# Lorne Park Capital Partners Inc.

Management's Discussion and Analysis
For the Year Ended December 31, 2021

LORNE PARK
CAPITAL PARTNERS INC.

## Introduction

This Management's Discussion and Analysis ("MD&A") document, prepared on February 24, 2022, should be read in conjunction with the audited consolidated financial statements of Lorne Park Capital Partners Inc. ("LPCP" or "the Company") as at December 31, 2021.

This MD&A and the consolidated financial statements are expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The information in this MD&A is presented on a consolidated basis. The Canadian dollar is the Company's functional and reporting currency for purposes of preparing the financial statements given that the Company conducts most of its operations in that currency. Accordingly, all dollar references in this MD&A are in thousands of Canadian dollars, unless otherwise specified. The use of the term "prior period" refers to the quarter and year-to-date ended December 31, 2020.

The offices of LPCP are at 1295 Cornwall Road, Unit A3, Oakville, Ontario, L6J 7T5 and further inquiries regarding the Company may be directed to its Chief Executive Officer, Robert Sewell, at (905) 337-2227 or by email at investor.relations@lpcp.ca.

## Forward-Looking Statements

This MD&A contains forward-looking statements concerning anticipated future events, results, circumstances, performance or expectations with respect to LPCP and its products and services, including its business operations, strategy and financial performance and condition. When used in this MD&A, such statements use such words as "may", "will", "expect", "believe", and other similar terms. These statements are not historical facts but instead represent management beliefs regarding future events, many of which by their nature are inherently uncertain and beyond management control. Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties. Factors that could cause actual results to differ materially from expectations include, among other things, general economic and market conditions, including interest rates, global financial markets, changes in government regulations, industry competition, technological developments and other factors described under "Risk Management" or discussed in other materials filed with applicable securities regulatory authorities from time to time. The material factors and assumptions applied in reaching the conclusions contained in these forward-looking statements include that interest rates will remain relatively stable.

## Non-IFRS Measures

The Company uses certain measures to evaluate and assess the performance of its business, which are not defined within IFRS. These measures are EBITDA, Adjusted EBITDA, and Adjusted EBITDA per share. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. However, the Company believes that most shareholders, creditors, investment analysts and other stakeholders prefer to utilize these measures in their analysis of our results.

We define EBITDA as net income (loss) before financing costs, income taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA, adjusted for acquisition, restructuring, integration, and share-based compensation expenses. Adjusted EBITDA per share is calculated using the same average shares outstanding that are used in calculating income per share. The Company believes these are important measures as they allow management to assess the operating profitability of our business and to compare it with other investment management companies, without the distortion caused by the impact of non-core business items, different financing methods, levels of income taxes, the amount of net earnings attributable to non-controlling interests and the level of capital expenditures. The most comparable IFRS measure is "Net income (loss)", which is disclosed in the Company's Consolidated Statements of Income (Loss) and Comprehensive Income (Loss), and a reconciliation to that measure is provided within the section below entitled Net Income, Comprehensive Income, and Adjusted EBITDA.

## Business Overview and Highlights

Lorne Park Capital Partners Inc. is a public company listed on the TSX-V as "LPC-V".

LPCP and its wholly-owned subsidiaries, Bellwether Investment Management Inc. ("Bellwether") and Bellwether Estate and Insurance Services Inc. ("Bellwether Estate"), are incorporated and domiciled in Canada. As at December 31, 2021, the Chief Executive Officer and a member of the Board of Directors held 50.2% of LPCP's common shares. Bellwether is registered with the Ontario Securities Commission as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager, and its principal business is the provision of discretionary portfolio management services to affluent Canadian investors, estates, trusts, endowments and foundations. Bellwether Estate is registered as an insurance agent corporation with the Financial Services Commission of Ontario.

*COVID-19*

COVID-19 continues to have an impact on stock markets and the economy around the world. Efforts by governments to control the spread of COVID-19 have continued to disrupt normal economic activity both domestically and globally. Uncertainty related to the extent, duration and severity of the pandemic contributes to significant volatility in the financial markets. To control the spread of COVID-19, many governments at all levels continue to impose severe restrictions on business activity and travel. Although certain of these restrictions were eased, and vaccines continue to be administered, there can be no certainty when these restrictions will be fully lifted or that they will not be expanded.

We activated our business continuity plan in early March 2020 to mitigate risks, maintain operational efficiency and service levels, and address the health and safety concerns of our employees, clients, and advisors. With few exceptions, all the business operations continue to be carried out remotely. The extensive use of remote communication tools and third-party services may lead to heightened cybersecurity and privacy risks. Stress on technology resources, new workplace constraints, personal stress and health concerns may all lead to higher operational risks. As part of the plan, we implemented enhanced monitoring of network assets and management oversight of our business processes, active employee engagement and client communication, and built redundancy for critical services and infrastructure, however there can be no guarantee that this will be effective to mitigate these risks.

We continue to review the financial impact of the COVID-19 pandemic and market risk to our capital position and profitability should the duration, spread or intensity of the pandemic further develop. Our revenues are directly correlated to the market value of our AUM. During the first quarter in the prior year, we experienced a market depreciation in our AUM of 12.9%, however, this decline was recovered during the remainder of 2020, and we ended the year with a market appreciation in our AUM of 5.8%. During the year ended December 31, 2021, we experienced a market appreciation of 15.8%. It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 both in the short- and long-term and, as a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

We proactively lowered the overall volatility risk in client portfolios and regularly evaluate exposure to higher volatility investments, and we continue to closely monitor the markets and client portfolios and risk tolerances to identify ways to protect capital and to take advantage of any opportunities that this market provides. However, we may face declines in our AUM as a result of client redemptions related to a variety of COVID-19 related factors including general market pessimism, poor fund performance, or clients' needs for immediate cash. Refer to Risks Related to Assets Under Management within the Risk Management section of this MD&A for further details.

We maintain sufficient liquidity to satisfy all of our financial obligations for the foreseeable future. Despite this liquidity, we may see an impact to the cost of capital in the future as a result of disrupted credit markets or potential credit rating actions in relation to our debt. Furthermore, a sustained period of significant market volatility could result in a write-down of our goodwill and intangible assets in subsequent periods, and provide a higher level of uncertainty with respect to management's judgments and estimates.

*Dividend Policy*

On March 30, 2021, the Company's Board adopted a quarterly cash dividend policy. Such quarterly dividends are only payable as and when declared by the Board and there is no entitlement to any dividends prior thereto.

During the year ended December 31, 2021, the Board declared and paid dividends on its common shares totaling $776,210.

On January 4, 2022, the Board declared a dividend of $0.005 per share on each of its common shares, totaling $259. This dividend was paid on January 31, 2022 to the shareholders of record on January 18, 2022.

*Employee Share Savings Plan*

On June 25, 2021, the Company received approval for an Employee Share Savings Plan ("ESSP"), and it became effective for eligible employees on July 1, 2021. We believe the ESSP will help us to attract and retain talent as we continue our growth, incentivize our employees to save for their future, and allow employees to be more involved in the future development and results of the Company.

The key terms of the ESSP are as follows:

The aggregate number of common shares of the Company reserved for issuance from treasury under the ESSP shall not exceed 2,000,000 common shares, provided, however, the number of common shares reserved for issuance from the treasury pursuant to all security-based compensation arrangements shall, in the aggregate, not exceed 20% of the number of common shares issues and outstanding.

Eligible employees can elect to have a percentage of their earnings withheld, subject to a maximum, to allocate into a registered account (the "Employee Contribution"). The employee can elect all or a portion of the Employee Contribution to be used to acquire common shares of the Company. The Company matches the Employee Contribution, subject to a maximum, which will be used to acquire common shares of the Company (the "Company Contribution").

The ESSP trustee is Bellwether (the "Trustee"). The Trustee, on behalf of the employees, will acquire common shares of the Company from treasury, at a purchase price which is the lesser of:

i. the closing market price of the common shares traded on the TSX Venture Exchange (the "TSX Venture") on the previous business day; and
ii. the greater of:
    a. the trailing 30-day volume weighted average price of the common shares traded on the TSX Venture; and
    b. 85% of the closing market price of the common shares traded on the TSX Venture on the previous business day.

The Company, in its sole discretion, shall determine the timing of the treasury issuance, which will be dependent on various factors, including the aggregate amount of funds available for the purchase of common shares.

The common shares issued to an employee may be subject to a four-month resale restriction imposed by the TSX Venture. In addition, all common shares purchased with Company Contributions are subject to a hold period of twelve-months following the receipt of such shares in the account of the employee, subject to certain exceptions.

During the year ended December 31, 2021, $59 was expensed, and 90,779 shares were issued resulting in total proceeds of $64.

*Corporate Head Office*

On June 1, 2021, the Company moved its corporate head office to a larger facility to accommodate our future growth, provide for increased interoffice collaborations, and to provide better client and advisor experiences. We moved from 1265 Cornwall Road, Suite 202, Oakville, Ontario, L6J 7T5 to 1295 Cornwall Road, Unit A3, Oakville, Ontario, L6J 7T5.

*Senior Leadership*

On September 7, 2021, the Company appointed Julianna Varpalotai-Xavier as Chief Operating Officer of Bellwether. Julianna is a CPA, CA, has an MBA from the University of Cambridge, and has more than 20 years of experience in the portfolio management industry. Over the course of her career, she has had extensive experience working with affluent families, institutional clients, and advisors. Julianna replaced Susan Schulze, who resigned from that role effective September 7, 2021. Susan has assumed a new role for Bellwether as VP of Practice Management. In her new role, Susan will focus on all aspects of practice management, including training and education, advisor development, and creating a consistent client experience. On October 20, 2021, the Company also appointed Julianna as Chief Compliance Officer of Bellwether. On February 4, 2022, the Company appointed both Craig Ellis and Wayne Wiggins as Vice President and Portfolio Managers.

*Investment in LVTV Financial LP*

On November 1, 2021, Bellwether made a cash contribution of $1,900 to LVTV Financial LP ("LVTV Financial"), an Ontario limited partnership. On the date of investment, LVTV had approximately $130 million in assets under management, all of which was managed by Bellwether. The general partners of LVTV Financial are an advisor engaged with Bellwether and that advisors' personal corporation. In exchange for this investment, Bellwether was granted admission as a limited partner of LVTV Financial and granted certain strategic rights and privileges, including the right for Bellwether to remain the investment manager over the assets of the partnership and the right of first refusal in the event the partnership receives a third party offer for its assets.

The Company identified the only asset of LVTV Financial as client relationship intangible assets and concluded that LVTV Financial is not a business as defined in IFRS 3 Business Combinations. The Company also concluded that Bellwether has control over LVTV Financial per IFRS 10 Consolidated Financial Statements.

The Company assessed the value of the client relationship intangible assets based on the fair value of the consideration paid, any directly attributable costs, and the fair value of the non-controlling interest on the date of the transaction.

*Bellwether Canadian Performance Fund*

The Company can earn a performance fee on one of its managed pooled funds, the Bellwether Canadian Performance Fund (the "Fund"), equal to 20% of the amount by which the performance of the Fund exceeds 12% per annum, calculated and payable at the end of the year. During the year ended December 31, 2021, as a result of the strong performance in the Fund, the Company earned a performance fee of $2,288.

*Earn Out Payable on Intangible Assets*

On September 18, 2015, Bellwether entered into an agreement with an investment advisor to acquire that advisor's book of business. On acquisition, Bellwether became committed to an additional earn out payment at the time the advisor voluntarily retired or was terminated. On January 31, 2022, the earn out payment was triggered, resulting in an obligation by the Company to pay an earn out of $643, subject to the satisfaction of certain conditions.

*Provisions for Contingencies*

Provisions are liabilities of uncertain timing or amount and are recognized when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the best estimate of the consideration required to settle the present obligation at the reporting date. Significant judgment is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. As at December 31, 2021, the Company recorded a provision related to existing and potential litigation.

*Acquisition of W.H. Shutt & Associates Inc.*

On February 4, 2022, Bellwether agreed to the principal terms of an agreement to acquire 100% of the outstanding securities of W.H. Shutt & Associates Inc. ("WHS"), an Ontario corporation that holds approximately $145 million in assets under management. The agreement is anticipated to include a cash payment of $3,850 due on closing, and 4 payments each of $500 due on each of the 12, 24, 36 and 48 months from the closing date, subject to adjustments.

## Business Outlook

The Company has established an excellent long-term investment track record in its core investment solutions and is positioned to continue to rapidly accelerate its business growth. Our primary focus for 2022 is on the continued development of our portfolio management team and business development. The priorities include four objectives in this context:

1. Continue to make strides in the performance, management, and marketing of our branded investment solutions via our existing network.
2. Continue to provide our affluent clients with excellent investment returns through our tailored investment solutions approach.
3. Continue to actively pursue the addition of established Portfolio Managers and their client bases to further enhance the depth of the portfolio management team and accelerate AUM growth.
4. Develop alternative distribution channels to market our established investment solutions and rapidly accelerate AUM growth.

## Financial Highlights

- AUM as at December 31, 2021 was $1,956,330, an increase of $369,238 or 23.3% compared to $1,587,092 as at December 31, 2020, and an increase of $164,756 or 9.2% compared to $1,791,573 as at September 30, 2021. The increase resulted primarily from market appreciation during the periods, as well as net additions from clients which was primarily attributable to the addition of new clients, and existing clients entrusting the Company with additional assets to manage.
- Revenues increased $6,429 or 34.3% and $3,334 or 66.2% during the year and three months ended December 31, 2021, respectively, compared to the same periods in the prior year. This increase was the result of a performance fee of $2,288 earned in the current year, and higher average AUM and higher AUM within our pooled funds during the current year periods.
- Total expenses increased $4,658 or 25.5% and $2,670 or 57.2% during the year and three months ended December 31, 2021, compared to the same periods in the prior year. This was primarily due to higher expenses relating to increased AUM and revenues, higher amortization resulting from additional intangible assets, higher professional fees, and non-recurring charges arising from provisions for contingencies, a change in accounting estimates, and pooled fund administration charges.
- Net income and comprehensive income improved to income of $1,231 during the year ended December 31, 2021, compared to income of $110 during the same period in the prior year, and also improved to income of $682 during the three months ended December 31, 2021, compared to $25 during the same period in the prior year. Adjusted EBITDA[1] also improved to $6,986 and $3,504, during the year ended and three-month period ended December 31, 2021, respectively.
- Cash and cash equivalents and short-term investments increased $1,177 or 35.2% during the year ended December 31, 2021, with an ending balance of $4,521. This increase was primarily due to net cash generated from operating activities, with partial offset from the investment in LVTV Financial, dividends paid, interest paid, payments on lease obligations and acquisition of property and equipment.

[1] Refer to 'Non-IFRS Measures'

In $000s, Except Share Data and Unless Otherwise Specified

## Summary Financial Information

| *Key Performance Indicators* | **As at and for the years ended December 31, 2021** | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Assets under management | **$ 1,956,330** | $ 1,587,092 | $ 1,451,309 |
| Revenue | **25,151** | 18,722 | 16,650 |
| Expenses | **22,925** | 18,267 | 15,692 |
| Net income and comprehensive income | **1,231** | 110 | 991 |
| Net income and comprehensive income attributable to Company's shareholders | **2,211** | 639 | 1,169 |
| Income per common share: | | | |
| Basic | **0.043** | 0.012 | 0.024 |
| Diluted | **0.041** | 0.012 | 0.024 |
| EBITDA[1] | **5,025** | 2,539 | 2,301 |
| Adjusted EBITDA[1] | **6,986** | 2,824 | 2,317 |
| Adjusted EBITDA per common share[1]: | | | |
| Basic | **0.135** | 0.055 | 0.048 |
| Diluted | **0.131** | 0.054 | 0.047 |

| *Summary Balance Sheet* | **As at December 31, 2021** | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| Cash, cash equivalents and short-term investments | **$ 4,521** | $ 3,344 | $ 4,721 |
| Total assets | **32,087** | 24,581 | 19,521 |
| Total liabilities | **12,735** | 8,809 | 8,779 |
| Total shareholders' equity and non-controlling interest | **19,352** | 15,772 | 10,742 |

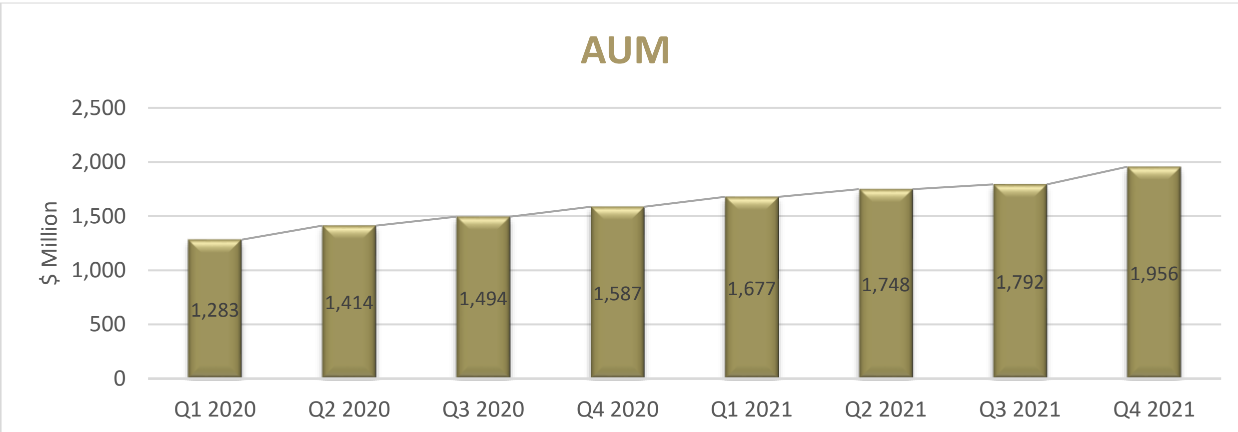
[1] Refer to 'Non-IFRS Measures'

In $000s, Except Share Data and Unless Otherwise Specified

## Results of Operations

*Assets Under Management and Revenues*

AUM was $1,956,330 as at December 31, 2021, for an increase of $369,238 or 23.3% compared to $1,587,092 as at December 31, 2020, and an increase of $164,756 or 9.2% compared to $1,791,573 as at September 30, 2021.




The following is a summary of the change in AUM during the year and three-month periods ended December 31, 2021 and 2020, as well as the average AUM during the respective periods:

| | Years ended | | Three months ended | |
|---|---|---|---|---|
| | **December 31, 2021** | December 31, 2020 | **December 31, 2021** | December 31, 2020 |
| AUM, beginning of period | **$ 1,587,092** | $ 1,451,309 | **$ 1,791,573** | $ 1,493,561 |
| Net additions | **118,847** | 51,444 | **83,189** | 5,615 |
| Market appreciation | **250,391** | 84,339 | **81,568** | 87,916 |
| AUM, end of period | **$ 1,956,330** | $ 1,587,092 | **$ 1,956,330** | $ 1,587,092 |
| Average AUM | **$ 1,760,739** | $ 1,452,402 | **$ 1,888,453** | $ 1,536,668 |

The net additions from clients were $118,847 during the year ended December 31, 2021, compared to net additions of $51,444 during the prior year. During the three months ended December 31, 2021, the net additions from clients were $83,189 compared to net additions of $5,615 during the same period in the prior year. The net additions from clients were attributable to the addition of new clients, and existing clients entrusting the Company with additional assets to manage.

The market appreciation was $250,391 during the year ended December 31, 2021, compared to $84,339 during the prior year. During the three months ended December 31, 2021, the market appreciation was $81,568 compared to an appreciation of $87,916 during the same period in the prior year.

The average AUM was $1,760,739 during the year ended December 31, 2021, an increase of $308,337 or 21.2% compared to $1,452,402 during the prior year. During the three months ended December 31, 2021, the average AUM was $1,888,453, an increase of $351,784 or 22.9% compared to $1,536,668 during the same period in the prior year.

Revenues were $25,151 during the year ended December 31, 2021, an increase of $6,429 or 34.3% from $18,722 during the prior year. Revenues were $8,368 during the three months ended December 31, 2021, an increase of $3,334 or 66.2% from $5,034 during the same period in the prior year. The main reasons for the increase were due to i) a performance fee of $2,288 recognized during the current year periods, and no performance fee in the prior year periods, ii) the growth in average AUM, and iii) higher AUM within our pooled funds.

In $000s, Except Share Data and Unless Otherwise Specified

*Expenses*

Expenses consist of the following:

| | Years ended | | Three months ended | |
|---|---|---|---|---|
| | **December 31, 2021** | December 31, 2020 | **December 31, 2021** | December 31, 2020 |
| Operating Expenses | | | | |
| Salaries and benefits | **$ 15,709** | $ 13,653 | **$ 4,243** | $ 3,449 |
| Professional fees | **462** | 291 | **158** | 57 |
| Investment research fees | **309** | 256 | **68** | 66 |
| Direct fund costs | **1,434** | 988 | **618** | 275 |
| Rent and facility | **123** | 157 | **30** | 40 |
| Marketing and client retention | **1,411** | 169 | **1,278** | 34 |
| Depreciation and amortization | **2,214** | 1,515 | **578** | 428 |
| Other administrative costs | **405** | 362 | **145** | 117 |
| | **22,067** | 17,392 | **7,117** | 4,465 |
| Other Expense (Income) | | | | |
| Public company expenses | **95** | 75 | **33** | 18 |
| Financing costs | **585** | 570 | **154** | 142 |
| Interest income | **(3)** | (15) | **(1)** | (2) |
| Share-based compensation | **180** | 245 | **34** | 44 |
| | **$ 22,925** | $ 18,267 | **$ 7,338** | $ 4,668 |

Total expenses increased $4,658 or 25.5% from $18,267 for the year ended December 31, 2020, to $22,925 for the year ended December 31, 2021, with the main variances as follows:

- An increase in salaries and benefits of $2,056. Included in salaries and benefits are salaries, wages, bonuses, and commissions owing to employees, contractors, and consultants. The main reason for the increase was due to increased variable compensation resulting from higher revenues.
- An increase in professional fees of $171. Professional fees include audit, regulatory, IT, recruiting, advisory and legal expenses. The increase was primarily due to higher recruiting, legal and acquisition related advisory expenses.
- An increase in direct fund costs of $446 resulting from increased AUM in our pooled funds, as well as non-recurring pooled fund administration charges incurred during the current year.
- An increase in marketing and client retention of $1,242. During the year ended December 31, 2021, the Company recorded a provision related to existing and potential litigation and also changed its accounting estimates relating to a future earn out payment.
- An increase in depreciation and amortization of $699. As a result of investments in partnerships in the latter part of 2020 and in the latter part of 2021, additional client relationship intangible assets were identified and are being amortized in the current year.
- A decrease in share-based compensation of $65. The main reason for the decrease was due to a larger grant of stock options in the prior year.

Total expenses increased $2,670 or 57.2% from $4,667 for the three months ended December 31, 2020, to $7,338 for the three months ended December 31, 2021, with the main variances as follows:

- An increase in salaries and benefits of $793, mainly due to increased variable compensation resulting from higher revenues.
- An increase in professional fees of $102 resulting from higher legal and acquisition related advisory expenses.
- An increase in direct fund costs of $343, mainly due to increased AUM in our pooled funds, as well as non-recurring pooled fund administration charges incurred during the current year period.
- An increase in marketing and client retention of $1,244 resulting from the current year period including a provision related to existing and potential litigation and a charge due to a change in the Company's accounting estimates relating to a future earn out payment.
- An increase in depreciation and amortization of $150 due to additional client relationship intangible assets being amortized.

### *Net Income, Comprehensive Income, and Adjusted EBITDA*[1]

Net income and comprehensive income increased $1,121 to income of $1,231 during the year ended December 31, 2021, compared to $110 during the prior year. Net income and comprehensive income also increased $658 to income of $682 during the three months ended December 31, 2021, compared to $25 during the same period in the prior year. The main reason for the increase was due to increased revenues, with a partial offset from increased expenses, as detailed above, and increased income tax expense.

Historically, Bellwether had non-capital income tax losses which were available to offset taxable income. In 2021, Bellwether will have utilized all the available losses and is in a taxes payable position, and this is reflected in income tax expense of $995 and $348 during the year and three months ended December 31, 2021, respectively.

[1] Refer to 'Non-IFRS Measures'

In $000s, Except Share Data and Unless Otherwise Specified

The following table outlines how EBITDA[1] and Adjusted EBITDA[1] were determined:

| | Years ended | | Three months ended | |
|---|---|---|---|---|
| | **December 31, 2021** | December 31, 2020 | **December 31, 2021** | December 31, 2020 |
| Net income and comprehensive income | **$ 1,231** | $ 110 | **$ 682** | $ 25 |
| Adjustments | | | | |
| Financing costs | **585** | 570 | **154** | 142 |
| Depreciation and amortization | **2,214** | 1,515 | **578** | 428 |
| Income tax expense | **995** | 345 | **348** | 341 |
| EBITDA[1] | **5,025** | 2,539 | **1,762** | 936 |
| Other adjustments | | | | |
| Non-cash share-based compensation | **180** | 245 | **33** | 44 |
| Non-recurring expenses related to: | | | | |
| Acquisitions | **44** | 40 | **54** | - |
| Employees | **534** | - | **454** | - |
| Other non-recurring charges | **1,202** | - | **1,202** | - |
| Adjusted EBITDA[1] | **$ 6,986** | $ 2,824 | **$ 3,504** | $ 980 |

During the year and three-month periods ended December 31, 2021, we incurred $180 and $33, respectively, in non-cash share-based compensation, $44 and $54, respectively, in non-recurring acquisition related expenses, $534 and $454, respectively, in non-recurring employee related expenses, which includes a change in accounting estimates relating to a future earn out payable, and $1,202 and $1,202, respectively, in non-recurring provisions related to existing and potential litigation and non-recurring pooled fund administration charges.

During year and three-month periods ended December 31, 2020, we incurred $245 and $44, respectively, in non-cash share-based compensation. During the year ended December 31, 2020, we also incurred $40 in non-recurring acquisition related expenses.

After adjusting for non-recurring and non-cash expenses, Adjusted EBITDA[1] for the year ended December 31, 2021, improved $4,162 to earnings of $6,986 compared to $2,824 during the prior year. Adjusted EBITDA[1] also improved $2,524 to earnings of $3,504 for the three months ended December 31, 2021, compared to $980 during the same period in the prior year.

[1] Refer to 'Non-IFRS Measures'

In $000s, Except Share Data and Unless Otherwise Specified

## Statement of Financial Position

Cash and cash equivalents and short-term investments increased $1,177 or 35.2% from $3,344 as at December 31, 2020, to $4,521 as at December 31, 2021. The main contributors were as follows:

| | | |
|---|---|---|
| Net cash generated from operating activities | $ | 4,568 |
| Investment in partnership | | (1,900) |
| Proceeds on issuance of shares on account of ESSP | | 64 |
| Dividends paid | | (776) |
| Interest paid | | (503) |
| Payments of lease obligations | | (179) |
| Acquisition of property and equipment, net of proceeds on sale | | (131) |
| Proceeds on exercise of options | | 30 |
| Interest received | | 3 |
| | $ | 1,177 |

Accounts receivable increased $2,848 or 138.9% from $2,050 as at December 31, 2020, to $4,897 as at December 31, 2021. The main reason for this increase was due to increased revenues.

Property and equipment increased $105 or 201.9% from $52 as at December 31, 2020, to $157 as at December 31, 2021. The main reason for this increase was due to the addition of leasehold improvements on our relocated head office, with partial offset from the depreciation recognized during the year.

Right-of-use assets increased $577 or 692.4% from $83 as at December 31, 2020, to $660 as at December 31, 2021. The main reason for this increase was due to the relocation of our head office and the related lease obligation and corresponding right-of-use asset that arose, with partial offset from the depreciation recognized during the year.

Intangible assets increased $2,711 or 15.7% from $17,298 as at December 31, 2020, to $20,009 as at December 31, 2021. Included in intangible assets is the cost of acquired client relationships, net of accumulated amortization. The reason for this increase was due to the addition of intangible assets arising from the investment in a partnership, with partial offset from the amortization recognized during the year.

Accounts payable and accrued liabilities increased $3,232 or 160.3% from $2,016 as at December 31, 2020, to $5,247 as at December 31, 2021, mainly due to accrued provisions for current income taxes, commissions and provisions related to existing and potential litigation, as well as due to the timing of payments of various other accounts payable and accrued amounts.

Lease liability increased $577 or 549.5% from $105 as at December 31, 2020, to $681 as at December 31, 2021. The main reason for this increase was due to the relocation of our head office and the related lease obligation that arose, with partial offset from lease payments made during the year.

Earn out payable on intangible assets increased $421 or 236.9% from $188 as at December 31, 2020, to $598 as at December 31, 2021. The main reason for this increase was due a change in estimates made during the year.

In $000s, Except Share Data and Unless Otherwise Specified

Deferred tax liabilities decreased $341 or 100.0% from $341 as at December 31, 2020, to $nil as at December 31, 2021, resulting from the usage in the current period of the previously recognized deferred tax liabilities.

Share capital increased $113 or 1.0% from $11,888 as at December 31, 2020, to $12,001 as at December 31, 2021. During the year ended December 31, 2021, there were exercises of options that resulted in the addition of $49 to share capital, and an issuance of shares from treasury on account of the ESSP that resulted in the addition of $64 to share capital.

Reserve for options and warrants increased $162 or 17.4% from $929 as at December 31, 2020, to $1,091 as at December 31, 2021. The main reason for this increase was due to share-based compensation arising from option grants, with partial offset from option exercises and the reclassification to share capital.

Non-controlling interest increased $1,870 or 22.5% from $8,321 as at December 31, 2020, to $10,191 as at December 31, 2021. Non-controlling interest exists due to investments made in partnerships, which resulted in Bellwether having acquired control over each partnership, and as a result, assessed the fair value of the non-controlling interests on the date of each transaction based on a discounted cash flow analysis using various assumptions and estimates. The reason for the increase was due to another partnership investment made during the year, with partial offset from the recognition of the non-controlling interest portion of the intangible asset amortization recognized in the partnerships during the year.

## Liquidity and Capital Resources

The following is a summary of the cash flows of the Company for the year and three-month periods ended December 31, 2021 and 2020:

| | Years ended | | Three months ended | |
|---|---|---|---|---|
| | **December 31, 2021** | December 31, 2020 | **December 31, 2021** | December 31, 2020 |
| Cash provided by (used in) | | | | |
| Operating activities | **$ 4,568** | $ 2,540 | **$ 748** | $ 533 |
| Financing activities | **(1,364)** | (396) | **(267)** | (190) |
| Investing activities | **(2,086)** | (2,536) | **(1,903)** | (2,000) |
| Net increase in cash and cash equivalents | **1,118** | (391) | **(1,422)** | (1,657) |
| Cash and cash equivalents, beginning of period | **1,958** | 2,349 | **4,498** | 3,615 |
| Cash and cash equivalents, end of period | **$ 3,076** | $ 1,958 | **$ 3,076** | $ 1,958 |

The Company generated $4,568 and $748 from operating activities during the year and three months ended December 31, 2021, respectively, compared to a generation of $2,540 and $533 during the same periods in the prior year. The main reason for the increase in cash generated from operating activities was due to an improvement in net income.

The Company used $1,364 and $267 in financing activities during the year and three months ended December 31, 2021, respectively, compared to a usage of $396 and $190 during the same periods in the prior year. The current year periods include the payment of dividends on common shares, which was not incurred during the prior year periods, and the prior year includes proceeds on the exercise of warrants.

The Company used $2,086 and $1,903 in investing activities during the year and three months ended December 31, 2021, respectively, compared to a usage of $2,536 and $2,000 during the same periods in the prior year. The prior year periods included $3,500 investment in partnership, compared to $1,900 in the current year periods. The prior year periods included a decrease in funds invested in short-term investments, compared to an increase in the current year periods. The current year periods include higher acquisition of property and equipment arising from leasehold improvements on our relocated head office.

In $000s, Except Share Data and Unless Otherwise Specified

## Summary of Quarterly Results

| | As at and for the three months ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **December 31, 2021** | September 30, 2021 | June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 | June 30, 2020 | March 31, 2020 |
| Assets under management | **$ 1,956,330** | $ 1,791,573 | $ 1,747,681 | $ 1,677,090 | $ 1,587,092 | $ 1,493,561 | $ 1,413,736 | $ 1,282,675 |
| Revenue | **$ 8,367** | $ 5,874 | $ 5,621 | $ 5,289 | $ 5,033 | $ 4,693 | $ 4,468 | $ 4,528 |
| Operating Expenses | | | | | | | | |
| Salaries and benefits | **4,242** | 4,006 | 3,803 | 3,658 | 3,449 | 3,440 | 3,376 | 3,388 |
| Professional fees | **158** | 97 | 109 | 97 | 57 | 74 | 53 | 107 |
| Investment research fees | **69** | 79 | 81 | 81 | 66 | 65 | 65 | 60 |
| Direct fund costs | **618** | 264 | 237 | 315 | 275 | 245 | 234 | 234 |
| Rent and facility | **30** | 30 | 37 | 27 | 40 | 35 | 43 | 39 |
| Marketing and client retention | **1,278** | 31 | 57 | 45 | 34 | 57 | 29 | 50 |
| Depreciation and amortization | **578** | 539 | 553 | 544 | 428 | 362 | 362 | 362 |
| Other administrative costs | **145** | 95 | 92 | 74 | 117 | 79 | 80 | 86 |
| | **7,118** | 5,140 | 4,969 | 4,841 | 4,465 | 4,357 | 4,242 | 4,327 |
| Other Expense (Income) | | | | | | | | |
| Public company expenses | **34** | 19 | 25 | 18 | 18 | 17 | 19 | 21 |
| Financing costs | **154** | 154 | 139 | 138 | 142 | 143 | 142 | 143 |
| Interest income | **(1)** | (1) | (1) | (1) | (2) | (2) | (3) | (9) |
| Share-based compensation | **33** | 35 | 75 | 37 | 44 | 44 | 47 | 110 |
| | **7,338** | 5,347 | 5,208 | 5,033 | 4,668 | 4,559 | 4,447 | 4,593 |
| Net income (loss) before provision of income taxes | **1,030** | 527 | 414 | 256 | 366 | 134 | 20 | (66) |
| Provision for (recovery of) taxes | | | | | | | | |
| Current | **702** | 265 | 260 | 182 | - | - | - | 3 |
| Deferred | **(354)** | (24) | (23) | (12) | 341 | - | - | - |
| | **348** | 240 | 237 | 169 | 341 | - | - | 3 |
| Net income (loss) and comprehensive income (loss) | **$ 682** | $ 286 | $ 176 | $ 87 | $ 25 | $ 134 | $ 20 | $ (69) |
| Net income (loss) and comprehensive income (loss) attributable to: | | | | | | | | |
| Company's shareholders | **$ 944** | $ 527 | $ 417 | $ 323 | $ 187 | $ 258 | $ 144 | $ 50 |
| Non-controlling interest | **(262)** | (241) | (241) | (236) | (163) | (124) | (124) | (119) |
| | **$ 682** | $ 286 | $ 176 | $ 87 | $ 25 | $ 134 | $ 20 | $ (69) |
| Weighted-average number of common shares | | | | | | | | |
| Basic | **51,841,449** | 51,766,555 | 51,741,721 | 51,707,945 | 51,706,501 | 51,406,577 | 50,995,001 | 50,995,001 |
| Diluted | **53,516,007** | 53,301,440 | 53,363,674 | 53,071,160 | 52,822,956 | 52,524,369 | 51,748,470 | 52,194,518 |
| Income per common share | | | | | | | | |
| Basic | **$ 0.018** | $ 0.010 | $ 0.008 | $ 0.006 | $ 0.004 | $ 0.005 | $ 0.003 | $ 0.001 |
| Diluted | **$ 0.018** | $ 0.010 | $ 0.008 | $ 0.006 | $ 0.004 | $ 0.005 | $ 0.003 | $ 0.001 |

In $000s, Except Share Data and Unless Otherwise Specified

## Related Party Transactions

The Company considers its related parties to consist of members of its Board of Directors and officers, including their close family members and companies controlled or significantly influenced by such individuals, and reporting shareholders and their affiliates which may exert significant influence over the Company's activities.

Total compensation and other benefits paid or owing to directors and employees classified as key management, being individuals having authority and responsibility for planning, directing, and controlling the activities of the Company, are included as related party transactions.

The following is a summary of the transactions which occurred with related parties during the year and three months ended December 31, 2021 and 2020:

| | Years ended | | Three months ended | |
|---|---|---|---|---|
| | **December 31, 2021** | December 31, 2020 | **December 31, 2021** | December 31, 2020 |
| Transactions with key management | | | | |
| Salaries, bonuses and net fees | **$ 2,161** | $ 1,685 | **$ 731** | $ 388 |
| Debenture interest expense* | **50** | 50 | **13** | 13 |
| Share-based compensation | **119** | 164 | **23** | 30 |
| | **$ 2,331** | $ 1,899 | **$ 766** | $ 430 |
| Other transactions with entities related to directors | | | | |
| Legal fees | **$ 48** | $ 34 | **$ 10** | $ 7 |

The following balances were outstanding with related parties as at December 31, 2021 and December 31, 2020:

| | **December 31, 2021** | December 31, 2020 |
|---|---|---|
| Amounts payable to key management, due on demand | **$ 378** | $ 312 |
| Amounts payable to entities related to directors, due on demand | **$ 0** | $ 2 |
| Debentures payable to key management, bearing interest at 8% per annum, paid semi-annually, and due on the following maturity dates: | | |
| June 15, 2022* | **$ 340** | $ 340 |
| August 15, 2024* | **286** | 286 |

* The debenture transactions were made on the same terms, including interest rate, maturity, and security, as provided to third parties.

Stephen Meehan is a member of the Board of Directors of the Company, and as at December 31, 2021 holds, directly or indirectly, 23.1% of the Company's outstanding shares (December 31, 2020 – 23.1%). Mr. Meehan has a controlling interest in JDI Bancorp Inc. ("JDI") and Glen Road Capital Partners Inc. ("GRCP"). As such, the Company considers Mr. Meehan, JDI, and GRCP related parties. Mr. Meehan does not receive any director fees for his role as a director of the Company. During the year and three months ended December 31, 2021, the Company incurred expenses of $569 and $156, respectively, through JDI to perform business development services for the Company (2020 – $500 and $88, respectively). GRCP occupies a portion of the head office of the Company, and the Company recovers from GRCP an amount based on the square footage occupied and the resources used by GRCP. During the year and three months ended December 31, 2021, the Company recovered from GRCP $50 and $14, respectively (2020 – $64 and $15, respectively). As at December 31, 2021, $2 remains within accounts payable and accrued liabilities to JDI (December 31, 2020 – $nil), and $nil remains recoverable from GRCP (December 31, 2020 – $nil). During the year and three months ended December 31, 2021, the Company did not grant Mr. Meehan any stock options (2020 – 100,000 and nil, respectively), and the share-based compensation expense recognized on grants to Mr. Meehan was $9 and $2, respectively (2020 – $24 and $4, respectively).

Robert Sewell is a member of the Board of Directors of the Company and is also the President and Chief Executive Officer of the Company. As at December 31, 2021, Mr. Sewell holds, directly or indirectly, 27.1% of the Company's outstanding shares (December 31, 2020 – 27.2%). As such, the Company considers Mr. Sewell to be a related party. Mr. Sewell does not receive any director fees for his role as a director of the Company. During the year and three months ended December 31, 2021, the Company incurred $728 and $275, respectively, in salary, commissions, ESSP Company contributions and bonus (2020 – $550 and $100, respectively). As at December 31, 2021, $312 remains within accounts payable and accrued liabilities to Mr. Sewell (December 31, 2020 – $250). During the year and three months ended December 31, 2021, the Company did not grant Mr. Sewell any stock options (2020 – 100,000 and nil, respectively), and the share-based compensation expense recognized on grants to Mr. Sewell was $9 and $2, respectively (2020 – $24 and $4, respectively). As at December 31, 2021, Mr. Sewell, directly or indirectly, is subscribed to $250 in Company debentures (December 31, 2020 – $250). During the year and three months ended December 31, 2021, the debenture interest expense relating to the debentures held by Mr. Sewell was $20 and $5, respectively (2020 – $20 and $5, respectively).

Carlo Pannella is Chief Financial Officer of the Company, and as such the Company considers Mr. Pannella to be a related party. During the year and three months ended December 31, 2021, the Company incurred $331 and $114, respectively, in salary, ESSP Company contributions and bonus (2020 – $270 and $83, respectively). As at December 31, 2021, $nil remains within accounts payable and accrued liabilities to Mr. Pannella (December 31, 2020 – $nil). During the year and three months ended December 31, 2021, the Company granted Mr. Pannella 100,000 and nil stock options, respectively (2020 – 100,000 and nil, respectively), and the share-based compensation expense recognized on grants to Mr. Pannella was $38 and $7, respectively (2020 – $28 and $5). As at December 31, 2021, Mr. Pannella, directly or indirectly, is subscribed to $276 in Company debentures (December 31, 2020 – $276). During the year and three months ended December 31, 2021, the debenture interest expense relating to the debentures held by Mr. Pannella was $22 and $6, respectively (2020 – $22 and $6, respectively).

Susan Schulze was Chief Operating Officer of the Company up to September 7, 2021, following which she was appointed VP of Practice Management, and as such the Company considers Ms. Schulze to be a related party. During the year and three months ended December 31, 2021, the Company incurred $217 and $61, respectively, in salary, ESSP Company contributions and bonus (2020 – $205 and $65, respectively). As at December 31, 2021, $36 remains within accounts payable and accrued liabilities to Ms. Schulze (December 31, 2020 – $35). During the year and three months ended December 31, 2021, the Company did not grant Ms. Schulze any stock options (2020 – 100,000 and nil, respectively), and the share-based compensation expense recognized on grants to Ms. Schulze was $13 and $3, respectively (2020 – $32 and $6, respectively). As at December 31, 2021, Ms. Schulze, directly or indirectly, is subscribed to $50 in Company debentures (December 31, 2020 – $50). During the year and three months ended December 31, 2021, the debenture interest expense relating to the debentures held by Ms. Schulze was $4 and $1, respectively (2020 – $4 and $1, respectively).

Kari Tavener was Chief Compliance Officer of the Company until October 20, 2021, following which she was no longer engaged by the Company. The Company considers Ms. Tavener to have been a related party. During the year and three months ended December 31, 2021, the Company incurred $137 and $21, respectively, in salary, ESSP Company contributions, separation amounts and bonus (2020 – $153 and $41, respectively). As at December 31, 2021, $nil remains within accounts payable and accrued liabilities to Ms. Tavener (December 31, 2020 – $nil). During the year and three months ended December 31, 2021, the Company did not grant Ms. Tavener any stock options (2020 – 100,000 and nil, respectively), and the share-based compensation expense recognized on grants to Ms. Tavener was $8 and $1, respectively (2020 – $24 and $4, respectively). During the year and three months ended December 31, 2021, all of the 100,000 stock options held by Ms. Tavener expired.

Julianna Varpalotai-Xavier was appointed Chief Operating Officer of the Company on September 7, 2021, and was appointed Chief Compliance Officer of the Company on October 20, 2021, and as such the Company considers Ms. Varpalotai-Xavier to be a related party. During the year and three months ended December 31, 2021, the Company incurred $158 and $90, respectively, in salary, ESSP Company contributions and bonus (2020 – $nil and $nil, respectively). As at December 31, 2021, $nil remains within accounts payable and accrued liabilities to Ms. Varpalotai-Xavier (December 31, 2020 – $nil).

Christopher Dingle is Chairman of the Board of the Company, and as such the Company considers Mr. Dingle to be a related party. During the year and three months ended December 31, 2021, the Company incurred $47 and $20, respectively, in director fees (2020 – $42 and $15, respectively). As at December 31, 2021, $20 remains within accounts payable and accrued liabilities to Mr. Dingle (December 31, 2020 – $15). During the year and three months ended December 31, 2021, the Company granted Mr. Dingle 50,000 and nil stock options, respectively (2020 – 60,000 and nil, respectively), and the share-based compensation expense recognized on grants to Mr. Dingle was $19 and $4, respectively (2020 – $14 and $3, respectively).

James Williams is a member of the Board of Directors of the Company, and as such the Company considers Mr. Williams to be a related party. During the year and three months ended December 31, 2021, the Company incurred $6 and $3, respectively, in director fees (2020 – $10 and $7, respectively). As at December 31, 2021, $3 remains within accounts payable and accrued liabilities to Mr. Williams (December 31, 2020 – $6). During the year and three months ended December 31, 2021, the Company granted Mr. Williams 10,000 and nil stock options, respectively (2020 – 20,000 and nil, respectively), and the share-based compensation expense recognized on grants to Mr. Williams was $5 and $1, respectively (2020 – $5 and $1, respectively).

David Brown is a member of the Board of Directors of the Company, and a Partner with a law firm, Weirfoulds LLP ("Weirfoulds"). Mr. Brown also holds a controlling interest in Keiller Capital ("Keiller"). As such the Company considers Mr. Brown, Weirfoulds and Keiller to be related parties. Mr. Brown foregoes any director fees for his role as a director of the Company. During the year and three months ended December 31, 2021, the Company incurred $48 and $9, respectively, in legal fees with Weirfoulds (2020 – $34 and $7, respectively). As at December 31, 2021, $1 remains within accounts payable and accrued liabilities to Weirfoulds (December 31, 2020 – $2). During the year and three months ended December 31, 2021, the Company granted Keiller 20,000 and nil stock options, respectively (2020 – 20,000 and nil, respectively), and the share-based compensation expense recognized on grants to Keiller was $7 and $1, respectively (2020 – $5 and $1, respectively).

Peter Patchet is a member of the Board of Directors of the Company, and holds a controlling interest in 2615054 Ontario Inc. As such the Company considers Mr. Patchet and 2615054 Ontario Inc. to be related parties. During the year and three months ended December 31, 2021, the Company incurred $18 and $5, respectively, in director fees (2020 – $19 and $5, respectively). As at December 31, 2021, $5 remains within accounts payable and accrued liabilities to 2615054 Ontario Inc. (December 31, 2020 – $6). During the year and three months ended December 31, 2021, the Company granted Mr. Patchet 25,000 and nil stock options, respectively (2020 – 40,000 and nil, respectively), and the share-based compensation expense recognized on grants to Mr. Patchet was $11 and $2, respectively (2020 – $10 and $2, respectively). As at December 31, 2021, Mr. Patchet, directly or indirectly, is subscribed to $50 in Company debentures (December 31, 2020 – $50). During the year and three months ended December 31, 2021, the debenture interest expense relating to the debentures held by Mr. Patchet was $4 and $1, respectively (2020 – $4 and $1, respectively). During the year and three months ended December 31, 2021, Mr. Patchet exercised 25,000 stock options at an exercise price of $0.40 for total cash proceeds to the Company of $10.

## Risk Management

The Company's business is subject to the risks of the competitive discretionary portfolio management industry and management has identified certain risks pertinent to its business including: credit risks, liquidity risks, market risks, concentration risks, capital requirements, dependence on senior management, the investment performance of the Company's investment solutions, sufficiency of insurance, competition from other discretionary portfolio management firms, significant redemptions of AUM, general business risks and liabilities, and future regulatory changes. Management attempts to assess and mitigate these risks by retaining experienced professional staff and assuring that the Board of Directors and senior management are monitoring these risks on a continual basis.

The disclosures below provide an analysis of the risk factors affecting the Company's business operations:

### *Credit Risk*

Credit risk arises from deposits with banks, accounts receivable and the loan due from a related party. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties, and accordingly, does not anticipate significant loss for non-performance. The maximum exposure to credit risk approximates the amount recognized on the statement of financial position.

Based on its practices and processes around charging and collecting management fees, its credit policies, its previous experience, and its assessment of the current economic environment and financial condition of the counterparties, as at December 31, 2021 and December 31, 2020, the Company does not believe any allowances for expected credit losses are required.

*Liquidity Risk*

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the loan due from a related party, and the raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital, cash flows and the issuance of share capital and debentures.

*Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

1. Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company does not have any significant number of financial instruments denominated in a foreign currency, and therefore is not currently exposed to any significant foreign currency exchange risk.
2. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is currently exposed to interest rate risk with respect to its short-term investments invested in money market funds. The sensitivity of this risk is not significant as at December 31, 2021 and December 31, 2020 due to the short-term nature of the instruments.
3. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Bellwether's financial performance is indirectly exposed to market risk. Any decline in financial markets or lack of sustained growth in such markets may result in a corresponding decline in performance and may adversely affect Bellwether's AUM and management fee revenue, which would reduce cash flow to the Company and ultimately impact its ability to manage its capital.

Management of market risk within Bellwether's AUM is the responsibility of the Chief Investment Officer, who has established a control environment that ensures risks are reviewed regularly and that risk controls throughout Bellwether are operating in accordance with regulatory requirements. Exposure to interest rate risk, foreign currency risk and equity risk is monitored by the Chief Investment Officer. When a particular market risk is identified, portfolio managers of the Company's investment solutions are directed to mitigate the risk by reducing their exposure.

*Risks Related to Assets Under Management*

Because the Company's revenues are directly related to the market value of the investments that its subsidiary is managing for Clients, a change in market indices could have a significant impact on the

Company's revenues. A 10% change in the Company's AUM of $1,956,330 as at December 31, 2021, could impact future annual revenues by approximately $2,800, compared to the December 31, 2020 AUM of $1,587,092 and a potential revenue impact of $2,050. A 10% change in the Company's average AUM for the twelve-months ended December 31, 2021 of $1,760,739 would have impacted the revenues for that year by approximately $2,500.

*Concentration Risk*

The Company's trade accounts receivable are due from clients and the Company believes that the entire accounts receivable balance is collectible. Accordingly, management has not provided an allowance for doubtful accounts as at December 31, 2021 or December 31, 2020.

*Capital Requirements*

Bellwether is subject to minimum regulatory capital requirements requiring the Company to keep sufficient cash or liquid assets on hand to maintain capital levels. Failure to maintain required regulatory capital may result in fines, suspension, or revocation of registration. A significant operating loss or an unusually large charge against regulatory capital could adversely affect the ability of the Company to expand or even maintain its present level of business and create a material adverse effect on Bellwether's business, results of operations and/or financial position.

*Dependence on Senior Management*

The success of the Company and its strategic focus is dependent to a significant degree upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient numbers of qualified senior management personnel on the part of LPCP or its subsidiaries, could adversely affect the Company's business. This risk is partially mitigated by the fact that the senior management team are significant shareholders in the Company. Further mitigation has been attained through the implementation of key employee compensation packages composed of monetary short-term compensation and long-term stock-based compensation designed for the retention of key employees.

*Investment Performance of our Investment Solutions*

If the investment solutions managed by Bellwether are unable to achieve investment returns that are competitive with or superior to those achieved by other comparable investment products offered by Bellwether's competitors, such solutions may not attract new client AUM or may experience client attrition, which may have a negative impact on Bellwether's assets under management. This would have a negative impact on Bellwether's revenue and profitability.

*Sufficiency of Insurance*

The Company maintains various types of insurance which may include financial institution bonds, errors and omissions insurance, directors', trustees' and officers' liability insurance, and general commercial liability insurance. There is no assurance that claims will not exceed the limits of available coverage, that any insurer will remain solvent or willing to continue providing insurance coverage with sufficient limits or at a reasonable cost, or, that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. A judgment against the Company or its subsidiaries in excess of available coverage could have a material adverse effect on the Company in terms of damages awarded and the impact on the reputation of Bellwether.

### *Competition*

Bellwether competes with a large number of portfolio managers and other investment advisors as well as financial institutions. Many of these competitors have greater capital and other resources, and offer more comprehensive lines of products and services than Bellwether.

Bellwether success is largely dependent on its ability to compete in the current Canadian wealth management environment. The Company's success will be based upon a number of factors including the range of products and solutions offered, brand recognition, investment performance, business reputation, financing strength, management and sales relationships, quality of service, level of fees charged, and other compensation paid.

Bellwether's competitors seek to expand market share by offering different products and services than those offered by Bellwether. There can be no assurance that Bellwether will maintain its current standing, and that may adversely affect the business, financial condition, or operating results of Bellwether.

### *Risks of Significant Redemptions of Bellwether's Assets under Management*

The Company's revenues depend largely on the value of Bellwether's AUM, which is influenced by sales, redemption rates and investment performance. Sales and redemptions may fluctuate depending on market and economic conditions, investment performance, and other factors. Increased competition and market volatility has contributed to redemptions and diminished sales for participants in the Canadian wealth management industry.

### *General Business Risk and Liability*

Given the nature of the Company's business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing the Company, its directors, officers, employees, or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty and misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of Bellwether's right to carry on their existing business. LPCP may incur significant costs in connection with such potential liabilities.

### *Regulation of Bellwether*

Bellwether is heavily regulated in all jurisdictions where it carries on business. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of Bellwether, including the power to limit or restrict business activities as well as impose additional disclosure requirements on Bellwether products and services. Possible sanctions include the revocation or imposition of conditions on licenses to operate certain businesses, the suspension or expulsion from a particular market or jurisdiction of any of Bellwether's business segments or its key personnel or financial advisors, and the imposition of fines and censures. To the extent that existing or future regulations affect the sale or offering of Bellwether products or services in any way, the Company's assets under management and its revenues may be adversely affected.