Lorne Park Capital Partners Inc.

Management's Discussion and Analysis
For the Three and Six Months Ended June 30, 2022

LORNE PARK
CAPITAL PARTNERS INC.

Introduction

This Management's Discussion and Analysis ("MD&A") document, prepared on July 26, 2022, should be read in conjunction with the unaudited interim condensed consolidated financial statements of Lorne Park Capital Partners Inc. ("LPCP" or "the Company") as at June 30, 2022, and with the audited consolidated financial statements as at December 31, 2021.

This MD&A and the consolidated financial statements are expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The information in this MD&A is presented on a consolidated basis. The Canadian dollar is the Company's functional and reporting currency for purposes of preparing the financial statements given that the Company conducts most of its operations in that currency. Accordingly, all dollar references in this MD&A are in thousands of Canadian dollars, unless otherwise specified. The use of the term "prior period" refers to the quarter and year-to-date ended June 30, 2021.

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

Forward-Looking Statements

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

Non-IFRS Measures

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

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

Business Overview and Highlights

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

LPCP and its wholly owned subsidiaries, Bellwether Investment Management Inc. ("Bellwether") and Bellwether Estate and Insurance Services Inc. ("Bellwether Estate"), are incorporated and domiciled in Canada. As at June 30, 2022, the Chief Executive Officer and a member of the Board of Directors held 49.8% of LPCP's common shares. Bellwether is registered with the Ontario Securities Commission as a Portfolio Manager, Exempt Market Dealer and Investment Fund Manager, and its principal business is the provision of discretionary portfolio management services to affluent Canadian investors, estates, trusts, endowments and foundations. Bellwether Estate is registered as an insurance agent corporation with the Financial Services Commission of Ontario.

The Americas' Fastest Growing Companies 2022

On April 5, 2022, the Company was recognized as part of The Financial Times ("FT") list of The Americas' Fastest Growing Companies 2022, which ranks companies with the strongest compounded annual revenue growth between 2017 and 2020. The award was presented by FT and Statistica Inc., the world-leading statistics portal and industry ranking provider. LPCP was ranked number 199 overall and ranked first of the Canadian companies in the financial services sector.

Dividends

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

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

On April 4, 2022, we announced that the Board declared a dividend of $0.006 per share on each of its common shares, totaling $320. This represented a 20% increase over prior dividends, and was paid on April 29, 2022 to the shareholders of record on April 19, 2022.

On July 5, 2022, we announced that the Board declared a dividend of $0.006 per share on each of its common shares, totaling $320. This dividend will be paid on July 29, 2022 to the shareholders of record on July 19, 2022.

W.H. Shutt & Associates Inc.

On February 4, 2022, Bellwether agreed to the principal terms of an agreement to acquire 100% of the outstanding securities of W.H. Shutt & Associates Inc. ("WHS"). The agreement was not finalized and efforts to conclude it have been deferred to a later date. There can be no assurance that this transaction will be completed as proposed or at all.

Investment in Fife Bay Financial LP

On May 2, 2022, Bellwether made a cash contribution of $1,570 to Fife Bay Financial LP ("Fife Bay"), an Ontario limited partnership. On the date of investment, Fife Bay had approximately $120 million in assets under management, all of which was managed by Bellwether. The general partners of Fife Bay are an advisor engaged with Bellwether and that advisors' personal corporation. In exchange for this investment, Bellwether was granted admission as a limited partner of Fife Bay and granted certain strategic rights and privileges, including the right for Bellwether to remain the investment manager over the assets of the partnership and the right of first refusal in the event the partnership receives a third party offer for its assets.

Investment in Scugog Financial LP

On May 2, 2021, Bellwether made a cash contribution of $782 to Scugog Financial LP ("Scugog"), an Ontario limited partnership. On the date of investment, Scugog had approximately $90 million in assets under management, all of which was managed by Bellwether. The general partner of Scugog is an advisor engaged with Bellwether. In exchange for this investment, Bellwether was granted admission as a limited partner of Scugog and granted certain strategic rights and privileges, including the right for Bellwether to remain the investment manager over the assets of the partnership and the right of first refusal in the event the partnership receives a third party offer for its assets.

Investment in Infinite Wealth LP

On May 31, 2022, Bellwether made a cash contribution of $1,360 to Infinite Wealth LP ("Infinite"), an Ontario limited partnership. On the date of investment, Infinite had approximately $80 million in assets under management, all of which was managed by Bellwether. The general partners of Infinite are an advisor engaged with Bellwether and that advisors' personal corporation. In exchange for this investment, Bellwether was granted admission as a limited partner of Infinite and granted certain strategic rights and privileges, including the right for Bellwether to remain the investment manager over the assets of the partnership and the right of first refusal in the event the partnership receives a third party offer for its assets.

Debenture Offering and Repayment

On June 15, 2022, the Company closed a non-brokered private placement offering of debentures for an aggregate principal amount of $2,939 and related costs of $24. The debentures are unsecured, mature and become payable on June 15, 2027, and bear interest at a rate of 7% per annum, paid semi-annually. $550 of the debentures were subscribed to by related parties of the Company. The private placement included the granting of 734,750 investor warrants, each of which entitles a holder to purchase one common share of the Corporation at an exercise price of $1.35 per common share for a period of one year from the closing date. The principal amount has been bifurcated from the cost of the related warrants and the debentures were recorded at an acquisition value of $2,783 based on a fair-value discount rate of 8.3%.

On June 15, 2022, $2,055 relating to a debenture offering from June 15, 2017 became due and the Company repaid that amount.

Business Outlook

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

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

Financial Highlights

- AUM as at June 30, 2022 was $1,964,702, an increase of $8,372 or 0.4% compared to $1,956,330 as at December 31, 2021, and increased $217,022 or 12.4% compared to $1,747,681 as at June 30, 2021. This increase resulted primarily from net asset additions during the periods, and this was largely offset by market depreciation.
- Revenues increased $2,356 or 21.6% and $1,011 or 17.8% during the six and three months ended June 30, 2022, respectively, compared to the same periods in the prior year, mainly due to higher average AUM and higher AUM within our pooled funds during the current year periods.
- Total expenses increased $1,743 or 17.0% and $720 or 13.8% during the six and three months ended June 30, 2022 compared to the same periods in the prior year. This was primarily due to higher expenses relating to increased AUM and revenues, and higher amortization resulting from additional intangible assets.
- Net income and comprehensive income improved to income of $608 and $375 during the six and three months ended June 30, 2022, respectively, compared to $263 and $87 during the same periods in the prior year, respectively. Adjusted EBITDA[1] also improved to $3,098 and $1,613, compared to $2,189 and $1,204 during the same periods in the prior year.
- Cash and cash equivalents and short-term investments decreased $289 or 6.4% during the six months ended June 30, 2022, with an ending balance of $4,232. This decrease was primarily due to investments made in partnerships, repayment of debentures, dividends paid, interest paid and payment of lease obligations, with partial offset from net cash generated from operating activities, proceeds on issuance of debentures and proceeds arising from the exercise of options and issuance of shares under our ESSP.

[1] Refer to 'Non-IFRS Measures'

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

Summary Financial Information

Key Performance Indicators	As at and for the six months ended		As at and for the three months ended	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Assets under management	**$ 1,964,702**	$ 1,747,681	**$ 1,964,702**	$ 1,747,681
Revenue	**13,266**	10,910	**6,622**	5,289
Expenses	**11,984**	10,240	**5,928**	5,032
Net income and comprehensive income	**608**	263	**375**	87
Net income and comprehensive income attributable to Company's shareholders	**1,225**	740	**718**	323
Income per common share:				
Basic	**0.023**	0.014	**0.013**	0.006
Diluted	**0.023**	0.014	**0.013**	0.006
EBITDA[1]	**2,891**	2,044	**1,538**	1,105
Adjusted EBITDA[1]	**3,098**	2,189	**1,613**	1,204
Adjusted EBITDA per common share[1]:				
Basic	**0.059**	0.042	**0.030**	0.023
Diluted	**0.057**	0.041	**0.030**	0.023

Summary Balance Sheet	As at	
	June 30, 2022	December 31, 2021
Cash, cash equivalents and short-term investments	**$ 4,232**	$ 4,521
Total assets	**37,450**	32,087
Total liabilities	**11,619**	12,735
Total shareholders' equity	**25,831**	19,352

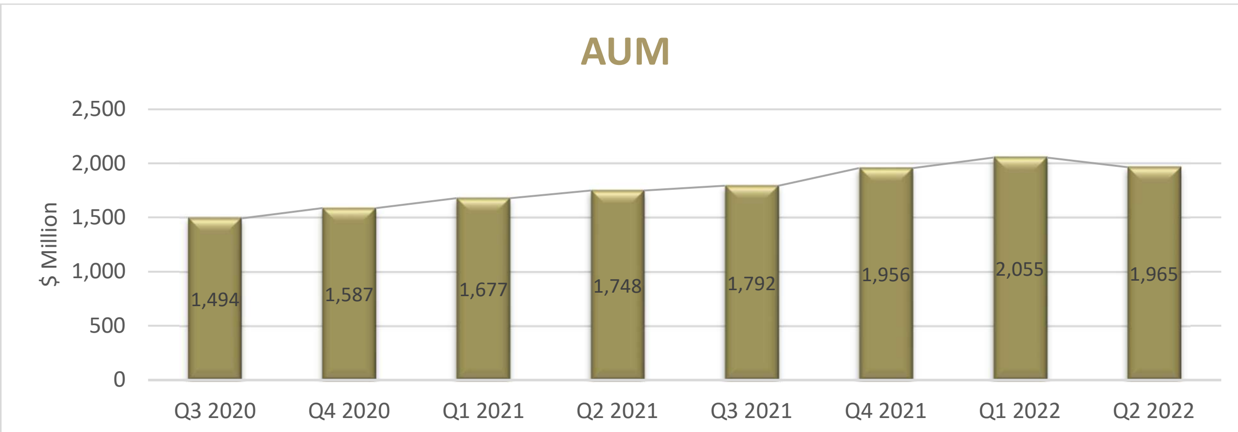
[1] Refer to 'Non-IFRS Measures'

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

Results of Operations

Assets Under Management and Revenues

AUM was $1,964,702 as at June 30, 2022, for an increase of $8,372 or 0.4% compared to $1,956,330 as at December 31, 2021. AUM also increased $217,022 or 12.4% compared to $1,747,680 as at June 30, 2021. The main reason for the increase was due to net additions from existing and new clients, and this was largely offset by market depreciation.



The following is a summary of the change in AUM during the six-month and three-month periods ended June 30, 2022 and 2021, as well as the average AUM during the respective periods:

	Six months ended		Three months ended	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
AUM, beginning of period	**$ 1,956,330**	$ 1,587,092	**$ 2,055,147**	$ 1,677,090
Net additions	**123,296**	8,220	**28,217**	1,693
Market appreciation (depreciation)	**(114,924)**	152,368	**(118,662)**	68,897
AUM, end of period	**$ 1,964,702**	$ 1,747,680	**$ 1,964,702**	$ 1,747,680
Average AUM	**$ 2,014,484**	$ 1,679,709	**$ 2,012,399**	$ 1,725,054

The net additions from clients were $123,296 and $28,217 during the six and three months ended June 30, 2022, respectively, compared to $8,220 and $1,693 during the same periods in the prior year. The net additions from clients were attributable to the addition of new clients, and existing clients entrusting the Company with additional assets to manage.

The market depreciation was $114,924 and $118,662 during the six and three months ended June 30, 2022, respectively, compared to market appreciation of $152,368 and $68,897 during the same periods in the prior year.

The average AUM was $2,014,484 during the six months ended June 30, 2022, an increase of $334,775 or 19.9% compared to $1,679,709 during the same period in the prior year. The average AUM was

$2,012,399 during the three months ended June 30, 2022, an increase of $287,345 or 16.7% compared to $1,725,054 during the same period in the prior year.

Revenues were $13,266 during the six months ended June 30, 2022, an increase of $2,356 or 21.6% from $10,910 during the same period in the prior year. Revenues were $6,622 during the three months ended June 30, 2022, an increase of $1,001 or 17.8% from $5,621 during the same period in the prior year. The main reasons for the increase were due to the growth in average AUM, and higher AUM within our pooled funds.

*Q4 2022 includes a performance fee of $2,288 earned on the Bellwether Canadian Performance Fund.

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

Expenses

Expenses consist of the following:

	Six months ended		Three months ended	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Operating Expenses				
Salaries and benefits	**$ 8,871**	$ 7,461	**$ 4,330**	$ 3,803
Professional fees	**172**	207	**106**	109
Investment research fees	**166**	162	**84**	81
Direct fund costs	**592**	552	**307**	237
Rent and facility	**60**	64	**30**	37
Marketing and client retention	**43**	103	**29**	57
Depreciation and amortization	**1,294**	1,097	**676**	553
Other administrative costs	**237**	165	**128**	92
	11,435	9,811	**5,690**	4,969
Other Expense (Income)				
Public company expenses	**55**	43	**23**	25
Financing costs	**315**	277	**168**	139
Interest income	**(8)**	(2)	**(8)**	(1)
Share-based compensation	**187**	112	**55**	75
	$ 11,984	$ 10,241	**$ 5,928**	$ 5,207

Total expenses increased $1,743 or 17.0% from $10,241 for the six months ended June 30, 2021, to $11,984 for the six months ended June 30, 2022, with the main variances as follows:

- An increase in salaries and benefits of $1,410. Included in salaries and benefits are salaries, wages, bonuses, and commissions owing to employees, contractors, and consultants. The main reason for the increase was due to increased variable compensation resulting from higher revenues and additional resources to support higher AUM.
- An increase in depreciation and amortization of $197. As a result of the investments in partnerships in 2022 and in the latter part of 2021, additional client relationship intangible assets were identified and are being amortized in the current period.
- An increase in other administrative costs of $72. Other administrative costs include communication costs, insurance, employee training and professional dues, office expenses, travel and entertainment. The main reasons for the increase are due to higher insurance, travel and training compared to the prior year period.
- An increase in share-based compensation of $75. The main reason for the increase was due to a larger grant of stock options in the current year period compared to the same period in the prior year.

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

Total expenses increased $721 or 13.8% from $5,207 for the three months ended June 30, 2021, to $5,928 for the three months ended June 30, 2022, with the main variances as follows:

- An increase in salaries and benefits of $526, mainly due to increased variable compensation resulting from higher revenues and additional resources to support higher AUM.
- An increase in depreciation and amortization of $123, due to increased client relationship intangible assets being amortized in the current period.

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

Net income and comprehensive income increased $346 to income of $608 during the six months ended June 30, 2022, compared to $262 during the same period in the prior year. Net income and comprehensive income also increased $200 to income of $262 during the three months ended June 30, 2022, compared to $175 during the same period in the prior year. The main reason for the increase was due to increased revenues, with a partial offset from increased expenses, as detailed above, and increased income tax expense.

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

	Six months ended		Three months ended	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Net income and comprehensive income	**$ 608**	$ 263	**$ 375**	$ 176
Adjustments				
Financing costs	**315**	277	**168**	139
Depreciation and amortization	**1,294**	1,097	**676**	553
Income tax expense	**674**	407	**319**	237
EBITDA[1]	**2,891**	2,044	**1,538**	1,105
Other adjustments				
Non-cash share-based compensation	**187**	112	**55**	75
Non-recurring expenses related to:				
Acquisitions	**20**	-	**20**	-
Employees	**-**	33	**-**	24
Adjusted EBITDA[1]	**$ 3,098**	$ 2,189	**$ 1,613**	$ 1,204

During the six-month and three-month periods ended June 30, 2022, we incurred $187 and $55, respectively, in non-cash share-based compensation, and $20 and $20, respectively, in non-recurring acquisition related expenses. During the six-month and three-month periods ended June 30, 2021, we incurred $112 and $75, respectively, in non-cash share-based compensation, and $33 and $24, respectively, in non-recurring employee related expenses.

[1] Refer to 'Non-IFRS Measures'

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

After adjusting for non-recurring and non-cash expenses, Adjusted EBITDA[1] for the six months ended June 30, 2022 improved $909 to earnings of $3,098 compared to $2,189 during the same period in the prior year. Adjusted EBITDA[1] also improved $409 to earnings of $1,613 for the three months ended June 30, 2022 compared to $1,204 during the same period in the prior year.

Statement of Financial Position

Cash and cash equivalents and short-term investments decreased $289 or 6.4% from $4,521 as at December 31, 2021, to $4,232 as at June 30, 2022. The main contributors were as follows:

Investments in partnerships	$	(3,713)
Net cash generated from operating activities		2,949
Proceeds on issuance of debenture, net of issue costs		2,915
Repayment of debenture		(2,055)
Dividends paid		(579)
Proceeds on exercise of options		470
Interest paid		(269)
Payments of lease obligations		(72)
Proceeds on issuance of shares on account of ESSP		67
Acquisition of property and equipment		(10)
Investment income received		8
	$	(289)

Accounts receivable decreased $2,437 or 49.8% from $4,897 as at December 31, 2021, to $2,460 as at June 30, 2022. The main reason for this decrease was due to the December 31, 2021 balance including $2,585 relating to a performance fee, which was subsequently received in January 2022.

Other current assets, which consists mainly of prepaid expenses, increased $149 or 173.3% from $86 as at December 31, 2021, to $235 as at June 30, 2022. The main reason for the increase was due to the timing of payments relating to various regulatory expenses and other prepaid expenses.

Intangible assets increased $8,067 or 40.3% from $20,009 as at December 31, 2021, to $28,076 as at June 30, 2022. Included in intangible assets is the cost of acquired client relationships, net of accumulated amortization. The reason for this increase was due to additional client relationship intangible assets recognized as part of investments made in partnerships, with partial offset from amortization recognized during the six months ended June 30, 2022.

Accounts payable and accrued liabilities decreased $1,797 or 30.7% from $5,846 as at December 31, 2021, to $4,049 as at June 30, 2022, mainly due to payments made relating to income taxes and accrued provisions and payables, with partial offset from estimated bonuses.

Debenture payable increased $724 or 11.7% from $6,208 as at December 31, 2021, to $6,932 as at June 30, 2022. On June 15, 2022, we closed a non-brokered private placement offering of debentures for an aggregate principal amount of $2,939 and related costs of $24, and this was recorded at an acquisition

[1] Refer to 'Non-IFRS Measures'

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

value of $2,783. Also on June 15, 2022, a previous debenture offering came due, resulting in a repayment of $2,055.

Share capital increased $846 or 7.0% from $12,001 as at December 31, 2021, to $12,847 as at June 30, 2022. During the six months ended June 30, 2022, there were exercises of options that resulted in the addition of $779 to share capital, and an issuance of shares from treasury on account of the ESSP that resulted in the addition of $67 to share capital.

Non-controlling interest increased $4,952 or 48.6% from $10,191 as at December 31, 2021, to $15,143 as at June 30, 2022. Non-controlling interest exists due to investments made in partnerships, which resulted in Bellwether having acquired control over each partnership, and as a result, assessed the fair value of the non-controlling interests on the date of each transaction based on a discounted cash flow analysis using various assumptions and estimates. The reason for the increase was due to additional investments made in partnerships, with partial offset from the recognition of the non-controlling interest portion of the intangible asset amortization recognized in the partnerships during the six months ended June 30, 2022.

Liquidity and Capital Resources

The following is a summary of the cash flows of the Company for the six-month and three-month periods ended June 30, 2022 and 2021:

	Six months ended		Three months ended	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Cash provided by (used in)				
Operating activities	**$ 2,949**	$ 2,244	**$ (75)**	$ 1,149
Financing activities	**478**	(605)	**392**	(428)
Investing activities	**(3,723)**	(157)	**(3,721)**	(155)
Net increase (decrease) in cash and cash equivalents	**(296)**	1,482	**(3,405)**	566
Cash and cash equivalents, beginning of period	**3,076**	1,958	**6,185**	2,874
Cash and cash equivalents, end of period	**$ 2,780**	$ 3,440	**$ 2,780**	$ 3,440

The Company generated $2,949 from operating activities during the six months ended June 30, 2022, compared to a generation of $2,244 during the same period in the prior year, mainly due to an improvement in cash adjusted net income. The Company used $75 in operating activities during the three months ended June 30, 2022, compared to a generation of $1,149 during the same period in the prior year, mainly due to more cash used in net working capital accounts, with partial offset from an improvement in cash adjusted net income.

The Company generated $478 and $392 in financing activities during the six and three months ended June 30, 2022, respectively, compared to a usage of $605 and $428 during the same periods in the prior year. The current year periods include proceeds arising from the issuance of a debenture, net of the repayment of a debenture, the issuance of shares on account of the ESSP and higher proceeds on the exercise of options, with a partial offset from increased dividends on common shares and higher interest paid.

The Company used $3,723 and $3,721 in investing activities during the six and three months ended June 30, 2022, respectively, compared to a usage of $157 and $155 during the same periods in the prior year. The current year periods include investments in partnerships totaling $3,713.

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

Summary of Quarterly Results

As at and for the three months ended	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Assets under management	**$ 1,964,702**	$ 2,055,147	$ 1,956,330	$ 1,791,573	$ 1,747,681	$ 1,677,090	$ 1,587,092	$ 1,493,561
Revenue	**$ 6,622**	$ 6,644	$ 8,367	$ 5,874	$ 5,621	$ 5,289	$ 5,033	$ 4,693
Operating Expenses								
Salaries and benefits	**4,330**	4,542	4,242	4,006	3,803	3,658	3,449	3,440
Professional fees	**106**	66	158	97	109	97	57	74
Investment research fees	**84**	82	69	79	81	81	66	65
Direct fund costs	**307**	285	618	264	237	315	275	245
Rent and facility	**30**	30	30	30	37	27	40	35
Marketing and client retention	**29**	14	1,278	31	57	45	34	57
Depreciation and amortization	**676**	618	578	539	553	544	428	362
Other administrative costs	**128**	109	145	95	92	74	117	79
	5,690	5,746	7,118	5,140	4,969	4,841	4,465	4,357
Other Expense (Income)								
Public company expenses	**23**	31	34	19	25	18	18	17
Financing costs	**168**	147	154	154	139	138	142	143
Interest income	**(8)**	(1)	(1)	(1)	(1)	(1)	(2)	(2)
Share-based compensation	**55**	133	33	35	75	37	44	44
	5,928	6,056	7,338	5,347	5,208	5,033	4,668	4,559
Net income before provision of income taxes	**694**	588	1,030	527	414	256	366	134
Provision for (recovery of) taxes								
Current	**308**	306	702	265	260	182	-	-
Deferred	**11**	49	(354)	(24)	(23)	(12)	341	-
	319	355	348	240	237	169	341	-
Net income and comprehensive income	**$ 375**	$ 233	$ 682	$ 286	$ 176	$ 87	$ 25	$ 134
Net income (loss) and comprehensive income (loss) attributable to:								
Company's shareholders	**$ 718**	$ 507	$ 944	$ 527	$ 417	$ 323	$ 187	$ 258
Non-controlling interest	**(343)**	(274)	(262)	(241)	(241)	(236)	(163)	(124)
	$ 375	$ 233	$ 682	$ 286	$ 176	$ 87	$ 25	$ 134
Weighted-average number of common shares								
Basic	**53,291,624**	52,344,691	51,841,449	51,766,555	51,741,721	51,707,945	51,706,501	51,406,577
Diluted	**54,633,082**	53,585,032	53,516,007	53,301,440	53,363,674	53,071,160	52,822,956	52,524,369
Income per common share								
Basic	**$ 0.013**	$ 0.010	$ 0.018	$ 0.010	$ 0.008	$ 0.006	$ 0.004	$ 0.005
Diluted	**$ 0.013**	$ 0.009	$ 0.018	$ 0.010	$ 0.008	$ 0.006	$ 0.004	$ 0.005

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

Related Party Transactions

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

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

The following is a summary of the transactions which occurred with related parties during the six and three months ended June 30, 2022 and 2021:

	Six months ended		Three months ended	
	June 30, 2022	June 30, 2021	**June 30, 2022**	June 30, 2021
Transactions with key management				
Salaries, bonuses and net fees	**$ 1,738**	$ 894	**$ 841**	$ 446
Debenture interest expense*	**27**	14	**14**	7
Share-based compensation	**167**	73	**49**	48
	$ 1,932	$ 981	**$ 904**	$ 501
Other transactions with entities related to directors				
Legal services	**$ 73**	$ 33	**$ 60**	$ 13
IT services	**1**	2	**1**	2
Legal fees	**$ 74**	$ 35	**$ 61**	$ 15

The following balances were outstanding with related parties as at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Amounts payable to key management, due on demand	**$ 619**	$ 378
Amounts payable to entities related to directors, due on demand	**$ 34**	$ 0
Debentures payable to key management:		
June 15, 2017 offering*	**$ -**	$ 100
August 15, 2019 offering*	**$ 450**	$ 250
June 15, 2022 offering*	**550**	-

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

Stephen Meehan is a member of the Board of Directors of the Company, and as at June 30, 2022 holds, directly or indirectly, 22.5% of the Company's outstanding shares (December 31, 2021 – 23.1%). Mr. Meehan has a controlling interest in JDI Bancorp Inc. ("JDI") and Glen Road Capital Partners Inc. ("GRCP"), and is also a Trustee of Glen Road Trust ("GRT"). As such, the Company considers Mr. Meehan, JDI, GRCP and GRT related parties. Mr. Meehan does not receive any director fees for his role as a director of the Company. During the six and three months ended June 30, 2022, the Company incurred expenses of $283 and $142, respectively, through JDI to perform business development services for the Company (June 30, 2021 – $275 and $138, respectively). GRCP occupies a portion of the head office of the Company, and the Company recovers from GRCP an amount based on the square footage occupied and the resources used by GRCP. During the six and three months ended June 30, 2022, the Company recovered from GRCP $27 and $14, respectively (June 30, 2021 – $23 and $11, respectively). GRT and Bellwether entered into a distribution agreement whereby Bellwether acts as an agent to offer for sale by way of private placement units of GRT. In consideration of the services performed by Bellwether, GRT pays Bellwether a fee of up to 2% of the offering proceeds. During the six and three months ended June 30, 2022, the Company charged GRT $2 and $2, respectively (June 30, 2021 – $6 and $5, respectively). As at June 30, 2022, $152 remains within accounts payable and accrued liabilities to JDI (December 31, 2021 – $2), $nil remains recoverable from GRCP (December 31, 2021 – $nil), and $0 remains recoverable from GRT (December 31, 2021 – $nil). On March 3, 2022, the Company granted Mr. Meehan 125,000 stock options. During the six and three months ended June 30, 2022, the share-based compensation expense recognized on option grants to Mr. Meehan was $24 and $7, respectively (June 30, 2021 – $6 and $2, respectively).

Robert Sewell is a member of the Board of Directors of the Company and is also the President and Chief Executive Officer of the Company. As at June 30, 2022, Mr. Sewell holds, directly or indirectly, 27.3% of the Company's outstanding shares (December 31, 2021 – 27.1%). As such, the Company considers Mr. Sewell to be a related party. Mr. Sewell does not receive any director fees for his role as a director of the Company. During the six and three months ended June 30, 2022, the Company incurred $373 and $186, respectively, in salary, commissions, ESSP Company contributions and estimated bonus (June 30, 2021 – $300 and $150, respectively). As at June 30, 2022, $161 remains within accounts payable and accrued liabilities to Mr. Sewell (December 31, 2021 – $312). On March 3, 2022, the Company granted Mr. Sewell 175,000 stock options. On February 28, 2022, Mr. Sewell exercised 500,000 stock options at an exercise price of $0.30 for total cash proceeds to the Company of $150. During the six and three months ended June 30, 2022, the share-based compensation expense recognized on option grants to Mr. Sewell was $33 and $10, respectively (June 30, 2021 – $6 and $2, respectively). On March 3, 2022, pursuant to the ESSP, Mr. Sewell subscribed to 5,428 shares at a price of $0.93 for total proceeds to the Company of $5. On November 3, 2021, pursuant to the ESSP, Mr. Sewell subscribed to 8,449 shares at a price of $0.71 for total proceeds to the Company of $6. As at June 30, 2022, Mr. Sewell, directly or indirectly, is subscribed to $400 in Company debentures (December 31, 2021 – $250). During the six and three months ended June 30, 2022, the debenture interest expense relating to the debentures held by Mr. Sewell was $10 and $5, respectively (June 30, 2021 – $10 and $5, respectively).

Carlo Pannella is Chief Financial Officer of the Company, and as such the Company considers Mr. Pannella to be a related party. During the six and three months ended June 30, 2022, the Company incurred $185 and $92, respectively, in salary, ESSP Company contributions and estimated bonus (June 30, 2021 – $135 and $68, respectively). As at June 30, 2022, $60 remains within accounts payable and accrued liabilities to Mr. Pannella (December 31, 2021 – $nil). On March 3, 2022, the Company granted Mr. Pannella 75,000 stock options. On February 28, 2022, Mr. Pannella exercised 100,000 stock options at an exercise price of $0.40 for total cash proceeds to the Company of $40. On April 6, 2021, the Company granted Mr. Pannella

100,000 stock options. During the six and three months ended June 30, 2022, the share-based compensation expense recognized on option grants to Mr. Pannella was $23 and $7, respectively (June 30, 2021 – $23 and $19, respectively). On March 3, 2022, pursuant to the ESSP, Mr. Pannella subscribed to 7,741 shares at a price of $0.93 for total proceeds to the Company of $7. On November 3, 2021, pursuant to the ESSP, Mr. Pannella subscribed to 10,478 shares at a price of $0.71 for total proceeds to the Company of $7.

Susan Schulze is VP of Practice Management, and as such the Company considers Ms. Schulze to be a related party. During the six and three months ended June 30, 2022, the Company incurred $96 and $48, respectively, in salary, ESSP Company contributions and estimated bonus (June 30, 2021 – $104 and $52, respectively). As at June 30, 2022, $19 remains within accounts payable and accrued liabilities to Ms. Schulze (December 31, 2021 – $36). During the six and three months ended June 30, 2022, the share-based compensation expense recognized on option grants to Ms. Schulze was $3 and $1, respectively (June 30, 2021 – $8 and $3, respectively). On March 3, 2022, pursuant to the ESSP, Ms. Schulze subscribed to 2,488 shares at a price of $0.93 for total proceeds to the Company of $2. On November 3, 2021, pursuant to the ESSP, Ms. Schulze subscribed to 1,802 shares at a price of $0.71 for total proceeds to the Company of $1. As at June 30, 2022, Ms. Schulze, directly or indirectly, is subscribed to $150 in Company debentures (December 31, 2021 – $50). During the six and three months ended June 30, 2022, the debenture interest expense relating to the debentures held by Ms. Schulze was $2 and $1, respectively (June 30, 2021 – $2 and $1, respectively).

Kari Tavener was Chief Compliance Officer of the Company until October 20, 2021, following which she was no longer engaged by the Company. The Company considers Ms. Tavener to have been a related party. The Company did not incur any transactions with Ms. Tavener subsequent to October 20, 2021. During the six and three months ended June 30, 2021, the Company incurred $78 and $39, respectively, in salary and estimated bonus. During the six and three months ended June 30, 2021, the share-based compensation expense recognized on option grants to Ms. Tavener was $6 and $2, respectively. As at December 31, 2021, all of the 100,000 stock options held by Ms. Tavener had expired.

Julianna Varpalotai-Xavier was appointed Chief Operating Officer of the Company on September 7, 2021, and was appointed Chief Compliance Officer of the Company on October 20, 2021, and as such the Company considers Ms. Varpalotai-Xavier to be a related party. During the six and three months ended June 30, 2022, the Company incurred $211 and $105, respectively, in salary, ESSP Company contributions and estimated bonus (June 30, 2021 – $nil and $nil, respectively). As at June 30, 2022, $69 remains within accounts payable and accrued liabilities to Ms. Varpalotai-Xavier (December 31, 2021 – $nil). On March 3, 2022, the Company granted Ms. Varpalotai-Xavier 75,000 stock options. During the six and three months ended June 30, 2022, the share-based compensation expense recognized on option grants to Ms. Varpalotai-Xavier was $13 and $4, respectively (June 30, 2021 – $nil and $nil, respectively). On March 3, 2022, pursuant to the ESSP, Ms. Varpalotai-Xavier subscribed to 7,731 shares at a price of $0.93 for total proceeds to the Company of $7. On November 3, 2021, pursuant to the ESSP, Ms. Varpalotai-Xavier subscribed to 8,315 shares at a price of $0.71 for total proceeds to the Company of $6. As at June 30, 2022, Ms. Varpalotai-Xavier, directly or indirectly, is subscribed to $100 in Company debentures (December 31, 2021 – $nil). During the six and three months ended June 30, 2022, the debenture interest expense relating to the debentures held by Ms. Varpalotai-Xavier was $0 and $0, respectively (June 30, 2021 – $nil and $nil, respectively).

Craig Ellis was appointed Vice President and Portfolio Manager of the Company on February 4, 2022, and as such the Company considers Mr. Ellis to be a related party during the current year period. During the six and three months ended June 30, 2022, the Company incurred $289 and $150 in salary, commissions, ESSP Company contributions and estimated bonus. As at June 30, 2022, $72 remains within accounts payable and accrued liabilities to Mr. Ellis. On March 3, 2022, the Company granted Mr. Ellis 75,000 stock options. On February 28, 2022, Mr. Ellis exercised 125,000 stock options at an exercise price of $0.40, and 150,000 stock options at an exercise price of $0.43, for total cash proceeds to the Company of $115. On April 6, 2021, the Company granted Mr. Ellis 50,000 stock options. During the six and three months ended June 30, 2022, the share-based compensation expense recognized on option grants to Mr. Ellis was $18 and $5, respectively. On March 3, 2022, pursuant to the ESSP, Mr. Ellis subscribed to 1,804 shares at a price of $0.93 for total proceeds to the Company of $2. As at June 30, 2022, Mr. Ellis, directly or indirectly, is subscribed to $250 in Company debentures. During the six and three months ended June 30, 2022, the debenture interest expense relating to the debentures held by Mr. Ellis was $10 and $5, respectively.

Wayne Wiggins was appointed Vice President and Portfolio Manager of the Company on February 4, 2022, and as such the Company considers Mr. Wiggins to be a related party during the current year period. During the six and three months ended June 30, 2022, the Company incurred $273 and $104 in salary, commissions, ESSP Company contributions and estimated bonus. As at June 30, 2022, $58 remains within accounts payable and accrued liabilities to Mr. Wiggins. On March 3, 2022, the Company granted Mr. Wiggins 50,000 stock options. On February 28, 2022, Mr. Wiggins exercised 150,000 stock options at an exercise price of $0.30, and 125,000 stock options at an exercise price of $0.40, for total cash proceeds to the Company of $95. On April 6, 2021, the Company granted Mr. Wiggins 50,000 stock options. During the six and three months ended June 30, 2022, the share-based compensation expense recognized on option grants to Mr. Wiggins was $13 and $4, respectively. On March 3, 2022, pursuant to the ESSP, Mr. Wiggins subscribed to 3,252 shares at a price of $0.93 for total proceeds to the Company of $3. As at June 30, 2022, Mr. Wiggins is subscribed to $50 in Company debentures. During the six and three months ended June 30, 2022, the debenture interest expense relating to the debentures held by Mr. Wiggins was $2 and $1, respectively.

Christopher Dingle is Chairman of the Board of the Company and holds a controlling interest in Qi Development Corporation. As such the Company considers Mr. Dingle and Qi Development Corporation to be related parties. During the six and three months ended June 30, 2022, the Company incurred $40 and $24, respectively, in director fees (June 30, 2021 – $19 and $10, respectively). As at June 30, 2022, $22 remains within accounts payable and accrued liabilities to Qi Development Corporation (December 31, 2021 – $20 to Mr. Dingle). On March 3, 2022, the Company granted Mr. Dingle 75,000 stock options. On February 28, 2022, Mr. Dingle exercised 50,000 stock options at an exercise price of $0.30 for total cash proceeds to the Company of $15. On April 6, 2021, the Company granted Mr. Dingle 50,000 stock options. During the six and three months ended June 30, 2022, the share-based compensation expense recognized on option grants to Mr. Dingle was $18 and $5, respectively (June 30, 2021 – $12 and $10, respectively).

James Williams is a member of the Board of Directors of the Company. Mr. Williams was also President and CEO of, and held a controlling interest in, an IT services firm, Williams Telecommunications Corp. ("Williams Telecommunications"). As such the Company considers Mr. Williams and Williams Telecommunications to be related parties. During the six and three months ended June 30, 2022, the Company incurred $5 and $2, respectively, in director fees (June 30, 2021 – $4 and $3, respectively). During the six and three months ended June 30, 2022, the Company incurred $1 and $1, respectively, in IT services with Williams Telecommunications (June 30, 2021 – $2 and $2, respectively). As at June 30, 2022, $2 remains within accounts payable and accrued liabilities to Mr. Williams (December 31, 2021 – $3), and $nil remains within accounts payable and accrued liabilities to Williams Telecommunications (December 31, 2021 – $nil). On March 3, 2022, the Company granted Mr. Williams 15,000 stock options. On April 6, 2021, the Company granted Mr. Williams 10,000 stock options. During the six and three months ended June 30, 2022, the share-based compensation expense recognized on option grants to Mr. Williams was $4 and $1, respectively (June 30, 2021 – $3 and $2, respectively).

David Brown is a member of the Board of Directors of the Company, and a Partner with a law firm, Weirfoulds LLP ("Weirfoulds"). Mr. Brown also holds a controlling interest in Keiller Capital ("Keiller"). As such the Company considers Mr. Brown, Weirfoulds and Keiller to be related parties. Mr. Brown foregoes any director fees for his role as a director of the Company. During the six and three months ended June 30, 2022, the Company incurred $73 and $60, respectively, in legal fees with Weirfoulds (June 30, 2021 – $33 and $13, respectively). As at June 30, 2022, $34 remains within accounts payable and accrued liabilities to Weirfoulds (December 31, 2021 – $1). On March 3, 2022, the Company granted Keiller 30,000 stock options. On February 28, 2022, Keiller exercised 50,000 stock options at an exercise price of $0.30 for total cash proceeds to the Company of $15. On April 6, 2021, the Company granted Keiller 20,000 stock options. During the six and three months ended June 30, 2022, the share-based compensation expense recognized on option grants to Keiller was $7 and $2, respectively (June 30, 2021 – $4 and $4, respectively).

Peter Patchet is a member of the Board of Directors of the Company, and holds a controlling interest in 2615054 Ontario Inc. As such the Company considers Mr. Patchet and 2615054 Ontario Inc. to be related parties. During the six and three months ended June 30, 2022, the Company incurred $10 and $5, respectively, in director fees (June 30, 2021 – $9 and $5, respectively). As at June 30, 2022, $5 remains within accounts payable and accrued liabilities to 2615054 Ontario Inc. (December 31, 2021 – $5). On March 3, 2022, the Company granted Mr. Patchet 35,000 stock options. On February 28, 2022, Mr. Patchet exercised 20,000 stock options at an exercise price of $0.60 for total cash proceeds to the Company of $12. On November 5, 2021, Mr. Patchet exercised 25,000 stock options at an exercise price of $0.40 for total cash proceeds to the Company of $10. On April 6, 2021, the Company granted Mr. Patchet 25,000 stock options. During the six and three months ended June 30, 2022, the share-based compensation expense recognized on option grants to Mr. Patchet was $9 and $3, respectively (June 30, 2021 – $6 and $5, respectively). As at June 30, 2022, Mr. Patchet, directly or indirectly, is subscribed to $50 in Company debentures (December 31, 2021 – $50). During the six and three months ended June 30, 2022, the debenture interest expense relating to the debentures held by Mr. Patchet was $2 and $1, respectively (June 30, 2021 – $2 and $1, respectively).

Risk Management

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

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

Credit Risk

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

Based on its practices and processes around charging and collecting management fees, its credit policies, its previous experience, and its assessment of the current economic environment and financial condition of the counterparties, as at June 30, 2022 and December 31, 2021, the Company does not believe any allowances for expected credit losses are required.

Liquidity Risk

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

Market Risk

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

1. Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company does not have any significant number of financial instruments denominated in a foreign currency, and therefore is not currently exposed to any significant foreign currency exchange risk.
2. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is currently exposed to interest rate risk with respect to its short-term investments invested in money market funds. The sensitivity of this risk is not significant as at June 30, 2022 and December 31, 2021 due to the short-term nature of the instruments.
3. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

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

Risks Related to Assets Under Management

Because the Company's revenues are directly related to the market value of the investments that its subsidiary is managing for Clients, a change in market indices could have a significant impact on the Company's revenues. A 10% change in the Company's AUM of $1,964,702 as at June 30, 2022, could impact future annual revenues by approximately $2,800, compared to the December 31, 2021 AUM of $1,956,330 and a potential revenue impact of $2,800. A 10% change in the Company's average AUM for the twelve-months ended June 30, 2022 of $1,928,126 would have impacted the revenues for that year by approximately $2,750.

Concentration Risk

The Company's trade accounts receivable are due from clients and the Company believes that the entire accounts receivable balance is collectible. Accordingly, management has not provided an allowance for doubtful accounts as at June 30, 2022 or December 31, 2021.

Capital Requirements

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

Dependence on Senior Management

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

Investment Performance of our Investment Solutions

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

Sufficiency of Insurance

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

Competition

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

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

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

Risks of Significant Redemptions of Bellwether's Assets under Management

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

General Business Risk and Liability

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

Regulation of Bellwether

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

COVID-19

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

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

We continue to review the financial impact of the COVID-19 pandemic and market risk to our capital position and profitability should the duration, spread or intensity of the pandemic further develop. Our revenues are directly correlated to the market value of our AUM. During the year ended December 31, 2021, we experienced market appreciation in our AUM of 15.8%. During the six-month period ended June 30, 2022, we experienced a market depreciation of 5.9% (June 30, 2021 – market appreciation of $9.6%). It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 both in the short- and long-term and, as a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

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

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