Dominion Lending Centres Inc.

Q1 2024 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") for the three months ended March 31, 2024, as well as information about our financial condition and future prospects. We recommend reading this MD&A, which has been prepared as of May 7, 2024, in conjunction with the interim condensed consolidated financial statements and related notes for the three months ended March 31, 2024 ("interim financial statements"), and our 2023 audited annual consolidated financial statements. Our interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), specifically International Accounting Standard 34 – Interim Financial Reporting. 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") trade on the Toronto Stock Exchange (the "Exchange" or "TSX") under the symbol "DLCG". Continuous disclosure materials are available on our website at www.dlcg.ca, and on SEDAR+ at www.sedarplus.com.

The Corporation's series 1 class B preferred shares (the "Preferred Shares") are non-voting, non-convertible, and are not publicly traded.

OVERVIEW OF OUR BUSINESS

The Corporation is a Canadian mortgage brokerage franchisor and mortgage broker data connectivity provider with operations across Canada.

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").

The Corporation's ownership interests remain consistent with the ownership interest held as at December 31, 2023.

Mortgage Brokerage Franchising (DLC, MA and MCC)

The DLC Group is one of Canada's leading networks of mortgage professionals. The mortgage brokerage franchisor business of DLC is carried on under the DLC, MA, and MCC brands and has operations across Canada. The mortgage brokerage business's extensive network includes approximately 8,170 agents and $11.2 billion in mortgage origination during the three months ended March 31, 2024 ($56.4 billion for the year ended December 31, 2023). The franchise

model provides secure long-term relationships with mortgage professionals, and the Corporation provides training, technology, marketing, recruitment, and operational support to its franchises and brokers.

Mortgage professionals provide services related to property purchases, mortgage refinancing and renewals, credit lines, and other borrowing needs. Mortgage professionals originate mortgages but do not themselves lend money. The Corporation's agent growth is achieved both organically and via ongoing recruiting efforts, with a strong pipeline for future growth opportunities.

Newton Connectivity Systems

Newton is a financial technology company which provides a secure all-in-one operating platform in Canada: Velocity. Velocity connects mortgage brokers to lenders and third parties. Newton provides end-to-end services to automate the entire mortgage application, approval, underwriting, and funding process, along with additional services to assist brokers with the management of their 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 mortgage information and supporting documents to lenders, and underwriting platforms to deliver digital credit applications from brokers to lenders. Broker-facing products provide deal-management tools and services, including the ability to automatically manage the brokers' revenue and distributions 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.

USE OF NON-IFRS FINANCIAL PERFORMANCE MEASURES

This MD&A 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 within the Non-IFRS Financial Performance Measures section of this MD&A. Non-IFRS financial performance measures used in our MD&A include adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted EBITDA margin, adjusted net income, adjusted net earnings per share, and free cash flow attributable to common shareholders.

FIRST QUARTER 2024 FINANCIAL RESULTS

	Three months ended March 31,		
(in thousands, except per share and KPIs)	**2024**	2023	Change
Revenues	**$ 13,636**	$ 11,638	17%
Income from operations	**3,468**	1,330	161%
Adjusted EBITDA [1]	**4,996**	2,639	89%
Adjusted EBITDA margin	**37%**	23%	14%
Free cash flow attributable to common shareholders [1]	**650**	(1,369)	NMF[3]
Net income (loss) [2]	**2,631**	(47)	NMF[3]
Adjusted net income [1]	**1,439**	198	627%
Diluted earnings per Common Share [2]	**0.05**	-	NMF[3]
Adjusted diluted earnings per Common Share [1]	**0.03**	-	NMF[3]
Dividends declared per share	**$ 0.03**	$ 0.03	-
Key Performance Indicators ("KPIs")			
Funded mortgage volumes [4]	**11.2**	**9.8**	14%
Number of franchises [5]	**512**	**539**	(5%)
Number of brokers [5]	**8,170**	**7,856**	4%
% of funded mortgage volumes submitted through Velocity [6]	**68%**	**60%**	8%

(1) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(2) Net income for the three months ended March 31, 2024 includes $0.2 million of non-cash finance recovery on the Preferred Share liability (March 31, 2023 – $0.9 million expense). The Preferred Share liability is revalued at the end of each reporting period to reflect our most recent outlook and forecast. Refer to the Preferred Shares section of this document.
(3) The percentage change is not a meaningful figure.
(4) Funded mortgage volumes are presented in billions and are a key performance indicator that allows us to measure performance against our operating strategy.
(5) The number of franchises and brokers are as at the respective period end date (not in thousands).
(6) Representing the percentage of the DLC Group's funded mortgage volumes that were submitted through Velocity.

The following are included in the above income from operations:

	Three months ended March 31,		
(in thousands)	**2024**	2023	Change
Direct costs	**$ 1,965**	$ 2,104	(7%)
General and administrative expenses	**7,264**	7,336	(1%)
Share-based payments recovery	**-**	(96)	(100%)
Depreciation and amortization	**939**	964	(3%)
Operating expenses	**$ 10,168**	$ 10,308	(1%)

Other (expense) income, included in net income includes:

	Three months ended March 31,		
(in thousands)	**2024**	2023	Change
Finance expense	**$ (764)**	$ (678)	(13%)
Finance recovery (expense) on the Preferred Share liability	**154**	(890)	NMF
Income from equity-accounted investments	**426**	231	84%
Non-cash impairment of equity-accounted investment	**(236)**	-	100%
Other	**166**	193	(14%)
Other expense, net	**$ (254)**	$ (1,144)	78%

During the three months ended March 31, 2024, the Corporation saw an increase in revenues over the three months ended March 31, 2023 from higher Newton revenues primarily due to an increase in Velocity adoption and lender contract renewals. Further, our funded mortgage volumes increased during the three-month period when compared to 2023's equivalent period. The increase in funded volumes also contributed to the increase in revenues during the three months ended March 31, 2024.

As the Corporation’s operating expenses are largely fixed in nature and are not necessarily proportionate to changes in revenues, changes in the Corporation’s revenues have a more pronounced impact on adjusted income, adjusted EBITDA, and adjusted EBITDA margins. As such, these metrics have increased, with higher revenues during the three months ended March 31, 2024 when compared to the three months ended March 31, 2023.

Income from operations increased from higher revenues and lower operating expenses during the three months ended March 31, 2024 when compared to the three months ended March 31, 2023. The Corporation’s operating expenses have decreased during the three months ended March 31, 2024 when compared to 2023, primarily due to lower direct costs from a decrease in advertising fund expenditures due to timing of advertising campaigns compared to prior year, partly offset by costs for commissions and certain expenses which are proportionate to funded volume.

Net income increased during the three months ended March 31, 2024, compared to the prior year period. The changes over the previous year period are primarily from higher revenue and lower other expenses. Other expenses decreased during the three months ended March 31, 2024, primarily from period-over-period variances in finance recovery (expense) on the Preferred Share liability (refer to the Preferred Shares section), finance expense, and impairment loss recognized for equity-accounted investments.

As of March 31, 2024, the Corporation held a 52% interest in Cape Communications International Inc. (referred to as “Impact”). During the quarter, the Corporation has classified its investment in Impact as ‘held for sale’. The Corporation recognized a non-cash impairment loss of $0.3 million for the three months ended March 31, 2024, representing the difference between the carrying value and the estimated recoverable amount of Impact upon classifying Impact as ‘held for sale’ (see Outlook section for additional details). The sale of Impact occurred on April 25, 2024, and the Corporation received cash proceeds of $3.71 million.

Free cash flow increased during the three months ended March 31, 2024, from higher adjusted cash flows from operations from higher income from operations, and from lower maintenance CAPEX.

SUMMARY OF QUARTERLY RESULTS

Selected unaudited financial data published for our operations during the last eight quarters are as follows:

(in thousands except per share amounts)	**Mar. 31, 2024**	**Dec. 31, 2023**	**Sept. 30, 2023**	**Jun. 30, 2023**	**Mar. 31, 2023**	**Dec. 31, 2022**	**Sept. 30, 2022**	**Jun. 30, 2022**
Funded mortgage volumes [(1)]	**11.2**	14.2	17.7	14.8	9.8	14.0	19.4	21.8
Revenues	**13,636**	15,758	19,578	15,543	11,638	13,934	17,934	21,823
Income from operations	**3,468**	3,914	8,879	4,188	1,330	1,554	8,651	10,853
Adjusted EBITDA [(2)]	**4,996**	6,507	10,116	5,158	2,639	3,031	9,396	13,391
Net income (loss) [(3)]	**2,631**	(2,003)	5,271	(3,157)	(47)	(1,314)	29,381	6,709
Adjusted net income (loss) [(2)]	**1,439**	1,775	3,115	1,660	198	(175)	2,822	5,268
Net income (loss) attributable to:								
Common shareholders [(3)]	**2,627**	(2,008)	5,269	(3,161)	(57)	(1,327)	29,367	6,700
Non-controlling interests	**4**	5	2	4	10	13	14	9
Adjusted net income (loss) attributable to: [(2)]								
Common shareholders	**1,435**	1,770	3,113	1,656	188	(188)	2,808	5,259
Non-controlling interests	**4**	5	2	4	10	13	14	9
Net earnings (loss) per Common Share:								
Basic	**0.05**	(0.04)	0.11	(0.07)	(0.00)	(0.03)	0.61	0.14
Diluted	**0.05**	(0.04)	0.11	(0.07)	(0.00)	(0.03)	0.61	0.14
Adjusted net earnings (loss) per Common Share: [(2)]								
Diluted	**0.03**	0.04	0.06	0.03	0.00	(0.00)	0.06	0.11

(1) Funded mortgage volumes are presented in billions.
(2) Please see the Non-IFRS Financial Performance Measures section of this document for additional information.
(3) Net income for the three months ended March 31, 2024 includes $0.2 million of non-cash finance recovery on the Preferred Share liability (three months ended December 31, 2023 includes $1.9 million of non-cash finance expense on the Preferred Share liability). The Preferred Share liability is revalued at the end of each reporting period to reflect our most recent outlook and forecast. Refer to the Preferred Shares section of this document.

Quarterly trends and seasonality

Funded mortgage volumes are subject to seasonal variances that move in line with the normal home buying season, which is typically highest from June through September. For the three months ended March 31, 2024, revenues increased compared to the same prior year period from an increase in Newton revenues and from higher funded mortgage volumes. Revenue decreased compared to the three months ended December 31, 2023 primarily due to seasonality.

Income from operations and adjusted net income for the three months ended March 31, 2024 decreased over the three months ended December 31, 2023, primarily due to a decrease in revenues, partly offset by lower operating expenses. Net income increased compared to the three months ended December 31, 2023, primarily due to finance recovery on preferred share liability of $0.2 million during this quarter (compared to $1.9 million expense for the previous quarter). In addition, there was a $0.2 million non-cash impairment of equity-accounted investments during the three months ended March 31, 2024 compared to $3.4 million non-cash impairment during the three months ended December 31, 2023.

OUTLOOK

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

In 2024, our focus is on recruitment and retention of franchises and brokers and onboarding of brokers onto our connectivity platform 'Velocity'. With significant mortgage renewals on the horizon for many Canadian over the next three years, we've also launched a new campaign for our mortgage professionals called "Gold Rush" that makes it easier for brokers to stay connected with their clients and remain top-of-mind.

Newton continues to focus on growing its submission volumes through Velocity, extending Velocity's delivery channels, and increasing its number of third-party users. This is demonstrated through the increase in the volume of funded mortgages from applications submitted through Velocity of 68% for the three months ended March 31, 2024 when compared to 60% for the three months ended March 31, 2023 and 63% for the year ended December 31, 2023.

We believe increased mortgage interest rates have contributed to a softening of the Canadian housing market, putting downward pressure on home values, sale transactions, and other lending activity from more stringent loan qualification requirements. Longer-term, management is anticipating that mortgage renewals and housing purchases will continue to be strong, and that overall housing demand will continue to exceed supply, and we are actively enhancing our broker recruitment activities. These efforts, combined with anticipated continued growth in Velocity adoption, are expected to mitigate near-term housing market headwinds.

Adjusted EBITDA margins have increased during the three months ended March 31, 2024 when compared to the previous year period, because the Corporation's general and administrative expenses are relatively fixed and independent of movements in revenues. As a result, an increase in revenues results in growth in adjusted EBITDA margins. Management anticipates that adjusted EBITDA margins will continue to improve as revenues improve.

On April 15, 2024, the Corporation issued 417,000 Restricted Share Units ("RSUs") to corporate board members and certain executives. The RSUs vest on April 15, 2027. The RSUs were issued pursuant to a restricted share unit plan (the "RSU Plan") approved by the Board on March 19, 2024. The Corporation's RSU Plan provides RSUs to be settled on vesting in cash or by the delivery of Common Shares acquired in the market. The RSUs granted to the board members and certain executives were issued in consideration for a reduction in fixed salary. As a result, it is expected that the Corporation will have an offsetting decrease in general and administrative expenses going forward.

On April 25, 2024, the Corporation disposed of its interest in Impact for proceeds of $3,710. The proceeds were applied against the Junior Credit Facility (defined herein), resulting in the Junior Credit Facility being fully repaid with no amounts outstanding. As of March 31, 2024, the Corporation has classified its investment in Impact as 'held for sale'. Prior to March 31, 2024, the Corporation entered negotiations and the Board approved the plan to sell Impact. A write-down of $236 was recognised during the three months ended March 31, 2024 to reduce the carrying amount of the investment to its fair value less costs to sell upon classifying Impact as 'held for sale'.

During the three months ended March 31, 2024, the Corporation declared and paid cash dividends of $0.03 per Common Share resulting in a dividend payment of $1.4 million (March 31, 2023 – $0.03 per Common Share for a total of $1.5 million). The Corporation expects that it will continue to pay a quarterly dividend.

LIQUIDITY AND CAPITAL RESOURCES

BALANCE SHEET SUMMARY

See the Liquidity section below for information on the changes in cash and working capital deficiency.

	As at	
(in thousands, except shares outstanding)	**March 31, 2024**	December 31, 2023
Cash	**$ 2,116**	$ 5,614
Working capital deficiency	**(10,052)**	(10,616)
Total assets	**211,744**	218,107
Total loans and borrowings [(1)]	**38,904**	39,910
Total non-current liabilities	**155,852**	158,926
Total Preferred Share liability [(1)]	**112,271**	114,442
Shareholders' equity	**26,966**	25,697
Common Shares outstanding	**48,227,238**	48,227,238
Preferred Shares outstanding	**26,774,054**	26,774,054

(1) Net of debt issuance and transaction costs.

LIQUIDITY

	As at	
(in thousands, except shares outstanding)	**March 31, 2024**	December 31, 2023
Cash	**$ 2,116**	$ 5,614
Trade and other receivables	**9,713**	14,343
Prepaid expenses and deposits	**2,403**	2,003
Notes receivable	**676**	656
Assets held for sale	**3,710**	-
Accounts payable and accrued liabilities	**(14,851)**	(19,155)
Loans and borrowing [(1)]	**(6,331)**	(5,902)
Deferred contract liability [(1)]	**(670)**	(620)
Lease obligation [(1)]	**(378)**	(373)
Preferred Share liability [(1)]	**(6,440)**	(7,182)
Working capital deficiency	**$ (10,052)**	$ (10,616)

(1) Current portion.

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 to increase free cash flow.

Our principal sources of liquidity are cash generated from our business operations and borrowings under credit facilities. Our primary uses of cash are for operating expenses, franchise recruitment and support costs, debt repayment, and debt servicing costs. At this time, management expects to have sufficient liquidity to meet its short- and long-term objectives of meeting the Corporation's obligations as they come due.

The decrease in working capital deficit from the comparative period is primarily due to cash inflows from operations and a decrease in trade and other receivables, offset by lower accounts payable due to timing of receipt of payments combined with reclassification of our investment in Impact to assets held for sale and a lower current portion of the Preferred Share liability. Our credit facilities are discussed in greater detail in the Capital Resources section. The Preferred Share liability is discussed further in the Preferred Shares section. While we have a working capital deficit, management anticipates that we have sufficient liquidity, as the Preferred Share liability represents a discounted estimate of the future Dividend Entitlements and will be paid from future cash flows.

Working capital may fluctuate from time to time based on seasonality or timing of the use of cash and cash resources to fund operations. The Corporation has credit facilities to support its operations and working capital needs and

fluctuations. See the Capital Resources section. The Corporation's ability to maintain sufficient liquidity is driven by the DLC Group operations and by allocation of its resources.

As at March 31, 2024, 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 expects to have sufficient liquidity, and we expect that we will be able to fund these commitments through its existing financing and cash flows from operations.

SOURCES AND USES OF CASH

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

(in thousands)	**Three months ended March 31, 2024**	2023
Cash provided by / (used in) operating activities	**$ 5,087**	$ (935)
Cash used in investing activities	**(3,963)**	(7,459)
Cash (used in) / provided by financing activities	**(4,622)**	1,444
Decrease in cash	**(3,498)**	(6,950)
Cash, beginning of period	**5,614**	9,214
Cash, end of period	**$ 2,116**	$ 2,264

Operating activities

(in thousands)	**Three months ended March 31, 2024**	2023
Cash flow provided by operating activities	**$ 5,087**	$ (935)
Changes in non-cash working capital and other non-cash items	**(569)**	3,409
Cash provided by operations excluding changes in non-cash working capital and other non-cash items	**$ 4,518**	$ 2,474

Cash from operating activities, excluding non-working capital and other non-cash items, increased during the three months ended March 31, 2024 when compared to the prior year period, primarily from an increase in income from operations from higher revenues driven by the increase in funded mortgage volumes.

Investing activities

The cash used in investing activities for the three months ended March 31, 2024 consisted primarily of investments in intangible assets of $4.2 million, which included payments of $0.5 million accrued at December 31 2023, and was partly offset by distributions from equity-accounted investments of $0.2 million.

The cash used in investing activities for the three months ended March 31, 2023 consisted primarily of investments in intangible assets of $7.5 million.

Financing activities

Cash used in financing activities for the three months ended March 31, 2024 consisted primarily of dividends paid to the Preferred Shareholders of $2.0 million, dividends paid to common shareholders of $1.4 million, repayments on debt of $1.0 million, and lease payments of $0.1 million.

Cash used in financing activities for the three months ended March 31, 2023 consisted primarily of dividends paid to the Preferred Shareholders of $1.7 million, dividends paid to common shareholders of $1.5 million, repayments on debt of $1.2 million, lease payments of $0.2 million, and repurchases under the normal course issuer bid ("NCIB") of $0.1 million, and was partly offset by draws on the Corporation's Senior Credit Facilities (defined herein) net of transactions costs of $5.9 million.

CAPITAL RESOURCES

Our capital structure is composed of total shareholders' equity, the Preferred Share liability, and loans and borrowings, less cash. The following table summarizes our capital structure as at March 31, 2024 and December 31, 2023.

	As at			
(in thousands)		**March 31, 2024**		**December 31,** 2023
Loans and borrowings, net of debt issuance costs	**$**	**38,904**	$	39,910
Less: cash		**2,116**		5,614
Net loans and borrowings	**$**	**36,788**	$	34,296
Shareholders' equity	**$**	**26,966**	$	25,697
Preferred Share liability	**$**	**112,271**	$	114,442

Loans and borrowings

	As at			
(in thousands)		**March 31, 2024**		**December 31,** 2023
Revolving Facility	**$**	**-**	$	-
Term Facility		**35,203**		36,062
Junior Credit Facility		**4,013**		4,200
		39,216		40,262
Debt issuance costs		**(312)**		(352)
Total loans and borrowings	**$**	**38,904**	$	39,910

The Corporation's loans and borrowings are composed of two senior credit facilities (collectively, the "Senior Credit Facilities") and a junior term credit facility (the "Junior Credit Facility"). The Senior Credit Facilities and the Junior Credit Facility have a term of three years and mature on December 19, 2026.

Quarterly financial covenants for all facilities include the requirement to maintain an adjusted total debt-to-EBITDA ratio of less than 2.75:1.00 and a fixed charged coverage ratio greater than 1.10:1.00. At March 31, 2024, the Corporation's adjusted total debt-to-EBITDA ratio and fixed charged coverage ratio were 1.26:1.00 and 1.77:1.00, respectively, and as such, the Corporation was in compliance with all such covenants.

Senior Credit Facilities

The Senior Credit Facilities provides the Corporation with a $15.0 million revolving working capital credit line (the "Revolving Facility") and a $36.1 million term loan ("Term Facility"). As at March 31, 2024, $5.6 million of the Senior Credit Facilities is classified as current (December 31, 2023 - $5.2 million).

Borrowings under the Senior Credit Facilities are composed of floating-rate advances or Term CORRA advances. Floating-rate advances bear interest at a rate equal to prime plus 0.00% to 0.50%. Term CORRA advances bear interest at a rate determined at the time of their renewal plus a credit fee of 1.75% to 2.25%.

Junior Credit Facility

Borrowings under the Junior Credit Facility are due upon maturity and are composed of floating-rate advances or Term CORRA advances. Floating-rate advances bear interest at a rate equal to prime plus 0.75% to 1.25%. Term CORRA advances bear interest at a rate determined at the time of their renewal plus a credit fee of 2.50% to 3.00%.

The Corporation is required to utilize the proceeds received on the Club16 note receivable towards repayment of the Junior Credit Facility. As at March 31, 2024, this amount is classified as current debt of $0.8 million (December 31, 2023 - $0.8 million). On April 25, 2024, the Corporation disposed of its interest in Impact for cash proceeds of $3,710. The proceeds from sale were used to fully repay the Junior Credit Facility.

PREFERRED SHARES

The Corporation is authorized to issue an unlimited number of non-voting, non-convertible, series 1, class "B" preferred shares (the "Preferred Shares"). The Preferred Shares are not publicly traded. The Preferred Shares are a liability, as the Corporation has an unavoidable obligation to pay dividends on the Preferred Shares in perpetuity. The holders of the Preferred Shares (the "Preferred Shareholders") are entitled to dividends equal to 40% of Core Business Distributable Cash ("Dividend Entitlement"), as defined in the Preferred Share terms, which represents cash generated by Core Business Operations after spending what is required to maintain or expand the current asset base. Core Business Operations for these purposes excludes certain public company costs and cash flows associated with the Junior Credit Facility and the equity-accounted investment in Impact. The Preferred Shareholders are further entitled, in the event of a liquidation or winding-up of the Corporation's assets and property, or the sale of the Core Business Operations, to receive the amount equal to any accrued but unpaid Dividend Entitlement plus an amount equal to 40% of the net proceeds of any liquidation event of the sale of the Core Business Operations.

The Preferred Shares were initially measured at their fair value net of any directly-attributable transaction costs, and are subsequently recognized at amortized cost. The fair value of the Preferred Shares was determined using an income approach based on the estimated future Dividend Entitlement of the Preferred Shareholders. The Preferred Share liability is revised for any changes in the estimated future Dividend Entitlement at the end of each reporting period using an income approach based on the initial discount rate applied (15.2%), the change in the time-value of money, and dividends paid. The change in the time-value of money is reflected as accretion expense. The change in the estimated future Dividend Entitlement is reflected as revaluation recovery or expense. The revaluation recovery or expense and accretion expense are non-cash items, recognized on the condensed consolidated statements of income within finance expense on the Preferred Share liability.

The Corporation pays interim monthly cash dividends ("Interim Dividends") to the Preferred Shareholders in an amount determined by the Board of the Corporation that represents a good-faith estimate of the monthly instalment of the Dividend Entitlement, which may be more or less than the actual Dividend Entitlement based on seasonality of cash flows. During the three months ended March 31, 2024, the Corporation paid Interim Dividends of $1.7 million to the Preferred Shareholders (March 31, 2023—$1.7 million). The actual Dividend Entitlement attributable to Preferred Shareholders during the three months ended March 31, 2024 was $43 thousand (March 31, 2023—$1.0 million negative). The overpayment will result in a $1,637 reduction of future dividends payable to Preferred Shareholders. This overpayment is included within the Preferred Share liability and is recognized as part of the revaluation recovery of the Preferred Share liability.

A summary of activity in the period is as follows:

	Number of Preferred Shares		Amount *(in thousands)*
Balance at December 31, 2023 [1]	26,774,054	$	114,442
Dividends paid [2]	-		**(2,017)**
Finance expense on the Preferred Share liability	-		**(154)**
Balance at March 31, 2024 [1]	**26,774,054**	**$**	**112,271**

(1) Net of transaction costs.

(2) Includes $0.3 million dividend payment for true-up amount related to the Dividend Entitlement for the year ended December 31, 2023.

	Three months ended March 31,			
(in thousands)		**2024**		2023
Accretion expense on the Preferred Share liability [1]	**$**	**4,393**	$	4,173
Revaluation recovery on the Preferred Share liability		**(4,547)**		(3,283)
Finance (recovery) expense on the Preferred Share liability	**$**	**(154)**	$	890

(1) Accretion expense represents the change in the time-value of money at initial discount rate applied (15.2%).

During the three months ended March 31, 2024, the Corporation recognized a revaluation recovery due to changes in our estimated future Dividend Entitlement, largely based on current market conditions and changes related to the issuance of RSUs and expected decrease in general and administrative expenses.

SHARE CAPITAL

As of May 7, 2024 and March 31, 2024, the Corporation had 48,227,238 Common Shares outstanding (December 31, 2023—48,227,238) and 26,774,054 Preferred Shares outstanding (December 31, 2023—26,774,054).

Normal-course issuer bid

The Corporation implemented a NCIB on May 25, 2023. The NCIB has a twelve-month duration, which commenced on May 29, 2023 and ends the earlier of May 28, 2024 or the date on which the maximum number of Common Shares that can be acquired pursuant to the NCIB are purchased. Under the NCIB, the Corporation may purchase up to 1,000,000 Common Shares, representing approximately 2% of the issued and outstanding Common Shares as at May 23, 2023. Pursuant to the rules of the TSX, the maximum number of Common Shares that the Corporation may purchase under the NCIB in any one day is 1,000 Common Shares, based upon the average daily trading volume of the Common Shares on the TSX for the six-month period ended on April 30, 2023. The Corporation may also make one block purchase per calendar week which exceeds such daily purchase restriction, subject to the rules of the TSX. Any Common Shares purchased pursuant to the NCIB will be cancelled by the Corporation.

During the three months ended March 31, 2024, the Corporation did not make repurchases under the NCIB. 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 403-560-0821.

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 7, 8, and 15 of the 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	$ 14,851	$ -	$ -	$ -	$ **14,851**
Loans and borrowings [1]	6,331	32,885	-	-	**39,216**
Long-term accrued liabilities	-	30	-	-	**30**
Leases [2]	396	271	71	21	**759**
Preferred Share liability [3]	6,440	21,123	17,949	67,046	**112,558**
	$ 28,018	$ 54,309	$ 18,020	$ 67,067	$ **167,414**

(1) Gross of debt issuance costs.
(2) Undiscounted lease payments.
(3) Discounted estimated future Dividend Entitlements, gross of transaction costs.

Service agreement

The Corporation has an agreement with a software development company to develop and support a customized mortgage application ("app"). The agreement is a related party transaction due to common management between the Corporation and the service provider. The service agreement was renewed in March 2023 with an initial expiry of March 2025. If the agreement is not terminated after the initial expiry, it automatically renews until March 2027.

Contingencies

In the normal course of operations, the Corporation 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. For claims where outcomes are not determinable, no provision for settlement has been made in the condensed consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements as at March 31, 2024 or May 7, 2024.

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 that 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 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.

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 composed of interest rate risk.

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 $0.1 million decrease of income before tax for the three months ended March 31, 2024 (March 31, 2023—$0.1 million decrease of income before tax).

CREDIT RISK

As at March 31, 2024, $0.2 million (December 31, 2023—$0.3 million) of our trade receivables are greater than 90 days outstanding and total expected credit losses as at March 31, 2024 is $0.2 million (December 31, 2023—$0.2 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 also has a source of credit risk related to the note receivable from the sale of Club16. The Corporation has managed this credit risk through mandatory monthly payments which commenced on August 1, 2023. A decline in economic conditions, or other adverse conditions experienced by Club16, could impact the collectability of the Corporation's note receivable.

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 condensed consolidated statements of financial position.

(in thousands)	As at **March 31, 2024**	December 31, 2023
Cash and cash equivalents	**$ 2,116**	$ 5,614
Trade and other receivables	**9,813**	14,446
Notes receivable	**1,184**	1,326
	$ 13,113	$ 21,386

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 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 refinancing 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 repayment of the relevant indebtedness. If the repayments under the credit facilities were to be accelerated, there can be no assurance that the assets of the Corporation would be sufficient to repay that indebtedness in full.

BUSINESS RISKS AND UNCERTAINTIES

The Corporation is subject to a number of business risks. There were no changes to our principal risks and uncertainties from those reported in our 2023 Annual MD&A and our 2023 Annual Information Form dated March 19, 2024.

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.

Property leases

The Corporation leases office spaces from related companies controlled by Chris Kayat and Gary Mauris, who are key members of the Corporation's management. During the three months ended March 31, 2024, the total costs incurred under these leases were $0.1 million (March 31, 2023—$0.1 million). The lease terms mature in 2025.

The Corporation 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. During the three months ended March 31, 2024, the total costs incurred under this lease was $21 thousand (March 31, 2023—$21 thousand). The lease term matures in 2025.

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

Administrative services

The Corporation has entered into an agreement with a software development company to develop and support a customized mortgage app that is partly owned by key management of the Corporation (Chris Kayat and Gary Mauris). Total fees charged for services under this agreement for the three months ended March 31, 2024 were $0.2 million (March 31, 2023—$0.3 million).

Other

The Corporation has an agreement with a shareholder 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 this shareholder. As at March 31, 2024 a liability has been recognized for the current fair value of the liability of $1.0 million (December 31, 2023—$1.0 million).

As discussed in the Outlook section, on April 25, 2024 the Corporation sold its investment in Impact. As the liquidation rights clause was not in effect, the related liability of $1.0 million will be reversed on the closing date.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these interim financial statements requires management to make certain estimates, judgments, and assumptions that affect the amounts reported and disclosed in the interim 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.

Further information on our critical accounting estimates can be found in the notes to the audited consolidated financial statements for the year ended December 31, 2023, as filed on SEDAR at www.sedar.com. In preparing these interim financial statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2023.

ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2023.

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 2024 outlook and strategic objectives;
- Our business plan and growth strategy;
- Adding additional DLC Group franchises through increased recruiting activities;
- Newton growing its submission volumes through Velocity, extending Velocity's delivery channels, and increasing its number of third-party users;
- Developing new innovative products to increase program offerings;
- Our expectation that until interest rates decrease, there will be continued downward pressure on home values and sale transactions and it will continue to negatively impact funded mortgage volumes;
- Our expectation that housing demand will continue to exceed supply;
- Our anticipation that mortgage renewals and housing purchases will continue to be strong;
- The expectation that recruiting initiatives and anticipated growth in Velocity will partially mitigate headwinds from changes in mortgage interest rates impacting funded mortgage volumes;
- Our expectation that our adjusted EBITDA margins will continue to improve throughout fiscal 2024, if revenues increase;
- Our expectation that the RSU grant will result in a decrease in general and administrative expenses going forward;
- Our expectation that the Corporation will continue to pay a quarterly dividend to common shareholders;
- Management's ability to adjust cost structures to improve liquidity and cash flow to meet their expectations to have sufficient liquidity to meet our obligations as they come due.

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 tax rates and legislation;
- Changes in operating, general and administrative, and other costs;
- Changes in interest rates;
- General business, economic, and market conditions;
- The extent and duration of public health issues that could have an impact on economic or market conditions;
- 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;
- Newton's ability to grow its connectivity platform submission volumes and number of third-party users;
- Changes in Canadian mortgage lending and mortgage brokerage laws and regulations;
- Material changes in the aggregate Canadian mortgage lending marketplace;
- Changes in the fees paid for mortgage brokerage services in Canada;
- Changes in the regulatory framework for the Canadian housing and lending sectors;
- Demand for the Corporation's products remaining consistent with historical demand;
- Our ability to realize the expected benefits of our sale of Impact;
- 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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

The Corporation takes all necessary steps to ensure that material information regarding the Corporation's reports filed or submitted under securities legislation fairly presents the financial information of the Corporation. Management, including the Executive Chairman & Chief Executive Officer ("EC & CEO") and the Chief Financial Officer ("CFO") are responsible for establishing, maintaining, and evaluating disclosure controls and procedures ("DC&P") and internal controls over financing reporting ("ICFR"). Management has used the Committee of Sponsoring Organizations of the Treadway Commission Framework in Internal Controls – Integrated Framework (2013).

There are inherent limitations in all control systems, such that they can provide only reasonable – not absolute – assurance that all control issues, misstatement, or instances of fraud, if any, within the Corporation have been detected.

During the three months ended March 31, 2024, there have not been any changes in the Corporation's ICFR that has materially affected or is reasonably likely to materially affect, the Corporation's ICFR.

NON-IFRS FINANCIAL PERFORMANCE MEASURES

ADJUSTED EBITDA

Adjusted EBITDA is defined as earnings before finance expense, taxes, depreciation, amortization, and any unusual, non-operating, certain non-cash, or one-time items. The Corporation considers its main operating activities to be the business of mortgage brokerage franchising and mortgage broker data connectivity services across Canada, and management of its operating subsidiaries.

The non-cash adjustments are expenses incurred during the period which are not the result of the main operating activities of the Corporation or are related to the financing of these activities. Other expenses are unusual, non-cash, or one-time insignificant items included within "other income" on the consolidated statements of income that are not related to the main operating activities.

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 is an assessment of its normalized results and cash generated by its main operating activities, prior to the consideration of how these activities are financed or taxed, as a facilitator for valuation and a proxy for cashflow. Management applies adjusted EBITDA in its operational decision making as an indication of the financial performance of its main operating activities.

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 determined in accordance with IFRS as an indicator of an issuer's performance or to cash flows from operating, investing, and financing activities as measures of liquidity and cash flows.

Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenue.

The following table reconciles adjusted EBITDA from income before income tax, which is the most directly-comparable measure calculated in accordance with IFRS:

	Three months ended March 31,	
(in thousands)	**2024**	2023
Income before tax	**$ 3,214**	$ 186
Add back:		
Depreciation and amortization	**939**	964
Finance expense	**764**	678
Finance (recovery) expense on the Preferred Share liability	**(154)**	890
	4,763	2,718
Adjustments:		
Share-based payments recovery	**-**	(96)
Promissory note income	**(31)**	(37)
Foreign exchange loss	**16**	13
Loss on contract settlement	**10**	44
Non-cash impairment of equity-accounted investment	**236**	-
Other expense (income) [1]	**2**	(3)
Adjusted EBITDA [2]	**$ 4,996**	$ 2,639

(1) Other expense (income) for the three months ended March 31, 2024 and March 31, 2023 relates to a loss (gain) on the disposal of intangible assets.
(2) Amortization of franchise rights and relationships of $1.3 million for the three months ended March 31, 2024 (March 31, 2023 – $1.0 million) is classified as a charge against revenue and has not been added back for adjusted EBITDA.

FREE CASH FLOW

Free cash flow represents how much cash a business generates after spending what is required to maintain or expand its current asset base. Free cash flow attributable to common shareholders represents the cash available to the Corporation for general corporate purposes, including: repayments on our credit facilities, investment in growth capital expenditures, return of capital to common shareholders through the repurchases of Common Shares and discretionary payment of dividends to common shareholders, and cash to be retained by the company. This is a useful measure that allows management and users to understand the cash available to enhance shareholder value.

The other adjustments are expenses incurred during the period which are not the result of the main operating activities of the Corporation, or are related to the financing of these activities. Other one-time items included within other expense adjustments are insignificant items included within "other income" on the condensed consolidated statements of income that are not related to the main operating activities.

While free cash flow 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 funds generated by the main operating activities that are available to the Corporation for use in non-operating activities. Free cash flow is determined by adjusting certain investing and financing activities. Investors should be cautioned, however, that free cash flow 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 free cash flow may differ from those utilized by other issuers or companies and, accordingly, free cash flow as used in this MD&A may not be comparable to similar measures used by other issuers or companies. Readers are cautioned that free cash flow should not be construed as an alternative to net income 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 free cash flow from cash flow from operating activities, which is the most directly-comparable measure calculated in accordance with IFRS:

	Three months ended March 31,	
(in thousands)	**2024**	2023
Cash flow from operating activities	**$ 5,087**	$ (935)
Changes in non-cash working capital and other non-cash items	**(569)**	3,409
Cash provided from operations excluding changes in non-cash working capital and other non-cash items	**4,518**	2,474
Adjustments:		
Distributions from equity-accounted investees	**185**	-
Maintenance CAPEX	**(3,133)**	(4,156)
Lease payments	**(112)**	(158)
Loss on contract settlement	**10**	44
Other non-cash items [(1)]	**(13)**	(3)
	1,455	(1,799)
Free cash flow attributable to Preferred Shareholders [(2)]	**(805)**	430
Free cash flow attributable to common shareholders	**$ 650**	$ (1,369)

(1) Other non-cash items for the three months ended March 31, 2024 represent foreign exchange loss and promissory note income. The three months ended March 31, 2023 includes gain on disposal of an intangible asset.
(2) Free cash flow attributable to the Preferred Shareholders is determined based on free cash flow of the Core Business Operations (as defined in the Preferred Shares section of this document).

ADJUSTED NET INCOME AND ADJUSTED EPS

Adjusted net income and Adjusted EPS are defined as net income before any unusual or non-operating items such as foreign exchange, fair value adjustments, finance expense on the Preferred Share liability, adjusted net income from the Core Business Operations attributable to the Preferred Shareholders, and one-time non-recurring items. Other one-time items included within other expense adjustments are insignificant items included within "other income" on the condensed consolidated statements of income that are not related to the main operating activities.

While adjusted net income 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 operational performance of the Corporation by eliminating certain non-recurring items, adjusting for the net income attributable to the Preferred Shareholders, and excluding the finance expense on the Preferred Share liability. Management applies adjusted net income in its operational decision making as an indication of the results and cash generated by the main operating activities, after consideration of how these activities are financed and taxed. Adjusted net income is used to determine adjusted EPS (defined as adjusted net income attributable to common shareholders on a per-share basis).

Investors should be cautioned, however, that adjusted net income should not be construed as an alternative to net income determined in accordance with IFRS as an indicator of an issuer's performance or to cash flows from operating, investing, and financing activities as a measure of liquidity and cash flows. 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 from net income, which is the most directly-comparable measure calculated in accordance with IFRS:

	Three months ended March 31,	
(in thousands)	**2024**	2023
Net income (loss)	**$ 2,631**	$ (47)
Adjustments:		
Foreign exchange loss	**16**	13
Finance (recovery) expense on the Preferred Share liability (1)	**(154)**	890
Non-cash impairment of equity-accounted investment	**236**	-
Loss on contract settlement	**10**	44
Promissory note interest income	**(31)**	(37)
Other expense (income) (2)	**2**	(3)
Income tax effects of adjusting items	**(3)**	(1)
	2,707	859
Income attributable to Preferred Shareholders (3)	**(1,268)**	(661)
Adjusted net income	**1,439**	198
Adjusted net income attributable to common shareholders	**1,435**	188
Adjusted net income attributable to non-controlling interest	**4**	10
Diluted adjusted earnings per Common Share	**$ 0.03**	$ -

(1) The Preferred Share liability is revalued at the end of each reporting period to reflect our most recent outlook and forecast. Refer to the Preferred Shares section of this document.
(2) Other expense (income) for the three months ended March 31, 2024 and March 31, 2023 relates to a loss (gain) on the disposal of intangible assets
(3) Adjusted net income attributable to the Preferred Shareholders is determined based on adjusted net income of the Core Business Operations (as defined in the Preferred Shares section of this document).