point in time when the sale transaction associated with the referral is closed which is when the control of the services are transferred to the customer.

Lead management services are provided to REALTORS® and Franchisees on a subscription basis. Lead management revenue is recognized at the point in time a lead is assigned to the REALTORS® or the Franchisee which is when the performance obligation has been satisfied.

The Company's revenues are affected by the seasonality of Canadian real estate markets, which typically see stronger transactional dollar volumes in the second and third quarters of each year. The impact of the seasonality of Canadian real estate markets is somewhat mitigated by the fixed-fee nature of the Company's franchise fees and the addition of Franchise Agreements during the year.

EXCHANGEABLE UNITS

Exchangeable Units represent the future distribution obligation of the Company in respect of Class B LP units of the Partnership, and are convertible, on a one-for-one basis, subject to adjustment, into restricted voting shares of Bridgemarq. These financial instruments are classified as a financial liability as the holder can "put" these instruments to the Company as well as by virtue of the Partnership agreement, whereby the Partnership is required to distribute all of its income to the partners. The Company records any changes in the fair value of the Exchangeable Units through income in the period the change occurs. The fair value of these financial liabilities is based on the market price of the Company's restricted voting shares and the number of Exchangeable Units outstanding at the reporting date.

EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is based on the weighted average number of shares outstanding during the year. Diluted earnings (loss) per share is calculated to reflect the dilutive effect, if any, of the Exchangeable Unitholders exercising their right to exchange Class B LP units of the Partnership into restricted voting shares of Bridgemarq.

3. Management Services Agreement

Under the Terms of the Amended MSA and the Previous MSA, the Manager provides certain management, administrative and support services to the Company.

Under the terms of the Amended MSA, effective January 1, 2019, the monthly fee payable to the Manager is equal to a fixed management fee of $840 plus a variable management fee equal to a) the greater of i) 23.5% of the distributable cash (as defined in the Amended MSA) of the Company before management fees or ii) 0.342% of the market value of the restricted voting shares on a diluted basis for the first five years of the term of the Amended MSA, and b) the greater of i) 25% of the distributable cash (as defined in the Amended MSA) of the Company before management fees or ii) 0.375% of the market value of the restricted voting shares on a diluted basis thereafter. In addition, under the terms of the Amended MSA, the Company will no longer pay the Manager to acquire Franchise Agreements, but rather, will enter into Franchise Agreements directly (see Note 6 and Note 7).

The Previous MSA prescribed the conditions under which the Company purchased Franchise Agreements from the Manager and the formula for calculating the purchase price. The purchase price for existing brands was based on the average annual franchise fees earned over a twelve-month period, with 80% of the estimated purchase price payable upon acquisition and the remaining balance to be paid at a later date, subject to adjustment, if any, for the actual franchise fees earned over a twelve-month period.

Under the Previous MSA, the monthly fee payable to the Manager was equal to 20% of the distributable cash (as defined in the Previous MSA) of the Company.

For the three and six months ended June 30, 2019, the Company incurred management fees of $5,042 and $9,676 (2018 – $2,103 and $3,992) for these services, $4,013 and $7,707 of which were charged to the interim condensed consolidated statements of net and comprehensive earnings (three and six months ended June 30, 2018 – $2,103 and $3,992) and $1,029 and $1,969 were used to reduce the contract transfer obligation owing to the Manager plus related interest (three and six months ended June 30, 2018 – nil and nil).

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)
For the three and six months ended June 30, 2019 and 2018
(Expressed in thousands of Canadian dollars, unless stated otherwise)

4. Accounts Receivable

Accounts receivable represent amounts due from the Company's franchise network for franchise fees plus amounts due pursuant to the Ancillary Agreements. Accounts receivable are valued initially at fair value, then subsequently measured at amortized cost less any provision for doubtful accounts. As at June 30, 2019, the Company had accounts receivable of $5,517 (December 31, 2018 – $4,024) net of an allowance for doubtful accounts of $727 (December 31, 2018 – $472). During the three and six months ended June 30, 2019, administration expenses included bad debt expense of $50 and $256 (2018 – $16 and $179).

Management analyses accounts receivable to determine the allowance for doubtful accounts by assessing the collectability of receivables owing from each individual franchisee. This assessment takes into consideration certain factors including the aging of outstanding fees, franchisee operating performance, historical payment patterns, current collection efforts, relevant forward looking information and the Company's security interests, if any.

The table below summarizes the aging of accounts receivable as at June 30, 2019 and December 31, 2018.

As at,	June 30, 2019	December 31, 2018
Current	$ 4,214	$ 2,917
30 Days	583	666
60 Days	378	201
90+ Days	1,069	712
Subtotal	$ 6,244	$ 4,496
Allowance for Doubtful Accounts	(727)	(472)
Accounts Receivable	$ 5,517	$ 4,024

The Company recognizes revenues in income to the extent that collection is reasonably assured at the time the revenue is earned.

5. Notes Receivable

The Company has certain franchisees with which it has entered into a signed formalized payment plan in respect of franchise fees due to the Company which were in arrears. Amounts under these payment plans which are due greater than one year from the financial statement date have been classified as non-current. The terms stipulated in the payment plan require the franchisees to repay the total outstanding balance in monthly payments plus interest based on a spread above the prime interest rate. As at June 30, 2019, the Company had notes receivable of $153 (December 31, 2018 – $220), of which $44 was due within 12 months (December 31, 2018 – $101) and $109 was considered non-current (December 31, 2018 – $119).

Scheduled contractual receipts under the terms of the notes receivable are as follows:

As at,	June 30, 2019	December 31, 2018
Current portion	$ 44	$ 101
Receivable in 13-24 months	28	29
Receivable thereafter	81	90
Notes Receivable	$ 153	$ 220

6. Franchise Agreements

Under the terms of the Amended MSA, the Company is no longer obligated to acquire franchise agreements from the manager, but rather, enters into Franchise Agreements directly with franchisees.

In accordance with terms of the Amended MSA, on January 3, 2019, the Manager transferred 47 Franchise Agreements under the Royal LePage and Via Capitale brands as well as the Ancillary Agreements, which give the Company the rights to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to the Franchise Agreements was $4,706 with the fair value for these agreements determined using the prescribed formula under the Previous MSA. The fair value ascribed to the Ancillary Agreements was $4,590 with the fair value for these agreements determined using a discounted cash flow model. These fair values have been included in intangible assets (see note 7). A portion of management fees payable under the Amended MSA has been allocated to reduce the contract transfer obligation associated with these transferred agreements. For the three and six months ended June 30, 2019, $929 and $1,758 of payments for management fees paid under the Amended MSA were allocated to reduce the contract transfer obligation (three and six months ended June 30, 2018 – nil and nil) with a further $100 and $211 allocated to interest on the contract transfer obligation (three and six months ended June 30, 2018 – nil and nil). The contract transfer obligation bears interest at variable rates.

On January 1, 2018, the Company acquired 38 Franchise Agreements under the Royal LePage and Via Capitale brands from the Manager for an estimated purchase price of $8,830. A payment of $7,064 (approximating 80% of the estimated purchase price) plus applicable taxes was paid on January 3, 2018. The remainder was paid on December 24, 2018.

7. Intangible Assets

For the three and six months ended June 30, 2019, the Company identified two and six Franchise Agreements with a carrying amount in excess of their recoverable amount (three and six months ended June 30, 2018 – four). For the three and six months ended June 30, 2019, the Company recognized an impairment charge of $53 and $520 related to those Franchise Agreements (three and six months ended June 30, 2018 – $102)

For the three and six months ended June 30, 2019, the Company identified one and two Franchise Agreement that were subject to early termination or non-renewal (three and six months ended June 30, 2018 – two). For the three and six months ended June 30, 2019, the Company recognized a write-off of $115 and $130 related to those Franchise Agreements (three and six months ended June 30, 2018 – $27)

For the three months and six months ended June 30, 2019, the Company recorded the amortization of intangible asset of $2,675 and $5,336 (three and six months ended June 30, 2018 – $1,926 and $3,935), of which $36 and $41 (three and six months ended June 30, 2018 – nil) was recorded as a reduction in revenues.

A summary of intangible assets is provided in the chart below.

	Franchise Agreements & Ancillary Agreements	Trademarks	Total
Cost			
At December 31, 2018	$ 237,387	$ 5,427	$ 242,814
Additions	9,296	–	9,296
Franchise agreement expenses	206	–	206
Impairment	(520)	–	(520)
Amounts written-off	(156)	–	(156)
At June 30, 2019	**$ 246,213**	**$ 5,427**	**$ 251,640**
Accumulated amortization			
At December 31, 2018	$ (160,462)	$ (2,835)	$ (163,297)
Amortization expense	(5,203)	(92)	(5,295)
Amounts written-off	26	–	26
At June 30, 2019	**$ (165,639)**	**$ (2,927)**	**$ (168,566)**
Carrying value			
At December 31, 2018	$ 76,925	$ 2,592	$ 79,517
At June 30, 2019	**$ 80,574**	**$ 2,500**	**$ 83,074**

In January 2019, the Manager transferred 47 Franchise Agreements as well as the Ancillary Agreements which give the Company the right to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to these agreements was $9,296 which has been recorded as an addition to intangible assets. The contract transfer obligation associated with the transferred agreements will be repaid as described in Note 6.

8. Income Taxes

The Company uses the liability method of tax allocation in accounting for income taxes. Under this method, temporary differences between the carrying amount of balance sheet items and their corresponding tax basis result in either deferred income tax assets or liabilities. Deferred income taxes are computed using substantively enacted tax rates applicable to the years in which the temporary differences are expected to reverse.

A reconciliation of income taxes at Canadian statutory rates with reported income taxes is as follows:

	Three Months ended June 30 2019	Three Months ended June 30 2018	**Six Months ended June 30 2019**	Six Months ended June 30 2018
Earnings (loss) before income tax for the period:	**$ 8,535**	$ (2,107)	**$ 340**	$ (1,400)
Expected income tax expense (recovery) at statutory rate of 26.5% (2018 – 26.5%)	**2,262**	(558)	**90**	(371)
Increase (decrease) in income tax expense due to the following:				
Non-deductible amortization	**577**	142	**704**	287
Non-deductible loss on fair value of Exchangeable Units	**(1,764)**	1,852	**300**	2,628
Non-deductible interest on Exchangeable Units	**384**	384	**769**	769
Deductible management fees not included in earnings	**(466)**	–	**(466)**	–
Non-deductible impairment and write-off on intangible assets	**2**	9	**7**	9
Non-deductible adjustments to purchase obligation			**–**	–
Income allocated to Exchangeable Unitholders	**(207)**	(399)	**(421)**	(820)
Recognition of deferred tax assets and other	**(5)**	128	**(3)**	128
Total income tax expense	**$ 783**	$ 1,558	**$ 980**	$ 2,630

	Three Months ended June 30 2019	Three Months ended June 30 2018	**Six Months ended June 30 2019**	Six Months ended June 30 2018
Current income tax expense	**$ 703**	$ 1,568	**$ 1,432**	$ 2,770
Deferred income tax expense (recovery)	**80**	(10)	**(452)**	(140)
Total income tax expense	**$ 783**	$ 1,558	**$ 980**	$ 2,630

The major components of income tax expense include the following:

The significant components of the Company's deferred tax assets are as follows:

	Intangible Assets	Other	Total
Deferred income tax assets:			
At December 31, 2018	$ 6,642	$ (31)	$ 6,611
Deferred income tax recovery	74	378	452
At June 30, 2019	**$ 6,716**	**$ 347**	**$ 7,063**

	Intangible Assets	Other	Total
Deferred income tax assets:			
At December 31, 2017	$ 6,447	$ (12)	$ 6,435
Deferred income tax recovery (expense)	236	(19)	217
Changes in accounting policy (Note 2)	(41)	–	(41)
At December 31, 2018	$ 6,642	$ (31)	$ 6,611

9. Debt Facilities

The Company's debt is comprised of the following debt facilities:

As at	June 30, 2019	December 31, 2018
Term facility	$ 55,000	$ 53,000
Acquisition facility	18,500	18,500
	$ 73,500	$ 71,500
Financing fees	(183)	(203)
Debt facilities	**$ 73,317**	$ 71,297

The Company has $80,000 in financing available under a borrowing agreement with a Canadian Chartered Bank. The debt facilities under this agreement are comprised of the following, which mature December 31, 2023 ("Maturity"):

A $55,000 non-revolving term variable rate facility (the "Term Facility"). Repayment of principal outstanding is due on Maturity.

A $20,000 revolving acquisition facility (the "Acquisition Facility") is available to support acquisitions pursued by the Company. A standby fee of 0.15% applies on undrawn amounts under the Acquisition Facility. Repayment of principal outstanding is due on Maturity.

A $5,000 revolving operating facility (the "Operating Facility") is available to meet the Company's day-to-day operating requirements. No amounts have been drawn on this facility at June 30, 2019.

Borrowings under each of these arrangements are secured by a first ranking security interest in substantially all assets of the Company and bear interest at a variable rate of Banker's Acceptances (BAs) +1.70% or Prime + 0.5%, at the option of the Company.

The Company's ability to borrow under these arrangements is subject to certain covenants. Under these covenants, the Company must maintain a ratio of Consolidated EBITDA to Interest Expense on Senior Indebtedness at a minimum of 3.0 to 1 (5.0 to 1 prior to January 1, 2019) and a ratio of Senior Indebtedness to Consolidated EBITDA at a maximum of 4.0 to 1 (2.5 to 1 prior to January 1, 2019). Consolidated EBITDA is defined as operating income before impairment and amortization of intangible assets. Senior Indebtedness is defined as borrowings on the Company's debt facilities. At June 30, 2019 and December 31, 2018, the Company complied with all covenants under the debt facilities.

The Company is obligated to make limited principal repayments under the Debt Facilities in circumstances where the ratio of Senior Indebtedness to Consolidated EBITDA exceeds 3.4:1. Such payments shall continue until the ratio of Senior Indebtedness to Consolidated EBITDA is less than 3.25:1.

In October, 2014, the Company entered into a five-year interest rate swap agreement to swap the variable interest obligation on $53,000 of the Term Facility to a fixed rate obligation of 3.64% through October 2019. In March of 2019, the Company entered into an additional interest rate swap agreement to swap the variable interest rate obligation on the entire Term Facility to a fixed rate obligation of 3.94% for the period from November 2019 through December 31, 2023. The interest rate swaps are financial instruments and are disclosed at their fair value with any change in that fair value recorded as a gain or loss in the Company's interim condensed consolidated statements of net and comprehensive earnings. The fair value is determined using a discounted cash flow model using observable yield curves and applicable credit spreads at a credit adjusted rate. At June 30, 2019, the Company determined that the fair value of the interest rate swaps represents a liability of $1,310 (December 31, 2018 – an asset of $119). For the three and six months ended June 30, 2019, the Company recognized a fair value loss of $460 and $1,429 (three and six months ended June 30, 2018 – a fair value gain of $4 and $63).

10. Exchangeable Units

The Exchangeable Units are exchangeable on a one-for-one basis for restricted voting shares of Bridgemarq at the option of the holder.

The Company measures the Exchangeable Units at their fair value using the closing price of the Company's restricted voting shares listed on the TSX. At June 30, 2019, the Company used the closing market price of Bridgemarq's shares of $14.91 (December 31, 2018 – $14.57). During the three months ended June 30, 2019, the Company recorded a gain of $6,655 related to the fair value of the Exchangeable Units (three months ended June 30, 2018 – loss of $6,988). For the six months ended June 30, 2019, the Company recorded a loss of $1,132 related to the fair value of the Exchangeable Units (six months ended June 30, 2018 – $9,916)

The Exchangeable Unitholders are entitled to cash distributions from the Partnership in respect of their economic interest in the Partnership as and when declared by the Board of Directors of RIFGP. Such distributions are made on a before tax basis and are directly taxable in the hands of the Exchangeable Unitholders. For the three months and six months ended June 30, 2019 the Board of Directors of RIFGP declared distributions payable to the Exchangeable Unitholders of $1,452 and $2,904 (three and six months ended June 30, 2018 – $1,452 and $2,904).

11. Share Capital

Bridgemarq is authorized to issue an unlimited number of restricted voting shares, an unlimited number of preferred shares and one special voting share.

Each restricted voting share represents a proportionate voting right in Bridgemarq, and holders of the restricted voting shares are entitled to dividends declared and distributed by Bridgemarq.

The special voting share represents the proportionate voting rights of the Exchangeable Unitholders of the Partnership. The special voting share is redeemable by the holder at $0.01 per share, and the holder is not entitled to dividends declared by Bridgemarq.

No additional restricted voting shares were issued during the three and six months ended June 30, 2019 or the twelve months ended December 31,2018.

No preferred shares were issued or outstanding as at June 30, 2019 or December 31, 2018.

The following table summarizes the outstanding shares of Bridgemarq:

As at	**June 30, 2019**	December 31, 2018
Restricted voting shares	**9,483,850**	9,483,850
Special voting share	**1**	1

12. Other Revenues

	Three months ended June 30, 2019	Three months ended June 30, 2018	**Six months ended June 30, 2019**	Six months ended June 30, 2018
Other revenue				
Referral fees	**$ 1,198**	$ –	**$ 1,775**	$ –
Other	**203**	–	**324**	–
Total other revenues	**$ 1,401**	$ –	**$ 2,099**	$ –
Cost of sales	**$ 216**	–	**$ 377**	–
Other revenues, net	**$ 1,185**	$ –	**$ 1,722**	$ –

Cost of sales represents costs that are incremental to the direct provision of services associated with other revenues.

Deferred revenue of $91 (December 31, 2018 – nil) relates to certain amounts received under the Ancillary Agreements for which the performance obligation has not yet been satisfied.

13. Earnings (Loss) Per Share

Basic and diluted loss per share has been determined as follows:

(In thousands of Canadian dollars, except share and per share amounts)	**Three months ended June 30, 2019**	Three months ended June 30, 2018	**Six months ended June 30, 2019**	Six months ended June 30, 2018
Net earnings (loss) available to restricted voting shareholders – basic	**$ 7,752**	$ (3,665)	**$ (640)**	$ (4,030)
Interest on Exchangeable Units	**1,452**	1,452	**2,904**	2,904
Loss (gain) on fair value of Exchangeable Units	**(6,655)**	6,988	**1,132**	9,916
Net earnings available to restricted voting shareholders – diluted	**$ 2,549**	$ 4,775	**$ 3,396**	$ 8,790
Weighted average number of shares outstanding used in computing basic earnings per share	**9,483,850**	9,483,850	**9,483,850**	9,483,850
Total outstanding Exchangeable Units	**3,327,667**	3,327,667	**3,327,667**	3,327,667
Weighted average number of shares outstanding used in computing diluted earnings per share	**12,811,517**	12,811,517	**12,811,517**	12,811,517
Basic earnings (loss) per share	**$ 0.82**	$ (0.39)	**$ (0.07)**	$ (0.42)
Diluted earnings (loss) per share	**$ 0.20**	$ (0.39)	**$ (0.07)**	$ (0.42)
Dividends declared	**$ 3,201**	$ 3,201	**$ 6,402**	$ 6,402
Restricted voting shares	**9,483,850**	9,483,850	**9,483,850**	9,483,850
Dividends per restricted voting share	**$ 0.34**	$ 0.34	**$ 0.68**	$ 0.68

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)
For the three and six months ended June 30, 2019 and 2018
(Expressed in thousands of Canadian dollars, unless stated otherwise)

14. Related Party Transactions

In addition to transactions disclosed elsewhere in the interim condensed consolidated financial statements, the Company had the following transactions with parties related to the Manager or the Exchangeable Unitholders during the three and six months ended June 30, 2019 and the three and six months ended June 30, 2018. These transactions have been recorded at the exchange amount as agreed between the parties.

	Three months ended June 30, 2019	Three months ended June 30, 2018	**Six months ended June 30, 2019**	Six months ended June 30, 2018
a) Revenues				
Fixed franchise fees	**$ 694**	$ 736	**$ 1,405**	$ 1,466
Variable franchise fees	**$ 259**	$ 286	**$ 547**	$ 616
Premium franchise fees	**$ –**	$ 1,157	**$ –**	$ 2,029
Other revenue, net	**$ 47**	$ –	**$ 71**	$ –
b) Expenses				
Management fees	**$ 4,013**	$ 2,103	**$ 7,707**	$ 3,992
Insurance premiums and other	**$ 6**	$ 6	**$ 11**	$ 11
Interest on contract transfer obligation	**$ 100**	$ –	**$ 211**	$ –
Interest on purchase obligation	**$ –**	$ 25	**$ –**	$ 56
c) Interest				
Interest to Exchangeable Unitholders	**$ 1,452**	$ 1,452	**$ 2,904**	$ 2,904

The following amounts due to/from related parties are included in the account balance as described:

As at	**June 30, 2019**	December 31, 2018
d) Accounts receivable		
Franchise fees receivable	**$ 358**	$ 318
e) Accounts payable and accrued liabilities		
Management fees	**$ 761**	$ 522
Interest on purchase obligation	**$ –**	$ 26
f) Interest payable to Exchangeable Unitholders	**$ 484**	$ 484
g) Contract transfer obligation	**$ 7,538**	$ –

On January 3, 2019, the Manager transferred 47 Franchise Agreements as well as the Ancillary Agreements which give the Company the rights to receive certain revenues previously earned by the Manager, for nominal consideration. The fair value ascribed to these agreements was $9,296. A portion of management fees payable under the Amended MSA will be allocated to the repayment of the contract transfer obligation associated with these transferred agreements.

The members of the Company's board of directors are compensated for their services. During the three and six months ended June 30, 2019, the Company incurred $78 and $48 in directors' fees (three and six months ended June 30, 2018 – $75 and $55). These directors' fees are included in administration expenses.

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited)
For the three and six months ended June 30, 2019 and 2018
(Expressed in thousands of Canadian dollars, unless stated otherwise)

15. Financial Instruments

In the normal course of business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks are outlined below:

A) CREDIT RISK

Credit risk arises from the possibility that the franchisees may not pay amounts owing to the Company. The Company's credit risk is limited to the recorded amount of accounts receivable and notes receivable. The Manager reviews the financial position of all franchisees during the application process and closely monitors outstanding accounts receivable on an ongoing basis to evaluate the risk of a default occurring over the expected life of the accounts receivable. This monitoring includes evaluating the franchisee's historical payment patterns, the current financial health of the franchisee and expected or possible changes in future events or market conditions to determine whether an impairment should be recorded.

As at June 30, 2019, the Company has an allowance for doubtful accounts of $727 (December 31, 2018 – $472).

B) LIQUIDITY RISK

The Company is exposed to liquidity risk in its ability to finance its working capital requirements and meet its cash flow needs, including paying dividends to shareholders of restricted voting shares and interest to Exchangeable Unitholders. The Company manages liquidity risk by maintaining conservative debt levels compared with those required by the covenants associated with the debt facilities. Also, the Company has a $20,000 Acquisition Facility, of which $18,500 has been drawn, and a $5,000 undrawn Operating Facility (see Note 9).

Estimated contractual maturities of the Company's financial liabilities are as follows:

As at June 30,	2019	2020	2021	2022	Beyond 2022	Total
Accounts payable and accrued liabilities	$ 1,347	$ –	$ –	$ –	$ –	$ 1,347
Deferred revenue	91	–	–	–	–	91
Current contract transfer obligation	1,833	1,289	–	–	–	3,122
Interest payable to Exchangeable Unitholders	484	–	–	–	–	484
Dividends payable to shareholders	1,067	–	–	–	–	1,067
Interest on long-term debt	2,668	2,896	2,896	2,896	2,896	14,252
Interest on contract transfer obligation	172	232	172	145	383	1,104
Long term contract transfer obligation	–	720	548	572	2,576	4,416
Interest rate swap liability	3	–	–	–	1,307	1,310
Debt facilities	–	–	–	–	73,500	73,500
Exchangeable Units	–	–	–	–	49,616	49,616
Total	$ 7,665	$ 5,137	$ 3,616	$ 3,613	$ 130,278	$ 150,309

C) INTEREST RATE RISK

The Company is exposed to the risk of interest rate fluctuations on its debt facilities as the interest rates on these facilities are based on the Prime rate and Banker's Acceptance rates.

As described in Note 9, the Company has entered into a five-year interest rate swap to fix the interest on $53,000 the Company's Term Facility at 3.64% until October 28, 2019 and an additional interest rate swap to fix the interest on the Term Facility at 3.94% from October 28, 2019 to December 31, 2023.

The Acquisition Facility bears variable interest at a rate of BAs + 1.70% or Prime + 0.5%. Management has elected to pay interest at variable interest rates on the Acquisition Facility and $2,000 of the Term Facility until October 28, 2019 and monitors this position on an ongoing basis. An increase of 1% in the Company's effective interest rate on its variable rate debt would result in an increase in its annual interest expense of approximately $205.

D) FAIR VALUE

The fair value of certain of the Company's financial instruments, including cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, interest payable to Exchangeable Unitholders and dividends payable to holders of restricted voting shares, are estimated by management to approximate their carrying values due to their short-term nature.

The fair value of the Company's outstanding borrowings of $73,500 approximate their carrying value of $73,317 and the fair value of the Company's outstanding contract transfer obligation approximates the carrying value of $7,538 as a result of their floating rate terms.

E) FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value in the interim condensed consolidated balance sheets as at June 30, 2019 and December 31, 2018, classified using the fair value hierarchy.

As at June 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities:				
Exchangeable Units	49,616	–	–	49,616
Interest rate swap liability	–	1,310	–	1,310
Total	$ 49,616	$ 1,310	$ –	$ 50,926

As at December 31, 2018	Level 1	Level 2	Level 3	Total
Financial asset:				
Interest rate swap asset	–	119	–	119
Total	$ –	$ 119	$ –	$ 119
Financial liability:				
Exchangeable Units	48,484	–	–	48,484
Total	$ 48,484	$ –	$ –	$ 48,484

See Note 10 for disclosures related to Level 1 fair values and Note 9 for disclosures related to the Level 2 fair values. There were no transfers between fair value hierarchy levels during the period.

16. Management of Capital

The Company's capital is made up of its cash on hand, debt facilities, Exchangeable Units and shareholders' deficit.

The Company's objectives in managing its capital include; a) maintaining a capital structure that provides financing options to the Company while remaining compliant with the covenants associated with the debt facilities; b) maintaining financial flexibility to preserve its ability to meet financial obligations, including debt servicing and dividends to shareholders; and c) deploying capital to provide an appropriate investment return to its shareholders.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with these objectives and to be in a position to respond to changes in economic conditions.

The covenants of the debt facilities prescribe that the Company must maintain a ratio of Consolidated EBITDA to Senior Interest Expense on Senior Indebtedness 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.

Senior Indebtedness is defined as borrowings under the Company's debt facilities, as disclosed in Note 9. As at June 30, 2019 and December 31, 2018. The Company is compliant with all financial covenants. There were no changes in the Company's approach to capital management during the period.

17. Segmented Information

The Company has only one business segment which is providing information and services to REALTORS® and real estate brokers in Canada through a portfolio of highly regarded real estate services brands. The economic characteristics are consistent across the Company's brands as they each provide services, similar in nature, in the Canadian residential real estate market. Of the Company's revenues for the three and six months ended June 30, 2019, 93% and 95% respectively (three and six months ended June 30, 2018 – 96% and 97% respectively) are generated from the network of franchisees operating under the Royal LePage and Johnston and Daniel brands and 7% and 5% respectively (three and six months ended 2018 – 4% and 3% respectively) are generated from the network of franchisees operating under the Via Capitale brand.

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