DOMINION LENDING CENTRES INC.

(formerly Founders Advantage Capital Corp.)

2020 Annual Management Discussion & Analysis

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This Management's Discussion and Analysis ("MD&A") contains important information about the results of operations of Dominion Lending Centres Inc. ("we", "our", or the "Corporation") (formerly Founders Advantage Capital Corp. or "FAC") for the three months and year ended December 31, 2020, as well as information about our financial condition and future prospects. We recommend reading this MD&A, which has been prepared as of April 22, 2021, in conjunction with the 2020 audited annual consolidated financial statements ("financial statements"). These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all amounts are presented in Canadian dollars.

When preparing our MD&A, we consider the materiality of information. Information is considered material if (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of our shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. We evaluate materiality with reference to all relevant circumstances, including potential market sensitivity.

The Corporation's class A common shares ("Common Shares") are publicly traded on the TSX Venture Exchange ("Exchange") under the symbol "DLCG" (previously "FCF"). Continuous disclosure materials are available on our website at www.dlcg.ca, and on SEDAR at www.sedar.com.

OVERVIEW OF OUR BUSINESS

DLC Acquisition and Reorganization

On December 31, 2020, the Corporation completed a purchase transaction (the "DLC Acquisition") with KayMaur Holdings Ltd. ("KayMaur") and certain minority holders, whereby the Corporation acquired all of the limited partnership units of Dominion Lending Centres LP ("DLC LP") that it did not already own, for 26.8 million non-voting and non-convertible series 1, class B preferred shares (the "Preferred Shares") of the Corporation. The DLC Acquisition is a related-party transaction as Gary Mauris and Chris Kayat indirectly own and control KayMaur and also beneficially own or, exercise control or direction over, directly or indirectly, more than 10% of the issued and outstanding Common Shares of the Corporation (and are directors of the Corporation).

On December 31, 2020, the Corporation completed a private placement of 4.3 million Common Shares at $1.75 per share for aggregate gross proceeds of $7.5 million (the "Private Placement") concurrent with the closing of the DLC Acquisition. Upon completion of the Private Placement, the Corporation paid the DLC LP vendors an aggregate of $15.0 million (the "Inversion Rights Termination Transaction"), consisting of $7.5 million in cash and 4.3 million Common Shares (valued at a deemed price of $1.75 per share), to terminate the vendors' contractual right to a disproportionate share of future cash distributions from DLC LP above a defined threshold amount (referred to as the "Inversion Rights").

On January 1, 2021, the Corporation, as the sole partner, wound-up DLC LP. The Corporation then amalgamated with Dominion Lending Centres GP Inc. and then subsequently amalgamated with Dominion Lending Centres Inc. ("DLC Inc.") and changed the name of the newly amalgamated entity to Dominion Lending Centres Inc. (these transactions are collectively referred to herein as the "Reorganization"). At January 1, 2021, the Corporation commenced operating as Dominion Lending Centres Inc. On December 31, 2020, the Corporation recognized a deferred tax recovery of $16.7 million for non-capital losses that are useable against future taxable income in the new amalgamated entity. The deferred tax asset is recognized on the statements of financial position.

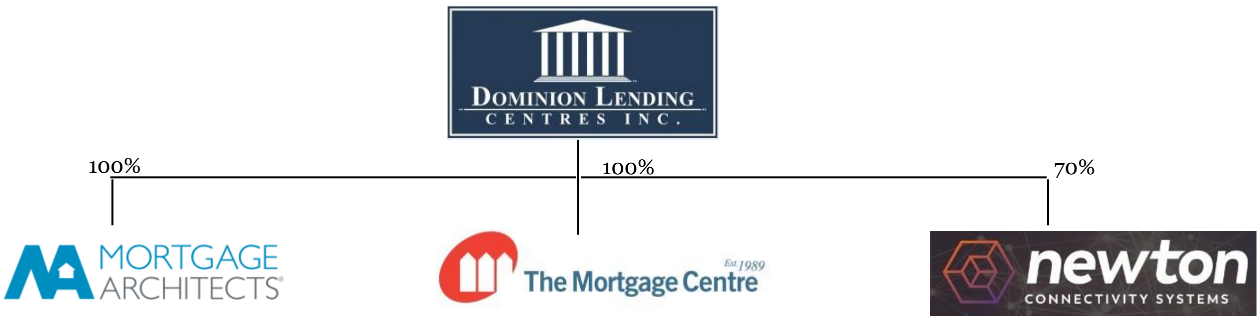
The Corporation held a special meeting of shareholders on December 15, 2020 (the "Meeting") for consideration of the DLC Acquisition, Private Placement, Inversion Rights Termination Transaction, and the name change. The Corporation mailed a management information circular dated November 9, 2020, (the "Circular") to all shareholders in connection with the Meeting which contains full disclosures on the DLC Acquisition, Private Placement, Inversion Rights Termination Transaction, and the name change. A copy of the Circular is available on SEDAR. At the Meeting, the shareholders approved the DLC Acquisition, Private Placement, Inversion Rights Termination Transaction, and the name change. The results of the shareholder votes are available on SEDAR.

Core Business overview

The Corporation was operating as FAC at December 31, 2020. As a result of the DLC Acquisition and the Board reorganization at Club16 Limited Partnership ("Club16") and Cape Communications International Inc. ("Impact") (see below), the Corporation held one consolidated subsidiary at December 31, 2020: DLC LP, and its respective consolidated subsidiaries herein referred to as the "Core Business Operations". The Corporation held 100% of DLC LP at December 31, 2020; however, not all other entities within the Core Business Operations are wholly owned. The Corporation owns a 70% interest in Newton Connectivity Systems Inc.

At January 1, 2021, the Corporation is operating as Dominion Lending Centres Inc.

The following summarizes the main subsidiaries held by the Core Business Operations:



The DLC group of companies (the "DLC Group") consists of the Corporation and its three main subsidiaries, being:

- MA Mortgage Architects Inc. ("MA")
- MCC Mortgage Centre Canada Inc. ("MCC"); and,
- Newton Connectivity Systems Inc. ("Newton").

At December 31, 2020, DLC Inc. was a fourth wholly owned subsidiary of DLC LP.

Newton

Newton is a financial technology company which provides a secure all-in-one operating platform in Canada: Velocity. Velocity connects mortgage brokers to lenders. Newton provides end-to-end services to automate the entire mortgage application, approval, underwriting and funding process; and additional services to provide brokers with the management of daily operations and access to data resources.

The operating platform provides services through various lender and broker facing products. Lender facing products provide encrypted exchange networks to connect brokers with lenders and third parties. These include web-based services connecting brokers on Velocity to lenders and third-party suppliers, which allow for direct submission of mortgages to lenders and underwriting platforms to deliver digital credit applications from brokers to lenders. Broker facing products automatically manage all the revenue and distributions to brokers through Velocity; with additional services to match lender-verified products to a client's criteria and automation of the payroll process. Further, Newton provides services to third-party users through the Velocity platform, ranging from consumer credit reports to borrower banking information.

Newton earns revenues from three streams:

- fees paid by Canadian lenders based on funded volumes of mortgages;
- monthly subscription fees from non-DLC Group brokers; and
- third-party supplier fees on a transaction basis.

As the Corporation holds a controlling 70% ownership interest in Newton, its financial results are consolidated and included within the Core Business Operations' operating results.

Currently, Newton has entered into an agreement with a third-party connectivity provider (the "Host"), whereby Newton is obligated to fund a minimum annual funded mortgage volume through the Host's connectivity platform. Newton earns revenues as a percentage of the mortgage volumes funded through the Host. The agreement expires at the end of June 2022. With the expiration of the agreement, the DLC Group may elect to cease using some of the Host's services.

Non-Core Asset board reorganization and equity accounting

Following the completion of the DLC Acquisition and Reorganization, the Corporation continues to hold its ownership interests of 58.4% and 52.0% in Club16 and Impact, respectively. On December 31, 2020, the Corporation amended its shareholder agreements with the minority shareholders of Club16 and Impact, as follows:

- The Corporation and the principals of Club16 entered into an amending agreement to amend the terms of the shareholders agreement to reduce the Corporation's Club16 board nominees from three (3) representatives to two (2) representatives. As such, the Club16 principals have two (2) board representatives, and the Corporation has two (2) board representatives.
- The Corporation and the principal of Impact entered into an amending agreement to amend the terms of the shareholders agreement to reduce the Corporation's Impact board nominees from two (2) representatives to one (1) representative. As such, the Impact principal has one (1) board representative, and the Corporation has one (1) board representative.

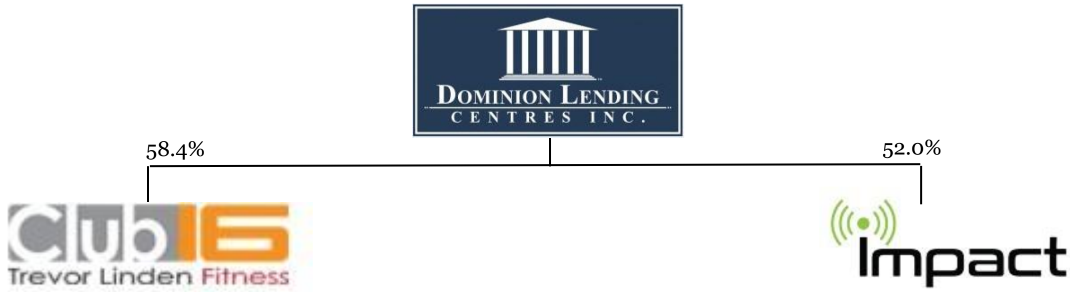
Though the Corporation has maintained its ownership interest, as of December 31, 2020, the Corporation no longer has the ability to unilaterally determine matters requiring approval by the Boards of Directors. Given that the Shareholders' Agreements require all decisions of shareholders to be unanimous, the loss of control of Board decisions was determined to result in a loss of control of Club16 and Impact by the Corporation; at December 31, 2020, the Corporation was determined to have joint control of both Club16 and Impact with their respective minority interest holders. The Corporation is entitled to the net assets of Club16 and Impact, and therefore, these joint arrangements are considered joint ventures and accounted for using the equity method.

As a result of the disposal of the previous parent-subsidiary relationships, the Corporation recognized its investments in Club16 and Impact on December 31, 2020 at their estimated fair values on that date. The Corporation reclassified the results of Club16 and Impact for the years ended December 31, 2020 and 2019 as discontinued operations in the Corporation's consolidated statements of income (loss).

The accounts of Club16 and Impact have been deconsolidated from the consolidated statements of financial position at December 31, 2020 and are included within the equity accounted investments line on the statements of financial position. The accounts of Club16 and Impact have been included within the consolidated statements of income (loss) within Discontinued Operations for the years ended December 31, 2020 and December 31, 2019. In future years, the results of Club16 and Impact will be presented as income from equity investments. Club16 and Impact are included within the consolidated statements of cash flows for the years ended December 31, 2020, and December 31, 2019.

Non-Core Business Asset Management overview

The Non-Core Business Asset Management segment represents the Corporation’s share of income in its equity accounted investments in Club16 and Impact (collectively, the “Non-Core Assets”); the expenses, assets and liabilities associated with managing the Non-Core Assets; the Sagard credit facility; and public company costs. This segment also reflects the consolidating accounting entries of the Corporation.



Operating segments

At December 31, 2020, the Corporation has two operating segments: the Core Business Operations segment and the Non-Core Business Asset Management segment. The Core Business Operations segment represents the core operations of the Corporation. These core operations are the business of franchising mortgage brokerage services and providing data connectivity services across Canada. The Non-Core Business Asset Management segment includes the Corporation’s ownership in its Non-Core Assets; the expenses, assets and liabilities associated with managing the Non-Core Assets; the Sagard credit facility; public company costs; and consolidating accounting entries.

COVID-19

On March 11, 2020 the World Health Organization (“WHO”) declared the COVID-19 outbreak a pandemic (the “Pandemic” or “COVID-19”). As a result, all levels of government in Canada have implemented public health measures including social distancing. COVID-19 did not have a negative material impact on our Core Business Operations. See the Discontinued Operations discussion for the implications of COVID-19 on Club16 and Impact.

The course of the COVID-19 pandemic is highly uncertain. COVID-19 is expected to negatively impact earnings of some of the Corporation’s Non-Core Assets into the foreseeable future and could impact cash flows of the Corporation. The ultimate impact of the pandemic on the Corporation’s future operations and financial performance is currently unknown and will be dependent on a number of unpredictable factors outside of the knowledge and control of management, including: the duration and severity of the pandemic; the impact of the pandemic on economic growth and financial and capital markets; and governmental responses and restrictions. These uncertainties may continue to persist beyond the point where the initial outbreak of the COVID-19 virus has subsided. The potential impact of the COVID-19 pandemic has been considered by management in making judgments, estimates and assumptions used in the preparation of the financial statements, but the inherent risks and uncertainties resulting from the pandemic may result in material changes to such judgments, estimates and assumptions in future financial periods as additional information becomes available.

USE OF NON-IFRS FINANCIAL PERFORMANCE MEASURES

This MD&A also includes certain non-IFRS financial measures which we use as supplemental indicators of our operating performance. These non-IFRS measures do not have any standardized meaning, and therefore are unlikely to be comparable to the calculation of similar measures used by other companies and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Non-IFRS measures are defined and reconciled to the most directly comparable IFRS measure. Please see the Non-IFRS Financial Performance Measures section. Non-IFRS financial performance measures used in our MD&A include adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted net income, adjusted net income per share, free cash flow and core business distributable cash ("CDC").

Key performance indicators ("KPIs") overview

With the completion of the DLC Acquisition and Reorganization, the Corporation has reassessed its KPIs, including its Non-IFRS Financial Performance Measures ("Non-IFRS measures"). KPIs and Non-IFRS measures are key measures that provide management and investors with an insightful indication of the Corporation's performance.

The following KPIs and non-IFRS measures have been added or amended in this MD&A for the year ended December 31, 2020:

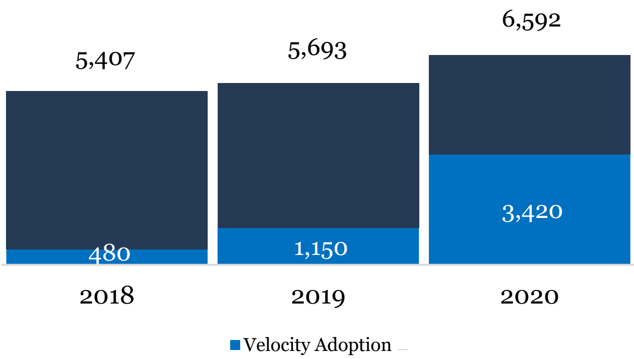
- CDC – CDC is a proxy for distributable free cash flow which represents the cash generated by the Core Business Operations after spending what is required to maintain or expand the current asset base, including mandatory debt repayments. CDC is a defined term under the Preferred Shares. The holders of the Preferred Shares (the "Preferred Shareholders") are entitled to dividends equal to 40% of CDC. The Non-Core Business Asset Management segment is entitled to retain 60% of CDC. CDC is an important measure to the Corporation, as it is an indicator of the Core Business Operations' performance and determines the amount of cash distributable to the Preferred Shareholders of the Corporation.
- DLC brokers using Velocity – The number of the DLC Group's brokers currently using Velocity to submit mortgage applications.
- Percentage of mortgage volumes flowing through Velocity – The percentage of mortgage applications submitted through Velocity by the DLC Group's brokers.
- Free cash flow has been amended to reconcile the non-IFRS measure to the most directly comparable IFRS financial measure: cash flows from operating activities. Free cash flow was previously reconciled to adjusted EBITDA. As adjusted EBITDA is a performance measure that the Corporation uses to provide an assessment of the adjusted performance of the corporation by eliminating certain non-recurring, non-core or certain non-cash items, we have further reconciled free cash flow from adjusted EBITDA.

2020 OVERVIEW

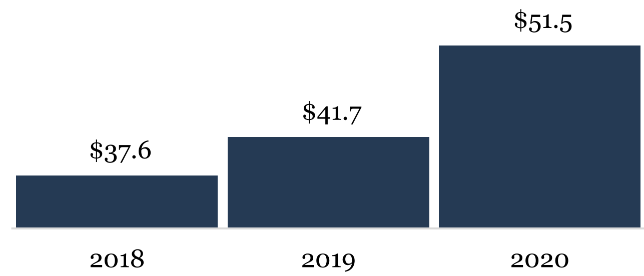
As noted above, the Corporation completed the DLC Acquisition and Reorganization on December 31, 2020 and January 1, 2021, respectively. Additionally, the Non-Core Asset board reorganization resulted in discontinued operations and equity accounting for Club16 and Impact effective December 31, 2020.

The Core Business Operations continue to grow organically. The following are notable performance highlights within Core Business Operations for the years ended December 31st.

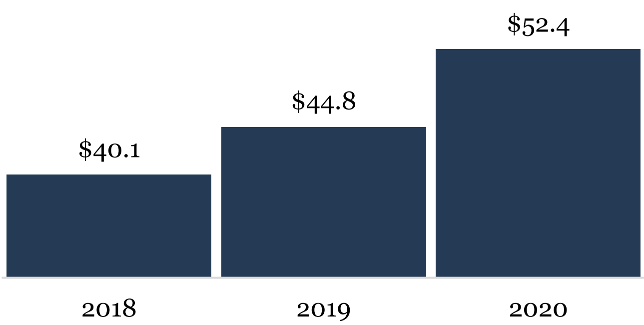
Total DLC Group Brokers (1)



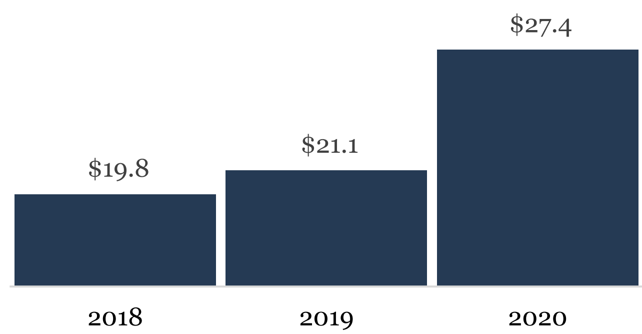
Annual Funded Mortgage Volumes (1)
(in billions)



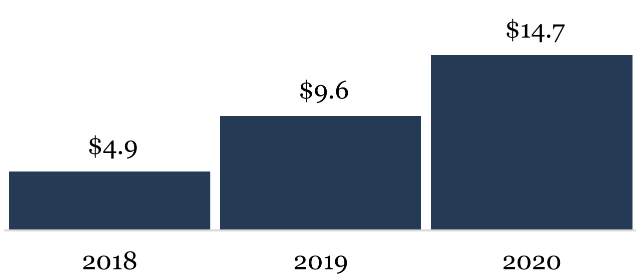
Annual Revenues
(in millions)



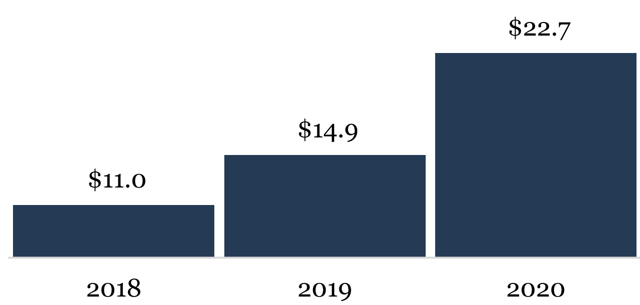
Annual Adjusted EBITDA (2) (3)
(in millions)



CDC (2) (4) (5)
(in millions)



Annual Income Before Tax (2) (3)
(in millions)



(1) Funded mortgage volumes and total DLC Group brokers for the years ended December 31, 2019, and December 31, 2018, have been restated to reflect additional funded mortgage volumes and brokers from a franchise previously excluded.
(2) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(3) Annual adjusted EBITDA and income before taxes represents the results of the Core Business Operations.
(4) The Preferred Shares were issued on December 31, 2020; as such, no dividends were paid to the Preferred Shareholders based on CDC in the years ended December 31, 2020 or December 31, 2019.
(5) CDC is calculated before $10.8 million of dividends paid, in each respective year.

2020 FINANCIAL HIGHLIGHTS

Below are the highlights of our financial results for the three months and year ended December 31, 2020. The results for the three months and year ended December 31, 2020, and the comparative periods reflect the segregation of the Non-Core Assets as discontinued operations. The results for the three months and year ended December 31, 2019, reflect the segregation of Astley Gilbert Limited ("AG") as discontinued operations. The prior year comparatives have been amended to conform with current period presentation. The discontinued operations are only included in net income (loss) and net earnings (loss) per Common Share.

	Three months ended December 31,			Year ended December 31,		
(in thousands, except per share)	**2020**	2019	Change	**2020**	2019	Change
Revenues	**$ 17,477**	$ 13,138	33%	**$ 52,413**	$ 44,843	17%
Income from operations	**5,152**	4,857	6%	**18,248**	12,141	50%
Adjusted EBITDA (1)	**7,917**	5,959	33%	**25,214**	18,856	34%
CDC (1) (2)	**5,069**	3,516	44%	**14,720**	9,611	53%
Free cash flow attributable to common shareholders (1)	**2,401**	651	269%	**4,929**	(1,126)	NMF (3)
Net income (loss)	**22,643**	1,321	NMF (3)	**25,559**	(4,411)	NMF (3)
Net income (loss) from continuing operations	**18,690**	2,219	NMF (3)	**23,871**	(1,410)	NMF (3)
Net income (loss) from discontinued operations	**3,953**	(898)	NMF (3)	**1,688**	(3,001)	NMF (3)
Net income (loss) attributable to:						
Common shareholders	**20,851**	170	NMF (3)	**20,037**	(6,747)	NMF (3)
Non-controlling interests	**1,792**	1,151	56%	**5,522**	2,336	136%
Adjusted net income (1)	**2,034**	1,819	12%	**7,544**	621	NMF (3)
Adjusted net (loss) income attributable to:						
Common shareholders	**(290)**	199	NMF (3)	**520**	(4,083)	NMF (3)
Non-controlling interests	**2,324**	1,620	43%	**7,024**	4,704	49%
Diluted earnings (loss) per Common Share	**0.54**	-	NMF (3)	**0.53**	(0.18)	NMF (3)
Adjusted (loss) earnings per Common Share (1)	**$ (0.01)**	$ 0.01	NMF (3)	**$ 0.01**	$ (0.11)	NMF (3)

(1) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(2) The Preferred Shares were issued on December 31, 2020; as such, no dividends were paid to the Preferred Shareholders based on CDC in the years ended December 31, 2020 or December 31, 2019.
(3) The percentage change is Not a Meaningful Figure ("NMF").

	Three months ended December 31,			Year ended December 31,		
(in thousands)	**2020**	2019	Change	**2020**	2019	Change
Adjusted EBITDA (1)						
Core Business Operations	**$ 8,653**	$ 6,602	31%	**$ 27,376**	$ 21,089	30%
Non-Core Business Asset Management	**(736)**	(643)	14%	**(2,162)**	(2,233)	(3%)
Total Adjusted EBITDA (1)	**$ 7,917**	$ 5,959	33%	**$ 25,214**	$ 18,856	34%

(1) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.

Three-month highlights

Net income for the three months ended December 31, 2020, increased from higher net income from continuing and discontinued operations, when compared to the same period in the previous year. Higher net income from Core Business Operations was a result of higher DLC Group revenues from an increase in funded mortgage volumes. Net income from continuing operations was further increased from the recognition of a $16.7 million deferred tax recovery for non-capital losses that are useable against future taxable income in the Corporation. Higher net income from discontinued operations was primarily due to a $5.9 million gain from the change to equity accounting for the Non-Core Assets, partly offset by lower Non-Core Asset revenues.

Adjusted net income for the three months ended December 31, 2020, increased compared to the same period in the previous year primarily from higher funded mortgage volumes driving an increase in DLC Group revenues and earnings from operations.

Annual highlights

Net income for the year ended December 31, 2020, increased from higher net income from continuing and discontinued operations, when compared to the same period in the previous year. Higher net income from Core Business Operations was a result of higher DLC Group revenues from higher funded mortgage volumes. Net income from continuing operations was further increased from the recognition of a $16.7 million deferred tax recovery for non-capital losses that are useable against future taxable income in the Corporation. Higher net income from discontinued operations was primarily due to a $5.9 million gain from the change to equity accounting in our Non-Core Assets recognized during the year ended December 31, 2020, compared to an impairment loss of $6.8 million recognized during the year ended December 31, 2019, partly offset by lower Non-Core Asset revenues in 2020.

Adjusted net income for the year ended December 31, 2020, increased compared to the same period in the previous year from higher funded mortgage volumes driving an increase in DLC Group revenues.

See the Liquidity section of this MD&A for information on the changes in cash and cash equivalents and working capital deficiency.

	As at December 31,			
(in thousands, except shares outstanding)		**2020**		2019
Cash and cash equivalents	**$**	**10,316**	$	5,458
Working capital deficiency	**$**	**(15,544)**	$	(14,637)
Total assets	**$**	**260,194**	$	321,820
Total loans and borrowings (1)	**$**	**40,778**	$	61,173
Total non-current liabilities	**$**	**167,285**	$	121,553
Total Preferred Shares liability (2)	**$**	**105,685**	$	-
Shareholders' equity	**$**	**49,467**	$	73,711
Common Shares outstanding		**46,653,941**		38,182,513
Preferred Shares outstanding		**26,774,054**		-

(1) Net of debt issuance costs.
(2) Net of transaction costs.

RESULTS OF OPERATIONS

CONSOLIDATED RESULTS

Below is selected financial information from our three months and year ended December 31, 2020 consolidated financial results from continuing operations. See the Accounting Policies section of this MD&A and notes to our December 31, 2020 financial statements for accounting policies and estimates as they relate to the following discussion. A reconciliation of our reportable segments to our consolidated results presented in this table can be found in the Segmented Results from Continuing Operations section.

	Three months ended December 31,			Year ended December 31,		
(in thousands)	**2020**	2019	Change	**2020**	2019	Change
Continuing Operations						
Revenues	**$ 17,477**	$ 13,138	33%	**$ 52,413**	$ 44,843	17%
Operating expenses (1)	**12,325**	8,281	49%	**34,165**	32,702	4%
Income from operations	**5,152**	4,857	6%	**18,248**	12,141	50%
Other expense, net	**(914)**	(1,276)	(28%)	**(5,186)**	(9,196)	(44%)
Income before tax	**4,238**	3,581	18%	**13,062**	2,945	344%
Add back:						
Depreciation and amortization	**1,062**	1,200	(12%)	**4,312**	5,035	(14%)
Finance expense	**1,299**	1,586	(18%)	**5,700**	11,074	(49%)
Other adjusting items (2)	**1,318**	(408)	(423%)	**2,140**	(198)	NMF
Adjusted EBITDA (2)	**$ 7,917**	$ 5,959	33%	**$ 25,214**	$ 18,856	34%

(1) Operating expenses comprise of direct costs, general and administrative expenses, share-based payments, and depreciation and amortization expense.

(2) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.

Revenues

Three-month and Annual highlights

Consolidated revenues from continuing operations for the three months and year ended December 31, 2020, increased over the three month and year ended December 31, 2019, from higher DLC Group revenues primarily due to an increase in funded mortgage volumes over the comparative periods.

Operating expenses

	Three months ended December 31,			Year ended December 31,		
(in thousands)	**2020**	2019	Change	**2020**	2019	Change
Direct costs	**$ 2,671**	$ 1,338	100%	**$ 6,615**	$ 5,712	16%
General and administrative	**7,336**	5,686	29%	**21,583**	21,516	0%
Share-based payments	**1,256**	57	NMF	**1,655**	439	277%
Depreciation and amortization	**1,062**	1,200	(12%)	**4,312**	5,035	(14%)
	$ 12,325	$ 8,281	49%	**$ 34,165**	$ 32,702	4%

Direct costs

Consolidated direct costs from continuing operations relate to the operations of the Core Business Operations segment for the quarter. These direct costs comprise of franchise recruiting expenses, franchise support costs and advertising fund expenditures.

Three-month highlights

Consolidated direct costs increased over the three months ended December 31, 2019, primarily due to the timing of advertising fund expenditures.

Annual highlights

During the year ended December 31, 2020, direct costs increased over the year ended December 31, 2019, primarily due to higher advertising fund expenditures and increased costs of royalty revenues in alignment with the increase in funded mortgage volumes.

General and administrative

Three-month highlights

Consolidated general and administrative expenses increased compared to the three months ended December 31, 2019, primarily due to an increase in Core Business Operations' advertising events expense from a $1.0 million accrual for qualified individuals to attend a future event in lieu of cancelled retreats and higher personnel costs. Further, Non-Core Business Asset Management's general and administrative expenses increased primarily from transaction related expenses associated with the change to equity accounting for the Non-Core Assets and the DLC Acquisition and Reorganization that were not directly related to the issuance of the Preferred Shares, and higher personnel costs.

Annual highlights

During the year ended December 31, 2020, general and administrative expenses remained relatively consistent compared to the year ended December 31, 2019.

Share-based payments

Share-based payment expense includes vesting expense associated with the Corporation's Restricted Share Units ("RSUs"), share option expense and Phantom Share Options ("PSOs") held within the Non-Core Business Asset Management segment. When compared to the three months and year ended December 31, 2019, share-based payments increased, from additional RSUs granted during the second quarter of 2020 and a higher share price on December 31, 2020. Further, due to the increase in our share price on December 31, 2020, the Corporation's PSOs were in-the-money. There were no share options granted in 2019 or 2020.

Depreciation and amortization

Depreciation and amortization primarily relate to the finite life intangible assets, capital asset amortization, and right-of-use asset amortization for assets. The intangible assets that are being amortized into consolidated income include the Core Business Operations' and Newton's software and the Core Business Operations' renewable franchise rights.

Depreciation and amortization were relatively consistent when compared to the three months ended December 31, 2019. Depreciation and amortization increased during the year ended December 31, 2020 when compared to the prior year, primarily from additional office leases within the Core Business Operations.

Other expenses

	Three months ended December 31,			Year ended December 31,		
(in thousands)	**2020**	2019	Change	**2020**	2019	Change
Finance expense	**$ 1,299**	$ 1,586	(18%)	**$ 5,700**	$ 11,074	(49%)
Foreign exchange gain	**(1,780)**	(806)	121%	**(621)**	(2,455)	(75%)
Change in fair value of foreign exchange forward contract	**1,534**	365	320%	**562**	365	54%
(Gain) loss on settlement of contract	**(119)**	51	NMF	**137**	404	(66%)
Income on equity accounted investment	**(111)**	(9)	NMF	**(535)**	(104)	414%
Other expense (income)	**91**	89	2%	**(57)**	(88)	(35%)
	$ 914	$ 1,276	(28%)	**$ 5,186**	$ 9,196	(44%)

Three-month highlights

Other expenses decreased for the three months ended December 31, 2020, compared to the three months ended December 31, 2019 primarily due to a positive movement in foreign exchange related to our USD debt and cash balances from an increase in the exchange rate, and a decrease in finance expense from debt repayments from free cash flow, partly offset by a negative movement related to our foreign exchange forward contracts related to the increase in the exchange rate.

The Sagard credit facility (December 31, 2020 – USD $30.7 million) loans and borrowings bear interest at the three-month LIBOR rate plus 7% per annum (subject to a minimum LIBOR rate of 1%) with interest payable quarterly. The exchange rate on December 31, 2020, was $0.7854 CAD to USD (September 30, 2020 – $0.7497 CAD to USD). For information on foreign exchange risk refer to the Market Risk section of this MD&A. The Corporation holds foreign exchange forward contracts to partially mitigate foreign currency exchange risk in connection with its USD denominated debt. The change in fair value of our foreign exchange forward contract was unrealized for the three months ended December 31, 2020. See the Consolidated Liquidity and Capital Resources section of this MD&A for additional discussion of our credit facilities, and the Market Risk section of this document for additional discussion of our foreign exchange forward contracts.

Annual highlights

Other expenses decreased for the year ended December 31, 2020, compared to the year ended December 31, 2019, primarily due to a decrease in finance expense. The decrease in finance expense is due to the make-whole interest payment of $2.8 million associated with the principal repayments from the sale of AG recognized during the year ended December 31, 2019 not recurring in 2020, combined with lower finance expense from debt repayments and a decrease in the USD LIBOR rate during the year ended December 31, 2020. Further decreasing other expenses was higher income from the Core Business Operations' equity accounted investments, partly offset by a lower foreign exchange gain related to our USD debt and cash balances and a negative movement in our foreign exchange forward contract.

Included within other income for the year ended December 31, 2020, is income of $0.1 million from government wage subsidies for the Core Business Operations.

The Sagard credit facility (December 31, 2020 – USD $30.7 million) loans and borrowings bear interest at the three-month LIBOR rate plus 7% per annum (subject to a minimum LIBOR rate of 1%) with interest payable quarterly. The exchange rate on December 31, 2020, was $0.7854 CAD to USD (December 31, 2019 – $0.7699 CAD to USD). For information on foreign exchange risk refer to the Market Risk section of this MD&A. The Corporation entered a foreign exchange forward contract in December 2019, to partially mitigate foreign currency exchange risk in connection with its USD denominated debt which was unwound during the first quarter of 2020. During the second quarter of 2020, the Corporation entered new foreign exchange forward contracts. See the Consolidated Liquidity and Capital Resources section of this MD&A for additional discussion of our credit facilities, and the Market Risk section of this document for additional discussion of our foreign exchange forward contracts.

SEGMENTED RESULTS FROM CONTINUING OPERATIONS

We discuss the results of the two reportable segments as presented in our December 31, 2020, financial statements: Core Business Operations and Non-Core Business Asset Management.

The Core Business Operations segment represents the core operations of the Corporation. These core operations are the business of mortgage brokerage franchising and connectivity services across Canada.

The Non-Core Business Asset Management segment includes the Corporation's interest in the Non-Core Assets; the expenses, assets and liabilities associated with management the Non-Core Assets; the Sagard credit facility; public company costs, and consolidating accounting entries.

The performance of our reportable segments is assessed based on revenues, income from operations and adjusted EBITDA. Adjusted EBITDA is a supplemental measure of the segments' income (loss) before tax in which depreciation and amortization, finance expense, share-based payment expense and unusual or one-time items are added back to the segment's income from operations to arrive at each segment's adjusted EBITDA. Please see the Non-IFRS Financial Performance Measures section of this document for additional information.

Our reportable segment results reconciled to our consolidated results are presented in the table below. The segmented information for the comparative three months and year ended December 31, 2020, and December 31, 2019, exclude discontinued operations results from the Non-Core Assets and AG. See the Discontinued Operations section of this document.

	Three months ended December 31,			Year ended December 31,		
(in thousands)	**2020**	2019	Change	**2020**	2019	Change
Revenues						
Core Business Operations	**$ 17,477**	$ 13,138	33%	**$ 52,413**	$ 44,843	17%
Consolidated revenues	**17,477**	13,138	33%	**52,413**	44,843	17%
Operating expenses (1)						
Core Business Operations	**10,397**	7,706	35%	**30,418**	29,178	4%
Non-Core Business Asset Management	**1,928**	575	235%	**3,747**	3,524	6%
Consolidated operating expenses	**12,325**	8,281	49%	**34,165**	32,702	4%
Income (loss) from operations						
Core Business Operations	**7,080**	5,432	30%	**21,995**	15,665	40%
Non-Core Business Asset Management	**(1,928)**	(575)	235%	**(3,747)**	(3,524)	6%
Consolidated income from operations	**5,152**	4,857	6%	**18,248**	12,141	50%
Adjusted EBITDA (2)						
Core Business Operations	**8,653**	6,602	31%	**27,376**	21,089	30%
Non-Core Business Asset Management	**(736)**	(643)	14%	**(2,162)**	(2,233)	(3%)
Consolidated Adjusted EBITDA (2)	**7,917**	5,959	33%	**25,214**	18,856	34%

(1) Operating expenses comprise of direct costs, general and administrative expenses, share-based payments, and depreciation and amortization expense.
(2) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.

Core Business Operations

(in thousands, except KPIs)	Three months ended December 31, 2020	2019	Change	Year ended December 31, 2020	2019	Change
Revenues	$ 17,477	$ 13,138	33%	$ 52,413	$ 44,843	17%
Operating expenses [1]	10,397	7,706	35%	30,418	29,178	4%
Income from operations	**7,080**	5,432	30%	**21,995**	15,665	40%
Other income (expense), net	525	(145)	NMF	729	(775)	NMF
Income before tax	**7,605**	5,287	44%	**22,724**	14,890	53%
Add back:						
Depreciation and amortization	1,058	1,195	(11%)	4,295	5,002	(14%)
Finance expense	61	142	(57%)	391	667	(41%)
Other adjusting items	(71)	(22)	223%	(34)	530	NMF
Adjusted EBITDA [2]	**8,653**	6,602	31%	**27,376**	21,089	30%
Key Performance Indicators						
Funded mortgage volumes [3] [4]	17,545	12,051	46%	51,486	41,736	23%
Number of franchises [4] [5]	554	516	7%	554	516	7%
Number of brokers [4] [5]	6,592	5,693	16%	6,592	5,693	16%
Number of DLC Group brokers using Velocity [5]	3,420	1,150	197%	3,420	1,150	197%
% of mortgage applications submitted through Velocity [5]	28%	14%	100%	24%	13%	85%

(1) Operating expenses comprise of direct costs, general and administrative expenses, and depreciation and amortization expense.
(2) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(3) Funded mortgage volumes are presented in millions and are a key performance indicator for the segment that allows us to measure performance against our operating strategy.
(4) Funded mortgage volumes for the three months and year ended December 31, 2019 have been restated to reflect additional funded mortgage volumes from a franchise previously excluded. The number of franchises and brokers as at December 31, 2019 have been restated to reflect additional brokers from the franchise previously excluded.
(5) The number of franchises and brokers are as at the respective period end date (not in thousands).

The Core Business Operations' includes the operating results of the DLC Group's mortgage brokerage franchise operations and providing data connectivity services, for all periods presented. The quarterly results may vary from quarter to quarter because of seasonal fluctuations. The Core Business Operations are subject to seasonal variances that fluctuate in accordance with normal home buying season. This typically results in higher revenues in the months of June through September of each year, and results in lower revenues during the months of January through March. Broker count increased in 2020 compared to 2019, largely due to the DLC Group's continued efforts to deliver on its recruiting efforts, contributing to increased funded mortgage volumes in 2020.

Three-month highlights

The DLC Group's revenues increased during the three months ended December 31, 2020, when compared to the same three months in the prior year largely attributable to an increase in royalty revenue and connectivity revenue from growth in DLC Group funded mortgage volumes combined with higher Newton revenues from an increase in mortgage volumes submitted through Velocity. The increase in funded mortgage volumes is driven by growth across all three brands; DLC Inc., MA and MCC, achieved through franchise recruitment efforts and increased industry mortgage activity during 2020 fourth quarter attributable to delayed home purchases through the earlier months in 2020. The DLC Group continues to focus on franchise recruitment and on October 15, 2020, MCC entered into a franchise agreement with Premiere Mortgage Centre Inc. ("Premiere"). In 2019, Premiere originated approximately $2.2 billion in funded mortgage volumes representing approximately 5% growth for the DLC Group's overall annual mortgage origination volume.

The segment's operating expenses for the three months ended December 31, 2020, increased over the same three months in the prior year primarily attributed to increased general and administrative expenses of $1.5 million and a $1.3 million, increase in direct costs, partly offset by a decrease in amortization expense of $0.1 million. The increase in general and administrative expenses is primarily from an increase in advertising events expense for a $1.0 million accrual for qualified individuals to attend a future event in lieu of cancelled retreats (due to COVID-19) and higher personnel costs. The increase in direct costs is from higher advertising fund expenditures due to timing of advertising initiatives throughout the year.

Income from operations and adjusted EBITDA increased over the three months ended December 31, 2019 from the increase in revenues from higher funded mortgage volumes partly offset by an increase in operating expenses.

Annual highlights

Revenues increased during the year ended December 31, 2020, compared to prior year, largely attributed to an increase in royalty revenue and connectivity revenue from the DLC Group's funded mortgage volumes growth combined with higher Newton revenues from an increase in mortgage volumes submitted through Velocity. The increase in funded mortgage volumes is driven by growth across all three brands (DLC Inc., MCC and MA) achieved through franchise recruitment efforts and industry mortgage activity in 2020. The DLC Group continues to focus on franchise recruitment and on October 15, 2020, MCC entered into a franchise agreement with Premiere. In 2019, Premiere originated approximately $2.2 billion in funded mortgage volumes representing approximately 5% growth for the DLC Group's overall annual mortgage origination volume.

The segment's operating expenses for the year ended December 31, 2020, increased when compared to the year ended December 31, 2019 from higher direct costs of $0.9 million primarily from increased advertising fund expenditures and increased costs of royalty revenues in alignment with the increase in funded mortgage volumes, and an increase in general and administrative costs of $1.0 million due to higher personnel costs.

The increase in income from operations and adjusted EBITDA over the year ended December 31, 2019, is primarily attributed to higher revenue from increases in funded mortgage volumes partly offset by higher operating expenses.

Newton

The DLC Group has grown its broker adoption of Newton during the three months and year ended December 31, 2020. The increase in the DLC Group's brokers adopting Newton has contributed to the increase in Newton mortgage applications during the three months and year-ended December 31, 2020.

Non-Core Business Asset Management

	Three months ended December 31,			Year ended December 31,		
(in thousands)	**2020**	2019	Change	**2020**	2019	Change
Operating expenses (1)	**$ 1,928**	$ 575	235%	**$ 3,747**	$ 3,524	6%
Loss from operations	**(1,928)**	(575)	235%	**(3,747)**	(3,524)	6%
Other expense, net	**(1,439)**	(1,131)	27%	**(5,915)**	(8,421)	(30%)
Loss before tax	**(3,367)**	(1,706)	97%	**(9,662)**	(11,945)	(19%)
Add back:						
Depreciation and amortization	**4**	5	(20%)	**17**	33	(48%)
Finance expense	**1,238**	1,444	(14%)	**5,309**	10,407	(49%)
Share-based payments	**1,256**	57	NMF	**1,655**	439	277%
Foreign exchange gain	**(1,782)**	(808)	121%	**(640)**	(2,466)	(74%)
Change in fair value of foreign exchange forward contract	**1,534**	365	320%	**562**	365	54%
Acquisition, integration and restructuring costs	**14**	-	-%	**286**	934	(69%)
Other adjusting items (2)	**367**	-	-%	**311**	-	-%
Adjusted EBITDA (2)	**(736)**	(643)	14%	**(2,162)**	(2,233)	(3%)
Debt repayments	**$ (987)**	$ (444)	122%	**$ (2,478)**	$ (12,420)	(80%)

(1) Operating expenses comprise of general and administrative expenses, share-based payments, and depreciation and amortization expense.
(2) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.

The following are included in the above operating expenses:

	Three months ended December 31,			Year ended December 31,		
(in thousands)	**2020**	2019	Change	**2020**	2019	Change
General and administrative	**$ 668**	$ 513	30%	**$ 2,075**	$ 3,052	(32%)
Share-based payments	**1,256**	57	NMF	**1,655**	439	277%
Depreciation and amortization	**4**	5	(20%)	**17**	33	(48%)
Operating expenses	**$ 1,928**	$ 575	235%	**$ 3,747**	$ 3,524	6%

Other expense, net includes the following:

	Three months ended December 31,			Year ended December 31,		
(in thousands)	**2020**	2019	Change	**2020**	2019	Change
Finance expense	**$ 1,238**	$ 1,444	(14%)	**$ 5,309**	$ 10,407	(49%)
Foreign exchange gain	**(1,782)**	(808)	121%	**(640)**	(2,466)	(74%)
Change in fair value of foreign exchange forward contract	**1,534**	365	320%	**562**	365	54%
Other	**449**	130	245%	**684**	115	NMF
Other expense, net	**$ 1,439**	$ 1,131	27%	**$ 5,915**	$ 8,421	(30%)

The Non-Core Business Asset Management segment uses cash distributions received from our Non-Core Assets and Core Business Operations to fund operating expenses, financing costs and make principal payments on the Sagard credit facility.

Three-month highlights

Operating expenses increased for the three months ended December 31, 2020, compared to the prior year's quarter, primarily due to an increase in share-based payments expense. The increase in share-based payment expense is from additional RSUs granted during the second quarter of 2020, a higher share price on December 31, 2020 compared to December 31, 2019 and an expense for recently in-the-money PSOs. The increase in general and administrative expenses is from restructuring expenses recorded in the three months ended December 31, 2020 for transaction costs for the change to equity accounting and the DLC Acquisition not directly attributable to the issuance of the Preferred Shares, and higher personnel costs.

Other expense for the three months ended December 31, 2020 when compared to the prior year's quarter, increased from a negative change in fair value of our foreign exchange forward contract partly offset by a positive movement in foreign exchange related to the revaluation of our Sagard credit facility and a decrease in finance expense from lower borrowings from free cash flow debt repayments. The exchange rate on December 31, 2020, was $0.7854 CAD to USD (September 30, 2020 – $0.7497 CAD to USD). The corporate head office's USD loans and borrowings bear interest at the three-month LIBOR rate plus 7% (subject to a minimum LIBOR rate of 1%) per annum with interest payable quarterly. The Corporation holds foreign exchange forward contracts to partially mitigate foreign currency exchange risk in connection with its USD denominated debt. The change in the fair value of our foreign exchange forward contracts was unrealized for the three months ended December 31, 2020. Please refer to the Market Risk section of this document for further information.

Annual highlights

Operating expenses increased for the year ended December 31, 2020, compared to the prior year, from an increase in share-based payments from issuance of RSU's to Directors and employees in the second quarter of 2020, a higher share price at December 31, 2020 compared to December 31, 2019 and an expense for recently in-the-money PSOs. This is partly offset by a decrease in general and administrative expenses, from $0.9 million in restructuring costs recorded in the year ended December 31, 2019 compared to $0.3 million in 2020 for transaction costs from the change to equity accounting and DLC Acquisition and Reorganization not directly attributable to the issuance of the Preferred Shares. Excluding the restructuring costs, Corporate general and administrative expenses were $1.8 million and $2.1 million for the years ended December 31, 2020 and 2019, respectively. Expense reductions were realized from our ongoing initiative to reduce Non-Core Business Asset Management general and administrative expenses.

Other expense for the year ended December 31, 2020, compared to the same period in the prior year decreased primarily due to a decrease in finance expense related to the $2.8 million make-whole interest payment to our Sagard credit facility concurrent with the principal repayment from the proceeds from the sale of AG recognized during the year ended December 31, 2019 not recurring in 2020, combined with lower borrowings on the Sagard credit facility from free cash flow debt repayments and a decrease in the USD LIBOR rate during the year ended December 31, 2020. This is partly offset by a decrease in the foreign exchange gain on the Sagard credit facility due to realized foreign exchange gains recognized during the 2019 year from the principal repayment, and a negative movement in the foreign exchange forward contracts from increased exchange rates. The exchange rate at December 31, 2020, was $0.7854 CAD to USD (December 31, 2019—$0.7699 CAD to USD). The corporate head office's USD loans and borrowings bear interest at the three-month LIBOR rate plus 7% (subject to a minimum LIBOR rate of 1%) per annum. In December 2019, the Corporation entered a foreign exchange forward contract to partially mitigate foreign currency exchange risk in connection with its USD denominated debt which was unwound during the first quarter of 2020 for proceeds of $1.5 million. During the second quarter of 2020, the Corporation entered new foreign exchange forward contracts. The Corporation recognized a realized gain from the change in fair value of the unwound foreign exchange forward contract of $2.1 million during the year ended December 31, 2020. The Corporation recognized unrealized losses from the outstanding change in fair value of the foreign exchange forward contracts of $2.6 million during the year ended December 31, 2020. Please refer to the Market Risk section of this document for further information.

DISCONTINUED OPERATIONS

On December 31, 2020, the Corporation amended its shareholder agreements with the minority shareholders of Club16 and Impact. The shareholder agreements were amended to reduce the number of Board of Director (the "Board") seats by one seat in each entity, resulting in joint control of the board of each entity. Our ownership interest remains the same in Club16 and Impact at 58.4% and 52.0%, respectively. As a result, the financial results for Club16 and Impact, effective December 31, 2020, will be presented in accordance with equity accounting in our consolidated financial statements. The accounts of Club16 and Impact have been deconsolidated from the statement of financial position at December 31, 2020.

Club16 and Impact previously represented their own individual operating segments, as they each represented greater than 10% of the Corporation's total revenues and total assets at December 31, 2020.

Response to COVID-19

COVID-19 had a material impact on our Non-Core Assets. Club16 was required to temporarily close all clubs from March 17, 2020 to May 31, 2020 and has subsequently seen a reduction in members. In an effort to ensure the health and safety of staff and members, Club16 adopted enhanced cleaning measures, implemented a reservation system to reduce club traffic and reconfigured club equipment to ensure adequate social distancing. Similarly, Impact has also been negatively affected by COVID-19, as the cancellation of concerts, sporting events, and hospitality functions have reduced sales.

Management has undertaken a wide range of initiatives to improve the financial flexibility of the Non-Core Assets. The principal payments on term debt had been postponed for six months for Club16; non-essential expenditures have been deferred; staff was temporarily reduced at Club16 while the clubs were closed; Club16 increased its credit line by $1.5 million; Club16 entered into a $1.6 million demand non-revolving loan to provide additional liquidity; and Club16 received lease abatements on certain leases with negotiations ongoing. In addition, management is working closely with its Non-Core Assets to maximize the current government subsidies (including the wage subsidy) available in response to COVID-19.

Club16

(in thousands)	Three months ended December 31, 2020	2019	Change	Year ended December 31, 2020	2019	Change
Revenues	$ **6,663**	$ 7,137	(7%)	$ **23,801**	$ 30,260	(21%)
Operating expenses [1]	**7,740**	7,213	7%	**27,204**	26,934	1%
(Loss) income from operations	**(1,077)**	(76)	NMF	**(3,403)**	3,326	NMF
Other expenses, net	**(476)**	(1,168)	(59%)	**(1,077)**	(2,896)	(63%)
(Loss) income before tax	**(1,553)**	(1,244)	25%	**(4,480)**	430	NMF
Current tax expense	**-**	-	-%	**-**	-	-
Deferred tax recovery	**(7)**	295	NMF	**251**	787	(68%)
	(7)	295	NMF	**251**	787	(68%)
Gain on valuation of equity accounted investment	**2,803**	-	NMF	**2,803**	-	NMF
Income (loss) from discontinued operations	$ **1,243**	$ (949)	NMF	$ **(1,426)**	$ 1,217	NMF

(1) Operating expenses comprise of direct costs, general and administrative expenses, and depreciation and amortization expense.

Club16 is subject to seasonality associated with the annual club enhancement fee collected in the second quarter of each year. In response to COVID-19 pandemic, Club16 temporarily closed all clubs effective March 17, 2020 to May 31, 2020, and deferred collection of the 2020 club enhancement fee until early August 2020.

As a result of COVID-19, upon re-opening, Club16 has allowed members to temporarily freeze their memberships during the pandemic. Membership fees are not collected on frozen memberships. The total fitness members at December 31, 2020 are 89,433 (of which 5,895 are on freeze). The total active fitness members at December 31, 2020 is 83,538. At December 31, 2019, the total fitness members were 95,219.

Effective August 4, 2020, Club16 introduced a "No Show" fee. In response to COVID-19, Club16 requires members to reserve a workout session. The fee is charged if a member fails to show up to the reserved workout session or cancels within two hours of the reservation.

Three-month highlights

Income from discontinued operations increased for the three months ended December 31, 2020, when compared to the same three months in the prior year, primarily from a gain on the valuation of the equity accounted investment, partly offset by decreased memberships and personal training revenues. Further, Club16 incurred higher operating expenses from increased maintenance costs related to enhanced cleaning procedures in response to COVID-19 and higher salaries due to the additional staff from the opening of club locations in Richmond and North Burnaby in September 2020. The full revenue potential from the two new clubs have not been fully realized, which is typical for new club openings as they build their momentum to reach anticipated member numbers. Included in other expenses for the three months ended December 31, 2020, is income of $0.1 million from lease abatements.

Annual highlights

Loss from discontinued operations increased for the year ended December 31, 2020, when compared to income in the same period in the prior year, due to decreased memberships and personal training revenues, partly offset by a gain on the valuation of equity accounted investments and increases from the No Show fee. Operating expenses decreased from lower advertising expenses from reduced spending due to COVID-19 and lower salaries due to the temporary layoff of club staff during club closures, partly offset by increased maintenance costs related to enhanced cleaning procedures in response to COVID-19. The full revenue potential from the two new clubs in Richmond and North Burnaby, have not been fully realized, which is typical for new club openings as they build their momentum to reach anticipated member numbers. Included in other expenses for the year ended December 31, 2020, is income of $0.5 million from lease abatements.

Impact

(in thousands)	Three months ended December 31, 2020	2019	Change	Year ended December 31, 2020	2019	Change
Revenues	**$ 2,114**	$ 2,620	(19%)	**$ 8,644**	$ 15,219	(43%)
Operating expenses (1)	**2,147**	2,444	(12%)	**8,423**	11,505	(27%)
(Loss) income from operations	**(33)**	176	NMF	**221**	3,714	(94%)
Other expense, net	**(405)**	(111)	265%	**(195)**	(97)	101%
(Loss) income before tax	**(438)**	65	NMF	**26**	3,617	(99%)
Current tax expense	**(74)**	(60)	NMF	**(326)**	(1,232)	(74%)
Deferred tax recovery	**80**	46	74%	**272**	276	(1%)
	6	(14)	NMF	**(54)**	(956)	(94%)
Gain on valuation of equity accounted investment	**3,142**	-	NMF	**3,142**	-	NMF
Income from discontinued operations	**$ 2,710**	$ 51	NMF	**$ 3,114**	$ 2,661	17%

(1) Operating expenses comprise of direct costs, general and administrative expenses, share-based payments, and depreciation and amortization expense.

Impact's revenues can fluctuate due to large one-time orders that may occur at various times throughout the year, causing irregular increases in revenues in some quarters.

Three-month highlights

Income from discontinued operations increased during the three months ended December 31, 2020, compared to the previous year quarter, due to a gain on the valuation of the equity accounted investment, partly offset by decreased revenues from the suspension of concerts and reduction of professional sporting events due to the COVID-19 pandemic. This is partly offset by a decrease in operating expenses primarily due to a decrease in Impact's direct costs, associated with decreased revenues.

Annual highlights

Income from discontinued operations increased during the year ended December 31, 2020, compared to the previous year, from a gain on the valuation of the equity accounted investment, partly offset by decreased revenues primarily due to the suspension of concerts and reduction of professional sporting events from the COVID-19 pandemic and the timing of several large orders received in 2018, a portion of which were fulfilled in the first quarter of 2019. This is partly offset by a decrease in operating expenses from a decrease in Impact's direct costs, associated with decreased revenues.

AG

(in thousands)	Nine months ended September 30, 2019
Revenues	$ 38,224
Operating expenses (1)	38,075
Income from operations	149
Other expense, net	(7,485)
(Loss) before tax	(7,336)
Current tax expense	(706)
Deferred tax recovery	723
	17
Gain on sale of discontinued operations	440
Loss from discontinued operations	$ (6,879)

(1) Operating expenses comprise of direct costs, general and administrative expenses, share-based payments, and depreciation and amortization expense.

On September 30, 2019, we sold our 50% interest in AG for proceeds of $17.0 million.

SUMMARY OF QUARTERLY RESULTS

Selected unaudited financial data published for our operations during the last eight quarters are as follows. The continuing operations results for the current period and comparatives exclude discontinued operations results from the Non-Core Assets and AG to conform with current period presentation. The discontinued operations are only included in net income (loss) and net earnings (loss) per Common Share.

(in thousands except per share amounts)	Dec. 31, 2020	Sept. 30, 2020	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019
Revenues	**17,477**	14,069	11,369	9,498	13,138	13,186	10,440	8,079
Income (loss) from continuing operations	**5,152**	6,472	3,567	3,057	4,857	6,125	1,525	(366)
Adjusted EBITDA (1)	**7,917**	8,106	5,144	4,047	5,959	7,545	3,439	1,913
Net income (loss)	**22,643**	5,045	(413)	(1,716)	1,321	(1,338)	(3,499)	(895)
Adjusted net income (loss)	**2,034**	3,571	1,068	871	1,819	1,919	(758)	(2,359)
Net income (loss) attributable to:								
Common shareholders	**20,851**	2,082	(697)	(2,199)	171	(3,157)	(2,288)	(1,473)
Non-controlling interests	**1,792**	2,963	284	483	1,150	1,819	(1,211)	578
Adjusted net (loss) income attributable to: (1)								
Common shareholders	**(290)**	1,246	(295)	(141)	199	(95)	(1,571)	(2,616)
Non-controlling interests	**2,324**	2,325	1,363	1,012	1,620	2,014	813	257
Net earnings (loss) per Common Share:								
Basic	**0.55**	0.05	(0.02)	(0.06)	-	(0.08)	(0.06)	(0.04)
Diluted	**0.54**	0.05	(0.02)	(0.06)	-	(0.08)	(0.06)	(0.04)
Adjusted net (loss) earnings per Common Share: (1)								
Diluted	**(0.01)**	0.03	(0.01)	-	0.01	-	(0.04)	(0.07)

(1) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.

Quarterly trends and seasonality

Funded mortgage volumes are subject to seasonal variances that move in line with the normal home buying season which are typically highest from June through September. Revenues have increased over the last eight quarters, attributable to an increase in the DLC Group's funded mortgage volumes.

Income from continuing operations for the three months ended December 31, 2020, decreased over the three months ended September 30, 2020, primarily due to an increase in operating expenses from an increase in advertising events expense for a $1.0 million accrual for qualified individuals to attend a future event in lieu of cancelled retreats (due to COVID-19) and an increase in the Non-Core Business Asset Management's share-based payment expense because of our higher share price at December 31, 2020, partly offset by an increase in the DLC Group's revenues.

OUTLOOK

The information in this section is forward-looking and should be read in conjunction with the Cautionary Note Regarding Forward-Looking Information section.

On December 31, 2020, the Corporation completed its acquisition of DLC LP. On January 1, 2021, the Corporation completed the Reorganization and changed the name of the newly amalgamated entity to Dominion Lending Centres Inc. Refer to the Overview of Our Business section of this document for further discussion on the DLC Acquisition and Reorganization.

The Corporation completed the abovementioned transactions to focus operations on the Core Business Operations while simplifying the corporate structure. On completion of the DLC Acquisition and Reorganization, and change to equity accounting of the Non-Core Assets, our focus going forward in 2021 will be to optimize the operations and performance of the DLC Group, reduce our Non-Core Business Asset Management's debt through principal repayments, and continue to manage expenses.

Core Business Operations' operating results for the year ended December 31, 2020 demonstrates the success of its growth initiatives which are reflected in the material growth in adjusted EBITDA and funded mortgage volumes when compared to the year ended December 31, 2019 of 30% and 23%, respectively. Further, to date, the Core Business Operations' has been successful in its growth initiatives by increasing the number of DLC Group brokers by 15% during the year ended December 31, 2020 when compared to the year ended December 31, 2019.

The DLC Group is entering its fifteenth anniversary of operations in 2021. In 2021, we will continue to focus on market penetration and expanding the network of mortgage brokers and franchises through targeted recruiting initiatives. Newton will continue to focus on growing its submission volumes through Velocity, upgrading Velocity's customer relationship management system, extending Velocity's delivery channels, and increasing its number of third-party users. Through these initiatives, we expect funded mortgage volumes and royalty revenue growth from both existing franchises and from securing new franchises as well as higher connectivity revenue from higher funded mortgage volumes and new long-term contracts.

We will continue to make debt repayments on the Sagard credit facility from 60% of CDC retained; as well as distributions received from Non-Core Assets and will continue to assess our expenditures in order to maintain our lower general and administrative costs. During the year ended December 31, 2020, we made $2.5 million of repayments on the Sagard credit facility from free cash flow. We expect to see decreased interest expense on our Sagard credit facility in 2021 because of the decreased outstanding loan balance at December 31, 2020 and the decreased USD LIBOR rate.

We expect to continue to maintain our ownership interest in Club16 and Impact in 2021.

COVID-19

The Canadian real estate industry experienced some early headwinds from the COVID-19 pandemic during the year ended December 31, 2020; however, the impacts on the mortgage brokerage industry have not been material (and may have resulted in increased mortgage activity).

The pandemic has resulted in a decrease in USD LIBOR rates during the year ended December 31, 2020, though the continuation of lower USD LIBOR rates through 2021 are likely to depend on the duration of the pandemic and other economic factors.

It is challenging to predict the full extent and duration of the economic impact of the outbreak and management cannot reasonably estimate the financial and operational impact of COVID-19.

Investment committee and its mandate

The Corporation changed a majority of its directors, its management team and investment objectives in February 2016 (the "2016 Transaction"). The Corporation also changed its name from FCF Capital Inc. to Founders Advantage Capital Corp. Significant disclosure was provided to the market with respect to the changes (including an Annual Information Form dated September 9, 2016). As part of the 2016 Transaction, the Board of Directors of the Corporation concluded that acquisitions were of paramount importance and should be reviewed by the full Board as opposed to being delegated for review to a Board committee. As such, the full Board has assumed responsibility for reviewing acquisitions and dispositions since the 2016 Transaction and the Corporation has not had an Investment Committee.

The full Board of Directors of the Corporation reviewed and approved both the acquisition and the disposition of the equity interest in Astley Gilbert Limited during the year ended December 31, 2019.

Since the 2016 Transaction, the Corporation has not had an Investment Committee nor an Investment Committee Mandate. During the year ended December 31, 2020, the Board of Directors formed a special committee of independent board members (the "Special Committee") to review and assess the DLC Acquisition. The Special Committee unanimously recommended that the Board approve the transaction. Complete details of the review and approval process are set out in the Circular posted on SEDAR.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

(in thousands)	As at December 31,			
		2020		2019
Cash and cash equivalents	**$**	**10,316**	$	5,458
Trade and other receivables		**13,977**		16,270
Prepaid expenses and deposits		**1,651**		2,087
Notes receivable		**531**		410
Inventories		**-**		3,563
Accounts payable and accrued liabilities		**(24,128)**		(17,101)
Current portion of loans and borrowing		**(7,410)**		(22,201)
Deferred contract liability		**(900)**		(674)
Current portion –lease obligation		**(417)**		(2,449)
Current portion – Preferred Share liability		**(9,164)**		-
Net working capital deficit	**$**	**(15,544)**	$	(14,637)

Our capital strategy is aligned with our business strategy and is focused on ensuring that we have sufficient liquidity to fund our operations, service our debt obligations, fund future franchise recruiting opportunities and drive organic revenue growth in the Core Business Operations to increase growth in CDC.

Our principal sources of liquidity are cash generated from the Core Business Operations, borrowings under credit facilities and related party loans. Our primary uses of cash are for operating expenses, franchise recruitment, debt repayment, and debt servicing costs.

As at December 31, 2020 we had a higher consolidated cash position and a higher net working capital deficit when compared to December 31, 2019. The increase in working capital deficit from the comparative period is primarily due to the deconsolidation of the Non-Core Assets from the statement of financial position from the change in board composition and equity accounting, combined with an increase in accounts payable and accrued liabilities from higher commissions payable to DLC Group brokers and the addition of the Preferred Share liability during the year ended December 31, 2020. This increase is partly offset by increased cash from operating activities, largely from the Core Business Operations due to higher net income. Our sources and uses of cash are described below. Our credit facilities are discussed in greater detail in the Capital Resources section. The change in board control and equity accounting are discussed in detail in the Overview of Our Business section.

At December 31, 2020 we have several financial commitments (see Commitments under the Commitments and Contingencies section of this MD&A for further information), which will require that we have various sources of capital to meet the obligations associated with these commitments. The Corporation anticipates it will be able to fund these commitments through its existing financing and cash flow from operations.

Working capital may fluctuate from time to time based on seasonality or timing based on the use of cash and cash resources to fund operations. The Corporation has credit facilities to support the operations and working capital needs and fluctuations. See the Capital Resources section. The Corporation's ability to maintain sufficient liquidity is driven by the operations of the Core Business Operations and allocation of resources.

In response to the COVID-19 pandemic, the Corporation has assessed its liquidity position. Refer to the Capital Resources section of this document for details.

At this time, management is not anticipating a material liquidity deficiency that would affect its short- and long-term objectives of meeting the Corporation's obligations as they come due. The effect of COVID-19 on the Corporation's Non-Core Assets will impact earnings and could impact cash flows of the Corporation; however, the course of the COVID-19 pandemic is highly uncertain. The ultimate impact of the pandemic on the Corporation's future operations and financial performance is currently unknown and will be dependent on several unpredictable factors outside of the knowledge and control of management, including: the duration and severity of the pandemic; the impact of the pandemic on economic growth and financial and capital markets; and governmental responses and restrictions. These uncertainties may continue to persist beyond the point where the initial outbreak of the COVID-19 virus has subsided.

The Corporation was in compliance with the financial covenants contained in its Sagard credit facility and the Core Business Operations' borrowing facilities as at December 31, 2020. These covenants are described under the Capital Resources section of this document.

See the Capital Resources section for additional detail regarding the Corporation's loans and borrowings and bank covenant information.

SOURCES AND USES OF CASH

The following table is a summary of our consolidated statement of cash flow:

	Year ended December 31,	
(in thousands)	**2020**	2019
Cash provided by operating activities	**$ 33,190**	$ 27,475
Cash used in investing activities	**(13,777)**	(6,742)
Cash used in financing activities	**(14,460)**	(20,366)
Increase in cash and cash equivalents	**4,953**	367
Impact of foreign exchange on cash and cash equivalents	**(95)**	(4)
Cash and cash equivalents, beginning of year	**5,458**	5,095
Cash and cash equivalents, end of year	**$ 10,316**	$ 5,458

Operating activities

The increase in cash provided by operating activities for the year ended December 31, 2020 was primarily related to cash flows generated by the Core Business Operations of $30.5 million (compared to $19.1 million in the prior year), Club16 of $8.8 million (compared to $9.5 million in the prior year), and Impact of $1.2 million (compared to $4.6 million in the prior year). The cash provided was partially offset by Non-Core Business Asset Management requirements of $7.3 million (compared to $11.7 million in the prior year), which are primarily related to finance expense, general and administration costs, and restructuring costs.

Cash provided by operating activities for the year ended December 31, 2019, included cash flows from AG of $5.9 million.

Investing activities

The cash used in investing activities for the year ended December 31, 2020, consisted primarily of distributions paid to non-controlling interest unitholders of $6.1 million, investments in intangible assets of $5.2 million within Core Business Operations, Club16's investment in capital assets of $3.5 million, and cash included in the Non-Core Assets which were moved to equity accounted investments of $0.5 million, partly offset by a capital contribution from a non-controlling interest shareholder into Club16 of $1.0 million and distributions from the Core Business Operations' equity investment of $0.6 million.

The cash used in investing activities for the year ended December 31, 2019 consisted primarily of investments in intangible assets and equity accounted investments of $5.2 million within the Core Business Operations, $8.1 million in distributions and dividends paid to non-controlling interest unitholders, and Club16 and AG's investment in capital assets of $6.9 million. The cash used in investing activities was offset by net proceeds from sale of discontinued operations of $13.5 million which included $14.2 million cash proceeds less $0.6 million AG cash disposed and $64 thousand of disposal costs.

Financing activities

Cash used in financing activities for the year ended December 31, 2020 consisted primarily of debt repayments of $8.1 million on the Core Business Operations, debt repayments on the Sagard credit facility of $2.5 million, repayments on Club16's facilities of $2.0 million, and net payments for lease commitments of $4.9 million. Offsetting the cash used in financing activities were proceeds of $1.6 million from debt financing on Club16 facilities and $1.5 million of proceeds received by Non-Core Business Asset Operations for the settlement of the foreign exchange forward contract.

Cash used in financing activities for the year ended December 31, 2019 consisted primarily of the $11.4 million repayment of debt on the Sagard credit facility from proceeds received on the sale of AG and $1.0 million debt payments from excess free cash flow. In addition, $7.7 million debt repayment on the Core Business Operations, Club16 and AG's term loan facilities, $0.5 million dividends paid to common shareholders, costs for debt amendments, and $5.5 million of net payments for lease commitments. Offsetting the cash used from financing activities were proceeds from debt financing of $4.5 million on Club16 facilities for additional draws related to financing capital expenditures for the recent club expansions, and additional proceeds from the Core Business Operations and AG facilities of $2.1 million.

Distributions to the Non-Core Business Asset Management segment

Non-Core Business Asset Management uses the cash received from the Core Business Operations and Non-Core Assets to fund its operating expenses and financing costs. During the year ended December 31, 2020, Non-Core Business Asset Management received dividends and distributions from Core Business Operations and Non-Core Assets of $7.6 million (December 31, 2019—$11.1 million). During the year ended December 31, 2020 total distributions paid to NCI holders were $6.1 million (December 31, 2019—$8.1 million).

CAPITAL RESOURCES

Our capital structure is composed of total shareholders' equity, and loans and borrowings, less net cash and cash equivalents. The following table summarizes our capital structure at December 31, 2020 and December 31, 2019.

(in thousands)	As at December 31, 2020	2019	Change
Loans and borrowings	**$ 40,778**	$ 61,173	(33%)
Less: cash and cash equivalents	**(10,316)**	(5,458)	89%
Net loans and borrowings	**$ 30,462**	$ 55,715	(45%)
Shareholders' equity	**$ 49,467**	$ 73,711	(33%)

Loans and borrowings

Our available credit facilities consist of the Sagard credit facility within the Non-Core Business Asset Management segment, as well as acquisition and operating credit facilities within the Core Business Operations.

Core Business Operations

On March 27, 2020, DLC Inc. (now, the Corporation) amended its existing term loans to suspend principal payments effective April 2020 for six months, to increase liquidity.

The $10.3 million non-revolving term loan facility matures on December 30, 2021. This facility has $2.3 million outstanding as of December 31, 2020 (December 31, 2019—$3.4 million).

The $1.1 million non-revolving term loan facility has $0.9 million outstanding as of December 31, 2020 (December 31, 2019—$1.0 million).

The $9.5 million revolving credit facility is held as an operating demand loan to finance working capital requirements and fund acquisitions. This facility has no amounts drawn as of December 31, 2020 (December 31, 2019—$7.0 million).

On December 3, 2020, DLC Inc. (now, the Corporation) amended its credit facility to restate the general security agreement from first charge over the assets of DLC Inc. to first charge over the Core Business Operations' assets of the Corporation (and a second priority charge on the Non-Core Assets) and stating that the debt service charge ratio covenant test is calculated based on the consolidated financial statements of the Core Business Operations and the debt-to-EBITDA ratio is calculated based on the consolidated financial statements of the Core and Non-Core Business. Borrowings under the term loan facilities and operating facility bear interest at a rate equal to prime rate plus 1.0% per annum. Annual financial covenants for both facilities include the requirement to maintain a debt service charge ratio of not less than 1.05:1.00 and a debt-to-EBITDA ratio of less than 3.75:1.00. As at December 31, 2020, the Corporation was in compliance with all such covenants.

Non-Core Business Asset Management

On March 10, 2021, the Corporation amended its Sagard credit facility to restate the definition of a covenant breach, to exclude Club16 from the cross-default provision for Q4 2020 and the fiscal year 2021, while Club16 navigates COVID-19.

Effective December 30, 2020, FAC (now, the Corporation) amended its Sagard credit facility to restate the general security agreement from a first charge over the assets of FAC to a first charge over the Non-Core Assets of the Corporation (and a second priority charge on the Core Business Operations' assets) and amended the Sagard credit facility to extend the expiry date of the existing lender warrants for an additional twelve months from June 14, 2022 to June 14, 2023. Effective January 1, 2021, the Corporation amended its Sagard credit facility agreement which provides the Corporation with the option, at any time after June 14, 2021 but prior to December 14, 2021, to extend the maturity of the facility by an additional twelve months until June 14, 2023.

On June 24, 2020, FAC (now, the Corporation) amended its Sagard credit facility to permit Club16 to issue 273 class A LP units for $1.0 million and use these proceeds to open two new fitness clubs in British Columbia.

On March 25, 2020, FAC (now, the Corporation) amended its Sagard credit facility to permit the Corporation to unwind its USD $15.0 million foreign currency forward contract and retain the proceeds to enhance liquidity.

The Corporation is obligated to make quarterly repayments on its facility based on Non-Core Business Asset Management free cash flow. At December 31, 2020, the Corporation had $4.9 million classified as current debt based on forecasted free cash flows (December 31, 2019—$3.8 million). The Sagard credit facility matures on June 14, 2022, unless the one-year extension option is exercised by the Corporation.

Financial covenants in the Sagard credit facility include the requirement to maintain a fixed charge coverage ratio of not less than 1.00:1.00 and a total leverage ratio of 3.75:1.00 for each fiscal quarter. As at December 31, 2020, the Corporation was in compliance with all such covenants.

Dividends to the Corporation's common shareholders

On March 12, 2019 the Board of Directors resolved to suspend the dividend policy, and as such, no dividends were declared in 2020. No dividends have been paid during the year ended December 31, 2020. Total dividends paid during the year ended December 31, 2019 were $0.5 million, relating to dividends declared in December 2018.

SHARE CAPITAL

As of April 22, 2021, and December 31, 2020, the Corporation had 46,653,941 Common Shares outstanding (December 31, 2019—38,182,513) and 26,774,054 Preferred Shares outstanding (December 31, 2019—nil).

As at April 22, 2021, there were outstanding stock options to purchase 225,000 Common Shares with exercise prices ranging from $3.00 to $4.40, and 2,078,568 lender warrants with an exercise price of $1.4375. There were no options issued in the year ended December 31, 2020, or December 31, 2019.

Normal course issuer bid

The Corporation implemented a normal course issuer bid on January 13, 2021 (the "NCIB"). The NCIB has a twelve-month duration, commencing on January 18, 2021 and ending on January 17, 2022. Purchases of Common Shares under the NCIB will be affected through the facilities of the Exchange or alternative Canadian trading systems at the market price at the time of purchase. Under the NCIB, the Corporation may purchase up to 2,332,697 Common Shares, representing 5% of the Corporation's issued and outstanding Common Shares. The Corporation intends to cancel any Common Shares purchased pursuant to the NCIB. The actual number of Common Shares that may be purchased and the timing of any such purchases will be determined by the Corporation and will be made in accordance with the requirements of the Exchange. Purchases of Common Shares under the normal course issuer bid will be completed using available working capital from time to time. Any shareholder may obtain, for no charge, a copy of the notice in respect of the NCIB filed with the Exchange by contacting the Corporate Secretary of the Corporation at 403-455-2218. To date, the Corporation has not purchased any Common Shares under the NCIB and does not anticipate purchasing any Common Shares in the first quarter of 2021 as excess cash flow is anticipated to be used to repay the Sagard credit facility.

COMMITMENTS AND CONTINGENCIES

COMMITMENTS

The following table summarizes the payments due in the next five years and thereafter in respect to our contractual obligations. See notes 16, 29 and 30 of the consolidated financial statements for more information.

(in thousands)	Less than 1 year	1–3 years	4–5 years	After 5 years	Total
Accounts payable and accrued liabilities	$ 24,128	$ -	$ -	$ -	**$ 24,128**
Loans and borrowings (1)	7,410	34,490	494	-	**42,394**
Foreign exchange forward contract liability	-	2,623	-	-	**2,623**
Long-term accrued liabilities	-	3,377	20	-	**3,397**
Leases (2)	551	1,041	471	-	**2,063**
Preferred Share liability (3)	9,164	27,087	8,009	61,712	**105,972**
	$ 41,253	$ 68,618	$ 8,994	$ 61,712	**$ 180,577**

(1) Gross of debt issuance costs.
(2) Undiscounted lease payments.
(3) Gross of transaction costs.

Consulting agreement

In February 2020, the Core Business Operations renewed a consulting agreement whereby the Corporation has agreed to incur an annual amount of $0.2 million, paid quarterly, for consulting services related to promotional support. The consulting agreement expires in January 2022.

Service agreement

In March 2018, the Core Business Operations entered into an agreement with a software development company to develop and support a customized mortgage application ("app") for an annual amount of $0.9 million. The agreement is a related party transaction due to common management between the Core Business Operations and the service provider. The service agreement expires in March 2023.

The Core Business Operations' has contracts with external dealers to recruit franchises. The Core Business Operations has a commitment to pay these dealers a commission for the franchise royalties earned by such franchises. Commissions are earned based on a percentage of franchise revenue earned and are accrued at the date it is earned. During 2018, a contract with a dealer was terminated, resulting in a (gain) loss on contract settlement of ($0.1) million and $0.1 million for the three months and year ended December 31, 2020 (December 31, 2019—$0.1 million and $0.4 million).

Constructive obligations

In response to COVID-19, the Core Business Operations cancelled its annual Manulife Protection Plan Retreat ("MPPR") in 2020. The MPPR is a reward for the Core Business Operations top performing brokers. The cancelled event represents a constructive obligation, whereby the Core Business Operations is obligated to provide a future event to qualified individuals in lieu of cancelled retreats. During the three months and year ended December 31, 2020, the total provision recognized for this constructive obligation was $1.0 million (December 31, 2019—$nil).

Contingencies

In the normal course of operations, the Corporation and its Non-Core Assets may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. The outcome of outstanding, pending, or future proceedings cannot be predicted with certainty. As the outcomes of the claims are not determinable, no provision for settlement has been made in the consolidated financial statements. The Corporation does not anticipate that these claims will have a material impact on its financial position.

In February 2019, the Core Business Operations received a statement of claim (the "Claim") filed in the Ontario Superior Court of Justice by two individual plaintiffs (the "Plaintiffs"). The Plaintiffs are seeking certification of the Claim under the Class Proceedings Act (Ontario) and are seeking an order for damages of $800 million. The Claim relates to a product called Mortgage Protection Plan ("MPP"), mortgage creditor insurance underwritten by The Manufacturers Life Insurance Company ("Manulife"), formerly administered by Benesure Canada Inc. ("Benesure") and offered through Credit Security Insurance Agency Inc. ("CSIA"). The Claim alleges that Benesure is an unlicensed insurer and that the Core Business Operations is liable for distributing the MPP product through the DLC Group's network. The Corporation is contractually indemnified from Benesure, Manulife and CSIA for any costs, expenses, damages or liability arising from the offering of MPP through the DLC Group's network of brokers. It is the Corporation's assessment that the Claim is without merit (and includes an indemnification) and as a result, no provision has been recorded in the Corporation's financial statements for the year ended December 31, 2020 (December 31, 2019—$nil). We note that Benesure, Manulife and other parties were subject to a BC class action lawsuit commenced in 2013 relating to the MPP product which failed to be certified in 2016. In November, 2020, the Supreme Court of British Columbia did certify the class (as all residents of Canada that purchased the MPP product, except for residents of Quebec) and ordered that the settlement agreement reached by the parties was binding on the class (the "November 2020 Decision"). The November 2020 Decision is a favourable development for the Corporation as the Claim against the Corporation is expected to be resolved by the class settlement agreement. The November 2020 Decision is being appealed as a nominal number of plaintiffs are opposed to the settlement. Since serving the Corporation with the original claim in February, 2019, the Plaintiffs have not taken any further actions to advance their claim against the Corporation.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements at December 31, 2020 or April 22, 2021 not disclosed or discussed previously.

CONTINGENCIES

The Corporation's Non-Core Assets have outstanding legal claims. The outcome of the outstanding claims is not determinable and no provision for settlement has been made in the financial statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FINANCIAL INSTRUMENTS

Our financial risk management policies have been established to identify and analyze risks that we face, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. We employ risk management strategies to ensure our risks and related exposures are consistent with our business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for our risk management framework, our management has the responsibility to administer and monitor these risks.

We are exposed in varying degrees to a variety of risks from the use of financial instruments, which mainly include cash and cash equivalents, trade and other receivables, loans and borrowings, investments, and trade payables and accrued liabilities. Because of the use of these financial instruments, we are exposed to risks that arise from their use, including market risk, credit risk and liquidity risk. This section describes our objectives, policies and processes for managing these risks and the methods used to measure them.

Our financial instrument classifications as at December 31, 2020 is as follows.

(in thousands)	**Carrying value**	**Fair value**	**Classification**
Financial assets			
Investments	$ **246**	$ **246**	Fair value through profit or loss
Financial liabilities			
Foreign exchange forward contract liability	**(2,623)**	**(2,623)**	Fair value through profit or loss
Loans and borrowings	**(40,778)**	**(40,778)**	Amortized cost

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of foreign exchange risk and interest rate risk.

Foreign exchange risk

The Corporation's exposure to foreign exchange fluctuations is limited to the balances in its USD bank accounts; USD loans and borrowings; USD foreign exchange forward contract; and USD interest expense. At December 31, 2020, the cash balance is USD $0.3 million (CAD $0.3 million), compared to USD $0.2 million (CAD $0.2 million) at December 31, 2019. The USD loans and borrowing balance is USD $30.7 million (CAD $39.1 million); at December 31, 2019, it was USD $32.6 million (CAD $42.4 million). A 10% strengthening of the U.S. dollar against the Canadian dollar would result in a $1.2 million decrease in net income before tax for the year ended December 31, 2020 (December 31, 2019—$2.4 million decrease).

To manage the Corporation's foreign exchange exposure on its USD loan, FAC (now the Corporation) entered an intercreditor agreement with our lender and a third-party counterparty, which allows the Non-Core Business Asset Management segment to enter into foreign exchange forward contracts up to USD $25.0 million. The forward contracts are secured through the intercreditor agreement, which allows the Corporation to offer the counterparty security up to $7.0 million.

During the year ended December 31, 2020, to mitigate exposure to foreign exchange risk, the Corporation entered into the following foreign exchange forward contracts that can be settled at any time (at the Corporation's option) within a period of six months from December 14, 2021 to June 14, 2022, as follows:

Date entered		Forward contract value (in USD)		Forward rate
April 27, 2020	$	2,500	$	1.406
April 29, 2020		2,500		1.390
April 30, 2020		4,000		1.393
May 7, 2020		6,000		1.400
June 1, 2020		3,000		1.367
June 2, 2020		3,000		1.354
June 4, 2020		3,000		1.353
Total value and blended forward rate (1)	$	24,000	$	1.383

(1) The blended forward rate at December 31, 2020 was $1.273.

During the year ended December 31, 2020, the Corporation unwound its USD $15.0 million foreign exchange forward contract entered in December 2019, at a forward rate of $1.442 for net proceeds of $1.5 million to further strengthen its liquidity position in response to the uncertain scale and duration of the COVID-19 pandemic. The Corporation recognized a net realized gain on the change in fair value of the foreign exchange forward contract from inception to unwind of $1.7 million, and a $2.1 million realized gain during the year ended December 31, 2020 (December 31, 2019—$nil).

The Corporation's change in fair value of the foreign exchange contracts consists of unrealized losses and realized gains as follows:

	For the three months ended December 31,				For the year ended December 31,			
(in thousands)		**2020**		2019		**2020**		2019
Unrealized (loss)	**$**	**(1,534)**	$	(365)	**$**	**(2,623)**	$	(365)
Realized gain		**-**		-		**2,061**		-
Change in fair value of foreign exchange contracts	**$**	**(1,534)**	$	(365)	**$**	**(562)**	$	(365)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are exposed to interest rate risk on our variable rate loans and borrowings. A 1% change in the interest rates on the loans and borrowings would have a $0.7 million decrease of net income for the year ended December 31, 2020 (December 31, 2019—$0.8 million).

CREDIT RISK

As at December 31, 2020 $0.3 million (December 31, 2019—$0.5 million) of our trade receivables are greater than 90 days' outstanding and total expected credit losses as at December 31, 2020 is $0.4 million (December 31, 2019—$0.1 million). A decline in economic conditions, or other adverse conditions, could lead to reduced revenue and gross margin, and could impact the collectability of accounts receivable. The Corporation mitigates this risk by monitoring economic conditions and managing its customer credit risk.

The Corporation’s maximum exposure to credit risk, as related to certain financial instruments identified in the table below, approximates the carrying value of the assets of the Corporation’s consolidated statement of financial position.

	As at December 31,			
(in thousands)		**2020**		2019
Cash and cash equivalents	**$**	**10,316**	$	5,458
Trade and other receivables		**14,987**		16,826
Notes receivable		**531**		410
	$	**25,834**	$	22,694

LIQUIDITY RISK

Liquidity risk is the risk that we will not meet our financial obligations as they fall due. We manage this risk by continually monitoring our actual and projected cash flows to ensure there is sufficient liquidity to meet our financial liabilities when they become due. See the Consolidated Liquidity and Capital Resources section of this MD&A for further discussion on our liquidity risk.

The Corporation’s objective when managing its capital is to safeguard its ability to continue as a going concern, so that it generates returns for Shareholders, expands business relationships with stakeholders, and identifies risk and allocates its capital accordingly. There can be no guarantee that the Corporation will continue to generate sufficient cash flow from operations to meet required interest and principal payments. Further, the Corporation is subject to the risk that any of its existing indebtedness may not be able to be refinanced upon maturity or that the terms of such financing may not be as favorable as the terms of its existing indebtedness.

The credit facilities contain several financial covenants that require the Corporation to meet certain financial ratios and condition tests. A failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived may permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of the Corporation would be sufficient to repay in full that indebtedness.

BUSINESS RISKS AND UNCERTAINTIES

The following is a brief discussion of the factors which may have a material impact on our future business or financial performance. We are subject to several risks and uncertainties and those described below are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known or are currently deemed immaterial may also adversely impact future business or financial performance, and such impact may be material. Additional risk factors are also set out in our Annual Information Form dated April 22, 2021 (available on SEDAR).

Given the nature of our investment activities, the results of operations and our financial condition are dependent upon the financial condition and performance of the businesses comprising our investments. The performance of these businesses can be affected by the general market conditions that affect a segment and by specific factors that impact the underlying businesses.

Canadian real estate market

The performance of DLC Group is dependent upon the number of mortgage brokers working in DLC's franchise network and the volume of mortgages brokered by such brokers. The number of mortgage brokers is in turn ultimately dependent on the health of the Canadian real estate market and the level of transactions therein, particularly in the residential segment. The Canadian real estate market is affected by changes in general and local economic conditions such as: regulatory changes, inflation, interest rates, employment levels, availability and cost of financing for home buyers, competitive and market demand dynamics in key markets, the supply of available new or existing homes for sale, and overall housing prices. Any change in such factors may put downward pressure on the Canadian real estate market, the number of mortgage brokers or the aggregate dollar value of mortgages brokered by them, any of which factors which could negatively impact the DLC Group Franchisees and their ability to pay franchise fees to DLC Group.

Brand reputation

Corporation or subsidiary brand value can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity or result in litigation. Incidents that could be damaging to the brand may arise from events that are or may be beyond management's ability to control. If any such incidents or other matters erode consumer confidence could in turn materially and adversely affect results of operations and financial condition.

The DLC Group's franchisees are independent business operators, and their mortgage brokers are independent contractors, and, as such, they are not employees of the Corporation, and the Corporation does not exercise control over their day-to-day operations. If the franchisees or their mortgage brokers were to provide diminished quality of service to customers, the DLC Group's image and reputation may suffer materially and adversely affect the Corporation's results of operations.

Adding DLC franchises / closure of DLC franchises

DLC Group's ability to grow its revenue depends in part upon DLC Group's ability to execute upon its growth strategy and maintain and grow its network of franchises (and the ability of Franchisees to increase the number of mortgage brokers working at their franchises). If DLC is unable to attract qualified franchisees and Franchisees are unable to attract new mortgage brokers, DLC may be adversely affected. The growth of DLC's franchise network and the number of mortgage brokers is somewhat dependent upon available mortgage brokers in desirable locations and attracting new mortgage brokers.

Cyber security

Our operations increasingly depend upon the use of sophisticated information technologies and systems for internal processes. The operation of these technologies and systems is dependent, in part, upon third-party technologies, systems and services, for which there are no assurances of continued or uninterrupted availability and support by the applicable third-party vendors on commercially reasonable terms. If the Corporation's information technology systems were to fail and the Corporation was unable to recover in a timely way, the Corporation might be unable to fulfill critical business functions, which could have a material adverse effect on its business, financial condition, and results of operations.

The Corporation and its Non-Core Assets may be threatened by cyber-attacks, breaches of network, computer viruses or other security breaches, human errors, sabotage, or other similar events, it could have an adverse impact on its activities, including system disruptions or breakdowns, loss of data, or intellectual property theft. This could also have an adverse impact on financial performance and cause considerable damage to reputation and could potentially result in legal actions.

Breach of privacy laws / release of confidential information

The Corporation and its Non-Core Assets maintain significant private and confidential information regarding their customers in the ordinary course of business and depends on the operations and systems to keep all such information confidential. The intentional or unintentional release of customers' confidential private information could materially and adversely affect their respective financial condition and results of operations.

Competition risk

Competition is based on price, quality of products and services, lead times and the range of services offered. Existing and/or new competitors may announce new products or enhancements that better meet the needs of customers or changing industry standards or deeply discount the price of its products. Internet-based mortgage brokerage businesses are becoming more prevalent in the United States. While none have commenced operations in Canada to date, innovation in the space is constant, and disruptive business models could draw consumers away from traditional mortgage brokerages and put downward pressure on the number of mortgage brokers operating in the industry, which would adversely affect DLC.

Dependence on management and directors

The Corporation's success may depend upon the efforts, skill, and business contacts of key members of management and the Board. The loss of the services of any of these individuals could have a material and adverse effect on our revenues, net income, and cash flows.

From time to time, we will also need to identify and retain additional skilled management to efficiently operate our business. Recruiting and retaining qualified personnel is critical to our success, and there can be no assurance of our ability to attract or retain such personnel.

If we are not successful in attracting and training qualified personnel, our ability to execute our business strategy could be affected, which could have a material and adverse impact on our profitability, results of operations and financial condition.

Common Shares sensitive to market fluctuations
The market price of the Common Shares has been and may continue to be subject to wide fluctuations in response to factors such as actual or anticipated variations in our results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the Common Shares, even if we are successful in maintaining revenues, cash flows or earnings.

Potential conflicts of interest
Certain of our directors and officers are or may, from time to time, be involved in other financial investments and professional activities that may on occasion cause a conflict of interest with their duties to the Corporation. These include serving as directors, officers, advisors or agents of other public and private companies, including companies involved in similar businesses to the Corporation or companies in which we may invest; management of investment funds; purchases and sales of securities; and investment and management counselling for other clients. Such conflicts may result in a material and adverse effect on our results of operations and financial condition.

Seasonality and variable cycles in results
The Corporation's quarterly operating results generally vary from quarter to quarter because of seasonal fluctuations in our business and this seasonality is expected to continue. There is no guarantee that operating results will follow past trends.

Interest rate risk
The Corporation is exposed to changes in interest rates on its Sagard credit facility and the Core Business Operations' term debt which bear interest at variable rates. The cash flows required to service these financial liabilities will fluctuate because of changes in market interest rates.

Foreign currency exchange rates
The Corporation is exposed to changes in foreign currency exchange rates. The Corporation is exposed to foreign currency exchange movement on its U.S denominated Sagard credit facility and U.S dominated finance expense. Fluctuations in the currency exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the business, financial position, and operating results. To manage its exposure to fluctuations in the U.S. dollar, during the year ended December 31, 2020, the Corporation entered forward contracts for its U.S. denominated debt.

Changes in laws and regulations
The Corporation and its Non-Core Assets are subject to a variety of laws and regulations. Future changes in federal, provincial, and municipal laws or regulations could potentially significantly escalate the cost of complying which could have a negative impact the Corporation's financial results. There can be no assurance that the legal, tax, regulatory changes or other laws will not be changed in a manner which adversely impacts the Corporation.

Transaction and legal risks
We may be exposed to transaction and legal risks, including potential liability under securities laws or other laws and disputes over the terms and conditions of investment arrangements. We may face legal claims and litigation. These risks are often difficult to assess or quantify, and their existence and magnitude often remain unknown for substantial periods of time. We may incur significant legal and other expenses in defending against litigation involved with any of these risks and may be required to pay substantial damages for settlements and/or adverse judgments. Substantial legal liability or significant regulatory action against us could have a material and adverse effect on our results of operations and financial condition.

Economic and political conditions

The Corporation and its Non-Core Assets are sensitive to general market and economic conditions in Canada and worldwide. These conditions include, among others, short-term and long-term interest rates, new regulations, inflation, fluctuations in debt and equity capital markets, levels of unemployment, extent and duration of health outbreaks, the extent and duration of COVID-19, consumer confidence and the general condition of the Canadian, North American and world economies. Lack of available credit or lack of confidence in the financial sector could materially and adversely affect the Corporation's financial position. There can be no assurance that a change in economic conditions will not negatively affect the Corporation's financial position.

COVID-19

The Corporation and its Non-Core Assets are sensitive to the extent and duration of COVID-19. The Core Business Operations may be negatively affected in the event the Canadian housing market declines. As such, COVID-19 may adversely impact earnings, cash flows and the financial position of the Corporation, the full effects of which are not yet known.

RELATED PARTY TRANSACTIONS

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the amount established and agreed upon by the related parties.

Core Business Operations

DLC Acquisition and Reorganization

On December 31, 2020, the Corporation completed the DLC Acquisition, Private Placement, and Inversion Rights Termination Transaction.

The Corporation acquired all the limited partnership units of DLC LP, that it did not already own, for 26.8 million Preferred Shares. The Preferred Shares are recognized as a $105.7 million liability, net of transaction costs, on the consolidated balance sheet at December 31, 2020. As part of the DLC Acquisition, the Corporation paid KayMaur and the other vendors an aggregate of $15.0 million, consisting of $7.5 million in cash and 4.3 million Common Shares at $1.75 per share, to terminate the Inversion Rights. The DLC Acquisition and Inversion Rights Termination Transaction were completed with KayMaur. KayMaur is controlled by Gary Mauris and Chris Kayat, who are the principals of DLC LP and beneficially own or, exercise control or direction over, directly or indirectly, more than 10% of the issued and outstanding Common Shares of the Corporation. The Corporation obtained shareholder approval for the DLC Acquisition, the Private Placement and the Inversion Rights Termination Transaction on December 15, 2020.

The Corporation completed the Private Placement and issued 4.3 million Common Shares for gross proceeds of $7.5 million ($1.75 per Common Share) with a shareholder of the corporation, Belkorp Industries Inc.

Property leases

Core Business Operations' leases and rents office space from a related company controlled by Chris Kayat and Gary Mauris, who are key members of the Corporation's management. The original lease was for a five-year term ending September 16, 2020 at a rate of $5 thousand per month. This lease has been extended for an additional five-year term at a rate of $6 thousand per month. During the year ended December 31, 2020, the total costs incurred under this lease was $0.3 million (December 31, 2019—$0.3 million). The extended lease term matures in 2025.

Core Business Operations' leases a two-bedroom condo in Toronto from a related company controlled by Chris Kayat and Gary Mauris, who are key members of the Corporation's management. The original lease was for a five-year term ending September 16, 2020 at a rate of $5 thousand per month. This lease has been extended for an additional five-year term at the same monthly rate. During the year ended December 31, 2020, the total costs incurred under this lease was $0.1 million (December 31, 2019—$0.1 million). The extended lease term matures in 2025.

The expenses related to these leases are recorded in interest and depreciation and amortization expenses and are paid monthly; as such, no amount remains payable within the Corporation's financial statements.

Sales tax receivable
On initial acquisition of the Core Business Operations in 2016, the Corporation was indemnified against any sales tax amounts assessed prior to our acquisition. As at December 31, 2020, the Corporation has recorded a receivable due from key management of the Corporation (Gary Mauris and Chris Kayat) in the amount of $0.3 million for the sales tax amounts payable recorded by the Core Business Operations (December 31, 2019—$0.3 million). This receivable has been recorded in trade and other receivables in the Corporation's consolidated statement of financial position.

Administrative services
The Core Business Operations has entered into an agreement with a software development company to develop and support a customized mortgage app that is owned by key management of the Corporation (Chris Kayat and Gary Mauris). Total fees charged for services under this agreement for the year ended December 31, 2020 was $0.9 million (December 31, 2019—$0.9 million).

Non-Core Business Asset Management

Property leases
Impact leases and rent office space from a company that is controlled by minority partners within the subsidiaries (Keith Kostek). During the year ended December 31, 2020, the total costs incurred under this lease was $0.1 million (December 31, 2019—$0.1 million). The lease term matures in 2022.

Club16 leases office space and a facility for one of its fitness clubs from companies that are controlled by key management personnel (Chuck Lawson). The total costs incurred under these leases for the year ended December 31, 2020, was $0.2 million (December 31, 2019—$0.4 million). The lease term maturities range from 2020—2021. The fitness club space lease matured on March 31, 2020.

The expenses related to these leases are recognized in discontinued operations and are paid monthly.

Loans and advances
Club16 has loans and advances due from companies that are controlled by key management personnel of Club16 in the amount of $2.4 million as at December 31, 2019. The advancements are unsecured and non-interest bearing. As Club16 is a discontinued operation at December 31, 2020 and its net assets have been removed from the consolidated statements of financial position, there are no related party amounts for these loan and advances recognized in the financial statements at December 31, 2020.

Club16 private placement
On June 29, 2020, Club16 completed a private placement of 273 class A LP units to its founder/operating partner (Chuck Lawson) for proceeds of $1.0 million. As a result, the Corporation's ownership interest in Club16 has decreased from 60.0% to 58.4%.

Other
The Non-Core Business Asset Management has entered into an agreement with the non-controlling shareholders of Impact (Keith Kostek). The agreement is related to liquidation rights, and if a liquidation event occurs, the Corporation has a possible commitment to pay $1.0 million to these shareholders. As at December 31, 2020, a liability has been recognized for the current fair value of the liability of $1.0 million (December 31, 2019—$0.9 million).

Key management compensation

The Board of Directors receive RSUs as compensation. During the years-ended December 31, 2020, and December 31, 2019, there were no amounts paid to the Board of Directors included with general and administrative expense.

Key management personnel comprise members of the Board of Directors and key management of the Corporation. Their compensation is as follows:

	Year ended December 31,			
(in thousands)		**2020**		2019
Salaries and benefits	**$**	**4,487**	$	1,512
Share-based payments		**1,381**		342
	$	**5,868**	$	1,854

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and related notes. These include estimates that, by their nature, are uncertain, and actual results could differ materially from these estimates. The impacts of such estimates may require accounting adjustments based on future results. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Areas that require management to make significant estimates, judgments and assumptions are as follows.

COVID-19 impact

Management has used the best available information in making well-reasoned judgements and estimates of the impact of COVID-19 on its interim financial statements. The ultimate impact of the pandemic on the Corporation's future operations and financial performance is currently unknown and will be dependent on several unpredictable factors outside of the knowledge and control of management, including: the duration and severity of the pandemic; the impact of the pandemic on economic growth and financial and capital markets; and governmental responses and restrictions. These uncertainties may continue to persist beyond the point where the initial outbreak of the COVID-19 virus has subsided. The potential impact of the COVID-19 pandemic has been considered by management in making judgments, estimates and assumptions used in the preparation of the financial statements, but the inherent risks and uncertainties resulting from the pandemic may result in material changes to such judgments, estimates and assumptions in future financial periods as additional information becomes available.

Fair value measurement

Management applies significant judgement to assess fair values. These key fair values included in the financial statements are those for the Corporation's equity accounted investments in its Non-Core Assets and the Preferred Shares liability.

Valuation techniques applied to the equity accounted investments in the Non-Core Assets and the Preferred Shares liability are generally based on management's estimate of the total expected future cash flows. Significant assumptions used in determining the fair value of the investment in the Non-Core Assets include determination of future revenues and cash flows, discount rates and market conditions at the date the Corporation changed to equity accounting. Significant assumptions used in determining the fair value of the investment in the Preferred Shares liability include determination of future revenues and cash flows, and the discount rate. The estimates and assumptions used in determining the fair value of the Corporation's equity accounted investments in the Non-Core Assets and the Preferred Share liability are subject to uncertainty, and if changed, they could significantly differ from those recognized in the financial statements.

Lease term

Management applies significant judgement to assess the term of a lease when there are options to extend or terminate. The Corporation has elected to use hindsight for determining the lease term for leases that contain options to extend or terminate. Where the Corporation's leases include multiple renewal options, management has determined whether those options are likely to be exercised. Management's assessment of a lease term could have an impact on the amounts recognized for a leases' right-of-use asset and liability; depreciation and amortization charge recorded on the right-of-use asset; and interest expense recorded on the liability.

Business combinations

The Corporation uses significant judgement to conclude whether an acquired set of activities and assets is a business, and such a determination can lead to significantly different accounting results. The acquisition of a business is accounted for as a business combination. If an acquired set of activities and assets does not meet the definition of a business, the transaction is accounted for as an asset acquisition or a compensation arrangement.

The Corporation accounts for business combinations using the acquisition method. Significant estimation and judgement are required in applying the acquisition method when identifying and determining the fair values of the acquired company's assets and liabilities.

The most significant estimates and assumptions, and those requiring the most judgement, involve the fair values of intangible assets and residual goodwill, if any. Valuation techniques applied to intangible assets are generally based on management's estimate of the total expected future cash flows. Significant assumptions used in determining the fair value of intangible assets identified include determination of future revenues and cash flows, discount rates and market conditions at the date of the acquisition. The excess acquisition cost over the fair value of identifiable net assets is recorded as goodwill. The estimates and assumptions used in determining the fair value of intangible assets acquired are subject to uncertainty, and if changed, they could significantly differ from those recognized in the financial statements.

Control assessment and classification of non-controlling interest

The Corporation has controlling or majority interests in private companies. This requires management to apply significant judgement to assess whether the investment structure results in the Corporation having control, joint control or significant influence over the investee, and to determine the classification of non-controlling interest. The assessment of whether the Corporation has control, joint control or significant influence over the investee and the classification of non-controlling interest is dependent on such factors as distribution, voting and liquidity rights. Management's assessment of these factors and others will determine the accounting treatment for the investment and may have a significant impact on the Corporation's consolidated financial statements.

Intangible assets

Management has concluded that the DLC brand name has an indefinite useful life. This conclusion was based on many factors, including the Corporation's ability to continue to use the brand and the indefinite period over which the brand name is expected to generate cash flow. The determination that the brand has an indefinite useful life involves judgement, which could have an impact on the amortization charge recorded in the consolidated statement of income.

For each class of intangible assets with finite lives, management must decide the period over which it will consume the assets' future economic benefits. The determination of a useful life period involves judgement, which could have an impact on the amortization charge recorded in the consolidated statement of income.

Impairment of goodwill and intangible assets

Goodwill and indefinite life intangible assets are not amortized. Goodwill and indefinite life intangible assets are assessed for impairment on an annual basis, or when indicators of impairment are identified, by comparing the carrying amount of the asset to its recoverable amount, which is calculated as the higher of the asset's fair value less cost of disposal or its value in use. The value in use is calculated using a discounted cash flow analysis, which requires management to make many significant assumptions, including those related to future operating plans, discount rates and future growth rates.

Finite life intangible assets are assessed for indicators of impairment at the end of each reporting period. If indicators of impairment exist, the Corporation assesses whether the carrying amount of the asset is considered recoverable. An impairment loss is recorded when the carrying value exceeds its recoverable amount, which is calculated as the higher of the asset's fair value less cost of disposal or its value in use. See Note 11 of the Financial Statements.

Cash-generating unit ("CGU") determination

The determination of CGUs for impairment testing requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by a group of assets. In identifying assets to group into CGUs, the Corporation considers how the operations of each of its subsidiaries generate cash flows and how management monitors the entity's operations. The determination of CGUs could affect the results of impairment tests and the amount of the impairment charge, if any, recorded in the financial statements.

Deferred taxes

The determination of the Corporation's net loss and other tax liabilities requires the interpretation of complex tax regulations. Judgment is required in determining whether deferred tax assets should be recognized on the consolidated statement of financial position. Deferred tax assets require management to assess the likelihood that the Corporation will generate taxable income in future periods to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each applicable jurisdiction. These estimates and assumptions are subject to uncertainty and, if changed, could materially affect the assessment of the Corporation's ability to fully realize the benefit of the deferred tax asset. See Note 25 of the financial statements.

Liquidity

As part of its capital management process, the Corporation prepares and uses budgets and forecasts to direct and monitor the strategy, ongoing operations and liquidity of the Corporation and its Non-Core Assets. This includes ongoing and forecasted compliance with the covenants as set out within the Corporation's lending agreements and the Corporation's ability to meet its commitments and obligations as they become due. Budgets and forecasts are subject to significant judgment and estimates relating to future activity levels, future cash flows and the timing thereof, availability of acceptable financing arrangements and other factors which may or may not be within the control of the Corporation (customer demand, growth rates, access to capital, etc.).

ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2019, except for as disclosed in Note 3 of the consolidated financial statements.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table summarizes selected annual information for 2020, 2019 and 2018.

	Year ended December 31, [1]		
(in thousands, except per share amounts)	**2020**	2019	2018
Consolidated Statement of Income (Loss) Data from Continuing Operations:			
Revenues	**$ 52,413**	$ 44,843	$ 40,123
Income (loss) attributable to common shareholders	**20,037**	(6,747)	(20,344)
Income (loss) per Common Share:			
Basic	**$ 0.53**	$ (0.18)	$ (0.53)
Diluted	**$ 0.53**	$ (0.18)	$ (0.53)
Consolidated Statement of Financial Position Data:			
Total assets	**$ 260,194**	$ 321,820	$ 346,621
Total long-term financial liabilities	**$ 141,024**	$ 90,575	$ 67,549

(1) Club16, Impact and AG are discontinued operations and have been excluded from the consolidated statements of income (loss) results and consolidated statement of financial position results for the year ended December 31, 2020. The comparative years have been amended to conform with current year presentation. The statement of financial position comparative results for the years ended December 31, 2019 and December 31, 2018 have not been amended and include the net assets of Club16, Impact and AG. Refer to the Discontinued Operations section of this document for further discussion on discontinued operations.

Revenues increased in the current year over the comparative periods due to increased funded mortgage volumes in the DLC Group. Total assets decreased in the current period over the comparative periods primarily due to the change to equity accounting in the Non-Core Assets in the year ended December 31, 2020. Long-term financial liabilities increased primarily from the recognition of the Preferred Share liability, partly offset by the removal of the Non-Core Assets liabilities due to the change to equity accounting in the year ended December 31, 2020.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this document constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate," "believe," "estimate," "will," "expect," "plan," or similar words suggesting future outcomes or an outlook. Forward-looking information in this document includes, but is not limited to:

- The 2021 outlook and strategic objectives;
- DLC Group revenues in the future being greater than revenue for the current period;
- Our business plan and growth strategy;
- Adding additional DLC Group franchises through targeted recruiting initiatives;
- Newton growing its submission volumes through Velocity and increasing its number of third-party users;
- The ability of our Non-Core Assets to distribute cash to the Non-Core Business Asset Management segment;
- Our expectation that the Corporation will continue to maintain its ownership interest in the Non-Core Assets in 2021;
- The effects of COVID-19 on the Corporation and its Non-Core Assets will be consistent with the Corporation's expectations and the expectations of management of each of its subsidiaries both in extent and duration;
- The Canadian and U.S. economies will begin to recover from the ongoing economic downturn created by COVID-19 within the next twelve months;
- The Non-Core Assets affected by COVID-19 will recover from the pandemic's impacts and return to historical (pre-COVID-19) operating environments;
- Management's ability to adjust cost structures at the Corporation and its Non-Core Assets to improve liquidity and cash flow; and
- Our expectation to not acquire any Common Shares under our NCIB in the first quarter of 2021.

Such forward-looking information is based on many estimates and assumptions, including material estimates and assumptions, related to the factors identified below that, while considered reasonable by the Corporation as at the date of this MD&A considering management's experience and perception of current conditions and expected developments, are inherently subject to significant business, economic and competitive uncertainties, and contingencies.

Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to:

- Changes in taxes;
- Changes in foreign currency rates;
- Increased operating, general and administrative, and other costs;
- Changes in interest rates;
- General business, economic and market conditions;
- Changes in health outbreaks and impacts on market conditions;
- The extent and duration of COVID-19;
- Our ability to obtain services and personnel in a timely manner and at an acceptable cost to carry out our activities;
- The DLC Group's ability to maintain its existing number of franchisees and add additional franchisees;
- Newtons' ability to grow its submission volumes and number of third-party users is subject to broker and industry adoption of Newton as a connectivity platform;
- Changes in Canadian mortgage lending and mortgage brokerage laws;
- Material decreases in the aggregate Canadian mortgage lending business;
- Changes in the fees paid for mortgage brokerage services in Canada;
- Changes in the regulatory framework for the Canadian housing sector;
- Demand for the Corporation's products remaining consistent with historical demand;

- Our ability to realize the expected benefits of our Non-Core Assets;
- The uncertainty of estimates and projections relating to future revenue, taxes, costs, and expenses; changes in, or in the interpretation of, laws, regulations or policies;
- the outcome of existing and potential lawsuits, regulatory actions, audits, and assessments; and
- other risks and uncertainties described elsewhere in this document and in our other filings with Canadian securities authorities.

Many of these uncertainties and contingencies may affect our actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, us. Readers are cautioned that forward-looking statements are not guarantees of future performance. All forward-looking statements made in this MD&A are qualified by these cautionary statements. The foregoing list of risks is not exhaustive. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities laws, we undertake no obligation to update publicly or revise any forward-looking statements or information, whether because of new information, future events or otherwise.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

ADJUSTED EBITDA

Adjusted EBITDA is defined as earnings before finance expense, taxes, depreciation, amortization, and any unusual, non-core, certain non-cash or one-time items. The Corporation considers its main operating activities to be the Core Business Operations and management of its operating subsidiaries. Costs related to strategic initiatives such as business acquisitions, integration of newly acquire businesses and restructuring are considered non-core.

While adjusted EBITDA is not a recognized measure under IFRS, management believes that it is a useful supplemental measure as it provides management and investors with an insightful indication of the performance of the Corporation. Adjusted EBITDA also provides an assessment of the adjusted performance of the corporation by eliminating certain non-recurring, non-core or certain non-cash items.

Investors should be cautioned, however, that adjusted EBITDA should not be construed as an alternative to a statement of cash flows as a measure of liquidity and cash flows. The methodologies we use to determine adjusted EBITDA may differ from those utilized by other issuers or companies and, accordingly, adjusted EBITDA as used in this MD&A may not be comparable to similar measures used by other issuers or companies. Readers are cautioned that adjusted EBITDA should not be construed as an alternative to net income (loss) determined in accordance with IFRS as indicators of an issuer's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

The following table reconciles adjusted EBITDA, to loss before income tax, for continuing operations which is the most directly comparable measure calculated in accordance with IFRS.

	Three months ended December 31,				Year ended December 31,			
(in thousands)		**2020**		2019		**2020**		2019
Income before income tax	**$**	**4,238**	$	3,581	**$**	**13,062**	$	2,945
Add back:								
Depreciation and amortization		**1,062**		1,200		**4,312**		5,035
Finance expense		**1,299**		1,586		**5,700**		11,074
		6,599		6,367		**23,074**		19,054
Adjustments to remove:								
Share-based payments		**1,256**		57		**1,655**		439
Foreign exchange gain		**(1,780)**		(806)		**(621)**		(2,455)
Change in fair value of foreign exchange forward contract		**1,534**		365		**562**		365
(Gain) loss on contract settlement		**(119)**		51		**137**		404
Other expense		**367**		-		**75**		110
Acquisition, integration and restructuring costs		**60**		(75)		**332**		939
Adjusted EBITDA (1)	**$**	**7,917**	$	5,959	**$**	**25,214**	$	18,856

(1) The amortization of franchise rights and relationships, within the Core Business Operations, of $0.6 million and $2.0 million for the three months and year ended December 31, 2020, respectively (December 31, 2019 - $0.4 million and $1.5 million) are classified as a charge against revenue, have not been added back for Adjusted EBITDA.

CDC

CDC is a proxy for distributable free cash flow which represents cash generated from the Core Business Operations after spending what is required to maintain or expand the current asset base, including mandatory debt repayments. CDC is an important measurement to the Corporation, as it is the cash distributable to the Preferred Shareholders of the Corporation and an indicator of the Core Business Operations' performance. CDC is a defined term with the Preferred Shares. The Preferred Shareholders are entitled to a dividend equal to 40% of CDC. The Non-Core Business Asset Management segment is entitled to retain 60% of CDC. While CDC is not a recognized measure under IFRS, management believes that it is a useful supplemental measure as maintaining appropriate CDC levels allows us to pursue new franchise opportunities and make payments on the Sagard credit facility. As the Preferred Shares were issued on December 31, 2020, the amounts shown for CDC are for illustrative purposes as no dividends were paid to the Preferred Shareholders based on CDC in the three months or year ended December 31, 2020, or December 31, 2019.

The following table reconciles CDC, to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with IFRS.

(in thousands)	Three months ended December 31, 2020	2019	Year Ended December 31, 2020	2019
Cash flow from operating activities	**$ 8,921**	$ 5,587	**$ 33,190**	$ 27,475
Discontinued Operations – cash flows from operating activities	**(1,815)**	(516)	**(9,992)**	(20,084)
Non-Core Business Asset Management – cash flows from operating activities	**1,837**	941	**7,300**	11,714
Core Business Operations – cash flows from operating activities	**8,943**	6,012	**30,498**	19,105
Adjustments from Core Business Operations:				
Changes in non-cash working capital	**(2,022)**	(476)	**(8,441)**	(2,253)
Cash used in investing activities	**(3,543)**	(4,012)	**(15,856)**	(16,639)
Cash used in financing activities	**(742)**	(908)	**(8,456)**	(1,286)
Repayments on revolving facility	**-**	385	**6,950**	390
Dividends paid	**2,700**	2,700	**10,800**	10,800
Subtotal	**5,336**	3,701	**15,495**	10,117
Payout ratio	**95%**	95%	**95%**	95%
CDC	**$ 5,069**	$ 3,516	**$ 14,720**	$ 9,611

FREE CASH FLOW

Free cash flow represents how much cash a business generates after spending what is required to maintain or expand the current asset base. The following table reconciles free cash flow, to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with IFRS.

(in thousands)	Three months ended December 31, 2020	2019	Year Ended December 31, 2020	2019
Cash flow from operating activities	**$ 8,921**	$ 5,587	**$ 33,190**	$ 27,475
Discontinued Operations – cash flows from operating activities	**(1,815)**	(516)	**(9,992)**	(20,084)
Continuing Operations – changes in non-cash working capital and other non-cash items	**(2,231)**	(1,471)	**(8,235)**	(2,725)
Cash provided from continuing operations (1)	**4,875**	3,600	**14,963**	4,666
Adjustments:				
Distributions from (investment in) equity accounted investees (2)	**120**	-	**360**	(675)
Maintenance CAPEX (2)	**524**	(624)	**(1,026)**	(2,060)
NCI portion of cash provided from continuing operations	**(2,979)**	(2,286)	**(9,242)**	(6,964)
Lease payments (2)	**(109)**	(72)	**(408)**	(280)
Acquisition, integration and restructuring costs (2)	**42**	(46)	**314**	936
(Gain) loss on settlement of a contract (2)	**(72)**	30	**82**	242
Cash paid for make-whole fees (2)	**-**	-	**-**	2,771
Other non-cash items (2)	**-**	49	**(114)**	238
Free cash flow attributable to common shareholders	**2,401**	651	**4,929**	(1,126)

(1) Excluding changes in non-cash working capital and other non-cash items.
(2) Amounts presented reflect the Corporation's common shareholders' proportion and have excluded amounts attributed to NCI holders.

As adjusted EBITDA is a performance measure that the Corporation uses to provide an assessment of the adjusted performance of the corporation by eliminating certain non-recurring, non-core or certain non-cash items, we have further reconciled free cash flow from adjusted EBITDA.

	Three months ended December 31,		Year Ended December 31,	
(in thousands)	**2020**	**2019**	**2020**	**2019**
Adjusted EBITDA	**$ 7,917**	$ 5,959	**$ 25,214**	$ 18,856
Adjustments:				
Income from equity accounted investments (1)	**(67)**	(5)	**(321)**	(62)
Distributions from (investment in) equity accounted investees (1)	**120**	-	**360**	(675)
Maintenance CAPEX (1)	**524**	(624)	**(1,026)**	(2,060)
NCI portion of adjusted EBITDA	**(3,752)**	(2,835)	**(11,498)**	(8,782)
Lease payments (1)	**(109)**	(72)	**(408)**	(280)
Current income tax expense (1)	**(1,248)**	(798)	**(3,786)**	(2,796)
Cash interest paid (1)	**(1,036)**	(1,295)	**(4,621)**	(6,234)
Amortization of franchise renewals (1)	**329**	258	**1,200**	889
Other non-cash items (1)	**(277)**	63	**(185)**	18
Free cash flow attributable to common shareholders	**2,401**	651	**4,929**	(1,126)

(1) Amounts presented reflect the Corporation's common shareholders' proportion and have excluded amounts attributed to NCI holders.

ADJUSTED NET INCOME (LOSS) AND ADJUSTED EPS

Adjusted net income (loss) and Adjusted EPS are defined as net income (loss) before any unusual or non-operating items such as foreign exchange, fair value adjustments, and other one-time non-recurring items.

While adjusted net income (loss) is not a recognized measure under IFRS, management believes that it is a useful supplemental measure as it provides management and investors with an insightful indication of the performance of the Corporation. Adjusted net income (loss) also provides an assessment of the adjusted performance of the corporation by eliminating certain non-recurring items. The methodologies we use to determine adjusted net income may differ from those utilized by other issuers or companies and, accordingly, adjusted net income as used in this MD&A may not be comparable to similar measures used by other issuers or companies.

The following table reconciles adjusted net income (loss) to net income (loss), which is the most directly comparable measure calculated in accordance with IFRS.

	Three months ended		Year ended	
(in thousands)	**Dec. 31, 2020**	Dec. 31, 2019	**Dec. 31, 2020**	Dec. 31, 2019
Net income (loss)	**$ 22,643**	$ 1,321	**$ 25,559**	$ (4,411)
Add back:				
Discontinued operations	**(3,953)**	898	**(1,688)**	3,001
Interest paid with proceeds on sale of AG	**-**	-	**-**	2,771
Recognition of non-capital losses	**(16,718)**	-	**(16,718)**	-
Foreign exchange gain	**(1,780)**	(806)	**(621)**	(2,455)
Change in fair value of foreign exchange forward contract	**1,534**	365	**562**	365
(Gain) loss on contract settlement	**(119)**	51	**137**	404
Other expense	**367**	-	**75**	110
Acquisition, integration and restructuring costs	**60**	(75)	**332**	939
Income tax effects of adjusting items	**-**	65	**(94)**	(103)
Adjusted net income	**$ 2,034**	$ 1,819	**$ 7,544**	$ 621
Adjusted net (loss) income attributable to common shareholders	**(290)**	199	**520**	(4,083)
Adjusted net income attributable to non-controlling interest	**2,324**	1,620	**7,024**	4,704
Diluted adjusted (loss) earnings per Common Share	**$ (0.01)**	$ 0.01	**$ 0.01**	$ (0.11)

REMOVED KPIs

The following KPIs and Non-IFRS measures have been removed effective in this MD&A for the year ended December 31, 2020:

- PSI Adjusted EBITDA – the Corporation no longer has proportionate shares of adjusted EBITDA at December 31, 2020, because of the DLC Acquisition and the change in Board composition and equity accounting at Club16 and Impact;
- Adjusted EBITDA margin – the Corporation has identified this as a redundant measurement;
- Club16 Membership Numbers – the Corporation's change in control over Club16 has resulted in the Corporation deconsolidating Club16.