RICHARDSON Wealth

Patrimoine RICHARDSON

The Brand of Choice

For Canada's Top Advisors & Their Clients

RF Capital Group Inc.

Q3 2021 Report to Shareholders

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Q3
CEO MESSAGE

Kish Kapoor
President and CEO

On October 20, 2021, we celebrated the first anniversary of our seminal transaction to become Richardson Wealth. Since then, our new Board and new leadership team, with considerable input from our exceptional advisors, mapped out an ambitious growth strategy. While we are still in the early stages of our multi-year transformation, I couldn't be prouder of the considerable progress we have made since we unveiled the details of our plan in May. We have been thoughtfully laying the foundation that will enable our growth, transform our digital capabilities, enhance the overall advisor and client experience, and help us deliver value to our shareholders.

Moving forward with purpose

- New board
- New management team
- New auditors
- New awards
- New strategy

Investing in our capabilities

- World-class managed account platform (UMA) ENVESTNET
- Game-changing strategic relationship with best-of-breed provider of digital solutions Fidelity
- Our team of tax & estate planning professionals
- Proprietary insurance business
- Advisor concierge
- Action desk
- Richardson Wealth Masterclass

Posting strong growth (Q3 YTD)

- **Record highs:**
  - $34.4B in assets
  - Avg team AUA ($218MM)
  - Avg HH AUA (>$1MM)
  - Number of HNW households
  - Richardson Wealth adjusted EBITDA $43.2MM
  - $178.5MM fee-based revenue
- $2.5B organic growth in net new and recruited assets from Q3/20
- Many advisors achieving personal bests
- Strongest ever recruiting pipeline at **$15B**[1]

And along the way…

- New **$200MM** revolving debt facility
- Multiple advisor committees engaged
- State-of-the-art and re-designed new offices in Edmonton, Charlottetown and marquee $20MM Toronto location
- Inbound opportunities for partnerships and acquisitions

For the third straight quarter, we posted record results on many key financial metrics. Our AUA was $34.4 billion, up by $5.5 billion or 19% from a year ago. And we started Q4 on strong footing, increasing AUA a further $1.3 billion during October, to an all-time high of $35.7 billion. That is $7.2 billion higher than our AUA at the time of announcing the RGMP transaction.

RECORD RESULTS[1]:

Assets Under Administration[2]	Recruiting Pipeline[3]	Fee-based Revenue	AUA Per Advisor Team[5]
$34.4B	**$15B**	**$62.0MM**	**$218MM**
Up $5.5 billion from Q3 2020	Five advisors[4] joined in Q3	Up 16% from Q3 2020	Up 21% from Q3 2020

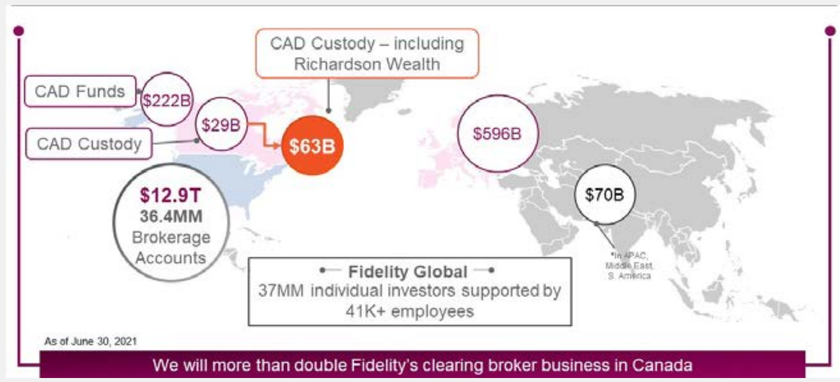
1. Richardson Wealth's results
2. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A.
3. Represents conversations with advisors that have advanced beyond a certain probability threshold, and is a measure that management uses to assess outside advisors' interest in our business. We expect to convert only a portion of this pipeline.
4. Includes four new advisory teams plus one advisor joined an existing team
5. Adjusted for advisory teams added during Q3 2021, which are not yet managing a steady-state amount of AUA

This past summer we propelled our digital strategy forward by announcing a game-changing partnership with Fidelity Canada, the highlights of which are summarized in the chart below:

FIDELITY STRATEGIC AGREEMENT

Accretive to shareholders – estimated EBITDA benefit of just under $10 million in first year after expected September 2022 transition

- Access to Fidelity's global scale, world-class advisor technology platform, expertise, and ongoing technological innovation
- Transforms our cost base to be largely variable, and reduces the level of future capital investment
- Scalability, and enhanced service offering bolsters our recruitment and retention efforts



- Richardson Wealth will retain a substantial in-house team to deliver industry-leading middle office services to our advisors
- Fidelity will focus on back office and administrative support
- Expect over 40 staff to transfer to Fidelity, which helps ensure continuity of our advisors' experience

- Turnkey, cloud-based technology solution that will improve advisor efficiency, and free up their time to focus on relationship building
- World-class integrated technology experience tailored to Richardson Wealth growth priorities

The big picture is that in **a short period of time**, we have leveraged strategic relationships and partnerships to accelerate growth, attracted top talent to ensure execution success, and posted record results. And **93%** of our advisors, the driving force of our business, have achieved personal best performances this year. We have also been attracting some of the best advisors to our brand – we recruited five new advisors in Q3 and lost none.

I remain convinced that our best days are ahead of us. We have the right growth strategy, the right leadership, the right board, the right culture, and above all, **the right advisors and their highly valued clients**.

We thank you, our shareholders, for your ongoing patience and support. I too am disappointed that our accomplishments haven't resulted in an increase in share price. We will continue to deliver on our promises, drive results, and inspire confidence along the way – and I believe that in time the market will recognize our strong performance. We look forward to updating you on our progress.

Sincerely,

Kish Kapoor
President and CEO

Richardson Wealth Harkens Back to a Time When
The Name on the Door Mattered

Muriel Sprague Richardson

Known as "the shy baroness of brokerage", Muriel is a Companion of the Canadian Business Hall of Fame and, in 1939, became the fifth President of James Richardson & Sons, Limited. She was the first woman to head a large corporation and led the company for 27 years. She was among the earliest Canadian business leaders to demonstrate care for company personnel by introducing a pension plan, group life insurance, and other benefits. Read more about her remarkable history in this MacLean's article from 1957. **Read more**.

About this Management's Discussion and Analysis

The purpose of this management's discussion and analysis (MD&A) is to help readers understand the financial condition and results of the consolidated operations of RF Capital Group Inc. (the Company), including its wholly-owned subsidiary Richardson Wealth Limited (Richardson Wealth), for the three and nine months ended September 30, 2021.

This MD&A dated November 4, 2021, should be read in conjunction with the unaudited interim condensed consolidated financial statements and related notes as at and for the three and nine months ended September 30, 2021 (Third Quarter 2021 Financial Statements). Additional information, including our annual MD&A (2020 MD&A), our latest Annual Information Form (AIF), and our audited consolidated financial statements for the year ended December 31, 2020, is available at *www.rfcapgroup.com* and under our profile at *www.sedar.com.*

This MD&A makes reference to certain non-GAAP measures, which Management believes are useful in assessing the Company's financial performance. Readers are cautioned that these measures do not have any standard meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information related to adjusted results and a reconciliation to their nearest IFRS measures, please read the "Presentation of Financial Information and Non-GAAP Measures" at the end of this MD&A.

Our Board of Directors (Board) approved this document.

Forward-Looking Information

This MD&A contains forward-looking information as defined under applicable Canadian securities laws. This information includes, but is not limited to, statements concerning objectives and strategies to achieve those objectives, as well as statements made with respect to Management's beliefs, plans, estimates, projections and intentions and similar statements concerning anticipated future events, results, circumstances, performance, or expectations that are not historical facts. Forward-looking information generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events. Such forward-looking information reflects Management's current beliefs and is based on information currently available to Management. The forward-looking information contained herein is expressly qualified in its entirety by this cautionary statement.

The forward-looking statements included in this MD&A, including statements regarding the nature of our growth strategy going forward and execution of any of our potential plans, are not guarantees of future results and involve numerous risks and uncertainties that may cause actual results to differ materially from the potential results discussed or anticipated in the forward-looking statements, including those described in this MD&A and our AIF. Such risks and uncertainties include, but are not limited to, market, credit, liquidity, operational and legal and regulatory risks, and other risk factors, including variations in the market value of securities, dependence on key personnel and sustainability of fees. In addition, other factors, such as general economic conditions, including interest rate and exchange rate fluctuations, and pandemics, natural disasters, or other unanticipated events (including the novel coronavirus and variants thereof ("COVID-19") pandemic) may also influence our results of operations. For a description of additional risks that could cause actual results to differ materially from current expectations, see the **"Risk Management"** and **"Risk Factors"** sections in our 2020 MD&A and the "Risk Factors" section of our AIF.

Although we attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information.

Certain statements included in this MD&A may be considered a "financial outlook" for purposes of applicable Canadian securities laws. The financial outlook may not be appropriate for purposes other than this MD&A.

Forward-looking information contained in this MD&A is:

- based on Management's reliance on certain assumptions it considers reasonable; however, there can be no assurance that such expectations will prove correct. As such, readers should not place undue reliance on the forward-looking statements and information contained in this MD&A. When relying on forward-looking statements to make decisions, readers should carefully consider the foregoing factors, the list of which is not exhaustive;

- made as of the date of this MD&A and should not be relied upon as representing our view as of any date subsequent to the date of this MD&A. Except as required by applicable law, our Management and Board undertake no obligation to update or revise any forward-looking information publicly, whether as a result of new information, future events or otherwise; and

- expressly qualified in its entirety by the foregoing cautionary statements.

COVID-19 Update

We remain focused on supporting our clients and communities in a safe return to a more normal operating environment as increased COVID-19 vaccination rates have led to continued reductions in public health restrictions. As we consider plans for a phased return to the workplace, with an emphasis on ongoing flexibility, our top priority remains the well-being of our employees and clients. Considerable uncertainty remains regarding the impact of the emergence of more infectious variants of COVID-19 and the upcoming conclusion of government stimulus on the Canadian economy. We continue to closely monitor evolving COVID-19 developments and adjust our plans accordingly. The potential for near-term volatility in the economy and financial markets remains, which may adversely affect our financial performance.

Q3 2021 - Select Financial Information

($000's, except as otherwise indicated)	Three months ended September 30, 2021	2020	Increase/(decrease) $	%	Nine months ended September 30, 2021	2020	Increase/(decrease) $	%
Operating Performance - Consolidated								
Reported Results:								
Revenue	79,682	7,506	72,176	n.m.	242,408	23,404	219,004	n.m.
Variable advisor compensation	34,714	—	34,714	n.m.	104,326	—	104,326	n.m.
Gross margin[1]	44,968	7,506	37,462	n.m.	138,082	23,404	114,678	n.m.
Operating expenses[2]	41,482	12,503	28,979	n.m.	119,279	31,666	87,613	n.m.
EBITDA - consolidated[4]	3,486	(5,412)	8,898	n.m.	18,802	(9,036)	27,838	n.m.
Net loss	(8,462)	(5,977)	(2,485)	n.m.	(17,795)	(11,245)	(6,550)	n.m.
Adjusting items[3]:								
Transformation costs and other provisions (pre-tax)	12,780	3,901	8,879	228	29,449	5,463	23,986	439
Transformation costs and other provisions (after-tax)	10,953	3,901	7,052	181	23,756	5,463	18,293	335
Adjusted Results[4]:								
Adjusted operating expenses[2]	31,965	8,601	23,364	n.m.	99,619	26,203	73,416	n.m.
Adjusted EBITDA - consolidated	13,003	(1,511)	14,514	n.m.	38,462	(3,573)	42,035	n.m.
Adjusted net income (loss)	2,491	(2,076)	4,567	n.m.	5,962	(5,782)	11,744	n.m.
Select balance sheet and other information:								
Total assets	2,186,699	1,753,592	433,107	25				
Term debt[5]	110,922	12,849	98,073	n.m.				
Shareholders' equity	357,862	187,908	169,954	90				
Net working capital	108,502	104,456	4,046	4				
Common share information:								
Book value per common share ($)	1.54	1.00						
Closing share price ($)	2.18	1.95						
Common shares outstanding (millions)	159	75						
Common share market capitalization ($millions)	347	147						
Operating Performance - Richardson Wealth[6]:								
AUA ($millions) - ending balance	34,360	28,855	5,505	19	34,360	28,855	5,505	19
Revenue	77,453	67,446	10,007	15	234,316	199,278	35,038	18
Gross margin	42,739	37,487	5,252	14	129,990	111,776	18,214	16
Adjusted operating expenses	28,731	25,641	3,090	12	86,826	80,317	6,509	8
Adjusted EBITDA - Richardson Wealth[4]	14,008	11,846	2,162	18	43,165	31,459	11,706	37
Asset yield[7] (%)	0.80	0.82		-2 bps	0.83	0.84		-1 bps
Adjusted operating expense ratio[4,8] (%)	67	68		-120 bps	67	72		-510 bps
Recurring fee-based revenue as a % of total commissionable revenue[9] (%)	0.90	0.88		+2 bps	0.86	0.87		-1 bps
Adjusted EBITDA margin (%)[4]	18.1	17.6		+50 bps	18.4	15.8		+260 bps

1. Gross margin is calculated as revenue less advisor variable compensation. We use gross margin to measure operating profitability on the revenue that accrues to the Company after making advisor payments that are directly linked to revenue.
2. Operating expenses include employee compensation and benefits, selling, general and administrative expenses, fees in connection with our stock borrowing and lending business and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less transformation costs and other provisions.
3. For further information, please see Q3 2021 – Items of Note in this MD&A
4. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A.
5. Term debt includes revolving credit facility and preferred share liability
6. Richardson Wealth's operating results pre-October 20, 2020 are for reference purposes as they were not fully consolidated into RF Capital's financial statements
7. Calculated as annualized commission and fee income divided by average AUA
8. Calculated as adjusted operating expenses divided by gross margin
9. Calculated as fee income divided by commission and fee income

Q3 2021 - OPERATING HIGHLIGHTS

$13.0 MILLION

Adjusted Consolidated EBITDA[1]

RICHARDSON Wealth

$14.0 MILLION

Adjusted EBITDA[1] Richardson Wealth

Up 18% from Q3 2020

18.1%

Adjusted EBITDA Margin[1] Richardson Wealth

Up from 17.6% in Q3 2020

93%

Existing advisor teams that have grown their AUA in 2021

$1.1 MILLION

Record average household AUA

Improved Operating Leverage[2]

Adjusted operating expense ratio at Richardson Wealth declined from 68.4% to 67.2%

$1 BILLION

Added five advisors in Q3 with anticipated client assets in excess of $1 billion

Hired first-ever Head of Corporate Development to spearhead recruitment and acquisitions

90%

Fee-based revenue as a percentage of total commissionable revenue at Richardson Wealth

GAME CHANGERS

Virtual Conference

Allowed top advisors to share their growth strategies and learn from industry experts

Launched **Richardson Wealth Masterclass** – a comprehensive practice management and training program

1. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted EBITDA margin calculated as Adjusted EBITDA – Richardson Wealth/total revenue. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A
2. Calculated as adjusted operating expenses divided by gross margin

BUILDING BRAND AWARENESS

164-YEAR HISTORY OF THE RICHARDSON BRAND

Recently, we hosted exclusive client events featuring Hartley Richardson and Sandy Riley at the iconic Winnipeg Art Gallery – Qaumajuq.

Over 1,000 participants attended the events at which our special guests shared fascinating stories about friendship, their partnership, their families, the inception and evolution of our company, and the 164-year history of the Richardson brand.

Hartley Richardson

President and CEO, James Richardson & Sons, Limited

Sandy Riley

President and CEO, Richardson Financial Group Limited

Business Overview

RF Capital is a Toronto Stock Exchange (TSX) listed wealth management-focused company. Our common and preferred shares trade under the following ticker symbols (TSX: RCG, RCG.PR.B). We operate under the Richardson Wealth and Patrimoine Richardson brands and are one of the largest independent wealth management firms in Canada, with total assets under administration (AUA) of $34.4 billion. We have 161 advisor teams operating out of 20 offices in eight provinces, serving 31,000 high net worth clients across Canada.

Richardson Wealth was founded 17 years ago based on a belief that Canadians wanted an alternative to the banks for their wealth management needs. That idea inspired many of the country's top advisors to join our entrepreneurial firm, where their voices matter, where diverse perspectives are valued, where the culture and open architecture is geared toward their success, and where the name on the door is synonymous with integrity and excellence.

Richardson Wealth is a Great Place to Work™

Game Changing Teams Choose Richardson Wealth

The Conlin Group

The Susan O'Brien Group Wealth Advisory

Our Vision

Our Growth Strategy

Aspirational Growth

	FROM	TO
AUA	$33B	$100B
REVENUE[1]	$300MM	$1B
ADJ. EBITDA[1]	$50MM	$200-300MM

1. Annualized Q1 2021

In May 2021, we unveiled the details of our five-year growth strategy. Our ambition is to triple our AUA and revenue over that period. We believe that our goals are ambitious but achievable, as a favourable market backdrop will support our growth and as we execute from a position of growing strength. The market for retail financial wealth in Canada is expected to grow from $4.4 trillion today to $7.7 trillion[1] by 2028, creating a considerable opportunity for an independent wealth management firm with national scale. Richardson Wealth currently has a 0.7% share of Canadian retail wealth. Capturing an additional 1.4% of the existing market or 2% of the expected market growth would allow us to achieve our growth objectives.

We are in the early stages of our transformation and growth plan. Our focus in 2021 has been on making crucial strategic and advisor-centric investments in our digital capabilities, managed account platform, communications and brand marketing strategies, advisor service teams, and practice management curriculum. We have also transformed our leadership team and Board. These investments will enable us to deliver on our promise of enhancing the advisor and client experience.

Our Journey

We have a deep-rooted conviction that our transformation was the best path for creating meaningful long-term shareholder value, and our growth strategy should only accelerate that journey

Our Commitment

We are committed to driving our plan forward with focus, rigour, and pace of execution. We will make it easier for advisors to succeed here more than anywhere else

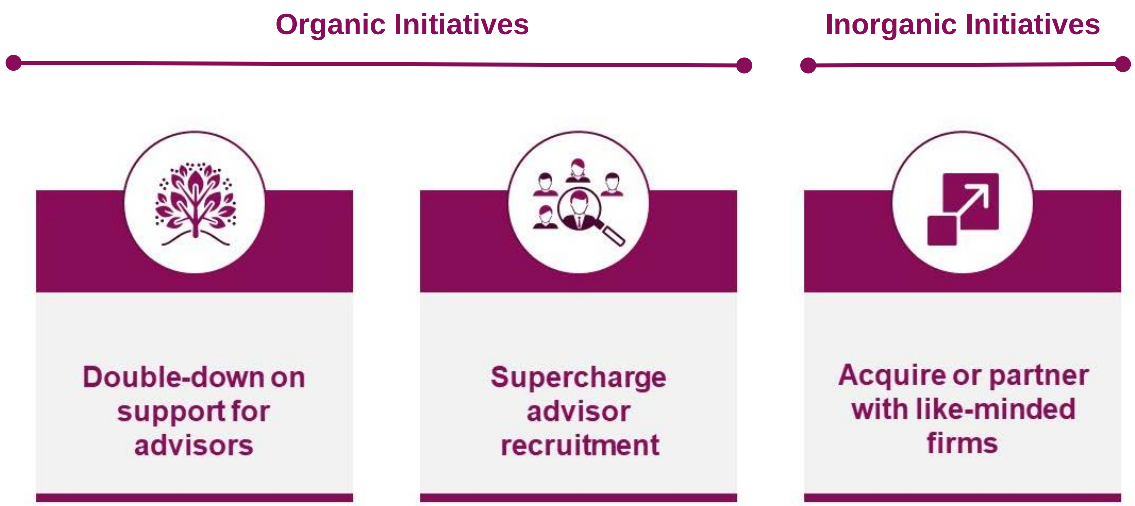
Our Progress

With our new team and board directors in place, we have delivered on all of our commitments to date. We have been reporting record results and inspiring confidence with each step we take

[1] Investor Economics

Our Strategy is Based on Three Key Strategic Pillars

Our growth strategy rests on three key strategic pillars that we believe will drive top-line growth, operating margin improvement, and shareholder value.



We carefully evaluated the sequencing of each pillar based on opportunity size, advisor and client impact, funding requirements, execution complexity and other inter-dependencies. Based on that assessment, we concluded that our near-term focus should be on organic initiatives. Our strategy's two organic growth pillars represent a meaningful portion of the expected increase in adjusted EBITDA over the next five years. Once those organic growth efforts take hold and our valuation multiple better reflects our business' value, we will embark on a deliberate agenda to acquire or partner with like-minded firms, likely in 2022 or early 2023. In the near term, we will look at M&A opportunistically and lay the groundwork for future acquisitions.

We are committed to collaborating with our investment advisor partners to define and advance our strategy. As significant shareholders and our key assets, they have a very important voice in our transformation and a stake in its outcome. Accordingly, we have actively engaged our investment advisors in our strategy by establishing multiple advisor sub-committees, which helps to ensure that they have the right opportunities to provide input and inform our decision making.

Organic Initiatives – Doubling-down on support for advisors

Our plan begins with strengthening our platform to enhance support for advisors as they provide a high-touch, boutique experience to their clients. We have begun to streamline many processes to free up advisors to deepen relationships with their clients and build their practices.

We are making investments in our capabilities, aimed at improving the advisor experience. They include transforming our digital platform and technology through strategic agreements with Envestnet and Fidelity. Envestnet provides advisors with a state-of-the-art managed account platform that is used by over 108,000 advisors across more than 6,000 companies and supports $US 5.2 trillion of assets. Fidelity provides access to a world-class digital platform that currently supports over $US 14 trillion of assets, global scale and expertise, and a commitment to continuous technological innovation.

Other notable investments that we have made to better support our advisors include:

Advisor Concierge

Action Desk

Centres of Excellence

Richardson Masterclass

Richardson University

Our unique advisor-centric and entrepreneurial culture is critical to our success

A significant portion of the incremental revenue from organic initiatives drops to the bottom line and drives higher operating margins, given that our fixed costs have already been covered. These extra points of operating margin should result in enhanced shareholder value. Helping our existing advisors to grow organically is also the strategic pillar that requires the least capital of the three.

Organic Initiatives - Supercharging recruitment

We have invigorated our recruitment mindset and are intent on attracting a significant number of new advisors to our brand every year. To reach that goal, we have added top talent to our Corporate Development team, implemented a more rigorous recruiting process, and enhanced the financial and non-financial elements of our advisor value proposition. We will also better leverage our Board, advisors, employees, and partners in promoting our brand with their peers across the country. These initiatives are attracting more entrepreneurial advisors to us from some other institutions that are becoming increasingly less advisor-centric. Five new advisors joined us in Q3, the most in any quarter since Q4 2012.

RENAISSANCE OF A BY-GONE ERA

Richardson Wealth is riding high on a wave of advisors and high net worth families opting to leave bank-owned institutions and gravitating to a more personal, “white-glove” experience that only a boutique, independently-owned wealth management firm can deliver.

Richardson Wealth is successful in attracting new partnerships largely because of the name on the door and everything for which it stands. The Richardson family business has been a cornerstone of commerce in this country for 164 years, including a rich, 90-year history in financial services.

That inspiring story of entrepreneurial spirit and its demonstrated vision, long-term stability and commitment are powerful draws for advisors and their clients to work with a firm where the name on the door means something. Richardson Wealth is not only delivering the promise of the values of a bygone era but standing by them day in and day out.

1929: James A. Richardson and Winston Churchill emerge from the Winnipeg Grain Exchange

Inorganic Initiatives – Acquiring and partnering with like-minded firms

A large part of our growth story involves acquiring like-minded wealth management firms aligned with our holistic wealth planning approach or asset managers that can add to our capabilities. We also intend to grow through strategic partnerships that augment the advisor value proposition in the areas such as banking, digital lead generation, business succession planning, or capital markets.

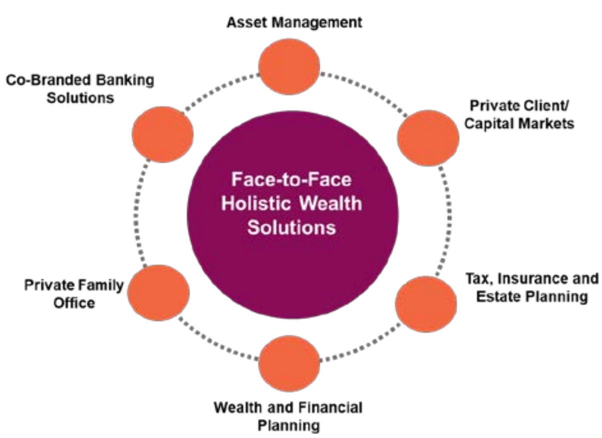
Business Segments

We operate through two business segments: Wealth Management and Corporate.

Wealth Management

Our Wealth Management segment supports our exceptional advisor teams that provide strategic wealth advice and innovative investment solutions to their high-net worth clients across Canada. We offer advisors a holistic suite of wealth management solutions — including a world-class digital platform, a comprehensive product shelf, and operational support — that enables them to deliver value to existing clients and to attract new ones. We also make a team of tax, estate, and wealth planning experts available to advisors to assist with complex client needs.

Holistic Wealth Management Solutions



Our advisors share our entrepreneurial spirit. There is no standard formula for their success; within the boundaries of our compliance regime, they have the flexibility to determine how best to serve their individual clients.

We include our current carrying broker business in the Wealth Management segment since it focuses on serving the needs of our Richardson Wealth advisors. In Q4 2022, we expect that Fidelity will begin providing custody, clearing and trade settlement services to Richardson Wealth and we will no longer operate our proprietary carrying broker. We expect Fidelity will maintain service quality at an exceptionally high level and will provide an innovative technology platform that will accelerate our digital ambition.

Corporate

The Corporate segment is comprised primarily of corporate functions and public company costs. The functions included in the Corporate segment do not directly and entirely support the Wealth Management segment. For example, public company controls include external disclosures, registrations, maintaining a Board, external audits, and other corporate services.

For further information on our business segments, please visit our corporate website at www.rfcapgroup.com.

Outlook

Our Richardson Wealth business has delivered record results on a year-to-date basis and we have strong momentum heading into the fourth quarter of 2021. We anticipate continued AUA growth, fueled by recent recruiting success, and subject to broad market conditions.

Adjusted EBITDA

We expect to report Q4 consolidated Adjusted EBITDA slightly above Q3 levels. Growth in fee revenue will likely be offset in part by higher strategic initiative expenses.

Revenue

The continued execution of our strategy will help our advisors to build their practices and will attract new advisors to the firm. As a result, we expect to continue growing our AUA and our more stable stream of fee income. The rate of AUA growth in Q4 will be in-line with the average of the first three quarters of the year, as we benefit from our recent recruiting success.

Commission revenue has tracked above normal levels in 2021, as our partnerships with Cormark and Bloom Burton & Co allowed us to capitalize on the elevated level of equity issuances in Canada in the first half of the year. Supported by these partnerships, our team should continue to drive activity in the fourth quarter. We expect overall market activity in Q4 to be moderate though, and new issue revenue to be in-line with Q3 levels.

Operating Expenses

We expect adjusted operating expenses in the fourth quarter of 2021 to be slightly higher than in Q3, as we begin to invest more in our key strategic initiatives.

Richardson Wealth currently has enough excess capacity in its offices to absorb new advisors representing $10 billion in AUA with little incremental fixed costs. If we can recruit advisors to fill those office vacancies, the operating margin on the incremental assets is almost double what we achieve in our current business.

We expect capital expenditures to be in the range of $5 to $7 million in Q4, as we invest in strategic initiatives and in our offices across the country, most notably in our new flagship office in Toronto which we expect to occupy in early 2023.

Balance Sheet

In September 2021, we secured a $200 million revolving credit facility which, when combined with excess net working capital, provides us with ample funding and flexibility to repay our existing debt and to accelerate our key growth initiatives. These initiatives, including advisor recruiting, all require up-front outlays of cash but will deliver significant EBITDA contributions over a multi-year horizon. Our overall appetite for leverage remains low, and we will not expose ourselves to undue financial risk as we invest in our growth.

Q3 2021 Financial Highlights - Items of Note

Pre-Tax Adjustments

We have been reporting a high number of items of note over the course of the past two years, which reflects the significant transformation that we have undertaken. In Q3 2021, we were still in the midst of that journey, so we recorded material expenses related to our transformation program. We expect that these expenses will lead to significant EBITDA benefits in future periods. For example, we expect that outsourcing our carrying broker operations will result in an EBITDA benefit of just under $10 million in the first year after the transition. We also anticipate that the number of items of note will decline in Q4 and going forward. The adjusted financial results presented in this MD&A back out the impact of this transformation program to provide readers with a more representative view of our run-rate expenses and profitability.

Q3 2021 included the following $12.8 million of pre-tax adjusting items:

- $6.3 million of pre-tax transformation charges ($6.1 million after-tax) connected with the outsourcing of our carrying broker operations. These charges, which relate to a workforce realignment and exiting certain technology provider relationships early, are recorded in our Wealth Management segment.

- $3.2 million of pre-tax of charges ($2.4 million after-tax) related to our ongoing transformation, which are also reported in our Wealth Management segment. The charges encompass a range of transformation initiatives, including refining our ongoing operating model, realigning parts of our real estate footprint, and rolling out our new strategy across the Company. We expect that these charges will begin to decline in Q4.

- $3.3 million of pre-tax amortization ($2.4 million after-tax) of intangible assets, reported in our Corporate segment. The amortization arises from intangible assets created on the acquisition of Richardson Wealth in Q4 2020 and will recur quarterly at a similar rate through to 2035.

Q3 2020 included $3.9 million of transformation costs, reported in our Corporate segment.

Another Item of Note - Consolidation of Richardson Wealth

In late 2020, we began to include Richardson Wealth's financial results on a consolidated basis, reflecting the fact that we acquired 100% ownership of Richardson Wealth on October 20, 2020. Q1 2021 represented the first full quarter that we consolidated the results. Prior to the acquisition, we accounted for Richardson Wealth's results using the equity method. The results were included in our income statement under the line item "Share of net income of associate". Further, prior to the transaction, RF Capital owned just 34% of Richardson Wealth, thus reported only that proportion of its earnings. After the transaction, we began to consolidate a full 100% of its financial results. As a result, the comparability of results across periods is limited.

To assist readers in understanding the performance of our underlying business over time, we have included supplemental financial information for Richardson Wealth in this MD&A.

Overall Financial Performance

Q3 and YTD 2021 results are not comparable with those of Q3 and YTD 2020 because we began to consolidate the financial results of Richardson Wealth in October 2020, as discussed above.

	Three months ended September 30,		Increase/(decrease)		Nine months ended September 30,		Increase/(decrease)	
($000's, except as otherwise indicated)	2021	2020	$	%	2021	2020	$	%
Reported Consolidated Results:								
Revenue	79,682	7,506	72,176	n.m.	242,408	23,404	219,004	n.m.
Variable advisor compensation	34,714	—	34,714	n.m.	104,326	—	104,326	n.m.
Gross margin	44,968	7,506	37,462	n.m.	138,082	23,404	114,678	n.m.
Operating expenses[2]	41,482	12,503	28,979	n.m.	119,279	31,666	87,613	n.m.
EBITDA - consolidated[1]	3,486	(5,412)	8,898	n.m.	18,802	(9,036)	27,838	n.m.
Net loss	(8,462)	(5,977)	(2,485)	n.m.	(17,795)	(11,245)	(6,550)	n.m.
Adjusted Consolidated Results[1]:								
Adjusted operating expenses	31,965	8,601	23,364	n.m.	99,619	26,203	73,416	n.m.
Adjusted EBITDA - consolidated	13,003	(1,511)	14,514	n.m.	38,462	(3,573)	42,035	n.m.
Net income (loss)	2,491	(2,076)	4,567	n.m.	5,962	(5,782)	11,744	n.m.

1. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted EBITDA margin calculated as Adjusted EBITDA – Richardson Wealth/total revenue. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A
2. Operating expenses include employee compensation and benefits, selling, general and administrative expenses, fees in connection with our stock borrowing and lending business and transformation costs and other provisions. Adjusted operating expenses are calculated as operating expenses less carrying broker transformation costs, other transformation costs and other provisions

Q3 2021 vs. Q3 2020

Net Loss

Our reported net loss increased largely due to higher transformation expenses in Q3 2021, as discussed in the Items of Note section above. These expenses were partly offset by improved operating performance at Richardson Wealth. We are also now capturing a more significant share of Richardson Wealth's earnings as a result of our increased ownership interest (100% vs. 34% pre-acquisition).

Adjusted Consolidated EBITDA

Adjusted consolidated EBITDA improved due to two primary factors:

- The Richardson Wealth business increased its adjusted EBITDA on the strength of all-time high AUA and fee-based revenue; and
- We are now capturing a more significant share of that EBITDA as a result of our increased ownership interest (100% vs. 34% pre-acquisition).

YTD 2021 vs. YTD 2020

Net Loss

Our reported net loss increased for the same reasons as discussed above when comparing Q3 2021 to Q3 2020.

Adjusted Consolidated EBITDA

Adjusted consolidated EBITDA was up for the same reasons as discussed above when comparing Q3 2021 to Q3 2020.

Segment Results

The following section highlights the financial results of our two business segments for the third quarter and first nine months of 2021. These segments reflect how Management evaluates the Company's financial performance.

Wealth Management

Q3 and YTD 2021 results are not comparable with those of Q3 and YTD 2020 because we began to consolidate the financial results of Richardson Wealth commencing in mid-fourth quarter 2020, as discussed in Another Item of Note - Consolidation of Richardson Wealth above.

($000's, except as otherwise indicated)	Three months ended September 30, 2021	Three months ended September 30, 2020	% increase/(decrease) $	% increase/(decrease) %	Nine months ended September 30, 2021	Nine months ended September 30, 2020	% increase/(decrease) $	% increase/(decrease) %
Investment management and fee income	**61,957**	—	61,957	n.m.	**178,502**	—	178,502	n.m.
Commissions	**6,681**	—	6,681	n.m.	**29,830**	—	29,830	n.m.
Interest	**4,318**	2,439	1,879	n.m.	**13,346**	8,195	5,151	n.m.
Other income	**6,739**	5,147	1,592	n.m.	**20,670**	15,511	5,159	n.m.
Revenue	**79,695**	7,586	72,109	n.m.	**242,348**	23,706	218,642	n.m.
Variable advisor compensation	**34,714**	—	34,714	n.m.	**104,326**	—	104,326	n.m.
Gross margin	**44,981**	7,586	37,395	n.m.	**138,022**	23,706	114,316	n.m.
Employee compensation and benefits	**17,571**	1,516	16,055	n.m.	**53,297**	4,874	48,423	n.m.
Selling, general and administrative	**12,373**	3,007	9,366	n.m.	**38,642**	9,350	29,292	n.m.
Other[1]	**207**	1,575	(1,368)	n.m.	**1,242**	5,900	(4,658)	n.m.
Transformation costs and other provisions	**9,517**	—	9,517	n.m.	**18,530**	—	18,530	n.m.
Operating expenses	**39,668**	6,098	33,570	n.m.	**111,711**	20,124	91,587	n.m.
Share of loss of associate[2]	**-**	(415)	415	n.m.	**-**	(774)	774	n.m.
EBITDA[3]	**5,313**	1,073	4,240	n.m.	**26,311**	2,808	23,503	n.m.
Interest	**1,039**	35	1,004	n.m.	**3,407**	201	3,206	n.m.
Depreciation and amortization	**2,719**	131	2,588	n.m.	**8,506**	388	8,118	n.m.
Advisor loan amortization	**4,257**	—	4,257	n.m.	**13,680**	—	13,680	n.m.
Income before income taxes	**(2,703)**	908	(3,611)	n.m.	**717**	2,220	(1,503)	n.m.
Adjusting items:								
Carrying broker transformation costs	**6,270**	—	6,270	n.m.	**6,270**	—	6,270	n.m.
Transformation costs and other provisions	**3,247**	—	3,247	n.m.	**12,260**	—	12,260	n.m.
Total adjusting items	**9,517**	—	9,517	n.m.	**18,530**	—	18,530	n.m.
Adjusted results[3]:								
EBITDA - Wealth Management	**14,830**	1,073	13,757	n.m.	**44,841**	2,808	42,033	n.m.
Income before income taxes	**6,814**	908	5,906	n.m.	**19,247**	2,220	17,027	n.m.

1. Includes fees in connection with stock borrow/lend activity
2. Share of loss of associate represents our proportionate shares of Richardson Wealth's net loss prior to its consolidation by RF Capital
3. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A

Financial Performance

Q3 2021 vs. Q3 2020

Wealth Management reported a loss before taxes of $2.7 million compared with income before taxes of $0.9 million last year. The decrease reflects charges of $9.5 million in connection with the outsourcing of our carrying broker operations and our ongoing strategic transformation. Gross margin was $45.0 million and Adjusted EBITDA – Wealth Management was $14.8 million. The majority of our financial results are related to our Richardson Wealth operations, which are discussed in more detail below.

YTD 2021 vs. YTD 2020

Wealth Management reported income before taxes of $0.7 million, down from $2.2 million in 2020. Income before taxes was down for the same reasons as discussed above when comparing Q3 2021 to Q3 2020. Gross margin was $138.0 million and Adjusted EBITDA – Wealth Management was $44.8 million.

Supplemental Financial Information – Richardson Wealth

Our consolidated operating results for Q3 and YTD 2021 are not comparable to those of the prior year because of the Richardson Wealth acquisition in late 2020. Due to this lack of comparability and to help the readers understand the performance of our underlying wealth management business, we have included the standalone financial results of Richardson Wealth as a supplemental disclosure below. In addition, we have focused much of our commentary on these results, to give readers a complete understanding of the performance of our business. The following table sets forth an overview of the financial results of Richardson Wealth for the periods indicated:

	Three months ended September 30,		Increase/(decrease)		Nine months ended September 30,		Increase/(decrease)	
($000, except as otherwise indicated)	2021	2020	$	%	2021	2020	$	%
Commissions	6,681	7,539	(858)	(11)	29,830	23,310	6,520	28
Investment management and fee income	61,957	53,229	8,728	16	178,502	155,148	23,354	15
Interest	3,488	2,686	802	30	10,134	11,269	(1,135)	(10)
Other	5,327	3,992	1,335	33	15,850	9,551	6,299	66
Revenue	77,453	67,446	10,007	15	234,316	199,278	35,038	18
Variable advisor compensation	34,714	29,959	4,755	16	104,326	87,502	16,824	19
Gross margin	42,739	37,487	5,252	14	129,990	111,776	18,214	16
Employee compensation and benefits	16,456	17,695	(1,239)	(7)	54,919	50,132	4,787	10
Selling, general and administrative	12,275	11,988	287	2	31,907	36,791	(4,884)	(13)
Transformation costs and other provisions	3,694	—	3,694	n.m.	11,957	—	11,957	n.m.
Operating expenses	32,425	29,683	2,742	9	98,783	86,923	11,860	14
EBITDA[1]	10,314	7,804	2,510	32	31,207	24,853	6,354	26
Interest	1,532	1,290	242	19	4,503	4,547	(44)	(1)
Depreciation and amortization	1,887	2,987	(1,100)	(37)	7,014	9,225	(2,211)	(24)
Advisor loan amortization	4,257	2,304	1,953	85	13,680	7,288	6,392	88
Income before income taxes	2,638	1,223	1,415	116	6,010	3,793	2,217	58
Adjusting items:								
Carrying broker transformation costs	447	—	447	n.m.	447	—	447	n.m.
Transformation costs and other provisions	3,247	—	3,247	n.m.	11,510	—	11,510	n.m.
Share-based compensation[2]	-	4,042	(4,042)	n.m.	-	6,606	(6,606)	n.m.
Total adjusting items	3,694	4,042	(348)	(9)	11,957	6,606	5,351	81
Adjusted results[1]:								
Operating expenses	28,731	25,641	3,090	12	86,826	80,317	6,509	8
EBITDA - Richardson Wealth	14,008	11,846	2,162	18	43,165	31,459	11,706	37
Income before income taxes	6,332	5,265	1,067	20	17,967	10,399	7,568	73
Number of advisory teams[3]	161	160	1	1				
AUA[1] at period-end ($ millions)	34,360	28,855	5,505	19				

1. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A.
2. Share-based compensation in 2020 includes amounts recorded in connection with private company shares awarded to employees and advisors of Richardson Wealth. Q3 2020 included a $3.0 million one-time expense related to the accelerated vesting of all Richardson Wealth's outstanding RSUs prior to its acquisition by us. This amount was excluded from adjusted operating expenses in 2020.
3. Prior year has been adjusted to reflect internal consolidation of certain teams

Financial Performance – Richardson Wealth

Q3 2021 vs. Q3 2020

Adjusted EBITDA – Richardson Wealth

Adjusted EBITDA – Richardson Wealth increased largely as a result of high fee-based revenue growth and improved operating margins. The Adjusted EBITDA – Richardson Wealth margin was 18.1% in Q3 2021, up from 17.6% in the same period a year ago.

Revenue

Revenue was up by $10.0 million or 15% from Q3 last year, benefiting from record AUA, relatively stable yields, and growth of our insurance business. Partly offsetting these increases was lower new issue commissions, as industry-wide origination activity slowed following a strong first half of the year.

	Three months ended September 30,		Increase/(decrease)	
	2021	2020	$	%
AUA - ending ($millions)	**34,360**	28,855	5,505	19
AUA - average ($millions)	**34,366**	29,598	4,768	16
New issue participation (# of deals)	**82**	102	(20)	(20)
New issue commissions ($000's)	**1,437**	2,427	(990)	(41)
Asset yield (%)[1]	**0.80**	0.82		-2 bps
Adjusted EBITDA margin (%)	**18.1**	17.6		+50 bps
Advisory teams	**161**	160	1	1

1. Calculated as commission and fee revenue divided by average AUA.

AUA increased over Q3 2020 due to overall market growth and included $2.5 billion in net new and recruited assets. The benefits of our focus on recruiting are beginning to be reflected in our performance. In Q3 2021, we recruited five advisors who chose to have their names alongside the powerful Richardson brand. This quarterly recruiting total is our highest since Q4 2012. We are seeing continued strength in our recruiting pipeline, which now stands at $15 billion.

Fee revenue reached another all-time high, up 16% from last year, and represented 90% of total fee revenue and commissions in Q3 2021. Our existing investment advisors have migrated more of their AUA to a fee-based structure over the past several years, and our recruiting efforts are focused on attracting fee-based advisors. This deliberate strategic focus makes our revenue base more recurring and predictable.

Partly offsetting this increase in fee revenue was lower commission revenue, partly due to an industry-wide slowdown in new issue activity. We participated in 20 fewer transactions in Q3 compared with the same period last year.

Variable advisor compensation, an offset to revenue, was up by 16%. It remained relatively stable as a percentage of fee income and commissions, at 50.6% in Q3 2021 compared with 49.3% in Q3 2020.

Adjusted Operating Expenses

We define adjusted operating expenses as the aggregate of employee compensation and benefits and selling, general, and administrative expenses: they are the costs that factor into our EBITDA calculation. Transformation, interest, and amortization costs are excluded from this definition. In 2020, share-based compensation in Richardson Wealth, which took the form of private company shares, was also excluded from adjusted operating expenses.

Adjusted operating expenses were 12% higher than in 2020, mainly due to compensation and benefits. Adjusted Compensation (compensation less share-based compensation) was up from last year as a result of several factors including a furlough program than was in effect last year but ceased on January 1, 2021, a true-up of corporate bonuses, and annual inflationary adjustments. Our FTE count increased by 11, or just over 1%, since Q3 of last year.

Even though costs were higher, our operating expense ratio (adjusted operating expenses/gross margin) declined by 120 basis points, from 68.4% to 67.2%, as we realized the benefits of our increasing scale.

YTD 2021 vs. YTD 2020

Adjusted EBITDA – Richardson Wealth

Adjusted EBITDA – Richardson Wealth increased as a result of high revenue growth and improved operating margins. Our Adjusted EBITDA margin was 18.4%, up from 15.8% last year.

Revenue

Revenue was up by $35.0 million or 18%, benefitting from record AUA, stable yields, and high new issue activity. The number of deals in which we participated increased 113% compared with the first nine months of last year. Our strategic partnerships with Cormark and Bloom Burton & Co have allowed us to capitalize on an increase in overall capital markets activity.

	Nine months ended September 30,		Increase/(decrease)	
	2021	2020	$	%
AUA - average ($millions)	**33,294**	28,493	4,801	17
New issue participation (# of deals)	**446**	209	237	113
New issue commissions ($000's)	**9,656**	5,362	4,294	80
Asset yield[1] (%)	**0.83**	0.84		-1 bps
Adjusted EBITDA margin (%)	**18.4**	15.8		+260 bps

1. Calculated as commission and fee revenue divided by average AUA.

Interest revenue was the one element of revenue that declined. The decrease was due to the 150 basis point drop in overnight rates in mid-March of last year. Q1 2020 interest revenue benefited from a higher rate environment, and revenue in all the following quarters was affected by lower rates.

Variable advisor compensation, an offset to revenue, was up by 19%, commensurate with the 17% increase in fee income and commissions. It remained relatively stable as a percentage of these two revenue lines, at 50.1% and 49.0% in 2021 and 2020, respectively.

Adjusted Operating Expenses

Adjusted operating expenses were up by $6.5 million or 8%, for the same reason discussed above in Q3 2021 vs. Q3 2020. Our operating expense ratio (adjusted operating expenses/gross margin) declined by five percentage points, from 71.9% to 66.8%.

Corporate

The Corporate segment is comprised primarily of corporate functions and public company costs. The following table sets forth the financial results for the Corporate segment.

($000's)	Three months ended September 30, 2021	2020	Increase/(decrease) $	%	Nine months ended September 30, 2021	2020	Increase/(decrease) $	%
Revenues	**(13)**	(80)	67	(84)	**60**	(302)	362	(120)
Employee compensation and benefits	**663**	1,288	(625)	(49)	**2,863**	3,461	(598)	(17)
Selling, general and administrative	**1,151**	1,216	(65)	(5)	**3,575**	2,618	957	37
Transformation costs	**-**	3,901	(3,901)	(100)	**1,130**	5,463	(4,333)	(79)
Operating expense	**1,814**	6,405	(4,591)	(72)	**7,568**	11,542	(3,974)	(34)
EBITDA[1]	**(1,827)**	(6,485)	4,658	(72)	**(7,508)**	(11,844)	4,336	(37)
Interest	**648**	177	471	266	**1,681**	531	1,150	217
Amortization of acquired intangibles	**3,263**	1	3,262	n.m.	**9,789**	3	9,786	n.m.
Loss before income taxes - reported	**(5,738)**	(6,663)	925	(14)	**(18,978)**	(12,378)	(6,600)	53
Adjusting items:								
Transformation costs	**-**	3,901	(3,901)	n.m.	**1,130**	5,463	(4,333)	(79)
Amortization of acquired intangibles	**3,263**	-	3,263	n.m.	**9,789**	-	9,789	n.m.
Total adjusting items	**3,263**	3,901	(638)	(16)	**10,919**	5,463	5,456	100
Adjusted results[1]:								
Operating expenses	**1,814**	2,504	(690)	(28)	**6,438**	6,079	359	6
EBITDA - Corporate	**(1,827)**	(2,584)	757	(29)	**(6,378)**	(6,381)	3	—
Loss before income taxes	**(2,475)**	(2,762)	287	(10)	**(8,059)**	(6,915)	(1,144)	17

1. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A

Financial Performance

Q3 2021 vs. Q3 2020

Loss before income taxes

Our reported net loss before tax declined from 2020 and four factors contributed to this change:

- $3.9 million in transformation costs recorded in Q3 2020, compared with $nil in Q3 2021;
- $0.7 million lower compensation and selling, general, and administrative expenses, which related primarily to our ongoing transformation;

  offset partially by

- $3.3 million of amortization of acquired intangibles recorded in Q3 2021; and
- $0.5 million of dividends related to preferred shares issued directly by Richardson Wealth to Richardson Financial Group Limited (a third party). These preferred shares are reported as debt under IFRS, and the dividends are recorded as interest expense, at a consolidated level. The dividends accrue at an annual rate of prime plus 4%.

Adjusted EBITDA

Adjusted EBITDA was higher than last year, due to the reduction in compensation and selling, general, and administrative costs discussed just above.

YTD 2021 vs. YTD 2020

Loss before income taxes

Our reported net loss before tax was higher than in 2020 largely due to $9.8 million of amortization of acquired intangibles. In addition, selling, general and administrative were higher because of a mark-to-market loss on outstanding deferred share units. These expenses were partly offset by lower transformation charges this year and lower employee compensation resulting from an adjustment to accrued variable compensation.

Adjusted EBITDA

Adjusted EBITDA was largely unchanged as adjusted operating expenses were relatively flat year over year.

Quarterly Results

The following table provides selected quarterly financial information for the eight most recently completed financial quarters.

The comparability of our financial results across quarters is limited primarily because we acquired full ownership interest of the Richardson Wealth business on October 20, 2020. Q1 2021 was the first quarter in which we began consolidating Richardson Wealth's financial results for a full reporting period.

			2021				2020	2019
($000's, except as otherwise indicated)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Investment management and fee income	61,957	58,911	57,634	42,427	—	—	—	—
Commissions	6,681	10,131	13,018	6,127	—	—	—	—
Interest	4,319	4,455	4,573	4,271	2,463	2,177	3,639	4,575
Other income	6,725	5,567	8,437	7,890	5,043	4,893	5,189	3,792
Revenue	79,682	79,064	83,662	60,715	7,506	7,070	8,828	8,367
Advisor variable compensation	34,714	34,138	35,474	23,726	—	—	—	—
Gross margin	44,968	44,926	48,188	36,989	7,506	7,070	8,828	8,367
Operating expenses	41,482	34,096	43,702	27,491	12,503	8,174	10,819	10,964
Share of loss of associate	—	—	—	(1,591)	(415)	(473)	114	603
Gain on investment in associate	—	—	—	45,734	—	—	—	—
EBITDA[1]	3,486	10,829	4,486	53,641	(5,412)	(1,577)	(1,876)	(1,994)
Interest	1,687	2,048	1,353	1,108	212	257	263	(99)
Depreciation and amortization	5,982	6,231	6,082	5,352	132	130	128	383
Advisor loan amortization	4,257	4,485	4,938	3,490	—	—	—	—
(Loss) income before income taxes	(8,441)	(1,935)	(7,885)	43,691	(5,755)	(1,968)	(2,435)	(2,278)
Net (loss) income from continuing operations	(8,462)	(1,858)	(7,475)	39,992	(5,760)	(1,787)	(3,038)	(5,288)
Net (loss) income from discontinued operation	—	—	—	—	(217)	(564)	121	(3,175)
Net (loss) income	(8,462)	(1,858)	(7,475)	39,992	(5,977)	(2,351)	(2,917)	(8,463)
Net (loss) income per Common Share:								
Basic	(0.14)	(0.04)	(0.13)	0.52	(0.08)	(0.05)	(0.06)	(0.13)
Diluted	(0.14)	(0.04)	(0.13)	0.26	(0.08)	(0.05)	(0.06)	(0.13)
Adjusting items:								
Transformation costs and other provisions	9,517	2,513	7,630	1,201	3,901	113	1,449	64
Amortization of acquired intangibles	3,263	3,263	3,263	2,589	—	—	—	—
Gain in connection RWL acquisition	—	—	—	(45,734)	—	—	—	—
Total adjusting items	12,780	5,776	10,893	(41,944)	3,901	113	1,449	64
Adjusted Results[1]:								
Operating expenses	31,965	31,583	36,071	26,290	8,601	8,065	9,537	10,900
Adjusted EBITDA - Consolidated	13,003	13,342	12,116	9,108	(1,511)	(1,469)	(595)	(1,930)
Income before income taxes	4,339	3,841	3,008	1,747	(1,854)	(1,856)	(986)	(2,214)
Net income (loss) from continuing operations	2,491	2,403	1,068	(1,242)	(2,076)	(2,238)	(1,468)	(8,399)

1. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the "Presentation of Financial Information and Non-GAAP Measures" section at the end of this MD&A

Financial Condition

Capital and balance sheet strength are key priorities for us. We had conservative levels of working capital and debt on our balance sheet at the end of Q3.

As at ($000's)	September 30, 2021	December 31, 2020	Increase/(decrease) $	 %
Selected highlights:				
Total assets	**2,186,699**	2,119,919	66,780	3
Goodwill and intangible assets	**352,412**	356,881	(4,469)	(1)
Shareholders' equity	**357,862**	379,863	(22,001)	(6)
Term debt[1]	**110,922**	109,494	1,428	1
Net working capital	**108,502**	87,881	20,621	23

1. Includes revolving credit facility, preferred share liability and net promissory note payable

Total assets increased by $66.8 million from December 31, 2020, due to the general growth of our business.

Term Debt

As at ($000’s, except as otherwise indicated)	September 30, 2021	December 31, 2020
Subordinated debt	**80,500**	67,000
Promissory note (net)	**—**	12,072
Preferred share liability	**30,422**	30,422
	110,922	109,494
Ratios:		
Total debt/annualized consolidated adjusted EBITDA[1]	**2.2**	n.m.
Annualized adjusted consolidated EBITDA/interest[1]	**14.0**	n.m.

1. Considered to be non-GAAP financial measures, which do not have any standardized meaning prescribed by GAAP under IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. For further information, please see the “Presentation of Financial Information and Non-GAAP Measures” section at the end of this MD&A

Revolving Credit Facility

On September 10, 2021, we secured a $200.0 million revolving credit facility with a syndicate of lenders. The initial authorized principal of the facility is $125.0 million. The facility also includes an accordion provision that will enable us to request increases in the total commitment, under the same terms, by an aggregate amount of up to $75.0 million, subject to the lenders’ approval. As of September 30, 2021, $80.5 million was drawn against the facility. Combined with our strong current and expected future operating cash flows and our excess working capital, the facility provides us with ample funding and flexibility to accelerate our organic growth, recruiting and other strategic initiatives.

The interest rate on the facility will be approximately 25 to 75 basis points less than what we paid on our previous subordinated bank debt. The facility will bear interest at a spread over prescribed benchmark rates, with the spread dependent on our leverage ratio at the time that we draw on the facility. The facility has an initial two-year term with an option for additional one-year terms, at our request and subject to the lenders’ approval.

As of September 30, 2021, we were compliant with the covenants associated with the facility.

Repayment of Subordinated Bank Debt and Net Promissory Notes Payable

Cash draws of $80.5 million under our new facility were used to repay, in full, $65.0 million in subordinated unsecured bank debt held at Richardson Wealth and $12.1 million in net promissory notes payable held at the parent company level. Payments of $14.8 million under these promissory notes were made to former employees of our former capital markets business. They were, in part, offset by receipts under these promissory notes in the amount of $2.8 million, for a net amount paid of $12.1 million.

Liquidity

Management and the Board continually assess our dividend policy, expense structure, and capital spending plans in the context of our overall financial and liquidity positions. Our intent is to ensure that our business and financial strategies will not expose us to excessive financial risk.

Working Capital and Cash Flow

We require liquidity to fund our day-to-day operations, strategic investments, and cash distributions. Management believes that our current working capital and the undrawn amounts under the facility provide us with more than enough liquidity for normal operating purposes, to invest in our future, and to manage through periods of financial stress. If equity markets or other business conditions deteriorate, adversely impacting our expected cash flow, we will take swift action to preserve our liquidity position.

As at September 30, 2021, we had net working capital of $108.5 million.

Operating Credit Facilities

We supplement the day-to-day liquidity provided by our cash flow and working capital with access to a variety of other cost-effective, short-term funding sources. Available credit facilities with Schedule I Canadian chartered banks were $402.6 million at September 30, 2021, compared with $651.8 million at December 31, 2020. These credit facilities are available solely to facilitate the securities settlement process, primarily for client transactions. Management considers the current level of credit availability to be sufficient. We had had no amounts outstanding under any of these operating facilities at September 30, 2021 or December 31, 2020.

Liquid Assets

Liquid assets are comprised of cash, cash equivalents, and certain government securities. We hold our cash across several financial institutions, all of which have high credit ratings. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. Certain government securities factor into our liquid asset and working capital balances and form an important part of our overall liquidity risk management framework. These government securities are classified as inventory on our balance sheet.

Subsidiary Capital Requirements

Certain of our subsidiaries are subject to regulatory capital requirements. These requirements are designed to assess the sufficiency of their liquidity position and to provide indications to the relevant regulatory authority of possible concerns. Regulatory capital levels, which fluctuate based on margin requirements for outstanding trades and other factors, were in compliance with all regulatory requirements during the first nine months of 2021.

Updated Share Information

At November 4, 2021, we had 159.4 million common shares issued and outstanding. In addition, there were 0.6 million unexercised stock options outstanding, with a weighted average exercise price of $2.727 per share.

We also had 4.6 million Series B non-cumulative 5-year rate reset preferred shares issued and outstanding. On March 31, 2021, 1.0 million Series C preferred shares automatically converted into Series B shares as a result of preferred shareholder conversion rights. The results of that conversion were press released on March 18, 2021. The Series B preferred shares pay dividends at a fixed annual rate of 3.73%.

Related-Party Transactions

Our related parties include the following persons and/or entities: (a) entities that are controlled or significantly influenced by us, (b) key management personnel, which are comprised of our directors and/or officers and those entities that they control (directly or indirectly), and (c) any persons having authority and responsibility for planning, directing and controlling our activities.

For further information on Related-Party Transactions, please refer to Note 14 to the 2020 Annual Financial Statements.

Critical Accounting Policies and Estimates

Our significant accounting policies are essential to an understanding of our reported results of operations and financial position. Accounting policies applied by us in the first nine months of 2021 interim consolidated financial statements are the same as those applied by us as at and for the year ended December 31, 2020. Please refer to Note 2 to the Q3 2021 interim consolidated financial statements for further discussion.

Financial Instruments

A significant portion of our assets and liabilities are composed of financial instruments. There were no material changes in our use of financial instruments, or the types of financial instruments employed in our trading and non-trading activities during the first nine months of 2021.

For significant assumptions made in determining the valuation of financial and other instruments, refer to the “Critical Accounting Policies and Estimates” section in the 2020 Annual MD&A.

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information relating to us is accumulated and communicated to our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) on a timely basis to enable appropriate decisions regarding required public disclosure. As of September 30, 2021, Management evaluated the design of disclosure controls and procedures as defined under *National Instrument 52-109*. Based on that evaluation, the CEO and CFO concluded that the design of disclosure controls and procedures was effective.

Changes in Internal Control over Financial Reporting

To the best of the knowledge and belief of our CEO and CFO, no changes were made to our internal controls over financial reporting during the first nine months of 2021 that materially affected, or are reasonably likely to affect, our internal control over financial reporting. Accordingly, Management concluded that our internal controls over financial reporting were effective as of September 30, 2021.

Risk Management

The financial services industry is, by its nature, subject to numerous and substantial risks, particularly in volatile, uncertain, or illiquid markets and a highly regulated environment.

We have a robust, effective, and continuously evolving enterprise-wide risk management framework designed to address the significant areas of risk that we face in the execution of our growth strategy.

This framework ensures that new, emerging, and open risks impacting our business are identified, classified, assessed, and managed to meet risk appetite objectives in the best interests of our stakeholders, through effective oversight, escalation and governance by Management and the Board, respectively.

Our Board sets strategic and risk management direction, including our overall risk appetite and tolerance. Management is accountable for effectively managing the significant areas of risk and ensuring that our risk profile is in line with risk appetite as informed by our strategic mandate.

We view our approach to risk management as a key differentiator. Effective risk management is an essential asset that, when managed proactively using qualitative and quantitative evaluation measures, creates opportunities to capture and increase stakeholder value. We recently enhanced our Corporate Governance structure to include a dedicated Board Risk Committee to strengthen the oversight of this critical function.

Risk Factors

For a complete description of risk factors, please see Note 26 "*Financial Risk Management*" to the 2020 Annual Financial Statements and "*Risk Factors*" in our AIF dated March 4, 2021, both of which can be found under our profile on SEDAR at *www.sedar.com*.

Presentation of Financial Information and Non-GAAP Measures

Unless otherwise specified herein, financial results contained in this MD&A, including related historical comparatives, are based on our Third Quarter 2021 Financial Statements, which Management has prepared in accordance with International Financial Reporting Standards (IFRS). The Canadian dollar is our functional and reporting currency for the purposes of preparing our consolidated financial statements.

Non-GAAP Measures

We use a variety of measures to assess our performance. In addition to GAAP prescribed measures, we use certain non-GAAP measures that we believe provide useful information to investors regarding our performance and results of operations. Readers are cautioned that non-GAAP measures often do not have any standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Non-GAAP measures are reported in addition to, and should not be considered alternatives to, net income or comparable metrics determined according to IFRS as indicators of our performance, liquidity, cash flows, and profitability.

The primary non-GAAP financial measures used in this MD&A are:

Assets Under Administration

Assets under administration (AUA) is a non-GAAP financial measure of client assets common to the wealth management business. AUA represents the market value of client assets managed and administered by us from which we earn commissions and fees. This measure includes funds held in client accounts as well as the aggregate market value of long and short security positions. Our method of calculating AUA may differ from the methods used by other companies and therefore may not be comparable to other companies.

EBITDA

The use of EBITDA is common in the wealth management industry. We believe it provides a more accurate measure of our core operating results, is a proxy for operating cash flow, and is a facilitator for enterprise valuation. EBITDA is used to evaluate core operating performance by adjusting net income to exclude:

- Interest expense, which we record primarily in connection with term debt;
- Income tax expense/(benefit);
- Depreciation and amortization expense, which we record primarily in connection with intangible assets, leases, equipment, and leasehold improvements; and
- Amortization in connection with investment advisor transition and loan programs. We view these loans as an effective recruiting and retention tool for advisors, the cost of which is assessed by management upfront when the loan is provided rather than over its term.

Operating Expenses and Operating Expense Ratio

Operating expenses include:

- Employee compensation and benefits; and
- Selling, general, and administrative expenses

These are the expense categories that factor into the EBITDA calculation discussed above.

The Operating Expense Ratio is determined by dividing adjusted operating expenses by gross margin. We use this ratio to measure the efficiency of our operations.

Adjusted Results

In periods that we determine that specified items have a significant impact on a user's assessment of ongoing business performance, we may present adjusted results in addition to reported results by removing these items from the reported results. Management considers the adjusting items to be outside of our core operating performance. We believe that adjusted results can to some extent enhance comparability between reporting periods or provide the reader with a better understanding of how management views core performance. Adjusted results are also intended to provide the user with results that have greater consistency and comparability to those of other issuers.

Adjusting items in this MD&A include the following, by reporting segment:

Wealth Management:

- **Transformation costs and other provisions:** charges in connection with the ongoing transformation of our business and other matters. These charges encompass a range of transformation initiatives, including refining our ongoing operating model, realigning parts of our real estate footprint, and rolling out our new strategy across the Company. We expect that these charges will begin to decline in Q4.

- **Carrying broker transformation costs:** charges in connection with the outsourcing of our carrying broker operations. These charges relate to a workforce realignment and exiting certain technology provider relationships early.

- **Share-based compensation costs:** adjustments for compensation recorded in connection with certain non-cash awards granted to employees and investment advisors. This amount is included in the Employee compensation and benefits expense line on our income statement. These adjustments apply only to the 2020 comparative results and not to 2021 results.

Corporate:

- **Transformation costs:** incremental professional and advisory fees in connection with the acquisition of Richardson Wealth and the development of our go-forward strategy

- **Amortization of acquired intangible assets:** amortization of intangible assets created on the acquisition of Richardson Wealth

All of the adjusting items affect reported expenses. The following table itemizes these adjustments and reconciles our reported operating expenses to adjusted operating expenses:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Total consolidated expenses - reported	**53,409**	12,846	**156,343**	32,788
Interest[1]	**1,687**	212	**5,088**	732
Advisor loan amortization	**4,257**	—	**13,680**	—
Depreciation and amortization	**5,982**	132	**18,295**	391
Operating expenses	**41,482**	12,503	**119,279**	31,666
Carrying broker transformation costs	**6,270**	—	**6,270**	—
Transformation costs and other provisions	**3,247**	3,901	**13,390**	5,463
Total consolidated operating expenses - adjusted	**31,965**	8,601	**99,619**	26,203

1. Excludes fees from stock borrow/lend activities of $0.2 million and $1.6 million in Q3 2021 and Q3 2020, respectively, and $1.2 million and $5.9 million in first nine months 2021 and 2020, respectively.

The following table overlays the adjusting expense items on reported net loss and provides a reconciliation of our reported results to adjusted net income/(loss):

	Three months ended September 30,		Nine months ended September 30,	
($000's)	**2021**	2020	**2021**	2020
Net loss - reported	**(8,462)**	(5,977)	**(17,795)**	(11,245)
After-tax adjusting items:				
Carrying broker transformation costs	**6,147**	—	**6,147**	—
Transformation costs and other provisions	**2,408**	3,901	**10,414**	5,463
Amortization of acquired intangibles	**2,398**	—	**7,195**	—
Adjusted net income (loss)	**2,491**	(2,076)	**5,962**	(5,782)

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

($ thousands)

As at	Note	September 30, 2021	December 31, 2020
ASSETS			
Cash and cash equivalents		**563,539**	556,245
Securities owned	4, 15	**61,295**	70,322
Receivable from:			
Clients		**572,561**	455,166
Brokers		**80,847**	128,273
Client funds held in trust		**428,732**	409,648
Promissory note receivable		**—**	2,754
Employee and other loans receivable	7	**50,400**	67,475
Equipment and leasehold improvements		**15,518**	13,587
Right-of-use assets		**20,599**	24,234
Other assets	5	**19,022**	12,810
Deferred tax assets		**21,774**	22,524
Goodwill and intangible assets	8	**352,412**	356,881
		2,186,699	2,119,919
LIABILITIES			
Obligations related to securities sold short	4, 15	**15,241**	15,320
Lease liabilities		**23,744**	25,414
Payable to:			
Clients		**1,269,962**	1,183,572
Brokers		**269,101**	264,857
Issuers		**1,733**	1,114
Accounts payable and accrued liabilities		**57,836**	64,888
Other liabilities		**2,454**	2,112
Provisions	10	**29,316**	19,410
Promissory note liability		**—**	14,826
Deferred tax liability		**48,528**	51,121
Long-term debt	12	**110,922**	97,422
		1,828,837	1,740,056
EQUITY			
Shareholders' equity	9	**357,862**	379,863
		2,186,699	2,119,919

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

"Kishore Kapoor"

Kishore Kapoor
President and Chief Executive Officer

"Donald Wright"

Donald A. Wright
Chair of the Board

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS

($ thousands)	Note	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
REVENUE					
Investment management and fee income		61,957	—	178,502	—
Commissions		6,681	—	29,830	—
Interest		4,319	2,463	13,347	8,279
Other income	11	6,725	5,043	20,729	15,125
TOTAL REVENUE	3	79,682	7,506	242,408	23,404
Variable advisor compensation		34,714	—	104,326	—
GROSS MARGIN		44,968	7,506	138,082	23,404
EXPENSES					
Employee compensation and benefits		18,234	2,804	56,160	8,335
Selling, general and administrative		13,732	5,797	43,460	17,867
Advisor loan amortization	7	4,257	—	13,680	—
Transformation costs and other provisions		9,517	3,901	19,660	5,463
Interest		1,687	212	5,088	732
Depreciation and amortization		5,982	132	18,295	391
		53,409	12,846	156,343	32,788
Share of net loss of associate		—	(415)	—	(774)
Loss before income taxes from continuing operations		(8,441)	(5,755)	(18,261)	(10,158)
Income tax expense (recovery)					
Current		492	5	1,377	426
Deferred		(471)	—	(1,843)	—
		21	5	(466)	426
Net loss from continuing operations		(8,462)	(5,760)	(17,795)	(10,584)
Net loss from discontinued operations		—	(217)	—	(661)
Net loss		(8,462)	(5,977)	(17,795)	(11,245)
Weighted-average number of common shares outstanding (in thousands):					
Basic	14	67,368	73,081	67,552	73,069
Diluted		159,383	75,434	159,380	75,434
Net loss per common share (dollars) from continuing operations:					
Basic	14	(0.14)	(0.08)	(0.31)	(0.17)
Diluted		(0.14)	(0.08)	(0.31)	(0.17)
Net loss per common share (dollars):					
Basic	14	(0.14)	(0.08)	(0.31)	(0.18)
Diluted		(0.14)	(0.08)	(0.31)	(0.18)

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

($ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Net loss	**(8,462)**	(5,977)	**(17,795)**	(11,245)
Other comprehensive income:				
Item that may be subsequently reclassified to net loss:				
Foreign currency translation gain	**28**	22	**28**	362
Total other comprehensive income	**28**	22	**28**	362
Total comprehensive loss	**(8,434)**	(5,955)	**(17,767)**	(10,883)
Total comprehensive loss attributable to shareholders				
Continuing operations	**(8,434)**	(5,738)	**(17,767)**	(10,222)
Discontinued operations	**—**	(217)	**—**	(661)

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(thousands)	Preferred shares		Common shares		Deferred share-based awards	Contributed surplus	Accumulated other comprehensive income	Accumulated deficit	Shareholders' equity
	#	$	#	$	$	$	$	$	$
As at December 31, 2019	4,600	112,263	74,162	325,810	(5,525)	45,273	8,287	(283,248)	202,860
Net foreign currency translation gain	—	—	—	—	—	—	365	—	365
Share-based compensation	—	—	—	—	5,525	(5,513)	—	(44)	(32)
Common shares purchased through substantial issuer bid	—	—	(16,529)	(49,178)	—	—	9,178	—	(40,000)
Common shares issued for RGMP Transaction	—	—	100,518	193,999	—	—	—	—	193,999
Common shares forfeited	—	—	(43)	(216)	—	216	—	—	—
Common share dividends	—	—	—	—	—	—	—	(1,886)	(1,886)
Preferred share dividends	—	—	—	—	—	—	—	(4,190)	(4,190)
Net income	—	—	—	—	—	—	—	28,747	28,747
As at December 31, 2020	4,600	112,263	158,108	470,415	—	39,976	17,830	(260,621)	379,863
Net foreign currency translation gain	**—**	**—**	**—**	**—**	**—**	**—**	**28**	**—**	**28**
Common shares purchased, cancelled and forfeited	**—**	**—**	**(1,469)**	**(4,463)**	**—**	**—**	**979**	**—**	**(3,484)**
Share-based compensation	**—**	**—**	**—**	**—**	**—**	**2,389**	**—**	**—**	**2,389**
Preferred share dividends	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(3,139)**	**(3,139)**
Net loss	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(17,795)**	**(17,795)**
As at September 30, 2021	**4,600**	**112,263**	**156,639**	**465,952**	**—**	**42,365**	**18,837**	**(281,555)**	**357,862**

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

($ thousands)	Note	Nine months ended September 30, 2021	2020
OPERATING ACTIVITIES			
Net loss		**(17,795)**	(11,245)
Add (deduct) items not involving cash:			
Depreciation and amortization		**18,295**	391
Advisor loan amortization	7	**13,680**	—
Accretion of lease liability expense		**1,129**	—
Deferred income taxes		**(1,843)**	—
Share of net income of associate		**—**	774
		13,466	(10,080)
Net change in non-cash operating items	13	**14,510**	3,455
Cash provided by (used in) operating activities		**27,976**	(6,625)
FINANCING ACTIVITIES			
Dividends paid on common shares		**—**	(1,886)
Dividends paid on preferred shares		**(3,139)**	(2,183)
Repayment of promissory note		**(12,072)**	—
Repayment of subordinated debt	12	**(67,000)**	—
Proceeds of revolving credit facility	12	**80,500**	—
Principal elements of lease payments		**(6,239)**	(1,028)
Common shares repurchased and cancelled		**(3,484)**	—
Cash provided by (used in) financing activities		**(11,434)**	(5,097)
INVESTING ACTIVITIES			
Common share dividend received from associate		**—**	698
Intangibles	8	**(4,342)**	—
Equipment and leasehold improvements		**(4,934)**	176
Cash provided by (used in) investing activities		**(9,276)**	874
Effect of foreign exchange on cash balances		**28**	471
Net change in cash and cash equivalents		**7,294**	(10,377)
Cash and cash equivalents, beginning of period		**556,245**	516,601
Cash and cash equivalents, end of period		**563,539**	506,224
Supplemental cash flow information			
Interest paid		**6,740**	6,706
Interest received		**12,749**	8,144
Taxes (paid) received		**(1,559)**	(3,325)

See accompanying notes, which are an integral part of these unaudited interim condensed consolidated financial statements

Note 1 - Basis of Preparation

a. Basis of Presentation

These unaudited interim condensed consolidated financial statements (consolidated financial statements) of RF Capital Group Inc. (the Company), formerly GMP Capital Inc., have been prepared by management in accordance with International Accounting Standard 34, Interim Financial Reporting. Certain information and disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) have been omitted or condensed.

These consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2020 (2020 Annual Financial Statements). All defined terms used herein are consistent with those terms as defined in the 2020 Annual Financial Statements. Unless otherwise indicated, all amounts are expressed in thousands of Canadian dollars and rounded to the nearest thousand.

On October 20, 2020, the Company completed the acquisition of all the common shares of Richardson Wealth Limited (Richardson Wealth) that were not previously owned by the Company (the RGMP Transaction). Richardson Wealth's results were accounted for using the equity method prior to the RGMP Transaction and consolidated thereafter. The Company has a period of one year to complete the business combination accounting.

Commencing first quarter 2021, the Company began presenting gross margin on our consolidated statement of income (loss). The Company uses gross margin, which is calculated as gross revenue less variable advisor compensation, as a measure of the operating results of the Wealth Management segment and the Richardson Wealth business. Gross margin deducts from revenue the advisor payments that are directly linked to revenue. As a result, expenses no longer include variable advisor compensation. Expenses for the stub period (October 20, 2020 to December 31, 2020) following the RGMP Transaction, have been reclassified to conform with our 2021 presentation. Prior to its acquisition, the results of Richardson Wealth were accounted for using the equity method and, as such, these presentation changes do not affect our prior year financial statement presentation for the period from January 1, 2020 to October 19, 2020.

Also commencing first quarter 2021, the Company began reporting its results on the basis of two operating segments, down from three in prior periods. The results of the securities clearing business are now included in the Wealth Management segment, along with those of Richardson Wealth, because these operations are run as a unified wealth management business. The second segment is Corporate and includes certain corporate support functions and the costs associated with operating a public company. Operating results in the prior periods have been realigned in this same manner for comparison purposes.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on November 4, 2021.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

b. Principles of Consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of the Company and its subsidiaries, after the elimination of intercompany transactions and balances.

Note 2 - Significant Accounting Policies

The accounting policies applied in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Company's 2020 Annual Financial Statements. There were no new accounting standards adopted by the Company during 2021.

Note 3 - Revenue from Contracts with Customers

The following table presents disaggregated revenue information for the Company for the three and nine months ended September 30, 2021 and 2020.

	Three months ended September 30,		**Nine months ended September 30,**	
	2021	2020	**2021**	2020
Major revenue lines				
Investment management and fee income	**61,957**	—	**178,502**	—
Commissions	**6,681**	—	**29,830**	—
Other income	**4,109**	3,287	**11,233**	9,494
Revenue - contracts with customers	**72,747**	3,287	**219,565**	9,494
Other revenue	**6,935**	4,219	**22,843**	13,910
Total revenue	**79,682**	7,506	**242,408**	23,404

	Three months ended September 30,		**Nine months ended September 30,**	
	2021	2020	**2021**	2020
Timing of revenue recognition				
Point in time	**6,681**	—	**29,830**	—
Over time	**66,066**	3,287	**189,735**	9,494
Revenue - contracts with customers	**72,747**	3,287	**219,565**	9,494
Other revenue	**6,935**	4,219	**22,843**	13,910
Total revenue	**79,682**	7,506	**242,408**	23,404

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 4 - Securities Owned and Obligations Related to Securities Sold Short

The following table presents a breakdown of the Company's securities owned and obligations related to securities sold short as at September 30, 2021 and December 31, 2020.

	2021		2020	
	Securities owned	Securities sold short	Securities owned	Securities sold short
Debt securities:				
Canadian and U.S. federal governments	37,476	10,283	37,296	11,851
Canadian provincial and municipal governments	7,912	3,078	10,688	590
Corporate and other	14,338	1,880	19,660	2,879
Equity securities	1,321	—	1,528	—
Derivative financial instruments	248	—	1,150	—
	61,295	15,241	70,322	15,320

As at September 30, 2021, the Company had $24,008 in securities pledged as collateral to central clearing agencies and custodians, compared to $17,630 at December 31, 2020.

Note 5 - Other Assets

The following table presents a breakdown of the Company's other assets as at September 30, 2021 and December 31, 2020.

	2021	2020
Accounts receivable	9,157	5,804
Finance lease receivable	881	1,284
Prepaid deposits and other	8,984	5,722
	19,022	12,810

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 6 - Securities Borrowed and Lent

The following table presents a breakdown of the Company's securities borrowed and lent and the corresponding cash delivered and received as collateral, respectively.

	Borrowed		Lent	
	Cash delivered as collateral	Securities borrowed	Cash received as collateral	Securities lent
As at September 30, 2021	**25,345**	**25,294**	**144,810**	**143,594**
As at December 31, 2020	69,836	68,342	157,428	152,750

Note 7 - Employee and Other Loans Receivable

The following table presents a breakdown of the Company's employee and other loans receivable as at September 30, 2021 and December 31, 2020.

	2021	2020
Investment advisor loans	**42,925**	58,470
Transition agreement for retirees	**1,886**	2,141
Other loans	**5,589**	6,864
	50,400	67,475

Investment advisor loans

Richardson Wealth advances interest-free funds to newly-recruited investment advisors upon commencement of their employment. Upon the satisfaction of certain conditions over a pre-specified term, Richardson Wealth is obligated to i) pay cash bonuses to the investment advisors of an amount sufficient to repay 100% of the total loans or ii) forgive the loan over a specified term on each applicable anniversary date. The Company records a reduction in the loan as advisor loan amortization over the term of such loan.

For the three and nine months ended September 30, 2021, the Company recorded advisor loan amortization of $4,257 and $13,680 (2020 – nil, nil) and a corresponding reduction to loans outstanding.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 8 - Goodwill and Intangible Assets

The following table presents a breakdown of the Company's goodwill and finite life intangible assets.

	Goodwill	Intangibles	Total
Cost			
As at December 31,2020	**163,971**	**195,500**	**359,471**
Additions	**986**	**4,342**	**5,328**
As at September 30, 2021	**164,957**	**199,842**	**364,799**
Accumulated amortization			
As at December 31, 2020	**—**	**2,590**	**2,590**
Amortization	**—**	**9,797**	**9,797**
As at September 30, 2021	**—**	**12,387**	**12,387**
Net book values			
As at December 31, 2020	163,971	192,910	356,881
As at September 30, 2021	**164,957**	**187,455**	**352,412**

Goodwill and finite life intangible assets include $195,000 in customer relationships and $500 in brand that were acquired through the acquisition of Richardson Wealth.

Goodwill is tested for impairment annually on December 31 and more frequently if events or circumstances indicate that it may be impaired. The Company's finite life intangible assets are tested for impairment only in the event indicators of impairment exist. As at September 30, 2021, there were no indicators of impairment relating to the Company's goodwill or finite life intangible assets.

Note 9 - Share Capital

On March 31, 2021, all Series C Preferred Shares automatically converted to Series B Preferred Shares on the basis of one Series B Share for each Series C Share. On March 18, 2021, the Company announced that after having taken into account all election notices received in respect of the Cumulative 5-Year Rate Reset Preferred Shares, Series B (the Series B Shares) and the Cumulative Floating Rate Preferred Shares, Series C (the Series C Shares), if the Company were to give effect to such notices there would be only 905,752 Series C Shares outstanding after the conversation date of March 31, 2021 (the Conversion Date).

The terms of the Series C Shares provided that all remaining outstanding Series C Shares would automatically convert into Series B Shares, on a one-for-one basis, on the Conversion Date, if there would remain outstanding on the Conversion Date fewer than 1,000,000 Series C Shares, after taking into account all election notices at the close of business on March 16, 2021.

Preferred Share Dividends

Payment date	Cash dividend per Series B Preferred Share	Cash dividend per Series C Preferred Share	Total dividend ($ thousands)
March 31, 2021	**0.225700**	**0.181788**	**993**
June 30, 2021	**0.233313**	**—**	**1,073**
September 30, 2021	**0.233313**	**—**	**1,073**

On November 4, 2021, the Board of Directors approved a cash dividend of $0.233313 per Series B Preferred Share payable on December 31, 2021, to preferred shareholders of record on December 15, 2021.

Note 10 - Provisions

The Company recognizes provisions when it is probable that it has an obligation arising from a past event which will result in an outflow that can be reliably estimated. The Company assesses the adequacy of its provisions, if any, at each reporting period. A summary of the Company's provisions as at September 30, 2021 and the changes during the period are as follows:

	Transformation and other provisions
As at December 31, 2020	19,410
Additions[1]	**14,387**
Payments[2]	**(3,787)**
Recoveries	**(694)**
As at September 30, 2021	**29,316**

[1]Included in additions are $4,108 relating to key management personnel.

[2]Included in payments are $2,208 relating to key management personnel.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 11 - Other Income

The following table presents a breakdown of the Company's other income for the three and nine months ended September 30, 2021 and 2020.

	Three months ended September 30,	
	2021	2020
Brokerage services	**729**	3,287
Foreign exchange	**1,391**	358
Insurance	**1,187**	—
Private client capital markets commissions	**2,193**	—
Other	**1,225**	1,398
	6,725	5,043

	Nine months ended September 30,	
	2021	2020
Brokerage services	**2,248**	9,463
Foreign exchange	**5,173**	2,650
Insurance	**3,020**	—
Private client capital markets commissions	**5,965**	—
Other	**4,323**	3,012
	20,729	15,125

Note 12 – Long-Term Debt

The following table presents a breakdown of the Company's debt obligations as at September 30, 2021 and December 31, 2020.

	2021	2020
Revolving credit facility	**80,500**	—
Term debt held by a syndicate of schedule I and II chartered banks	**—**	67,000
Preferred Shares	**30,422**	30,422
	110,922	97,422

Revolving Credit Facility

On September 10, 2021, the Company secured a $200.0 million syndicated revolving credit facility (Facility) with a syndicate of lenders. The initial authorized principal of the Facility is $125.0 million. The Facility also includes an accordion provision that will enable us to request increases in the total commitment, under the same terms, by an aggregate amount of up to $75.0 million, subject to the lenders' approval. As of September 30, 2021, $80.5 million was drawn against the Facility.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The Facility will bear interest at a spread over prescribed benchmark rates, with the spread depending on our leverage at the time that it draws on the Facility. The Facility has an initial two-year term with an option for additional one-year terms, at our request and subject to the lenders' approval. As of September 30, 2021, the Company was compliant with the covenants associated with the Facility.

Repayment of Subordinated Bank Debt and Net Promissory Notes Payable

Cash draws of $80.5 million under the Facility were used to repay $65.0 million in subordinated unsecured bank debt held at Richardson Wealth and $12.1 million in net promissory notes payable.

Credit Facilities

The Company also borrows money primarily to facilitate the securities settlement process for both client and proprietary transactions. Available credit facilities with Schedule I Canadian chartered banks were $402.6 million at September 30, 2021, compared to $651.8 million at December 31, 2020. The facilities consist of call loans, letters of credit, daylight overdraft, and demand and foreign exchange facilities. Interest on these facilities is based on floating rate benchmarks. The Company had no amounts outstanding under any of these facilities as at September 30, 2021 or December 31, 2020.

Note 13 - Net Change in Non-Cash Operating Items

The following table presents a breakdown of the change in the Company's non-cash operating items.

	2021	2020
Securities owned	**9,027**	6,132
Receivable from clients and brokers	**(69,969)**	(324,127)
Client funds held in trust	**(19,084)**	(93,800)
Employee and other loans receivable	**3,395**	79
Other assets	**(3,229)**	3,592
Obligations related to securities sold short	**(79)**	2,249
Payable to clients, brokers and issuers	**91,253**	426,991
Accounts payable and accrued liabilities	**(7,052)**	(8,509)
Other liabilities	**342**	(118)
Provisions	**9,906**	(9,034)
	14,510	3,455

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Note 14 - Net Loss Per Common Share

Net loss per common share consists of the following:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net loss from continuing operations	(8,462)	(5,760)	(17,795)	(10,584)
Less: dividends on Preferred Shares	(1,073)	—	(3,139)	(2,183)
Net loss from continuing operations attributable to common shareholders	(9,535)	(5,760)	(20,934)	(12,767)
Net loss from discontinued operations	—	(217)	—	(661)
Net loss attributable to common shareholders	(9,535)	(5,977)	(20,934)	(13,428)
Weighted-average number of common shares outstanding:				
Basic				
Common shares	159,380	75,434	159,380	75,434
Common shares held by the SIP Trust[1]	(1,546)	(1,272)	(1,362)	(1,272)
Contingently returnable common shares held in escrow	(90,466)	(1,081)	(90,466)	(1,093)
	67,368	73,081	67,552	73,069
Diluted				
Dilutive effect of options	3	—	—	—
Dilutive effect of shares held by the SIP Trust[1]	1,546	1,272	1,362	1,272
Dilutive effect of contingently returnable common shares held in escrow	90,466	1,081	90,466	1,093
	159,383	75,434	159,380	75,434
Net loss per common share - Basic				
Continuing operations	$ (0.14)	$ (0.08)	$ (0.31)	$ (0.17)
Discontinued operations	$ —	$ —	$ —	$ (0.01)
Total	$ (0.14)	$ (0.08)	$ (0.31)	$ (0.18)
Net loss per common share - Diluted [2]				
Continuing operations	$ (0.14)	$ (0.08)	$ (0.31)	$ (0.17)
Discontinued operations	$ —	$ —	$ —	$ (0.01)
Total	$ (0.14)	$ (0.08)	$ (0.31)	$ (0.18)

[1]The Company has established a Share Incentive Plan trust (the SIP Trust) for the purposes of purchasing the Company's common shares in the open market and delivering the common shares to the SIP participants upon vesting.

[2]In the case of a net loss, the impact of the shares pledged and other common shares subject to vesting conditions under share-based compensation programs on diluted net loss per common share will be not be dilutive, therefore basic and diluted net loss per common share will be the same.

Note 15 - Financial Assets and Liabilities

Financial Instruments – Fair Value Hierarchy

IFRS 13, *Fair Value Measurement*, as issued by the IASB requires disclosure of a three-level hierarchy for fair value measurement based upon transparency of inputs into the valuation of a financial asset or financial liability as of the measurement date.

The fair value hierarchy has the following levels:

Level 1. Level 1 assets and liabilities generally include debt and equity securities that are traded on an active exchange. They are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2. Level 2 assets and liabilities include equity and debt securities that are not listed on an active exchange. They also include debt and money market securities that are priced using aggregated trade data or reference prices based on yield, maturity and risk rating. The fair value is based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3. Level 3 equities are broker warrants that are valued using an internal model that uses observable data of the underlying security. The inputs for valuing the asset or liability are not based on observable market data associated with the broker warrants themselves.

The objective of these valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by arm's length market participants.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The following tables present the level within the fair value hierarchy of the Company's financial assets and liabilities carried at fair value:

As at September 30, 2021	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Debt securities				
Canadian and U.S. federal governments	35,186	2,290	—	37,476
Provincial and municipal governments	—	7,912	—	7,912
Corporate and other	—	14,338	—	14,338
Equity securities	1,317	4	—	1,321
Derivative financial assets	—	—	248	248
Financial assets carried at fair value	36,503	24,544	248	61,295
Financial liabilities				
Obligations related to securities sold short				
Debt securities				
Canadian and U.S. federal governments	—	10,283	—	10,283
Provincial and municipal governments	—	3,078	—	3,078
Corporate and other	—	1,880	—	1,880
Financial liabilities carried at fair value	—	15,241	—	15,241

As at December 31, 2020	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Securities owned				
Debt securities				
Canadian and U.S. federal governments	35,481	1,815	—	37,296
Provincial and municipal governments	—	10,688	—	10,688
Corporate and other	—	19,660	—	19,660
Equity securities	1,528	—	—	1,528
Derivative financial assets	—	—	1,150	1,150
Financial assets carried at fair value	37,009	32,163	1,150	70,322
Financial liabilities				
Obligations related to securities sold short				
Debt securities				
Canadian and U.S. federal governments	90	11,761	—	11,851
Provincial and municipal governments	—	590	—	590
Corporate and other	—	2,879	—	2,879
Financial liabilities carried at fair value	90	15,230	—	15,320

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The following table presents the changes in fair value measurements of financial assets included in Level 3 of the fair value hierarchy.

	Level 3 fair value
As at December 31, 2020	1,150
Net unrealized gain before income taxes	**116**
Proceeds from disposition	**(1,018)**
As at September 30, 2021	**248**

Note 16 – Update on COVID-19

The Company remains focused on supporting its clients and communities in a safe return to a more normal operating environment as increased COVID-19 vaccination rates have led to continued reductions in public health restrictions. As the Company considers plans for a phased return to the workplace, with an emphasis on ongoing flexibility, the Company's top priority remains the well-being of our employees and clients. Considerable uncertainty remains regarding the impact of the emergence of more infectious variants of COVID-19 and the upcoming conclusion of government stimulus on the Canadian economy. The Company will continue to closely monitor evolving COVID-19 developments and adjust our plans accordingly. The potential for near-term volatility in the economy and financial markets remains, which may adversely affect our financial performance.

Note 17 - Segmented Information

Wealth Management

The Wealth Management segment consists of the Company's wealth management distribution, asset management and carrying broker businesses.

Corporate

The Corporate segment is comprised of certain corporate functions. Amortization of intangibles acquired as a result of the RGMP Transaction is included in the Corporate segment.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

The following table presents selected financial results of the Company's continuing operations by segment for the three and nine months ended September 30, 2021 and 2020.

	Three months ended September 30,					
	Wealth Management		Corporate		Total	
	2021	2020	**2021**	2020	**2021**	2020
Total revenue	**79,695**	7,586	**(13)**	(80)	**79,682**	7,506
Variable advisor compensation	**34,714**	—	**—**	—	**34,714**	—
Gross margin	**44,981**	7,586	**(13)**	(80)	**44,968**	7,506
Expenses						
Employee compensation and benefits	**17,571**	1,516	**663**	1,288	**18,234**	2,804
Selling, general and administrative	**12,581**	4,581	**1,151**	1,216	**13,732**	5,797
Advisor loan amortization	**4,257**	—	**—**	—	**4,257**	—
Transformation costs and other provisions	**9,517**	—	**—**	3,901	**9,517**	3,901
Interest	**1,039**	35	**648**	177	**1,687**	212
Depreciation and amortization[1]	**2,719**	131	**3,263**	1	**5,982**	132
	47,684	6,263	**5,725**	6,583	**53,409**	12,846
Share of net loss of associate	**—**	(415)	**—**	—	**—**	(415)
Income (loss) before income taxes	**(2,703)**	908	**(5,738)**	(6,663)	**(8,441)**	(5,755)

[1]Amortization for three months ended September 30, 2021 of $3,263 in the Corporate segment is primarily related to the customer relationship and brand intangible assets acquired as part of the RGMP Transaction.

($ THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Nine months ended September 30,					
	Wealth Management		Corporate		Total	
	2021	2020	**2021**	2020	**2021**	2020
Total revenue	**242,348**	23,706	**60**	(302)	**242,408**	23,404
Variable advisor compensation	**104,326**	—	**—**	—	**104,326**	—
Gross margin	**138,022**	23,706	**60**	(302)	**138,082**	23,404
Expenses						
Employee compensation and benefits	**53,297**	4,874	**2,863**	3,461	**56,160**	8,335
Selling, general and administrative	**39,885**	15,249	**3,575**	2,618	**43,460**	17,867
Advisor loan amortization	**13,680**	—	**—**	—	**13,680**	—
Transformation costs and other provisions	**18,530**	—	**1,130**	5,463	**19,660**	5,463
Interest	**3,407**	201	**1,681**	531	**5,088**	732
Depreciation and amortization[1]	**8,506**	388	**9,789**	3	**18,295**	391
	137,305	20,712	**19,038**	12,076	**156,343**	32,788
Share of net loss of associate	**—**	(774)	**—**	—	**—**	(774)
Income (loss) before income taxes	**717**	2,220	**(18,978)**	(12,378)	**(18,261)**	(10,158)

[1]Amortization for nine months ended September 30, 2021 of $9,789 in the Corporate segment is primarily related to the customer relationship and brand intangible assets acquired as part of the RGMP Transaction.