UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 40-F

[ ] Registration Statement Pursuant to Section 12 of the Securities Exchange Act of 1934
or
[x] Annual Report Pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended **December 31, 2019**

Commission file number **001-36897**

FirstService Corporation

(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English (if applicable))

Ontario, Canada
(Province or other jurisdiction of incorporation or organization)

6500
(Primary Standard Industrial Classification Code Number (if applicable))

N/A
(I.R.S. Employer Identification Number (if applicable))

1255 Bay Street, Suite 600
Toronto, Ontario, Canada M5R 2A9
416-960-9566
(Address and telephone number of Registrant's principal executive offices)

Mr. Santino Ferrante, Ferrante & Associates
126 Prospect Street, Cambridge, MA 02139
617-868-5000
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Shares	**FSV**	**NASDAQ Stock Market** **Toronto Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this Form:

[**x**] Annual information form [**x**] Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

41,495,957 Common Shares

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

[**x**] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

[**x**] Yes [ ] No

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company [ ]

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

PRINCIPAL DOCUMENTS

The following documents have been filed as part of this Annual Report on Form 40-F:

A. Annual Information Form

For the Registrant's Annual Information Form for the year ended December 31, 2019, see Exhibit 1 of this Annual Report on Form 40-F.

B. Audited Annual Financial Statements

For the Registrant's audited consolidated financial statements as at December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018, see Exhibit 2 of this Annual Report on Form 40-F.

C. Management's Discussion and Analysis

For the Registrant's management's discussion and analysis for the year ended December 31, 2019, see Exhibit 3 of this Annual Report on Form 40-F.

DISCLOSURE CONTROLS AND PROCEDURES

The Registrant's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Registrant's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this annual report (the "Evaluation Date"). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, the Registrant's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Registrant in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC") and (ii) accumulated and communicated to the Registrant's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Registrant. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of its effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has excluded fifteen entities acquired by the Registrant during the last fiscal period from its assessment of internal control over financial reporting as at December 31, 2019. The total assets and total revenues of the fifteen majority-owned entities represent 11.8% and 13.4%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2019.

Management has assessed the effectiveness of the Registrant's internal control over financial reporting as at December 31, 2019, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at December 31, 2019, the Registrant's internal control over financial reporting was effective.

The effectiveness of the Registrant's internal control over financial reporting as at December 31, 2019 has been audited by PricewaterhouseCoopers LLP, the Registrant's independent registered public accounting firm, as stated in their report filed in Exhibit 2 of this Annual Report on Form 40-F.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the year ended December 31, 2019, there were no changes in the Registrant's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Registrant sent during the year ended December 31, 2019 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

AUDIT COMMITTEE FINANCIAL EXPERT

The Registrant's board of directors (the "Board of Directors") has determined that it has at least one audit committee financial expert (as such term is defined in item 8(a) of General Instruction B to Form 40-F) serving on its audit committee (the "Audit Committee"). Mr. Bernard I. Ghert has been determined by the Board of Directors to be such audit committee financial expert and is independent (as such term is defined by the NASDAQ Stock Market's corporate governance standards applicable to the Registrant).

Mr. Ghert was previously President and Chief Executive Officer of the Cadillac Fairview Corporation Limited from 1981 to 1987 and President of Stelworth Investments Inc. from 1987 to 1992. Mr. Ghert has been a director of many organizations in the private and public sectors, including Cadillac Fairview, Stelworth, CT Financial and Canada Trust, Wellington Insurance and the Canada Deposit Insurance Corporation. Mr. Ghert has served as Director of the Managers of several Middlefield Funds, President of the Canadian Institute of Public Real Estate Companies and was a former member of the Advisory Board of the Office of the Superintendent of Financial Institutions. Mr. Ghert currently is Chairman of the Independent Review Committee of Middlefield Fund Management Limited, President of the B.I. Ghert Family Foundation, President of Coppi Holdings Ltd., a Director Emeritus on Sinai Health System's Board, Co-Chair on Sinai Health System's Audit and Risk Management Committee and Past Chair of the Mount Sinai Hospital Board of Directors. Mr. Ghert holds a Master of Business Administration degree.

The SEC has indicated that the designation of Mr. Bernard I. Ghert as an audit committee financial expert does not make him an "expert" for any purpose, impose on him any duties, obligations or liability that are greater than the duties, obligations or liability imposed on him as a member of the Audit Committee and the Board of Directors in absence of such designation, or affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

CODE OF ETHICS

The Registrant has adopted a Code of Ethics and Conduct that applies to all directors, officers and employees of the Registrant and its subsidiaries, and a Financial Management Code of Ethics, which applies to senior management and senior financial and accounting personnel of the Registrant and its subsidiaries. A copy of the Code of Ethics and Conduct and the Financial Management Code of Ethics can be obtained, free of charge, on the Registrant's website (www.firstservice.com) or by contacting the Registrant at (416) 960-9566.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets out the fees billed to the Registrant by PricewaterhouseCoopers LLP for professional services rendered for the fiscal period ended December 31, 2019 and 2018. During this period, PricewaterhouseCoopers LLP was the Registrant's only external auditor.

(in thousands of US$)	Year ended December 31, 2019	Year ended December 31, 2018
Audit fees (note 1)	$ 843	$ 726
Audit-related fees (note 2)	94	45
Tax fees (note 3)	298	50
All other fees (note 4)	101	118
	$ 1,336	$ 939

Notes:

1. Refers to the aggregate fees billed by the Registrant's external auditor for audit services relating to the audit of the Registrant and statutory audits required by subsidiaries.
2. Refers to the aggregate fees billed for assurance and related services by the Registrant's external auditor that are reasonably related to the performance of the audit or review of the Registrant's financial statements and are not reported under (1) above, including professional services rendered by the Registrant's external auditor for accounting consultations on proposed transactions and consultations related to accounting and reporting standards. Such fees included amounts incurred in respect of: due diligence and other work related to the disposition and acquisition of businesses, such work being unrelated to the audit of the Registrant's financial statements; accounting consultations with respect to proposed transactions, as well as other audit-related services.
3. Refers to the aggregate fees billed for professional services rendered by the Registrant's external auditor for tax compliance, tax advice and tax planning.
4. Refers to fees for licensing and subscriptions to accounting and tax research tools, as well as administration and out-of-pocket expenses.

The Registrant's Audit Committee pre-approves all audit services and permitted non-audit services provided to the Registrant by PricewaterhouseCoopers LLP. The Audit Committee has delegated to the Chair of the Audit Committee, who is independent, the authority to act on behalf of the Audit Committee with respect to the pre-approval of all audit and permitted non-audit services provided by its external auditors from time to time. Any approvals by the Chair are reported to the full Audit Committee at its next meeting. All of the services described in footnotes 2, 3 and 4 under "Principal Accountant Fees and Services" above were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

OFF-BALANCE SHEET ARRANGEMENTS

The Registrant does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Registrant's financial performance or financial condition.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The information provided in the table entitled "Contractual Obligations" under the section entitled "Liquidity and Capital Resources" in the management's discussion and analysis included as Exhibit 3 to this Annual Report on Form 40-F, is incorporated herein by reference.

IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant has a separately designated standing Audit Committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Messrs. Bernard I. Ghert (Chair – 2019 and prior), Michael Stein, and Joan Sproul (Chair – Present).

CORPORATE GOVERNANCE

The Registrant is a “foreign private issuer” as defined in Rule 3b-4 under the Exchange Act and its Common Shares are listed on the Toronto Stock Exchange and The NASDAQ Global Select Market ("NASDAQ"). NASDAQ Marketplace Rule 5615(a)(3) permits a foreign private issuer to follow its home country practices in lieu of certain requirements in the NASDAQ Listing Rules. A foreign private issuer that follows home country practices in lieu of certain corporate governance provisions of the NASDAQ Listing Rules must disclose each NASDAQ corporate governance requirement that it does not follow and include a brief statement of the home country practice the issuer follows in lieu of the NASDAQ corporate governance requirement(s), either on its website or in its annual filings with the Commission. A description of the significant ways in which the Registrant’s corporate governance practices differ from those followed by domestic companies pursuant to the applicable NASDAQ Listing Rules is disclosed on the Registrant’s website at:
http://www.firstservice.ca/social_purpose/nasdaq_canadian_corporate_governance.html ..

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the staff of the SEC, and to furnish promptly, when requested to do so by the SEC staff, information relating to: the securities registered pursuant to Form 40-F, the securities in relation to which the obligation to file an Annual Report on Form 40-F arises, or transactions in said securities.

B. Consent to Service of Process

The Registrant has previously filed with the SEC an Appointment of Agent for Service of Process and Undertaking on Form F-X in connection with its Common Shares.

SIGNATURE

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

FIRSTSERVICE CORPORATION

Date: February 20, 2020

By: */s/ Jeremy Rakusin*
Name: Jeremy Rakusin
Title: Chief Financial Officer

EXHIBIT INDEX

No.	Document
1.	Annual Information Form of the Registrant for the year ended December 31, 2019.
2.	Audited consolidated financial statements of the Registrant as at December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018, in accordance with generally accepted accounting principles in the United States.
3.	Management's discussion and analysis of the Registrant for the year ended December 31, 2019.
23.	Consent of PricewaterhouseCoopers LLP.
31.	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13(a)-14(a) or 15(d)-14 of the Securities Exchange Act of 1934.
32.	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.	Interactive Data File.

EXHIBIT 1



FIRSTSERVICE CORPORATION

ANNUAL INFORMATION FORM

For the year ended December 31, 2019

February 20, 2020

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NOTICE TO READER

This is the annual information form of FirstService Corporation for the year ended December 31, 2019 (the "AIF"). In this AIF, unless otherwise specified or the context otherwise requires, reference to "we", "us", "our", "Company" or "FirstService" includes reference to the subsidiaries of, and other equity interests held by, FirstService Corporation and its subsidiaries.

Certain historical information contained in this AIF has been provided by, or derived from information provided by, certain third parties. Although we have no knowledge that would indicate that any such information is untrue or incomplete, we assume no responsibility for the completeness or accuracy of such information or the failure by such third parties to disclose events which may have occurred or may affect the completeness or accuracy of such information, but which are unknown to us.

PRESENTATION OF INFORMATION

Unless otherwise specified, all dollar amounts referred to in this AIF are expressed in United States dollars and all references to "$" or "US$" are to United States dollars and all references to "C$" are to Canadian dollars. Unless otherwise indicated, all financial statements and information included in, or incorporated by reference into, this AIF is determined using generally accepted accounting principles as in effect in the United States ("GAAP") and presented as at December 31, 2019.

FORWARD-LOOKING STATEMENTS

This AIF contains, and incorporates by reference, "forward looking statements" which reflect the current expectations, estimates, forecasts and projections of management regarding our future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may," "would," "could," "will," "anticipate," "believe," "plan," "expect," "intend," "estimate," "aim," "endeavour" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section of this AIF. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this AIF. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in, or incorporated by reference into, this AIF are based upon what management currently believes to be reasonable assumptions, we cannot assure readers that actual results, performance or achievements will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this AIF and, unless otherwise required by applicable securities laws, we do not intend, nor do we undertake any obligation, to update or revise any forward-looking statements contained in this AIF to reflect subsequent information, events, results or circumstances or otherwise.

FIRSTSERVICE CORPORATION

ANNUAL INFORMATION FORM
(February 20, 2020)

Corporate structure

We were formed under the *Business Corporations Act* (Ontario) as "*New FSV Corporation*" pursuant to Articles of Incorporation effective on October 6, 2014. On June 1, 2015, our predecessor, FirstService Corporation ("Old FSV"), completed a plan of arrangement (the "Spin-off") which separated Old FSV into two independent publicly traded companies – FirstService and Colliers International Group Inc. Under the spin-off, Old FSV shareholders received one FirstService share and one Colliers International Group Inc. share of the same class as each Old FSV share previously held, Old FSV amalgamated with a wholly-owned subsidiary and changed its name to Colliers International Group Inc., and FirstService's name was changed to "*FirstService Corporation*".

On May 10, 2019, we settled the Restated Management Services Agreement, including the long-term incentive arrangement (the " **LTIA**") therein, between FirstService, Jay S. Hennick and Jayset Management FSV Inc. and eliminated FirstService's dual class share structure. On that date, FirstService also effected an amendment to its articles that eliminated the multiple voting shares and the "blank cheque" preference shares as part of the authorized capital of FirstService, and re-classified its subordinate voting shares as common shares. This transaction is further described in FirstService's management information circular dated March 25, 2019 relating to the annual and special meeting of shareholders held on May 3, 2019 under "Business of the Meeting – Approval of Transaction" and "Business of the Meeting – Approval of Amendment to the Articles".

Our head and registered office is located at 1255 Bay Street, Suite 600, Toronto, Ontario, M5R 2A9. Our fiscal year-end is December 31.

Intercorporate Relationships

We have the following principal subsidiaries which have total assets or revenues which exceed 10% of our total consolidated assets or revenues as at and for the year ended December 31, 2019:

Name of subsidiary	Percentage of voting securities owned	Jurisdiction of incorporation, continuance, formation or organization
Century Fire Holdings, LLC.	93.2%	Delaware
FirstService CAM Holdings, Inc.	100.0%	Delaware
FirstService Residential, Inc.	100.0%	Delaware
FirstService Residential Florida, Inc.	100.0%	Florida
FirstService Restoration, Inc.	100.0%	Delaware
FS Brands, Inc.	95.7%	Delaware
California Closet Holdings, Inc.	99.1%	Delaware

The voting securities of the above noted subsidiaries not controlled by FirstService are owned by operating management of each respective subsidiary. The above table does not include all of the subsidiaries of FirstService. The assets and revenues of our unnamed subsidiaries did not exceed 20% of our total consolidated assets or total consolidated revenues as at and for the year ended December 31, 2019.

General development of the business

FirstService is the North American leader in residential property management and other essential property services to residential and commercial customers. We began independent operations on June 1, 2015 following the completion of the Spin-off, which included, among other things, the transfer to us of the FirstService Residential and FirstService Brands divisions of Old FSV, and the assets and liabilities referable thereto, as operated by Old FSV prior to June 1, 2015. Prior to completion of the Spin-off, we did not carry on any active business and did not issue any shares.

History

The businesses lines of FirstService were part of the foundation of our predecessor company, Old FSV, originally launched in 1989 by Jay S. Hennick, our founder and Chairman, with a Toronto-based commercial swimming pool and recreational facility management business which he founded as a teenager in 1972. Over the past 30 years, the businesses of FirstService have grown their operations "one step at a time" both through internal growth and acquisitions. In addition to the Spin-off, the following chart summarizes key milestones in the evolution of the Company:

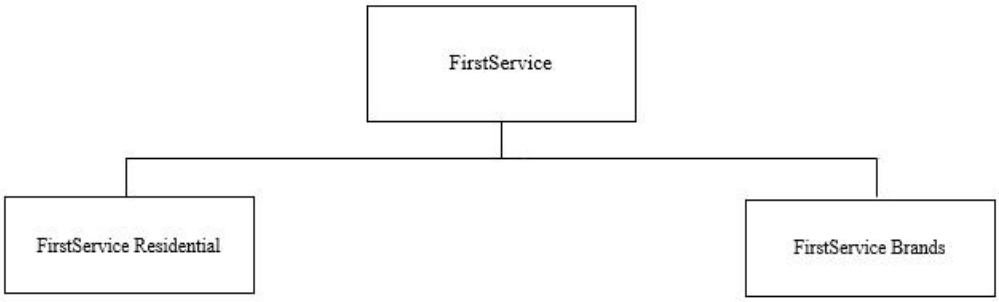
Year	Event
1989	Jay S. Hennick established Old FSV with a Toronto-based swimming pool management company Old FSV acquired College Pro Painters franchise system and established FirstService Brands
1994	D. Scott Patterson joined Old FSV as Vice President, Corporate Development and soon thereafter became Chief Financial Officer
1996	Old FSV established the FirstService Residential platform by acquiring two Florida-based property management firms, with follow-on acquisitions in the New York City and Northeast U.S. regions shortly thereafter
1997	FirstService Brands acquired Paul Davis Restoration
1997	FirstService Financial was established as part of the FirstService Residential platform service offering
1998	FirstService Brands acquired California Closets
2005	FirstService Brands exceeded 1,000 franchises
2007	FirstService Brands exceeded $1 billion in system-wide sales
2008	FirstService adopted Net Promoter System (NPS) across all of its businesses
2009	FS Energy was launched to add to FirstService Residential's comprehensive services
2010	FirstService Residential expanded into Canada Charles E. Chase was promoted to President and Chief Executive Officer of FirstService Brands
2013	Charles M. Fallon was named Chief Executive Officer of FirstService Residential *FirstService Residential* national brand was established from the re-branding of 18 regional brands
2016	FirstService acquired Century Fire Protection
2019	FirstService acquired Global Restoration (legally known as Bellwether FOS Holdco, Inc.)

Business description

FirstService is a leading provider of branded essential property services comprised of two operating divisions: FirstService Residential, the largest provider of residential property management services in North America, and FirstService Brands, a leading provider of essential property services to residential and commercial customers through both franchise systems and company-owned operations. With the completion of the acquisition of Global Restoration in 2019, FirstService Brands significantly expanded its scale and capabilities in commercial and large loss property restoration in North America. See "– FirstService Brands Segment – Global Restoration".

FirstService Residential and FirstService Brands both rely on the same operational foundations for success – a core competency in managing and growing market-leading, value-added outsourced essential property services businesses; a focus on client service excellence; economies of scale that are leveraged wherever possible to create more value for clients; and strong brand recognition. These pillars provide our businesses with competitive advantages that are difficult to replicate. Our two business lines also have similar highly attractive financial profiles, including a high proportion of recurring revenue streams, low capital expenditure and working capital requirements, high free cash flow generation, and significant financial strength to grow both organically and through consolidation of highly fragmented industries.

We conduct our business and report our financial performance through two operating segments as shown below:



The following charts summarize the revenues, operating earnings and adjusted EBITDA of our two operating segments over the past two fiscal years.

Revenues by operating segment	**Year ended December 31**	
(in thousands of US$)	**2019**	**2018**
FirstService Residential	1,411,998	1,254,840
FirstService Brands	995,412	676,633
Total	$2,407,410	$1,931,473

Operating earnings (loss) by operating segment	**Year ended December 31**	
(in thousands of US$)	**2019**	**2018**
FirstService Residential	104,706	89,043
FirstService Brands	60,586	54,988
Corporate	(339,711)	(16,463)
Total	$(174,419)	$127,568

Adjusted EBITDA[1] by operating segment	**Year ended December 31**	
(in thousands of US$)	**2019**	**2018**
FirstService Residential	130,583	112,753
FirstService Brands	118,298	88,368
Corporate	(13,699)	(10,510)
Total	$235,182	$190,611

FirstService Residential Segment

FirstService Residential is North America's largest manager of private residential communities, offering a full range of services across multiple geographies to a wide variety of clients, including condominiums (high, medium and low-rise), co-operatives, homeowner associations, master-planned communities, active adult and lifestyle communities, and a variety of other residential developments governed by common interest or multi-unit residential community associations. Our more than 15,000 employees in approximately 100 offices across 25 U.S. states and 3 Canadian provinces manage approximately 8,500 communities, representing more than 4 million residents in over 1.7 million residential units. Our operational and client coverage footprint is extensive, with a presence in major markets that constitute over 70% of the North American population.

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1 Adjusted EBITDA is a financial measure that is not calculated in accordance with GAAP. For a reconciliation of this and other non-GAAP financial measures, see "Reconciliation of non-GAAP financial measures" in this AIF.

Typically, owners of residential units within these communities are required to pay monthly or quarterly fees to cover all expenses to operate and maintain the common areas of the communities. Resident owners elect volunteer homeowners to serve on a board of directors to oversee the operations of the community association. Historically, decision-making for the day-to-day operations of the communities was delegated to these volunteer board members, although, increasingly, these boards outsource this responsibility to professional property management companies like FirstService Residential.

There are two types of professional property management companies within the industry – traditional or full-service:

- *Traditional property management:* Traditional property managers focus principally on administrative and governance property management functions on behalf of community association clients, including advising homeowner boards on matters relating to the operation of their communities, collection of monthly maintenance fees, sourcing and payments to suppliers, financial statement preparation, and outsourcing of support services.

- *Full service property management:* Full service property managers provide all of the traditional functions, plus a range of ancillary services including, among other things, on-site staffing (in areas such as building engineering and maintenance, full-service amenity management, security and concierge/front desk), banking and insurance products, energy conservation and management solutions, and resale processing services.

Only a small number of industry participants have the expertise and capital to provide full-service property management services comparable to FirstService Residential. We have the scale, highly recognized brand, geographic footprint, resources, operating expertise and innovation to deliver a full-service offering. We combine our advantages of size and national presence with a local touch and dedication focusing on service excellence, which solidifies our client relationships and market-leading reputation.

As a full-service property manager, FirstService Residential provides a full range of ancillary services, including on-site staffing for building engineering and maintenance, full-service swimming pool and amenity management, security and concierge/front desk. In most markets, we provide financial services (cash management, other banking transaction-related services, and specialized property insurance brokerage), energy management solutions and advisory services, and resale processing services, utilizing the scale of our operations to economically benefit clients.

We generally provide residential property management and recurring ancillary services under contract, with a fixed monthly fee. These contracts typically range in duration from one to three years, yet are generally cancellable by either party with 30 to 90 days' notice. Historically, a significant proportion of our revenue is recurring due to the nature of our contracts, which have a mid-90% retention rate, and therefore have a long-term tenure.

FirstService Brands Segment

FirstService Brands is a leading North American operator and provider of essential property services to residential and commercial customers. The principal brands in this division include Paul Davis Restoration, Interstate Restoration, FirstOnSite Restoration, Century Fire Protection, CertaPro Painters, California Closets, Pillar to Post Home Inspectors, and Floor Coverings International.

Franchised Operations

We own and operate five franchise networks as follows:

(i) Paul Davis Restoration is a franchisor of residential and light commercial restoration services serving the insurance industry in the United States and Canada through 313 franchises. Paul Davis provides full service water, fire and mold cleanup, construction rebuild and restoration services for property damaged by natural or man-made disasters. Royalties are earned from franchisees based on a percentage of franchisee gross revenues.

(ii) CertaPro Painters is the largest provider of residential and commercial painting services in North America. CertaPro has 353 franchises operating in major markets across the United States and Canada. CertaPro Painters focuses on high-end residential and commercial painting and decorating work. CertaPro completes more than 100,000 projects in a typical year. Royalties are earned based on a percentage of franchisee gross revenues or a fixed monthly fee, plus administrative fees for various ancillary services.

(iii) California Closets is North America's largest provider of custom-designed and installed closet and home storage solutions. California Closets has 86 franchises in the United States and Canada. There are currently approximately 145 branded California Closets retail showrooms in operation in North America which are used by franchisees to demonstrate and sell the product. California Closets franchise and corporate locations install more than 65,000 jobs annually across North America. Royalties are earned based on a percentage of franchisee gross revenues.

(iv) Pillar to Post Home Inspectors is one of North America’s largest home inspection service providers. Services are provided through a network of nearly 800 home inspectors in 542 franchises. Through its proprietary inspection model, Pillar to Post Home Inspectors can assess many categories or items inside and outside the home as part of its evaluation process. Pillar to Post Home Inspectors inspects more than $50 billion in residential real estate each year. Royalties are earned on a percentage of franchisee gross revenues.

(v) Floor Coverings International is a residential and commercial floor coverings design and installation franchise system operating in North America with 142 franchises. Royalties are earned based on a percentage of franchisee gross revenues.

The aggregate system-wide revenues of our 1,436 franchisees were greater than $2 billion for 2019. Franchise agreements are for terms of five or ten years. Royalties are reported and paid to us monthly in arrears. All franchise agreements contain renewal provisions that can be invoked by FirstService Brands at little or no cost.

The franchised property services industry is highly fragmented, consisting principally of a large number of smaller, single-service or single-concept companies. Due to the large size of the overall market for these services, dominant market share is not considered necessary for becoming a major player in the industry. However, because of the low barriers to entry in this segment, we believe that brand name recognition among consumers is a critical factor in achieving long-term success in the businesses we operate.

Franchise businesses are subject to U.S. Federal Trade Commission regulations and state and provincial laws that regulate the offering and sale of franchises. Presently, we are authorized to sell franchises in 50 U.S. states, in all Canadian provinces and in several other countries around the world. In all jurisdictions, we endeavor to have our franchises meet or exceed regulatory standards.

Company-Owned Operations

FirstService Brands owns and operates 19 California Closets locations and 11 Paul Davis Restoration locations in major metropolitan markets in the United States and Canada. The California Closets and Paul Davis Restoration operations were acquired from franchisees with the goal of accelerating revenue growth and realizing operating margin expansion potential.

Century Fire Protection

FirstService acquired Century Fire Protection in April 2016. Century Fire Protection is one of the largest full-service fire protection companies in the Southeastern United States. The acquisition added an important service capability to FirstService’s portfolio of essential property services. Headquartered in Duluth, Georgia, Century Fire Protection provides end-to-end fire protection solutions, including design, fabrication, installation, maintenance, repair, service and inspection services for commercial, residential, industrial and institutional clients. Century Fire Protection employs approximately 1,500 staff operating out of 24 offices throughout Georgia, Alabama, North Carolina, South Carolina, Tennessee and Texas.

Global Restoration

In June 2019, we completed the acquisition of Global Restoration, the second largest commercial and large loss property restoration firm in North America. This acquisition expanded FirstService's scale and capabilities in the property restoration sector and complements our Paul Davis Restoration franchised and company-owned operations, which collectively are a leading player in the residential segment of the industry. Headquartered in Denver, Colorado and founded in 1998, Global Restoration provides integrated end-to-end solutions encompassing mitigation, restoration and reconstruction services on behalf of blue chip, national clients which include large, multi-location commercial customers, property owners and insurance companies. Global Restoration operates under two highly recognized brands, Interstate Restoration in the U.S. and FirstOnSite Restoration in Canada, and employs approximately 1,900 staff operating out of approximately 65 regional offices throughout North America. We filed a business acquisition report dated August 23, 2019 in respect of our acquisition of Global Restoration.

Exit from College Pro Franchised Operations

In 2019, we made the decision to exit our College Pro operations, a seasonal exterior residential painting and window cleaning franchise system operating in most U.S. states and across Canada. In the fourth quarter of 2019, we sold our College Pro window cleaning franchise system for a nominal price, and we completed the wind-down of our College Pro painting operations at the end of 2019. College Pro was a small, non-core business with limited growth prospects. As a result, we decided to reallocate our management resources and capital towards our other growing businesses.

Seasonality

Certain segments of the Company's operations are subject to seasonal variations. This seasonality results in variations in quarterly revenues and operating margins. Variations can also be caused by acquisitions or dispositions, which alter the consolidated service mix.

Trademarks

Our trademarks are important for the advertising and brand awareness of all of our businesses and franchises. We take precautions to defend the value of our trademarks by maintaining legal registrations and by litigating against alleged infringements, if necessary.

The FirstService Residential operating division operates under the FirstService Residential trademark. This common branding creates a unified North American market presence signifying our market leadership, to showcase our commitment to service excellence and to leverage our strengths to the benefit of current and future clients. No value has been ascribed to the FirstService Residential trademark in our consolidated financial statements.

In our FirstService Brands division, our Global Restoration and Century Fire businesses and two franchise systems – California Closets and Paul Davis Restoration – have trademarks to which value has been ascribed in our consolidated financial statements. The value of these trademarks is derived from the recognition they enjoy among the target audiences for the respective property services. These trademarks have been in existence for many years, and their prominence among consumers has grown over time through the addition of locations and/or franchisees and the ongoing marketing programs conducted by Global Restoration, franchisees and FirstService.

Growth strategy

We maintain a leadership position in the residential property management and services industry, offering a full complement of services to a wide range of customers. We have an established track record of expanding our business through both organic and acquisition growth. Our growth plan involves five primary drivers: (i) capitalizing on our scale advantages to win new business; (ii) continuing to emphasize retention of our existing customer base, and leveraging referrals from past and existing customers; (iii) continuing to expand our ancillary services; (iv) realizing operational efficiencies; and (v) selectively pursuing strategic acquisitions.

Competition

We compete in the essential property services industry as one of the largest providers of such services to residential and commercial customers in North America.

FirstService Residential is the North American leader in residential property management with an estimated 6% market share. We operate in a highly fragmented market, with an estimated 8,000 local and regional management companies across North America. Only a relatively small number of our competitors are able to deliver the expertise and investment capital to compete broadly on a professional platform. Our primary competitors are smaller independent regional players. Our competitive position varies across geographies, property types, and services provided.

The essential property services industry in which FirstService Brands participates is highly fragmented and consists predominantly of small “mom & pop” businesses and, for restoration, emergency response and related services, a few national restoration companies. Each of our service lines within FirstService Brands has professionalized its business category, and has a leading position within each market served. FirstService Brands competes primarily with local, regional and family-owned and operated enterprises or franchise businesses.

Employees

We have approximately 24,000 employees.

Non-controlling interests

We own a majority interest in substantially all of our operations, while operating management of each non-wholly-owned subsidiary owns the remaining shares. This structure was designed to maintain control at FirstService while providing significant risks and rewards of equity ownership to management at the operating businesses. In almost all cases, we have the right to “call” management’s shares, usually payable at our option with any combination of common shares of FirstService (the “Common Shares”) or cash. We may also be obligated to acquire certain of these non-controlling interests in the event of death, disability or cessation of employment or if the shares are “put” by the holder, subject to annual limitations on these puts imposed by the relevant shareholder agreements. These arrangements provide significant flexibility to us in connection with management succession planning and shareholder liquidity matters.

Dividends and dividend policy

Dividend policy

Our board of directors has adopted a dividend policy pursuant to which we intend to make quarterly cash dividends to holders of Common Shares of record at the close of business on the last business day of each calendar quarter. The quarterly dividend post-Spin-off during 2015 was set at $0.10 per Common Share (a rate of $0.40 per annum), which was increased during 2016 to $0.11 per Common Share (a rate of $0.44 per annum), which was further increased during 2017 to $0.1225 per Common Share (a rate of $0.49 per annum), which was further increased during 2018 to $0.135 per Common Share (a rate of $0.54 per annum), which was further increased during 2019 to $0.15 per Common Share (a rate of $0.60 per annum), and which was again increased for 2020 to the current rate of $0.165 per Common Share (a rate of $0.66 per annum). Each quarterly dividend is paid within 30 days after the applicable record date. For the purposes of the *Income Tax Act* (Canada) and any similar provincial legislation, all dividends on the Common Shares will be eligible dividends unless indicated otherwise.

The terms of our dividend policy remain, among other things, at the discretion of our board of directors. Future dividends on the Common Shares, if any, will depend on the results of our operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other relevant factors. Under the terms of our amended and restated credit agreement dated as of June 21, 2019 (the “Credit Agreement”) and our amended and restated note and guarantee agreement (the “Note Agreement”) governing our senior secured notes (the “Senior Notes”), we are not permitted to pay dividends, whether in cash or in specie, in the circumstances of an event of default thereunder occurring and continuing or an event of default occurring as a consequence thereof. See “Material contracts” and “Risk factors” below.

Dividend history

The aggregate cash dividends declared per Common Share for the years ended December 31, 2019, 2018 and 2017 were US$0.60, US$0.54 and US$0.49, respectively.

Capital structure

Authorized and issued capital

Our authorized capital consists of an unlimited number of Common Shares, of which, as at the date hereof, there were 41,588,007 Common Shares issued and outstanding.

Common Shares

Holders of Common Shares are entitled to receive: (i) notice of, to attend and speak at and to vote at any meeting of the shareholders of FirstService, and at such meeting holders of Common Shares have one vote for each Common Share held; (ii) dividends as may be declared thereon by our board of directors; and (iii) our remaining property and assets, in equal amounts per share on all Common Shares at the time outstanding without preference or distinction, upon our liquidation, dissolution or winding up, or other distribution of our assets among our shareholders for the purposes of winding-up our affairs. The holders of Common Shares do not have any right to vote separately upon any proposal to amend our articles to increase any maximum number of authorized shares of any class or series having rights or privileges equal or superior to the Common Shares or to create a new class of shares equal or superior to the Common Shares. The Common Shares are not redeemable nor retractable but are, subject to applicable law, able to be purchased for cancellation by FirstService in the open market, by private contract or otherwise.

Stock Option Plan

FirstService has a stock option plan (the "Option Plan") pursuant to which options to acquire Common Shares are granted to directors, officers and full-time employees of FirstService or its subsidiaries (other than Jay S. Hennick). A summary of the terms of the Option Plan is set out in the section entitled "Executive Compensation – Incentive Award Plans of FirstService – FirstService Stock Option Plan" contained in our Management Information Circular to be filed in connection with our upcoming meeting of shareholders to be held on April 8, 2020 (the "Meeting Circular"), which section is incorporated by reference herein and will be available under our SEDAR profile at www.sedar.com. The maximum number of Common Shares subject to grants of options under the Option Plan is limited to 3,913,500, of which, as at the date hereof: (i) options exercisable for 2,022,050 Common Shares have been granted and are outstanding as at the date hereof; and (ii) options which were exercisable for 1,676,950 Common Shares have been exercised or expired as at the date hereof, leaving options available for grant for 214,500 Common Shares.

Market for securities

The outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange ("TSX") and the NASDAQ Global Select Market ("Nasdaq") under the symbol "FSV". No other securities of FirstService are listed for trading on any marketplace. The following table sets forth the reported high and low trading prices and the aggregate volume of trading of the Common Shares on Nasdaq (in United States dollars) and on the TSX (in Canadian dollars) for each month during 2019:

	Nasdaq[1]			TSX[1]		
Month	High Price (US$)	Low Price (US$)	Volume Traded	High Price (C$)	Low Price (C$)	Volume Traded
January 2019	81.95	65.55	809,624	108.11	88.42	1,037,007
February 2019	89.17	80.98	741,012	117.86	105.94	1,139,645
March 2019	89.67	83.22	677,200	119.76	111.19	986,016
April 2019	89.95	83.02	529,195	120.08	113.90	802,810
May 2019	95.55	85.17	1,130,105	129.95	114.40	1,056,050
June 2019	100.19	90.23	633,907	132.32	121.51	680,421
July 2019	106.73	95.02	897,845	140.36	124.52	899,643
August 2019	108.42	98.02	690,963	143.26	131.40	885,808
September 2019	111.09	98.62	512,588	140.99	131.00	741,549
October 2019	106.31	85.88	1,183,814	139.30	112.23	1,357,020
November 2019	97.14	86.53	828,496	129.00	113.74	1,181,832
December 2019	96.28	88.60	3,667,123	127.39	116.87	1,750,594

Note:

(1) On May 10, 2019, FirstService effected an amendment to its articles that eliminated the multiple voting shares and the "blank cheque" preference shares as part of the authorized capital of FirstService, and re-classified its subordinate voting shares as Common Shares. See "Corporate structure". The information in the table provided prior to May 10, 2019 relates to the subordinate voting shares of FirstService.

Transfer agents and registrars

The transfer agent and registrar for the Common Shares is TSX Trust Company, 301 – 100 Adelaide Street West, Toronto, Ontario M5H 4H1.

Directors and executive officers

Directors

Our board of directors is currently comprised of eight members. The following information is provided with respect to the directors of FirstService as at the date hereof:

Name and municipality of residence	Age	Present position and tenure	Principal occupation during last five years
Brendan Calder [2,3] *Ontario, Canada*	73	Director since June 1, 2015	Mr. Calder has been a Professor and an Entrepreneur in Residence at the Rotman School of Management, University of Toronto since 2001 (currently conducting the MBA course, GettingItDone), is Chair of Rotman's Desautels Centre for Integrative Thinking, was the founding Chair of the Rotman International Centre for Pension Management and is a Senior Fellow at Massey College. Mr. Calder was a successful mortgage banker before that. Mr. Calder is also past Chair of the Peter F. Drucker Canadian Foundation and The Toronto International Film Festival Group and was a director of the public entities listed below. He is a director of EllisDon Corporation and Haventree Bank. Mr. Calder holds a Bachelor of Mathematics degree from the University of Waterloo and attended the Advanced Management Program at Harvard University. Mr. Calder is an Institute of Corporate Directors certified director (ICD.D).
Bernard I. Ghert[1,2] *Ontario, Canada*	80	Director and Lead Director since June 1, 2015	Mr. Ghert was previously President and Chief Executive Officer of the Cadillac Fairview Corporation Limited from 1981 to 1987 and President of Stelworth Investments Inc. from 1987 to 1992. Mr. Ghert has been a director of many organizations in the private and public sectors, including Cadillac Fairview, Stelworth, CT Financial and Canada Trust, Wellington Insurance and the Canada Deposit Insurance Corporation. Mr. Ghert has served as Director of the Managers of several Middlefield Funds, President of the Canadian Institute of Public Real Estate Companies and was a former member of the Advisory Board of the Office of the Superintendent of Financial Institutions. Mr. Ghert currently is Chairman of the Independent Review Committee of Middlefield Fund Management Limited, President of the B.I. Ghert Family Foundation, President of Coppi Holdings Ltd., a Director Emeritus on Sinai Health System's Board, Co-Chair on Sinai Health System's Audit and Risk Management Committee and Past Chair of the Mount Sinai Hospital Board of Directors. Mr. Ghert holds a Master of Business Administration degree.

Name and municipality of residence	Age	Present position and tenure	Principal occupation during last five years
Jay S. Hennick *Ontario, Canada*	63	Director and Chairman of the Board since June 1, 2015	Mr. Hennick is the Founder and Chairman of FirstService. In June 2015, Mr. Hennick became the Global Chairman and CEO of Colliers International Group Inc. Pre-Spin-off, Mr. Hennick was the CEO of former FirstService Corporation from 1988 to 2015. In 1998, Mr. Hennick was awarded Canada's Entrepreneur of the Year, in 2001 he was named Canada's CEO of the Year by Canadian Business Magazine and in 2011, received an honorary Doctorate of Laws from York University and the University of Ottawa. In 2018, Mr. Hennick was appointed a member of the Order of Canada, and is also the 2019 International Horatio Alger Award recipient. Mr. Hennick served as past Chairman of the Board of Directors of the Sinai Health System, in Toronto and is the past Chairman of The Mount Sinai Hospital Board of Directors. In addition, Mr. Hennick has endowed the Jay S. Hennick JD-MBA Program at the Faculty of Law and School of Management at the University of Ottawa Law School, his alma mater, and The Hennick Centre for Business and Law, a joint program of the Osgoode Hall Law School and the Schulich School of Business at York University. Mr. Hennick holds a Bachelor of Arts degree from York University in Toronto and a Doctorate of Laws from the University of Ottawa.
Michael Stein[1,2] *Ontario, Canada*	68	Director since June 1, 2015	Mr. Stein is the founder, Chairman and CEO of the MPI Group, a property development and investment group with a track record in incubating, investing in, and managing successful companies. Between 1978 and 1987, Mr. Stein held progressively senior positions with the Mortgage Insurance Company of Canada, ultimately holding the position of Executive Vice-President responsible for operations. Mr. Stein is a founder of CAPREIT, Canada's first TSX listed apartment REIT, where he continues to serve as chairman. He currently serves as a director of McEwen Mining Inc. (NYSE/TSX), a trustee of European Residential Real Estate Investment Trust (TSX-V), chairman of Cliffside Capital Ltd. (TSX-V) and previously served as a director of Goldcorp Inc. Mr. Stein is a graduate engineer and has an MBA in finance and international business from Columbia University.
Frederick F. Reichheld[3] *Massachusetts, USA*	68	Director since June 1, 2015	Since 1977, Mr. Reichheld has been employed at Bain & Company, Inc., a global business consulting firm, and was elected to the partnership at Bain in 1982. Mr. Reichheld is the creator of the Net Promoter® system of management and founded Bain's Loyalty practice, which helps clients achieve superior results through improvements in customer, employee, partner and investor loyalty and has also served in a variety of other roles, including as a member of Bain & Company's Worldwide Management, Nominating, and Compensation Committees. In January 1999, he was elected by the firm to become the first Bain Fellow. Mr. Reichheld is a frequent speaker to major business forums and groups of CEOs and senior executives worldwide and has authored several books, including The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value (Harvard Business School Press, 1996), Loyalty Rules!: How Today's Leaders Build Lasting Relationships (Harvard Business School Press 2003), The Ultimate Question (Harvard Business School Press, 2006) and The Ultimate Question 2.0 (Harvard Business School Press 2011). Mr. Reichheld received his BA from Harvard College and his MBA from Harvard Business School.
D. Scott Patterson *Ontario, Canada*	59	Director, President and Chief Executive Officer since June 1, 2015	Mr. Patterson is the President and CEO of FirstService. Pre-Spin-off, Mr. Patterson was the President and Chief Operating Officer of former FirstService Corporation from 2003 to 2015. He joined former FirstService Corporation in 1994 as Vice President Corporate Development, and was its Chief Financial Officer from February 1995 until September 2003. Prior to joining former FirstService Corporation, Mr. Patterson was an investment banker at Bankers Trust. Mr. Patterson qualified as a Chartered Accountant in 1985 and began his career at PricewaterhouseCoopers. Mr. Patterson holds a Bachelor of Arts degree in Business Administration from the University of Western Ontario.

Name and municipality of residence	Age	Present position and tenure	Principal occupation during last five years
Joan Eloise Sproul[1] *Ontario, Canada*	63	Director since May 15, 2018	Ms. Sproul was most recently the Executive Vice President, Finance (CFO) & Chief Administrative Officer of the Sinai Health System in Toronto, Canada, which is comprised of Mount Sinai Hospital, Bridgepoint Active Healthcare and Lunenfeld-Tanenbaum Research Institute. In addition to serving more than 20 years in various finance and corporate-related roles at Mount Sinai Hospital, she previously held a number of senior financial positions in the hospitality industry. Ms. Sproul serves on the Board of Directors for The Centre for Phenogenomics, a state-of-the-art national research facility owned and operated by Sinai Health and the Hospital for Sick Children. Ms. Sproul was named to the list of Canada's Most Powerful Women, Women's Executive Network, 2013. Ms. Sproul holds a Chartered Professional Accountant (CPA) designation, having qualified as a Chartered Accountant in 1981 and began her career at Ernst & Whinney. Ms. Sproul holds a Bachelor of Commerce degree from the University of Toronto.
Erin J. Wallace[3] *Illinois, USA*	60	Director since October 8, 2015	Ms. Wallace is the former Chief Operating Officer at Great Wolf Resorts, Inc., a role she held since August 2016. In this role, she was responsible for leading more than 9,000 Great Wolf Pack Member employees at 18 lodges throughout the United States. Great Wolf Resorts, Inc. is America's largest family of indoor water park resorts and has over 7.0 million guests a year. Before joining Great Wolf Resorts, Inc., Ms. Wallace was the Chief Operating Officer of Learning Care Group, Inc. from February 2015 to August 2016, where she led more than 16,000 Learning Care Group employees in delivering operational excellence to the families served at more than 900 schools throughout its umbrella of 5 brands. Prior to that, Ms. Wallace's nearly 30 year career at the Walt Disney Company spanned many roles in Theme Parks and Resorts concluding with Executive Vice President of Operations Strategy, Planning and Revenue Management, working with all of Disney Parks' domestic and international sites. After joining Disney as an industrial engineer in 1985, Ms. Wallace held a variety of managerial roles within Walt Disney Parks and Resorts, contributing to 30 years of leadership at The Walt Disney Company. Ms. Wallace's previous roles include Senior Vice President of Walt Disney World Operations – where she oversaw the largest and most popular resort destination in the world. She has also served as Vice President of Walt Disney World's Magic Kingdom® and general manager for Disney's Animal Kingdom® and Disney's All-Star Resort. Ms. Wallace graduated with honors from the University of Florida (UF) and was recognized with the Distinguished Alumni Award from UF in 2012. Ms. Wallace earned her MBA from Rollins College Crummer School of Business in 1993. In 2006, Ms. Wallace was inducted into the Crummer Graduate School of Business Alumni Hall of Fame. Ms. Wallace has been an active member of the Central Florida community, serving on numerous academic and civic boards and committees. She is also a member of the Institute of Industrial Engineers and the Society of Women Engineers.

Notes:

1. Member of Audit Committee
2. Member of Executive Compensation Committee
3. Member of Nominating and Corporate Governance Committee

Each director remains in office until the following annual shareholders' meeting of FirstService or until the election or appointment of his or her successor, unless he or she resigns, his or her office becomes vacant or he or she becomes disqualified to act as a director. All directors stand for election or re-election annually.

Further background information regarding the directors of FirstService will be set out in the Meeting Circular, the relevant sections of which are incorporated by reference herein and which will be available under our SEDAR profile at www.sedar.com.

Officers

The following information is provided with respect to the executive and other key officers of FirstService as at the date hereof:

Name and municipality of residence	Age	Present position and tenure	Principal occupation during last five years
D. Scott Patterson *Ontario, Canada*	59	President and Chief Executive Officer since June 2015	See description above under “Directors”.
Jeremy Rakusin *Ontario, Canada*	51	Chief Financial Officer since June 2015	Mr. Rakusin is the CFO of FirstService, and he is responsible for the overall financial management of FirstService, including external and internal financial reporting, budgeting, and capital market activities, including managing investor and lender relationships. Mr. Rakusin is also closely involved with all corporate communications and capital allocation decision making. Mr. Rakusin joined FirstService in September 2012 as Vice President, Strategy & Corporate Development and was responsible for sourcing and executing the company’s acquisition strategy, as well as leading other corporate strategic and growth initiatives. Prior to joining FirstService, Mr. Rakusin was Mergers & Acquisitions Head at Raymond James Ltd. with responsibility for leading the firm’s domestic and cross-border M&A practice. Mr. Rakusin’s investment banking and corporate finance experience also includes more than 10 years at Bank of America, Merrill Lynch and TD Securities. Other career experience includes positions as a portfolio manager at a Toronto-based discretionary investment firm and as a securities and corporate lawyer at Toronto-based Goodmans LLP. Mr. Rakusin earned his joint MBA and Law degrees from the University of Toronto. He also received his Chartered Financial Analyst designation.
Douglas G. Cooke *Ontario, Canada*	60	Senior Vice President, Corporate Controller and Corporate Secretary since June 2015	Mr. Cooke is the Senior Vice President, Corporate Controller and Corporate Secretary of FirstService, and he is responsible for FirstService’s external and internal corporate reporting and cash management functions. Mr. Cooke joined FirstService in 1995 as Controller, later assuming the position of Corporate Controller and Treasurer. In 2019, Mr. Cooke was appointed Senior Vice President. Prior to joining FirstService, Mr. Cooke was Senior Internal Auditor for Unilever Canada, a subsidiary of Unilever PLC, one of the world’s largest consumer product companies. Previously, Mr. Cooke has held senior financial reporting positions within the retail and financial sectors. Mr. Cooke is both a Chartered Professional Accountant and Chartered Financial Analyst, beginning his career with KPMG.
Alex Nguyen *Ontario, Canada*	37	Senior Vice President, Strategy and Corporate Development, since June 2015	Mr. Nguyen is the Senior Vice President, Strategy and Corporate Development, of FirstService. In this role, Mr. Nguyen is responsible for driving acquisition growth across all of FirstService’s business platforms. Mr. Nguyen is also closely involved in the formulation and execution of the Company’s corporate strategy and growth initiatives. In 2019, Mr. Nguyen was appointed Senior Vice President. Prior to FirstService, Mr. Nguyen worked at the Ontario Teachers’ Pension Plan, one of the largest institutional investors in the world, where he was responsible for the execution and management of private equity investments. Formerly, Mr. Nguyen worked at RBC Capital Markets and CIT.
Roger Thompson *Ontario, Canada*	41	Vice President, Strategy and Sustainability, since January 2017	Mr. Thompson serves as Vice President Strategy and Sustainability for FirstService. In this role, Mr. Thompson is responsible for driving strategic initiatives across all of FirstService’s business platforms. Additionally, Mr. Thompson is focused on developing our social purpose programs for our people, our communities and our environment. Since joining FirstService in 2007, Mr. Thompson has held many progressive roles within the organization, with the latest as Executive Vice President of FirstService Residential Ontario, the condominium management arm of FirstService. Mr. Thompson is a MBA graduate from the University of Toronto’s Rotman School of Management and holds various degrees/diplomas/certifications from Western University, York University, CAGBC, USGBC, and D’Youville College in New York.

Name and municipality of residence	Age	Present position and tenure	Principal occupation during last five years
Chuck M. Fallon *Florida, USA*	57	Chief Executive Officer, FirstService Residential, since April 2013	Mr. Fallon is the CEO of FirstService Residential. He is a seasoned veteran of the customer service industry known for his leadership on client service excellence and a strong track record of driving growth for globally recognized Fortune 500 companies. Having joined as CEO in 2013, Mr. Fallon is responsible for identifying acquisitions, recruiting key employees, conceptualizing business initiatives and directing the company's overall expansion. Drawing on his extensive background in business strategy, operations, sales, marketing and network development, Mr. Fallon maintains the pillars of superior customer service, innovation and technology to continuously build on FirstService Residential's legacy of going the extra mile every day to make a difference for each resident and client served. Prior to FirstService Residential, he served as President of Terminix International from 2011 to 2013 and President, North America at Burger King Holdings from 2006 to 2011. Prior to that, Mr. Fallon led sales, marketing and revenue management at AvisBudget Group and began his career as an investment banker in New York and London.
Charlie E. Chase *Pennsylvania, USA*	60	President and Chief Executive Officer, FirstService Brands, since 2010	Mr. Chase is the President and CEO of FirstService Brands. Prior to his role as CEO, Mr. Chase served as the President of the Consumer Franchises of The Franchise Company and prior to that he was CEO of CertaPro Group. Throughout his 30 years with FirstService Brands he has held numerous roles, starting as a Franchise owner in 1982 at College Pro Painters. Believing that there was an opportunity to create a successful and significant full time painting company, in 1992 he became the founding President of CertaPro Painters.

Ownership

As of the date hereof, the directors and executive/key officers of FirstService, as a group, own, or control or direct, directly or indirectly, 7,269,194 Common Shares, which represents 17.5% of the total Common Shares outstanding.

Legal proceedings and regulatory actions

There are no legal proceedings to which FirstService is a party to, or in respect of which, any of the property of FirstService is the subject of, which is or was material to FirstService during 2019, and FirstService is not aware of any such legal proceedings that are contemplated. In the normal course of operations, FirstService is subject to routine immaterial claims and litigation incidental to its business. Litigation currently pending or threatened against FirstService includes disputes with former employees and commercial liability claims related to services provided by FirstService. FirstService believes resolution of such proceedings, combined with amounts set aside, will not have a material impact on FirstService's financial condition or the results of operations.

During 2019, there were no penalties or sanctions imposed against FirstService by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor were there any other penalties or sanctions imposed by a court or regulatory body against FirstService and, during 2019, FirstService did not enter into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

Properties

The following chart provides a summary of the properties occupied by FirstService and its subsidiaries as at December 31, 2019:

(square feet)	United States (leased)	United States (owned)	Canada (leased)	Canada (owned)	International (leased)	International (owned)
FirstService Residential	844,000	74,000	100,000	–	–	–
FirstService Brands	1,960,000	38,000	514,000	–	–	–
Corporate	-	-	20,000	–	–	–

Reconciliation of non-GAAP financial measures

In this AIF, we make reference to "adjusted EBITDA" and "adjusted EPS," which are financial measures that are not calculated in accordance with GAAP.

Adjusted EBITDA is defined as net earnings, adjusted to exclude: (i) income tax; (ii) other expense (income); (iii) interest expense; (iv) depreciation and amortization; (v) acquisition-related items; (vi) stock-based compensation expense; and (vii) settlement of the LTIA. The Company uses adjusted EBITDA to evaluate its own operating performance and its ability to service debt, as well as an integral part of its planning and reporting systems. Additionally, this measure is used in conjunction with discounted cash flow models to determine the Company's overall enterprise valuation and to evaluate acquisition targets. Adjusted EBITDA is presented as a supplemental measure because the Company believes such measure is useful to investors as a reasonable indicator of operating performance because of the low capital intensity of its service operations. The Company believes this measure is a financial metric used by many investors to compare companies, especially in the services industry. This measure is not a recognized measure of financial performance under GAAP in the United States, and should not be considered as a substitute for operating earnings, net earnings from operations or cash flow from operating activities, as determined in accordance with GAAP. The Company's method of calculating adjusted EBITDA may differ from other issuers and accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of net earnings (loss) from operations to adjusted EBITDA appears below.

(in thousands of US$)	Year ended December 31	
	2019	**2018**
Net earnings (loss)	$ (227,631)	$ 90,280
Income tax	27,147	24,922
Other expense (income)	(6,015)	(254)
Interest expense, net	32,080	12,620
Operating earnings (loss)	(174,419)	127,568
Depreciation and amortization	79,557	52,772
Settlement of the LTIA	314,379	-
Acquisition-related items	7,539	4,504
Stock-based compensation expense	8,126	5,767
Adjusted EBITDA	$ 235,182	$ 190,611

Adjusted EPS is defined as diluted net earnings (loss) per share, adjusted for the effect, after income tax, of: (i) the non-controlling interest redemption increment; (ii) acquisition-related items; (iii) amortization of intangible assets recognized in connection with acquisitions; (iv) settlement of the LTIA; (v) stock-based compensation expense; and (vi) a stock-based compensation tax adjustment related to a US GAAP change. The Company believes this measure is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company and enhances the comparability of operating results from period to period. Adjusted EPS is not a recognized measure of financial performance under GAAP, and should not be considered as a substitute for diluted net earnings per common share from operations, as determined in accordance with GAAP. The Company's method of calculating this non-GAAP measure may differ from other issuers and, accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of diluted net earnings (loss) per common share from operations to adjusted EPS appears below.

(in US$)	Year ended December 31	
	2019	**2018**
Diluted net earnings (loss) per share	$ (6.51)	$ 1.80
Non-controlling interest redemption increment	0.42	0.36
Acquisition-related items	0.16	0.09
Amortization of intangible assets, net of tax	0.72	0.35
Settlement of the LTIA	8.13	-
Stock-based compensation expense, net of tax	0.15	0.12
Stock-based compensation tax adjustment for US GAAP change	(0.07)	(0.11)
Adjusted EPS	$ 3.00	$ 2.61

We believe that the presentation of adjusted EBITDA and adjusted EPS, which are non-GAAP financial measures, provides important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. Non-GAAP financial measures do not have any standardized meaning and are therefore unlikely to be comparable to similar measures presented by other issuers. We use these non-GAAP financial measures to assist management and investors in understanding our operating performance, our ability to service debt, to assist in determining our overall enterprise valuation and to evaluate acquisition targets, and such measures are an integral part of our planning and reporting systems. We provide non-GAAP financial measures because we believe such measures are useful to investors as a reasonable indicator of our operating performance given the low capital intensity of our service operations and provide a supplemental way to understand our underlying operating performance that enhances the comparability of operating results from period to period, and such measures are commonly used by many investors to compare companies, especially in the services industry. We have also chosen to provide such measures to investors so they can analyze our operating results in the same way that management does and use such measures in their assessment of our core business and valuation. Investors are cautioned that non-GAAP financial measures should not be relied upon as a substitute for financial measures prepared in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the costs or benefits associated with the operations of our business as determined in accordance with GAAP. As a result, investors should not consider these measures in isolation or as a substitute for analysis of our results as reported under GAAP.

Risk factors

Readers should carefully consider the following risks, as well as the other information contained in this AIF and our management's discussion and analysis for the year ended December 31, 2019. If any of the following risks actually occurs, our business could be materially harmed. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, including those of which we are currently unaware or we currently deem immaterial, may also adversely affect our business, and past performance is no guarantee of future performance.

Risks relating to our Business

Economic conditions, especially as they relate to credit conditions and consumer spending and demand for managed residential property

During periods of economic slowdown or contraction, our business is impacted directly. Consumer spending directly impacts our FirstService Brands operations businesses because as consumers spend less on property services, our revenues decline. These factors could also negatively impact the timing or the ultimate collection of accounts receivable, which would negatively impact our operating revenues, profitability and cash flow.

Residential real estate property values, resale rates and general conditions of financial liquidity for real estate transactions

We provide various services at residential properties in our FirstService Residential and FirstService Brands operating divisions. Property values and consumer confidence are strongly correlated with demand for our services, including painting, closet installation, general maintenance, collections and resale processing.

Extreme weather conditions impacting demand for our services or our ability to perform those services
Natural disasters, such as hurricanes, can have a direct impact in our FirstService Residential and FirstService Brands operations. These events damage property, which require various services that our companies offer, such as restoration and large-scale landscaping. They may also harm our employees, facilities and franchisees, resulting in an inability to serve clients and generate revenues.

Economic deterioration impacting our ability to recover goodwill and other intangible assets
Expectations of future earnings drive the recoverability of goodwill and other intangible assets, which are tested, at least, on an annual basis. A future deterioration of operating performance may necessitate additional non-cash impairment charges.

A decline in our ability to generate cash from our businesses to fund future acquisitions and meet our debt obligations
We rely on our businesses to generate the necessary cash to service our financial obligations. As at December 31, 2019, we have $766.6 million of debt outstanding ($645.4 million net of cash) that will be required to be refinanced or repaid over the next 3 years. We also have $261.3 million of available un-drawn credit at December 31, 2019. To date, we have been able to meet all of our debt obligations, however with a decline in performance in some of our businesses, surplus cash may not be available to be remitted which may result in the inability to meet a debt repayment.

An important component of our growth strategy is strategic and selective acquisitions, which we tend to complete with cash. Although we have a revolving credit facility available to us under the Credit Agreement as noted elsewhere in this AIF, we also rely on surplus cash on hand to fund acquisitions. If cash on hand is not available and our revolving credit facility is fully utilized, then future acquisitions may not be possible.

The effects of changes in foreign exchange rates in relation to the U.S. dollar on our Canadian dollar denominated revenues and expenses
We generate less than 15% of our revenues outside the United States. Consequently, a portion of our consolidated results are impacted directly by fluctuations in the relative strength of the U.S. dollar versus the Canadian dollar currency. In the future, we may acquire additional international operations. In such event, the impact of foreign currency exchange rate fluctuations may increase.

Competition in the markets served by FirstService
We operate in highly competitive markets. Changes in the source and intensity of competition in the markets served by us impact the demand for our services and may result in additional pricing pressures. The relatively low capital cost of entry to certain of our businesses has led to strong competitive markets, including regional and local owner-operated companies. Regional and local competitors operating in a limited geographic area may have lower labour, benefits and overhead costs. The principal methods of competition in our businesses include name recognition, quality and speed of service, pricing, customer satisfaction and reputation. No assurance can be given that we will be able to compete successfully against current or future competitors and that the competitive pressures that we face will not result in reduced market share or negatively impact our financial performance.

Labour shortages or increases in wage and benefit costs
As a services company, our primary asset is the human capital that comprises our workforce. In particular, we rely on property managers, franchisees and other skilled staff to generate revenues. A shortage, or increase in wage and benefit costs, of this human capital could reduce our revenues and profitability.

The effects of changes in interest rates on our cost of borrowing
As at December 31, 2019, we had $607.4 million of debt at variable interest rates. As a result, changes in base rates such as LIBOR affect our interest expense as these base rates fluctuate. On our fixed rate debt, we have from time-to-time entered into fixed-for-floating interest rate swaps, where advantageous, to convert the fixed interest payments to floating. These swaps are intended to manage interest rate sensitivity and reduce overall interest costs.

A decline in our performance impacting our continued compliance with the financial covenants under our debt agreements, or our ability to negotiate a waiver of certain covenants with our lenders

A prolonged decline in our earnings performance could result in a non-compliance with one or more financial covenants under the Credit Agreement and/or Note Agreement. In addition, FirstService's degree of leverage from time to time could have adverse consequences for FirstService, including: limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and associated contingent purchase consideration, and/or for general corporate purposes; restricting our flexibility and discretion to operate our business; limiting our ability to declare dividends on the Common Shares; having to dedicate a portion of our cash flows from operations to the payment of interest on our existing indebtedness and not having such cash flows available for other purposes, including operations, capital expenditures, acquisitions and other future business opportunities; exposing us to increased interest expense on borrowings; limiting our ability to adjust to changing market conditions; placing us at a competitive disadvantage compared to its competitors that have less debt; making us vulnerable in a downturn in general economic conditions; and making us unable to make capital expenditures that are important to our growth and strategies. In the event that we are unable to make principal or interest payments on our indebtedness outstanding under the Credit Agreement or our other indebtedness as required, we could be in default and such indebtedness could be accelerated, and we may not be able to repay or refinance such indebtedness. Any such default and acceleration could require us to raise additional equity capital (resulting in dilution) or take on additional indebtedness, which could have more onerous terms than our existing indebtedness, or to sell assets or take other actions that could adversely affect our business. Furthermore, a lender, if unpaid, may exercise their secured creditor rights.

Unexpected increases in operating costs, such as insurance, workers' compensation, health care and fuel prices

As a services company, the costs of providing services to our customers can fluctuate. Certain operating expenses are based on market rates which we cannot control and, absent an offsetting price increase in our services, have a direct impact on our operating margins.

Changes in the frequency or severity of insurance incidents relative to our historical experience

Adverse changes in claims experience could increase our insurance costs and/or increase the risk of being unable to renew insurance coverage at our operations. In each of our operating segments, we effectively self-insure certain risks, with a layer of third-party insurance for catastrophic claims. An increase in the frequency or severity of claims in these areas could materially affect our financial position and results of operations. There can be no assurance that we will be able to obtain insurance coverage on favourable economic terms in the future.

A decline in our ability to make acquisitions at reasonable prices and successfully integrate acquired operations, no assurance of future performance by acquired businesses and potential liabilities associated with acquisitions

As an acquisitive organization, we actively pursue acquisitions to expand our footprint and services offerings as well as supplement existing businesses. Not only does our acquisition strategy depend on the continued availability of suitable targets, it also depends on the ability to negotiate favorable terms and conditions. Another risk with acquisitions is the ability to integrate the acquired business into an existing service line.

In addition, historic and current performance of a business we acquire (such as Global Restoration) may not be indicative of success in future periods. A business we acquire may not perform as well as we anticipate or we may incur unanticipated costs and expenses relating to its operations. The future performance of a business we acquire may be influenced by unpredictable events, economic downturns, regulatory changes and other factors beyond the control of FirstService. There is no assurance that revenues generated from a business we acquire will increase in future years. As a result of any one or more of these factors, the operations and financial performance of a business we acquire may be negatively affected, which could materially and adversely affect FirstService's financial results.

In relation to acquisitions we make, often times the liabilities of the acquired business remained with the acquired legal entity or entities. There may be liabilities that FirstService fail to discover or are unable to quantify accurately or at all in a due diligence review of an acquisition conducted prior to completing the acquisition. Although FirstService has in the past in select circumstances buyer-side representation and warranty insurance in respect of an acquisition and has certain limited indemnification rights, these may be insufficient to satisfy any losses resulting from such liabilities.

Changes in laws, regulations and government policies at the federal, state/provincial or local level may adversely impact our businesses

Changes in laws and regulation at the different jurisdictional levels can have a direct effect on our operations. It is difficult to predict the future impact of a change in legislative and regulatory requirements affecting our businesses. The laws and regulations applicable to our businesses will likely change in the future and affect our operations and financial performance. In addition, if we were to fail to comply with any applicable law or regulation, we could be subject to substantial fines or damages, be involved in litigation, suffer losses to our reputation and suffer the loss of licenses or penalties that may affect how our business is operated, which, in turn, would have a material adverse effect on our business, financial condition and results of operations.

Risks related to liability for employee acts or omissions, or installation/system failure, in our fire protection businesses
The nature of the fire protection services we provide exposes us to the risks that we may be held liable for employee acts or omissions or installation/system failures. In an attempt to reduce this risk, our installation, service and/or maintenance agreements and other contracts contain provisions limiting our liability in such circumstances, and we typically maintain liability insurance to mitigate such risk. However, in the event of litigation, it is possible that contract limitations may be deemed not applicable or unenforceable, that our insurance coverage is not adequate, or that insurance carriers deny coverage of our claims. As a result, such employee acts or omissions or installation/system failures could have an adverse effect on our business, financial condition, results of operations and cash flows.

Risks arising from any regulatory review and litigation
While management is not currently aware of any formal regulatory reviews or investigations, the commencement of any such reviews or investigations may result in the diversion of significant management attention and resources and, if securities or other regulators determine that a violation of securities or other laws may have occurred, or has occurred, the Company or its officers and directors may receive notices regarding potential enforcement action or prosecution and could be subject to civil or criminal penalties or other remedies. For example, the Company or its officers could be required to pay substantial damages, fines or other penalties, the regulators could seek an injunction against the Company or seek to ban an officer or director of the Company from acting as such, any of which actions would have a material adverse effect on the Company.

Risks associated with intellectual property and other proprietary rights that are material to our business
Our ability to compete effectively depends in part on our rights to service marks, trademarks, trade names and other intellectual property rights we own or license. We have not sought to register every one of our marks in every jurisdiction in which they are used. Furthermore, because of the differences in foreign trademark, patent and other intellectual property or proprietary rights laws, we may not receive the same protection in other jurisdictions as we would in Canada or the United States. If we are unable to protect our proprietary information and brand names, we could suffer a material adverse effect on our business, financial condition or results of operations. Litigation may be necessary to enforce our intellectual property rights and protect our proprietary information, or to defend against claims by third parties that our products or services infringe their intellectual property rights. Any litigation or claims brought by or against us could result in substantial costs and diversion of our resources. A successful claim of trademark, patent or other intellectual property infringement against us, or any other successful challenge to the use of our intellectual property, could subject us to damages or prevent us from providing certain services under our recognized brand names, which could have a material adverse effect on our business, financial condition or results of operations.

Disruptions or security failures in our information technology systems
Our information technology systems facilitate our ability to monitor, operate and control our operations. While we have disaster recovery plans in place, any disruption in these plans or the failure of our information technology systems to operate as expected could, depending on the magnitude of the problem, adversely affect our operating results by limiting, among other things, our capacity to monitor, operate and control our operations effectively. In addition, because our systems contain information about individuals and businesses, our failure to maintain the security of the data we hold, whether the result of our own error or the malfeasance or errors of others, could harm our reputation or give rise to legal liabilities relating to violations of privacy laws or otherwise, which may lead to lower revenues, increased costs and other material adverse effects on our results of operations.

Political conditions, including any outbreak or escalation of terrorism or hostilities and the impact thereof on our business
Political events and situations can have an effect on the Company's operations. Events could occur that may hamper our ability to manage operations, extract cash and implement FirstService policies in certain regions.

Risks relating to our Common Shares

Volatility of market price of the Common Shares
The market price of the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control, including the following:

- actual or anticipated fluctuations in our annual or quarterly results of operations;
- changes in estimates of future results of operations by us or by securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to us;
- the addition or departure of our executive officers or other key personnel;
- litigation or regulatory action against us;
- issuances or expected issuances of additional Common Shares or other forms of our securities;
- changes in applicable laws and regulations, including tax laws, or changes in the manner in which those laws are applied;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; and
- news reports relating to the conditions in the economy in general and/or trends, concerns or competitive developments, regulatory changes and other related issues in our industry.

The volatility may affect the ability of holders of Common Shares to sell the Common Shares at an advantageous price.

Financial markets have, at times, experienced significant price and volume fluctuations that have particularly affected the market prices of securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if our operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Common Shares by those institutions, which could adversely affect the trading price of the Common Shares. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil occur, our operations could be adversely impacted and the trading price of the Common Shares may be adversely affected.

A decline in our performance impacting our ability to pay dividends on Common Shares
Although we intend to make cash dividends to shareholders in accordance with our existing dividend policy, these dividends are not assured. Future dividends on the Common Shares will depend on our results of operations, financial condition, capital requirements, general business conditions and other factors that our board of directors may deem relevant. Additionally, under the Credit Agreement and the Note Agreement, we are not permitted to pay dividends, whether in cash or *in specie*, in the circumstances of an event of default thereunder occurring and continuing or an event of default occurring as a consequence thereof. The market value of the Common Shares may deteriorate if we are unable to pay dividends pursuant to our existing dividend policy in the future.

Potential dilution
We are authorized to issue an unlimited number of Common Shares for consideration and terms and conditions as established by our board of directors, in many cases, without any requirement for explicit shareholder approval, and shareholders have no pre-emptive rights in connection with such further issuances. We may issue additional Common Shares in share offerings (including through the sale of securities convertible into or exchangeable for Common Shares) and pursuant to the exercise of options under our Option Plan. We cannot predict the size of future issuances of Common Shares or the effect that future issuances and sales of Common Shares will have on the market price of the Common Shares. Issuances of a substantial number of additional Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares. With any additional issuance of Common Shares, holders of Common Shares will suffer dilution and we may experience dilution in our earnings per share.

Foreign private issuer

We are a "foreign private issuer", as such term is defined in Rule 405 under the United States Securities Act of 1933, as amended, and are permitted, under a multijurisdictional disclosure system adopted by the United States and Canada, to prepare our disclosure documents filed under the United States Securities Exchange Act of 1934, as amended ("U.S. Exchange Act"), in accordance with Canadian disclosure requirements. Under the U.S. Exchange Act, we are subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, we do not file the same reports that a U.S. domestic issuer would file with the U.S. Securities and Exchange Commission ("SEC"), although we are required to file or furnish to the SEC the continuous disclosure documents that we are required to file in Canada under Canadian securities laws. In addition, our officers, directors, and principal shareholders are exempt from the reporting and short swing profit liability provisions of Section 16 of the U.S. Exchange Act. Therefore, our shareholders may not know on as timely a basis when our officers, directors and principal shareholders purchase or sell shares, as the reporting deadlines under the corresponding Canadian insider reporting requirements are generally longer.

As a foreign private issuer, we are exempt from the rules and regulations under the U.S. Exchange Act related to the furnishing and content of proxy statements. We are also exempt from Regulation FD, which prohibits issuers from making selective disclosures of material non-public information. While we will comply with the corresponding requirements relating to proxy statements and disclosure of material non-public information under Canadian securities laws, these requirements differ from those under the U.S. Exchange Act and Regulation FD, and shareholders should not expect to receive the same information at the same time as such information is provided by U.S. domestic companies.

In addition, as a foreign private issuer, we have the option to follow certain Canadian corporate governance practices, except to the extent that such laws would be contrary to U.S. securities laws, and provided that we disclose the requirements we are not following and describe the Canadian practices we follow instead. We currently rely on this exemption with respect to requirements regarding the quorum for any meeting of our shareholders, the requirement to obtain shareholder approval prior to an issuance of securities in certain circumstances and certain responsibilities of the Executive Compensation Committee of our board of directors. We may in the future elect to follow home country practices in Canada with regard to other matters. As a result, our shareholders may not have the same protections afforded to shareholders of U.S. domestic companies that are subject to all corporate governance requirements.

Interest of management and others in material transactions

Except as described below or elsewhere in this AIF, no director of FirstService, executive officer of FirstService, or person or company that beneficially owns, or controls or directs more than 10% of any class or series of voting securities of FirstService, or any associate or affiliate of any of the foregoing persons, has or has had any material interest in any transaction within the last three years, or during the current year, that has materially affected or is reasonably expected to materially affect FirstService or any of its subsidiaries.

Material contracts

The only contracts that can reasonably be regarded as material to us, other than contracts entered into in the ordinary course of business, are as follows:

(a) *Credit Facility*: On June 21, 2019, we entered into the Credit Agreement with a syndicate of lenders. The Credit Agreement replaced our prior credit agreement which had been in effect since June 1, 2015. The Credit Agreement is comprised of a committed multi-currency revolving credit facility of US$450 million and a term loan (drawn in a single advance) in the aggregate amount of US$440 million. The revolving credit facility portion of the Credit Agreement has a term ending on January 17, 2023 and bears interest at 0.25% to 2.50% over floating preference rates, depending on certain leverage ratios. The term loan portion of the Credit Agreement was implemented in order to substantially finance the purchase price for the acquisition of Global Restoration in June 2019, has a five-year term ending on June 21, 2024 (with repayments of 5% of the principal amount of the term loan per annum in years 2, 3, 4 and 5 of the term, payable in equal quarterly payments, with the balance due at maturity) and bears interest at 0.25% to 2.50% over floating preference rates, depending on certain leverage ratios. The Credit Agreement requires a commitment fee of 0.25% to 0.50% of the unused portion, depending on certain leverage ratios. The indebtedness under the Credit Agreement and the Senior Notes rank equally in terms of seniority. We have granted the lenders under the Credit Agreement and the holders of the Senior Notes various security, including an interest in all of our assets (including our share of our material subsidiaries), an assignment of material contracts and an assignment of our "call" rights with respect to securities of our subsidiaries held by non-controlling interests. We may repay amounts owing under the Credit Agreement at any time without penalty. Advances under the revolving credit facility portion of the Credit Agreement are subject to certain conditions of drawdown, and may be made by way of US and Canadian prime rate/base rate/LIBOR loans, bankers acceptances or letters of credit. The financial covenants contained in the Credit Agreement require that we maintain a total debt to consolidated EBITDA ratio of not more than 3.5 to 1.0, on a consolidated and rolling four quarters basis, an interest coverage ratio of greater than 2.0 to 1 and minimum shareholders' equity of US$165 million, plus one-half of our consolidated net earnings and the net proceeds from certain sales of our shares. To date, we have always complied with the foregoing covenants. All outstanding amounts under the Credit Agreement will be accelerated and must be repaid upon the occurrence of an event of default under the Credit Agreement, in certain circumstances, following written notice from the lenders to such effect. We are prohibited under the Credit Agreement from undertaking certain acquisitions and dispositions, and incurring certain indebtedness and encumbrances, without prior approval of the lenders under the Credit Agreement; and

(b) *Note Agreement*: On June 1, 2015, we entered into the Note Agreement pursuant to which FirstService assumed from Old FSV US$150 million of Senior Notes bearing interest at a rate of 3.84% to 4.84%, depending on leverage ratios. As of December 31, 2019, the current interest rate on the Senior Notes is 4.84%. The Senior Notes are due on January 16, 2025, with five annual equal repayments beginning on January 16, 2021, and rank equally with the indebtedness under the Credit Agreement in terms of seniority. We may prepay the Senior Notes at any time in an amount of not less than $5 million at the principal amount of the notes then being repaid, plus accrued interest and a make whole payment. The financial covenants contained in the Note Agreement require that we maintain a total debt to consolidated EBITDA ratio of not more than 3.5 to 1.0, on a consolidated and rolling four quarters basis, an interest coverage ratio of greater than 2.0 to 1, a consolidated net worth as of the end of a fiscal quarter that is greater than US$165 million, plus one-half of our consolidated net earnings and the net proceeds from certain sales of our shares, and ensure that our priority debt does not at any time exceed 10% of our consolidated total tangible assets. To date, we have complied with the foregoing covenants. All outstanding amounts under the Senior Notes will be accelerated and must be repaid upon the occurrence of certain events of default under the Note Agreement. We are prohibited under the Note Agreement from undertaking certain acquisitions and dispositions, and incurring certain indebtedness and encumbrances, without prior approval of the holders of the Senior Notes.

Copies of the above material contracts are available on FirstService's SEDAR profile at www.sedar.com.

Cease trade orders, bankruptcies, penalties or sanctions

To the best of the knowledge of the Company:

(1) none of the directors or executive officers of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company) that: (i) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days (collectively, an "Order") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

(2) none of the directors or executive officers of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company : (a) is, as at the date of this AIF, or has been, within 10 years before the date of this AIF , a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;

except for Michael Stein, who served as a director of a privately held United Kingdom-registered company from February 2012 to January 2019 and, on March 21, 2019, the company voluntarily appointed an administrator under the United Kingdom insolvency act (Insolvency Act 1986).

Conflicts of interest

Certain directors and officers of the Company are engaged in and will continue to engage in activities outside the Company, and as a result, certain directors and officers of the Company may become subject to conflicts of interest. The *Business Corporations Act* (Ontario) provides that in the event that a director or officer has an interest in a contract or proposed contract or agreement, the director or officer shall disclose his or her interest in such contract or agreement and, in the case of directors, shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided under the *Business Corporations Act* (Ontario). To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the *Business Corporations Act* (Ontario).

As at the date hereof, the Company is not aware of any existing or potential material conflicts of interest between the Company and a director or officer of the Company.

Experts

The Company's independent registered public accounting firm is PricewaterhouseCoopers LLP, who has issued an integrated audit report dated February 20, 2020 in respect of the Company's consolidated financial statements as of December 31, 2019 and 2018 and on the effectiveness of the Company's internal control over financial reporting as at December 31, 2019. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario and within the meaning of the United States Securities Act of 1933, as amended, and the applicable rules and regulations thereunder adopted by the SEC. PricewaterhouseCoopers LLP is registered with the Public Company Accounting Oversight Board.

Audit Committee

The Audit Committee is comprised of three members who are each "independent" and "financially literate" as required by Multilateral Instrument 52-110 *Audit Committees* (the "Audit Committee Rule"). The members of the Audit Committee are Bernard I. Ghert (Chair – 2019 and prior), Michael Stein and Joan Eloise Sproul (Chair – Present). The Audit Committee has the resources and the authority to discharge its responsibilities, including the authority to engage, at the expense of FirstService, outside consultants, independent legal counsel and other advisors as it determines necessary to carry out its duties, without seeking approval of our board of directors or management. The Audit Committee also has the authority to conduct any investigation necessary and appropriate to fulfilling its responsibilities, and has direct access to communicate with the external auditors, legal counsel and officers and employees of FirstService. The Audit Committee meets at least four times annually, or more frequently as circumstances dictate.

The Audit Committee reviews the annual and interim financial statements intended for circulation among shareholders and reports upon these to our board of directors prior to their approval by the full board. The Audit Committee is also responsible for reviewing the integrity of FirstService's financial reporting process, both internal and external, and any major issues as to the adequacy of the internal controls and any special audit procedures adopted in light of any material control deficiencies. The Audit Committee communicates directly with FirstService's external auditors in order to discuss audit and related matters whenever appropriate. In addition, our board of directors may refer to the Audit Committee such matters and questions relating to the financial position of FirstService and its subsidiaries. All reports made to FirstService's ethics hotline are reviewed by the Chair of the Audit Committee and then by the entire Audit Committee at its next meeting. Our board of directors has adopted an Audit Committee mandate, a copy of which is annexed as Exhibit "A" to this AIF. The Audit Committee mandate is also published on the Company's website (www.firstservice.com).

The education and related experience of each of the members of the Audit Committee that is relevant to the performance by such members of their responsibilities on such committee is described below.

Joan Eloise Sproul (Chair – Present) – Ms. Sproul was most recently the Executive Vice President, Finance (CFO) & Chief Administrative Officer of the Sinai Health System in Toronto, Canada, which is comprised of Mount Sinai Hospital, Bridgepoint Active Healthcare and Lunenfeld-Tanenbaum Research Institute. In addition to serving more than 20 years in various finance and corporate-related roles at Mount Sinai Hospital, she previously held a number of senior financial positions in the hospitality industry. Ms. Sproul serves on the Board of Directors for The Centre for Phenogenomics, a state-of-the-art national research facility owned and operated by Sinai Health and the Hospital for Sick Children. Ms. Sproul was named to the list of Canada's Most Powerful Women, Women's Executive Network, 2013. Ms. Sproul holds a Chartered Professional Accountant (CPA) designation, having qualified as a Chartered Accountant in 1981 and began her career at Ernst & Whinney. Ms. Sproul holds a Bachelor of Commerce degree from the University of Toronto.

Bernard I. Ghert (Chair – 2019 and prior) –

Mr. Ghert was previously President and Chief Executive Officer of the Cadillac Fairview Corporation Limited from 1981 to 1987 and President of Stelworth Investments Inc. from 1987 to 1992. Mr. Ghert has been a director of many organizations in the private and public sectors, including Cadillac Fairview, Stelworth, CT Financial and Canada Trust, Wellington Insurance and the Canada Deposit Insurance Corporation. Mr. Ghert has served as Director of the Managers of several Middlefield Funds, President of the Canadian Institute of Public Real Estate Companies and was a former member of the Advisory Board of the Office of the Superintendent of Financial Institutions. Mr. Ghert currently is Chairman of the Independent Review Committee of Middlefield Fund Management Limited, President of the B.I. Ghert Family Foundation, President of Coppi Holdings Ltd., a Director Emeritus on Sinai Health System's Board, Co-Chair on Sinai Health System's Audit and Risk Management Committee and Past Chair of the Mount Sinai Hospital Board of Directors. Mr. Ghert holds a Master of Business Administration degree.

Michael Stein – Mr. Stein is the founder, Chairman and CEO of the MPI Group, a property development and investment group with a track record in incubating, investing in, and managing successful companies. Between 1978 and 1987, Mr. Stein held progressively senior positions with the Mortgage Insurance Company of Canada, ultimately holding the position of Executive Vice-President responsible for operations. Mr. Stein is a founder of CAPREIT, Canada's first TSX listed apartment REIT, where he continues to serve as chairman. He currently serves as a director of McEwen Mining Inc. (NYSE/TSX), a trustee of European Residential Real Estate Investment Trust (TSX-V), chairman of Cliffside Capital Ltd. (TSX-V) and previously served as a director of Goldcorp Inc. Mr. Stein is a graduate engineer and has an MBA in finance and international business from Columbia University.

The Audit Committee Rule requires the Company to disclose whether its Audit Committee has adopted specific policies and procedures for the engagement of non-audit services and to prepare a summary of these policies and procedures. The Audit Committee is responsible for the selection, nomination, compensation, retention, termination and oversight of the work of the external auditors engaged for the purpose of issuing an auditor's report or performing other audit, review or attest services for FirstService and, in such regard, recommend to our board of directors the external auditors to be nominated for approval by FirstService shareholders. The Audit Committee will also consider, assess and report to our board of directors with regard to the independence and performance of the external auditors. The Audit Committee has adopted a pre-approval policy pursuant to which the Company may not engage the Company's external auditor to carry out certain non-audit services that are deemed inconsistent with the independence of auditors under U.S. and Canadian applicable laws. The Audit Committee must pre-approve all audit engagements and the provision by the external auditors of all non-audit services, including fees and terms for all audit engagements and non-audit engagements.

In addition to performing the audit of the Company's annual consolidated financial statements, PricewaterhouseCoopers LLP provided other services to the Company and they billed the Company the following fees during 2019:

(in thousands of US$)	Year ended December 31, 2019
Audit fees (note 1)	$843,000
Audit-related fees (note 2)	94,000
Tax fees (note 3)	298,000
All other fees (note 4)	4,000
Admin and disbursements (note 4)	97,000
	$1,336,000

Notes:

1. Refers to the aggregate fees billed by the Company's external auditor for audit services relating to the audit of FirstService and statutory audits required by subsidiaries.
2. Refers to the aggregate fees billed for assurance and related services by the Company's external auditor that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under (1) above, including professional services rendered by the Company's external auditor for accounting consultations on proposed transactions and consultations related to accounting and reporting standards. Such fees included amounts incurred in respect of: due diligence and other work related to the disposition and acquisition of businesses, such work being unrelated to the audit of the Company's financial statements; accounting consultations with respect to proposed transactions, as well as other audit-related services.
3. Refers to the aggregate fees billed for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning.
4. Refers to fees for licensing and subscriptions to accounting and tax research tools, as well as administration and out-of-pocket expenses.

Additional information

Additional information, including the directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase securities, where applicable, is contained in the Meeting Circular.

Copies of publicly filed documents of the Company, including those incorporated herein by reference, can be found through the SEDAR web site at www.sedar.com and also via EDGAR at www.sec.gov. Additional financial information is provided in the Company's consolidated financial statements and management's discussion and analysis for the year ended December 31, 2019.

EXHIBIT "A"

AUDIT COMMITTEE MANDATE

Purpose

The Audit Committee (the "Committee") is appointed by and shall assist the Board of Directors (the "Board") of FirstService Corporation (the "Company") in fulfilling its oversight responsibilities in the following principal areas: (i) accounting policies and practices, (ii) the financial reporting process, (iii) financial statements provided by the Company to the public, (iv) risk management including systems of internal accounting and financial controls, (v) appointing, overseeing and evaluating the work of the external auditors, and (vi) compliance with applicable legal and regulatory requirements.

In addition to the responsibilities specifically enumerated in this Mandate, the Board may refer to the Committee such matters and questions relating to the financial position of the Company and its subsidiaries as the Board may from time to time see fit.

Membership

The Committee shall consist of at least three directors appointed annually by the Board and shall be selected based upon the following, in accordance with applicable rules and regulations:

a. *Independence*. Each member shall be independent in accordance with applicable legal and regulatory requirements and in such regard shall have no direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

b. *Financially Literate*. Each member shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee. For these purposes, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

c. *Commitment*. In addition to being a member of the Committee, if a member is also on the audit committee or board of directors of other public companies, the Board shall determine that such simultaneous service does not impair the ability of such member to serve effectively on the Company's Audit Committee.

Chair and Secretary

The Chair of the Audit Committee shall be selected by the Board. If the Chair is not present, the members of the Committee may designate a Chair for the meeting by majority vote of the members present. The Secretary of the Company shall be the Secretary of the Audit Committee, provided that if the Secretary is not present, the Chair of the meeting may appoint a secretary for the meeting with the consent of the other Committee members who are present.

Meetings

The times and locations of meetings of the Committee and the calling of such meetings, shall be determined from time to time by the Chair of the Committee, in consultation with management when necessary, provided that there shall be a minimum of four meetings per year. The Committee shall have sufficient notice in order to prepare for each meeting. Notice of each meeting shall also be given to the external auditors of the Company, and meetings shall be convened whenever requested by the external auditors or any member of the Committee in accordance with applicable law.

Meeting Agendas

Agendas for meetings of the Audit Committee shall be developed by the Chair of the Committee in consultation with management and the corporate secretary, and shall be circulated to the Committee members prior to any meetings.

Resources and Authority

The Committee shall have the resources and the authority to discharge its responsibilities, including the authority to engage, at the expense of the Company, outside consultants, independent legal counsel and other advisors as it determines necessary to carry out its duties, without seeking approval of the Board or management.

The Committee shall have the authority to conduct any investigation necessary and appropriate to fulfilling its responsibilities, and has direct access to communicate with the external auditors, legal counsel, and officers and employees of the Company.

The members of the Committee have the right, for the purpose of performing their duties, to inspect the books and records of the Company and to discuss such accounts and records and any matters relating to the financial position, risk management and internal controls of the Company with the officers and external auditors of the Company.

Responsibilities

The Company's management is responsible for preparing the Company's financial statements while the external auditors are responsible for auditing those financial statements. The Committee is responsible for overseeing the conduct of those activities by the Company's management and external auditors, and overseeing the activities of any internal audit initiatives. The Company's external auditors are accountable to the Committee as representatives of the Company's shareholders.

It is recognized that members of the Committee are not full-time employees of the Company and do not represent themselves to be accountants or auditors by profession or experts in the fields of accounting or auditing or the preparation of financial statements. It is not the duty or responsibility of the Committee or its members to conduct "*field work*" or other types of auditing or accounting reviews or procedures. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Company from whom it receives information, and (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary.

The specific responsibilities of the Committee are as follows:

1. **Financial Reporting Process and Financial Statements**

    a. In consultation with the external auditors and management, review the integrity of the Company's financial reporting process, both internal and external, and any major issues as to the adequacy of the internal controls and any special audit procedures adopted in light of any material control deficiencies;

    b. Review all material transactions and contracts entered into by the Company with any insider or related party of the Company, other than officer or employee compensation arrangements which are approved by the Compensation Committee;

    c. Review with management and the external auditors the Company's annual audited consolidated financial statements and discuss with the external auditors all matters required to be discussed by generally accepted auditing standards (GAAS) in Canada and the United States. This would include reviewing an annual report prepared by the external auditors describing: (i) all critical accounting policies used by the Company, (ii) any material alternative accounting treatments within generally accepted accounting principles (GAAP) that have been discussed with management of the Company, including the ramifications of the use of such alternative treatments and disclosures, and (iii) any other material written communications between the external auditors and management;

d. Following completion of the annual audit, review with management and the external auditors any significant issues, concerns or difficulties encountered;

e. Resolve any disagreements between management and the external auditors regarding financial reporting;

f. Review the interim quarterly and annual financial statements and annual and interim press releases prior to the release of earnings information including earnings guidance provided to analysts;

g. Review and be satisfied that adequate procedures are in place for the review of the public disclosure of financial information by the Company and periodically assess the adequacy of those procedures; and

h. Meet separately, periodically, with management and with the external auditors.

2. **External Auditors**

a. The Committee is responsible for the selection, nomination, compensation, retention, termination and oversight of the work of the external auditors engaged for the purpose of issuing an auditor's report or performing other audit, review or attest services for the Company, and in such regard recommend to the Board the external auditors to be nominated for approval by the shareholders;

b. Pre-approve all audit engagements and the provision by the external auditors of all non-audit services, including fees and terms for all audit engagements and non-audit engagements, and in such regard the Committee may establish the types of non-audit services the external auditors shall be prohibited from providing and shall establish the types of audit, audit related and non-audit services for which the Committee will retain the external auditors;

c. Review and approve the Company's policies for the hiring of partners and employees and former partners and employees of the external auditing firm;

d. Consider, assess and report to the Board with regard to the independence and performance of the external auditors; and

e. Request and review annually a report by the external auditors regarding the auditing firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the past five years.

3. **Internal Controls and Risk Management**

a. Oversee management's design, implementation and evaluation of the Company's internal controls over financial reporting including compliance with the requirements of the Sarbanes-Oxley Act. Receive and review reports from management and the external auditors with regard to the reliability and effective operation of the Company's accounting systems and internal controls;

b. Discuss with management the Company's approach to risk assessment and risk management and it's assessment of the need for internal auditing. The Company's approach includes assessing and managing the risks related with personal and sensitive data that is collected, transmitted or stored by the Company and the control environment in place to protect the privacy of such data;

c. Establish policies and procedures for the confidential, anonymous submission by employees of the Company of any concerns regarding questionable accounting or other acts and for the receipt, retention and treatment of any such submissions.

4. **Legal and Regulatory Requirements**

   a. Receive and review timely analysis by management of significant issues relating to public disclosure and reporting, including, prior to finalization, the Management's Discussion and Analysis and Annual Information Form;

   b. Prepare the report of the Audit Committee required to be included with the Company's periodic filings; and

   c. Assist the Board in the oversight of compliance with legal and regulatory matters.

5. **Additional Responsibilities**

   a. Report regularly to the Board, including matters such as the quality and integrity of the Company's financial statements, compliance with legal and regulatory requirements, the results of any internal audit initiatives including evaluation of internal controls over financial reporting for purposes of compliance with Sarbanes-Oxley, and the performance and independence of the external auditors; and

   b. Review and reassess annually the adequacy of the Audit Committee's Mandate and prepare and review with the Board an annual performance evaluation of the Audit Committee.

EXHIBIT 2

FIRSTSERVICE CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

Year ended

December 31, 2019

FIRSTSERVICE CORPORATION

MANAGEMENT'S REPORT
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements and management discussion and analysis ("MD&A") of **FirstService Corporation** (the "Company") and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America using the best estimates and judgments of management, where appropriate. The most significant of these accounting principles are set out in Note 2 to the consolidated financial statements. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the consolidated financial statements.

The MD&A has been prepared in accordance with National Instrument 51-102 of the Canadian Securities Administrators, taking into consideration other relevant guidance, including Regulation S-K of the US Securities and Exchange Commission.

The Board of Directors of the Company has an Audit Committee consisting of three independent directors. The Audit Committee meets regularly to review with management and the independent auditors any significant accounting, internal control, auditing and financial reporting matters.

These consolidated financial statements have been audited by PricewaterhouseCoopers LLP, which have been appointed as the independent registered public accounting firm of the Company by the shareholders. Their report outlines the scope of their examination and opinion on the consolidated financial statements and the effectiveness of ICFR at December 31, 2019. As auditors, PricewaterhouseCoopers LLP have full and independent access to the Audit Committee to discuss their findings.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of its effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has excluded fifteen entities acquired by the Company during the last fiscal period, including the acquisition of Global Restoration, from its assessment of internal control over financial reporting as at December 31, 2019. The total assets and total revenues of the fifteen majority-owned entities represent 11.8% and 13.4%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2019.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2019, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at December 31, 2019, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as at December 31, 2019, has been audited by PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm as stated in their report which appears herein.

/s/ Scott Patterson
Chief Executive Officer
February 20, 2020

/s/ Jeremy Rakusin
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of FirstService Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of FirstService Corporation and its subsidiaries (together, the Company) as of December 31, 2019 and 2018, and the related consolidated statements of earnings (loss), consolidated statements of comprehensive earnings (loss), consolidated statements of shareholders' equity and consolidated statements of cash flows for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America (US GAAP). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded 15 entities from its assessment of internal control over financial reporting as of December 31, 2019 because they were acquired by the Company in purchase business combinations during 2019. We have also excluded these 15 entities from our audit of internal control over financial reporting. Total assets and total revenues of these majority-owned entities excluded from management's assessment and our audit of internal control over financial reporting represent 11.8% and 13.4%, respectively, of the consolidated financial statement amounts as of and for the year ended December 31, 2019.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Acquisition of Global Restoration - Fair Value of Intangible Assets

As described in Note 4 to the consolidated financial statements, the Company acquired Global Restoration for net cash consideration of $506.7 million in 2019, which resulted in $222.1 million of intangible assets being recorded. Intangible assets acquired comprised of customer relationships of $213.2 million, backlog of $7.1 million, trademarks and trade names of $1.8 million. Management recorded the intangible assets acquired at fair value on the date of acquisition using the income approach on an individual asset basis. Management applied judgment in estimating the fair value of intangible assets acquired, which included the use of assumptions with respect to future earnings before interest, taxes, depreciation and amortization (EBITDA) margins, revenue growth rates, expected attrition rates of acquired customer relationships and discount rates.

The principal considerations for our determination that performing procedures relating to the fair value of intangible assets recorded in the acquisition of Global Restoration is a critical audit matter are (i) there was a high degree of auditor judgment and subjectivity in performing procedures relating to the fair value measurement of intangible assets acquired due to the judgment applied by management when developing the estimate; (ii) significant audit effort was required in evaluating the assumptions relating to the estimated fair value of intangible assets, including future EBITDA margins, revenue growth rates, expected attrition rates of acquired customer relationships and discount rates; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management's valuation of intangible assets and controls over development of the assumptions related to the valuation of intangible assets, including future EBITDA margins, revenue growth rates, expected attrition rates of acquired customer relationships and discount rates. These procedures also included, among others, (i) reading the purchase agreement; (ii) testing management's process for estimating the fair value of intangible assets; (iii) evaluating the appropriateness of the valuation method; (iv) testing the completeness, accuracy and relevance of the data used in estimating the fair value of intangible assets; and (v) evaluating the reasonableness of assumptions used by management. Evaluating the reasonableness of assumptions used by management including future EBITDA margins, revenue growth rates and expected attrition rates of acquired customer relationships involved considering the past performance of the acquired business, economic and industry forecasts, and similar prior acquisitions made by the Company. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's valuation method and certain assumptions, such as the discount rates.

Goodwill Impairment Assessment

As described in Notes 2 and 10 to the consolidated financial statements, the Company's goodwill balance was $644.8 million as of December 31, 2019. Management conducts an impairment test as of August 1 of each year, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. Potential impairment is identified by comparing the fair value of each reporting unit to its carrying value, including goodwill. Fair value is estimated by management using a market multiple method. Management applied significant judgment in estimating the fair value of each reporting unit, which included the use of significant assumptions with respect to multiples of EBITDA for comparable entities with similar operations and economic characteristics.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment is a critical audit matter are (i) there was significant judgment applied by management when estimating the fair value of the reporting units; which in turn led to (ii) a high degree of auditor judgment and subjectivity in performing procedures to evaluate management's significant assumptions, including multiples of EBITDA for comparable entities with similar operations and economic characteristics.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the estimation of the fair value of the Company's reporting units. These procedures also included, among others, (i) testing management's process for estimating the fair value of the reporting units; (ii) evaluating the appropriateness of the market multiple method; (iii) testing the completeness, accuracy and relevance of the data used in estimating the fair value of the reporting units; and (iv) evaluating the reasonableness of the significant assumptions used by management, including multiples of EBITDA for comparable entities with similar operations and economic characteristics. Evaluating the reasonableness of the significant assumptions used by management involved (i) comparing the multiples of EBITDA to the multiples of similar prior acquisitions made by the Company and to the current trading multiple of the Company, as well as to external market and industry data, and (ii) performing sensitivity analyses.

/s/ PricewaterhouseCoopers LLP
Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
February 20, 2020

We have served as the Company's auditor since 2014.

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
(in thousands of US dollars, except per share amounts)

Years ended December 31		**2019**		2018
Revenues	**$**	**2,407,410**	$	1,931,473
Cost of revenues (exclusive of depreciation and amortization shown below)		**1,634,097**		1,320,252
Selling, general and administrative expenses		**546,257**		426,377
Depreciation		**40,859**		35,257
Amortization of intangible assets		**38,698**		17,515
Settlement of long-term incentive arrangement ("LTIA") (note 19)		**314,379**		-
Acquisition-related items (note 4)		**7,539**		4,504
Operating earnings (loss)		**(174,419)**		127,568
Interest expense, net		**32,080**		12,620
Other (income) expense, net (note 6)		**(6,015)**		(254)
Earnings (loss) before income tax		**(200,484)**		115,202
Income tax (note 15)		**27,147**		24,922
Net earnings (loss)		**(227,631)**		90,280
Non-controlling interest share of earnings (note 12)		**7,874**		11,180
Non-controlling interest redemption increment (note 12)		**16,105**		13,235
Net earnings (loss) attributable to Company	**$**	**(251,610)**	$	65,865
Net earnings (loss) per common share (note 16)				
Basic	**$**	**(6.58)**	$	1.83
Diluted	**$**	**(6.58)**	$	1.80

The accompanying notes are an integral part of these financial statements.

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)
(in thousands of US dollars)

Years ended December 31		**2019**		2018
Net earnings (loss)	**$**	**(227,631)**	$	90,280
Foreign currency translation (loss) gain		**2,659**		(2,623)
Comprehensive earnings (loss)		**(224,972)**		87,657
Less: Comprehensive earnings attributable to non-controlling shareholders		**23,979**		24,415
Comprehensive earnings (loss) attributable to Company	**$**	**(248,951)**	$	63,242

The accompanying notes are an integral part of these financial statements.

FIRSTSERVICE CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands of US dollars)

As at December 31		**2019**		2018
Assets				
Current assets				
Cash and cash equivalents	**$**	**121,198**	$	66,340
Restricted cash		**13,093**		13,504
Accounts receivable, net of allowance of $13,136 (December 31, 2018 - $9,177)		**393,730**		239,925
Income tax recoverable		**4,147**		9,337
Inventories (note 7)		**94,511**		48,227
Prepaid expenses and other current assets		**41,457**		37,739
		668,136		415,072
Other receivables		**4,033**		4,212
Other assets		**4,955**		6,135
Deferred income tax (note 15)		**2,836**		-
Fixed assets (note 8)		**131,545**		98,102
Operating lease right-of-use assets (note 5)		**132,893**		-
Intangible assets (note 9)		**366,224**		148,798
Goodwill (note 10)		**644,847**		335,155
		1,287,333		592,402
	$	**1,955,469**	$	1,007,474
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable	**$**	**76,226**	$	41,709
Accrued liabilities (note 7)		**165,444**		132,572
Unearned revenues		**74,100**		36,746
Operating lease liabilities - current (note 5)		**30,622**		-
Long-term debt - current (note 11)		**5,545**		3,915
Contingent acquisition consideration - current (note 18)		**6,269**		12,005
		358,206		226,947
Long-term debt - non-current (note 11)		**761,078**		330,608
Operating lease liabilities - non-current (note 5)		**111,247**		-
Contingent acquisition consideration (note 18)		**8,154**		1,281
Unearned revenues		**12,593**		13,453
Other liabilities		**45,403**		40,797
Deferred income tax (note 15)		**58,239**		6,577
		996,714		392,716
Redeemable non-controlling interests (note 12)		**174,662**		151,585
Shareholders' equity		**425,887**		236,226
	$	**1,955,469**	$	1,007,474

Commitments and contingencies (note 19)

The accompanying notes are an integral part of these financial statements.

On behalf of the Board of Directors,

/s/Bernard I. Ghert — Director
/s/D. Scott Patterson — Director

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands of US dollars, except share information)

	Common shares					
	Issued and outstanding shares	Amount	Contributed surplus	Retained Earnings (Deficit)	Accumulated other comprehensive loss	Total
Balance, December 31, 2017	35,916,383	$ 143,770	$ 41,463	$ 7,545	$ (492)	$ 192,286
Net earnings	-	-	-	65,865	-	65,865
Other comprehensive loss	-	-	-	-	(2,623)	(2,623)
Subsidiaries' equity transactions	-	-	(336)	-	-	(336)
Common Shares:						
Stock option expense	-	-	5,767	-	-	5,767
Stock options exercised	194,100	5,479	(1,797)	-	-	3,682
Dividends	-	-	-	(19,417)	-	(19,417)
Purchased for cancellation	(130,436)	(542)	-	(8,456)	-	(8,998)
Balance, December 31, 2018	35,980,047	$ 148,707	$ 45,097	$ 45,537	$ (3,115)	$ 236,226
Net earnings (loss)	-	-	-	(251,610)	-	(251,610)
Other comprehensive earnings	-	-	-	-	2,659	2,659
Impact of ASC 842 - Leases (note 5)	-	-	-	(390)	-	(390)
Subsidiaries' equity transactions	-	-	(10)	-	-	(10)
Common Shares:						
Stock option expense	-	-	8,126	-	-	8,126
Stock options exercised	432,050	13,481	(2,424)	-	-	11,057
Dividends	-	-	-	(23,411)	-	(23,411)
Issued - settlement of LTIA (note 19)	2,918,860	251,503	-	-	-	251,503
Issued - share offering (note 13)	2,165,000	191,737	-	-	-	191,737
Balance, December 31, 2019	**41,495,957**	**$ 605,428**	**$ 50,789**	**$ (229,874)**	**$ (456)**	**$ 425,887**

The accompanying notes are an integral part of these financial statements.

FIRSTSERVICE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of US dollars)

Years ended December 31	**2019**	2018
Cash provided by (used in)		
Operating activities		
Net earnings	**$ (227,631)**	$ 90,280
Items not affecting cash:		
Depreciation and amortization	**79,557**	52,772
Settlement of long-term incentive arrangement	**251,503**	-
Deferred income tax	**(8,988)**	1,989
Other	**2,258**	5,837
Changes in non-cash working capital:		
Accounts receivable	**(17,396)**	(37,100)
Inventories	**(7,107)**	(5,780)
Prepaid expenses and other current assets	**(1,033)**	(6,152)
Accounts payable	**858**	(3,249)
Accrued liabilities	**7,228**	12,462
Income tax payable	**4,644**	(5,142)
Unearned revenues	**11,808**	(6,330)
Other liabilities	**13,069**	1,257
Contingent acquisition consideration paid	**(962)**	(1,383)
Net cash provided by operating activities	**107,808**	99,461
Investing activities		
Acquisitions of businesses, net of cash acquired (note 4)	**(579,863)**	(59,444)
Disposal of businesses, net of cash disposed (note 6)	**13,030**	-
Purchases of fixed assets	**(46,628)**	(40,597)
Other investing activities	**(1,504)**	(6,158)
Net cash used in investing activities	**(614,965)**	(106,199)
Financing activities		
Increase in long-term debt	**624,052**	103,914
Repayment of long-term debt	**(194,193)**	(41,626)
Proceeds received on common share issuance (note 13)	**191,737**	-
Financing fees paid	**(4,000)**	(575)
Purchases of non-controlling interests	**(34,319)**	(3,600)
Sale of interests in subsidiaries to non-controlling interests	**3,671**	1,200
Contingent acquisition consideration paid	**(9,094)**	(7,862)
Proceeds received on exercise of stock options	**11,057**	3,682
Dividends paid to common shareholders	**(22,044)**	(18,780)
Distributions paid to non-controlling interests	**(5,725)**	(6,913)
Repurchases of Common Shares	**-**	(8,998)
Net cash provided by financing activities	**561,142**	20,442
Effect of exchange rate changes on cash	**462**	(754)
Increase in cash, cash equivalents and restricted cash	**54,447**	12,950
Cash, cash equivalents and restricted cash, beginning of year	**79,844**	66,894
Cash, cash equivalents and restricted cash, end of year	**$ 134,291**	$ 79,844

FIRSTSERVICE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of US dollars, except share and per share amounts)

1. Description of the business

FirstService Corporation (the "Company") is a North American provider of residential property management and other essential property services to residential and commercial customers. The Company's operations are conducted in two segments: FirstService Residential and FirstService Brands. The segments are grouped with reference to the nature of services provided and the types of clients that use those services.

FirstService Residential is a full-service property manager and in many markets provides a full range of ancillary services primarily in the following areas: (i) on-site staffing, including building engineering and maintenance, full-service amenity management, security, concierge and front desk personnel; (ii) proprietary banking and insurance products; and (iii) energy conservation and management solutions.

FirstService Brands provides a range of essential property services to residential and commercial customers in North America through franchise networks and company-owned locations. The principal brands in this division include Paul Davis Restoration, Global Restoration, California Closets, CertaPro Painters, Pillar to Post Home Inspectors, Floor Coverings International, and Century Fire Protection.

2. Summary of significant accounting policies

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant estimates are related to the determination of fair values of assets acquired and liabilities assumed in business combinations, recoverability of goodwill and intangible assets, estimated fair value of contingent consideration related to acquisitions, and the collectability of accounts receivable. Actual results could be materially different from these estimates.

Significant accounting policies are summarized as follows:

Basis of consolidation
The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries where the Company is the primary beneficiary. Where the Company does not have a controlling interest but has the ability to exert significant influence, the equity method is used. Inter-company transactions and accounts are eliminated on consolidation.

Cash and cash equivalents
Cash equivalents consist of short-term interest-bearing securities, which are readily convertible into cash and have original maturities at the date of purchase of three months or less.

Restricted cash
Restricted cash consists of cash over which the Company has legal ownership but is restricted as to its availability or intended use, including funds held on behalf of clients and franchisees.

On January 1, 2018, the Company adopted updated guidance issued by the FASB on restricted cash (ASU No. 2016-18). This ASU requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. The Company's restricted cash balance consists primarily of cash related to our marketing funds in the FirstService Brands segment, cash held for certain employees' benefit plans, and cash held for insurance broker commissions owed in our FirstService Residential segment. This update has been applied retrospectively.

Accounts Receivable
In the ordinary course of business, the Company extends non-interest bearing trade credit to its customers. Accounts receivable are reported on the face of the consolidated balance sheets, net of an allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts to provide for the estimated amount of receivables that will not be collected. In determining the allowance for doubtful accounts, the Company analyzes the aging of accounts receivable, historical payment experience, customer creditworthiness and current economic trends.

Inventories
Inventories are carried at the lower of cost and net realizable value. Cost is determined using the weighted average method. Work-in-progress inventory relates to construction contracts and real estate project management projects in process and are accounted for using the percentage of completion method.

Fixed assets
Fixed assets are carried at cost less accumulated depreciation. The costs of additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. Fixed assets are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset group may not be recoverable. An impairment loss is recorded to the extent the carrying amount exceeds the estimated fair value of an asset group. Fixed assets are depreciated over their estimated useful lives as follows:

Buildings	20 to 40 years straight-line
Vehicles	3 to 5 years straight-line
Furniture and equipment	3 to 10 years straight-line
Computer equipment and software	3 to 5 years straight-line
Leasehold improvements	term of the lease to a maximum of 10 years straight-line

Fair value
The Company uses the fair value measurements framework for financial assets and liabilities and for non-financial assets and liabilities that are recognized or disclosed at fair value on a non-recurring basis. The framework defines fair value, gives guidance for measurement and disclosure, and establishes a three-level hierarchy for observable and unobservable inputs used to measure fair value. The classification of an asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities
Level 3 – Unobservable inputs for which there is little or no market data, which requires the Company to develop its own assumptions

Financing fees
Financing fees related to our amended and restated credit agreement (the “Credit Agreement”) with a syndicate of lenders and our $150,000 of senior secured notes (the “Senior Notes”) are deferred and amortized to interest expense using the effective interest method.

Adoption of ASC 842
The Company adopted ASU 842, Leases, as of January 1, 2019, using the modified retrospective approach. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification.

The Company has lease agreements with lease and non-lease components, and has elected to account for each lease component (e.g., fixed rent payments) separately from the non-lease components (e.g., common-area maintenance costs). The Company has also elected not to recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. Leases are recognized on the balance sheet when the lease term commences, and the associated lease payments are recognized as an expense on a straight-line basis over the lease term.

See note 5 to the consolidated financial statements for additional disclosures about the impact of adoption of ASC 842.

Accounting Policy for Leases under ASC 842
At lease commencement, which is generally when the Company takes possession of the asset, the Company records a lease liability and a corresponding right-of-use asset. Lease liabilities represent the present value of minimum lease payments over the expected lease term, which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the lease liability is determined using the Company's incremental collateralized borrowing rate at the lease commencement.

Minimum lease payments include base rent, fixed escalation of rental payments, and rental payments that are adjusted periodically depending on a rate or index. In determining minimum lease payments, the Company does not separate non-lease components for real estate leases. Non-lease components are generally services that the lessor performs for the Company associated with the leased asset, such as common area maintenance.

Right-of-use assets represent the right to control the use of the leased asset during the lease and are initially recognized in an amount equal to the lease liability. In addition, prepaid rent, initial direct costs, and adjustments for lease incentives are components of the right-of-use asset. Over the lease term the lease expense is amortized on a straight-line basis beginning on the lease commencement date. Right-of-use assets are assessed for impairment as part of the impairment of long-lived assets, which is performed whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable.

A right-of-use asset and lease liability are not recognized for leases with an initial term of 12 months or less, and the lease expense is recognized on a straight-line basis over the lease term.

Goodwill and intangible assets
Goodwill represents the excess of purchase price over the fair value of assets acquired and liabilities assumed in a business combination and is not subject to amortization.

Intangible assets are recorded at fair value on the date they are acquired. They are amortized over their estimated useful lives as follows:

Customer relationships	straight-line over 4 to 20 years
Franchise rights	by pattern of use, currently estimated at 2.5% to 15% per year
Trademarks and trade names	straight-line over 1 to 35 years
Management contracts and other	straight-line over life of contract ranging from 2 to 15 years
Backlog	straight-line over 6 to 12 months

The Company reviews the carrying value of finite life intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition. If the sum of the undiscounted expected future cash flows is less than the carrying amount of the asset group, an impairment loss is recognized. Measurement of the impairment loss is based on the excess of the carrying amount of the asset group over the fair value calculated using an income approach.

Goodwill is tested for impairment annually, on August 1, or more frequently if events or changes in circumstances indicate the asset might be impaired, in which case the carrying amount of the asset is written down to fair value.

Impairment of goodwill is tested at the reporting unit level. The Company has seven reporting units determined with reference to business segment, customer type, service delivery model and geography. Impairment is tested by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Where it is determined to be more likely than not that its fair value is greater than its carrying amount, then no further testing is required. Where the qualitative analysis is not sufficient to support that the fair value exceeds the carrying amount then a goodwill impairment test is performed. A quantitative goodwill impairment test is performed by comparing the fair value of each reporting unit to its carrying value, including goodwill. Fair value is estimated using a market multiple method, which estimates market multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA") for comparable entities with similar operations and economic characteristics. Significant assumptions used in estimating the fair value of each reporting unit include the market multiples of EBITDA.

Redeemable non-controlling interests
Redeemable non-controlling interests ("RNCI") are recorded at the greater of (i) the redemption amount or (ii) the amount initially recorded as RNCI at the date of inception of the minority equity position. This amount is recorded in the "mezzanine" section of the balance sheet, outside of shareholders' equity. Changes in the RNCI amount are recognized immediately as they occur.

Revenue recognition and unearned revenues
The Company accounts for a contract with a customer when there is approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. The Company's revenues are measured based on consideration specified in the contract of each customer and revenue is recognized as the performance obligations are satisfied by transferring the control of the service or product to a customer.

(a) Franchisor operations
The Company operates several franchise systems within its FirstService Brands segment. Initial franchise fees are deferred and recognized over the term of the franchise agreement. Royalty revenues are recognized based on a contracted percentage of franchisee revenues, as reported by the franchisees. Revenues from administrative and other support services, as applicable, are recognized as the services are provided.

The Company's franchise systems operate marketing funds on behalf of franchisees. Advertising fund contributions from franchisees are reported as revenues and advertising fund expenditures are reported as expenses in our statements of earnings. To the extent that contributions received exceed advertising expenditures, the excess amount is accrued and offset as a deferred liability, whereas any expenditures in excess of contributions are expensed as incurred. As such, advertising fund contributions and the related revenues and expenses may be reported in different periods.

(b) Revenues from construction contracts and service operations other than franchisor operations
Revenues are recognized at the time the service is rendered. Certain services including but not limited to restoration and construction contracts, are recognized over time based on percentage of completion, based on a ratio of actual costs to total estimated contract costs. In cases where anticipated costs to complete a project exceed the revenue to be recognized, a provision for the additional estimated losses is recorded in the period when the loss becomes apparent. Amounts received from customers in advance of services being provided are recorded as unearned revenues when received.

Stock-based compensation
For equity classified awards, compensation cost is measured at the grant date based on the estimated fair value of the award. The related stock option compensation expense is allocated using the graded attribution method.

Notional value appreciation plans
Under these plans, subsidiary employees are compensated if the notional value of the subsidiary increases. Awards under these plans generally have a term of up to fifteen years and a vesting period of five years. The increase in notional value is calculated with reference to growth in earnings relative to a fixed threshold amount plus or minus changes in indebtedness relative to a fixed opening amount. If an award is subject to a vesting condition, then graded attribution is applied to the intrinsic value. The related compensation expense is recorded in selling, general and administrative expenses and the liability is recorded in accrued liabilities.

Foreign currency translation
Assets, liabilities and operations of foreign subsidiaries are recorded based on the functional currency of each entity. For certain foreign operations, the functional currency is the local currency, in which case the assets, liabilities and operations are translated at current exchange rates from the local currency to the reporting currency, the US dollar. The resulting unrealized gains or losses are reported as a component of accumulated other comprehensive earnings. Realized and unrealized foreign currency gains or losses related to any foreign dollar denominated monetary assets and liabilities are included in net earnings.

Income tax
Income tax has been provided using the asset and liability method whereby deferred income tax assets and liabilities are recognized for the expected future income tax consequences of events that have been recognized in the consolidated financial statements or income tax returns. Deferred income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to reverse, be recovered or settled. The effect on deferred income tax assets and liabilities of a change in income tax rates is recognized in earnings in the period in which the change occurs. A valuation allowance is recorded unless it is more likely than not that realization of a deferred income tax asset will occur based on available evidence.

The Company recognizes uncertainty in tax positions taken or expected to be taken in a tax return by recording a liability for unrecognized tax benefits on its balance sheet. Uncertainties are quantified by applying a prescribed recognition threshold and measurement attribute.

The Company classifies interest and penalties associated with income tax positions in income tax expense.

Business combinations
All business combinations are accounted for using the purchase method of accounting. Transaction costs are expensed as incurred.

The determination of fair values of assets and liabilities assumed in business combinations requires the use of estimates and judgement by management, particularly in determining fair values of intangible assets acquired.

The fair value of the contingent consideration is classified as a financial liability and is recorded on the balance sheet at the acquisition date and is re-measured at fair value at the end of each period until the end of the contingency period, with fair value adjustments recognized in earnings.

3. Revenue from contracts with customers

Within the FirstService Brands segment, franchise fee revenue recognized during the twelve months ended December 31, 2019 that was included in deferred revenue at the beginning of the period was $4,462 (2018 - $3,392). These fees are recognized over the life of the underlying franchise agreement, usually between 5 - 10 years.

External broker costs and employee sales commissions in obtaining new franchisees are capitalized in accordance with the revenue standard and are amortized over the life of the underlying franchise agreement. Costs amortized during the twelve months ended December 31, 2019 were $1,717 (2018 - $1,220). The closing amount of the capitalized costs to obtain contracts on the balance sheet as at December 31, 2019 was $6,711 (2018 - $7,031). There were no impairment losses recognized related to those assets in the quarter.

The Company's backlog represents remaining performance obligations and is defined as contracted work yet to be performed. As at December 31, 2019, the aggregate amount of backlog was $300,499. The Company expects to recognize revenue on the remaining backlog over the next 12 months.

Disaggregated revenues are as follows:

	Year ended December 31	
	2019	**2018**
Revenues		
FirstService Residential	$ 1,411,998	$ 1,254,840
FirstService Brands company-owned operations	836,637	540,058
FirstService Brands franchisor	153,826	132,079
FirstService Brands franchise fee	4,949	4,496

The Company disaggregates revenue by segment, and within the FirstService Brands segment, further disaggregates its company-owned operations revenue; these businesses primarily recognize revenue over time as they perform because of continuous transfer of control to the customer. As such, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Company generally uses the cost-to-cost measure of progress method. The extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred.

We believe this disaggregation best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors.

4. Acquisitions

2019 acquisitions:
The Company acquired controlling interests in fifteen businesses, including three in the FirstService Residential segment and twelve in the FirstService Brands segment.

In the FirstService Brands segment, the Company acquired Global Restoration (aka Bellwether FOS Holdco, Inc.), a leading commercial and large loss firm headquartered in Colorado and with operations across the U.S. and Canada.

Details of the final fair values of assets acquired and liabilities assumed for the Company's significant Global Restoration acquisition, which closed in June 2019 are as follows:

	Global Restoration
Accounts receivable	**$ 118,678**
Inventories	**31,677**
Prepaid expenses and other current assets	**3,240**
Fixed assets	**22,574**
Operating lease right-of-use assets	**10,566**
Accounts payable	**(24,337)**
Accrued liabilities	**(21,345)**
Unearned revenues	**(12,779)**
Operating lease liabilities - current	**(6,500)**
Other current liabilities	**(649)**
Operating lease liabilities - non-current	**(4,072)**
Long-term debt - non-current	**(5,711)**
Other liabilities	**(615)**
Deferred tax liabilities	**(51,590)**
Redeemable non-controlling interests	**(25,433)**
	$ 33,704
Cash consideration, net of cash acquired of $6,518	**$ (506,680)**
Backlog	**$ 7,130**
Customer relationships	**213,150**
Trademarks and trade names	**1,850**
Goodwill	**$ 250,846**

"Acquisition-related items" related to the Global Restoration acquisition included transaction costs of $2,158.

The Global Restoration acquisition was accounted for by the purchase method of accounting for business combinations. Accordingly, the accompanying consolidated statements of earnings do not include any revenues or expenses related to Global Restoration prior to the June 21, 2019 closing date. The consideration for the transaction was financed from borrowings under the Credit Agreement, consisting of the Company's revolving credit facility as well as a $440,000 term loan (see note 11 for further detail).

The amounts of revenues and earnings contributed from the date of acquisition and included in the Company's consolidated results for the year ended December 31, 2019, and the supplemental pro forma revenues and earnings of the combined entity had the acquisition date for Global Restoration been January 1, 2018, are as follows:

	Revenues	Net earnings
Actual from Global Restoration for 2019	$ 219,204	$ 14,991
Supplemental pro forma for 2019 (unaudited)	2,613,433	(211,188)
Supplemental pro forma for 2018 (unaudited)	2,368,673	125,174

Supplemental pro forma results were adjusted for non-recurring items.

Other 2019 acquisitions:
In the FirstService Residential segment, the Company acquired controlling interests in regional firms operating in Chicago and western Canada.

Within the FirstService Brands segment, in addition to Global Restoration, the Company acquired five independent restoration companies, operating in Ohio, California, Missouri, Illinois and Quebec, as well as a Paul Davis Restoration franchise located in the mid-western U.S. The Company also acquired three California Closets franchises operating in Maryland, New Jersey, and Arizona and two fire protection operations based in Houston and Atlanta.

Details of the other 2019 acquisitions, in aggregate, are as follows:

	Aggregate Acquisitions
Current assets	**$ 34,454**
Non-current assets	**8,175**
Current liabilities	**(29,059)**
Non-current liabilities	**(1,574)**
Deferred tax liabilities	**(6,328)**
Redeemable non-controlling interest	**(9,874)**
	$ (4,206)
Cash consideration, net of cash acquired of $4,964	**$ (73,183)**
Acquisition date fair value of contingent consideration	**(10,611)**
Total purchase consideration	**$ (83,794)**
Backlog	**$ 4,240**
Customer relationships	**13,168**
Trademarks and trade names	**567**
Management contracts and other	**11,644**
Goodwill	**$ 58,381**

For these other 2019 acquisitions, “Acquisition-related items” included both transaction costs and contingent acquisition consideration fair value adjustments. Acquisition-related transaction costs for the year ended December 31, 2019 totaled $5,884 (2018 - $4,671). Also included in acquisition-related items was a reversal of $503 related to contingent acquisition consideration fair value adjustments (2018 – $167).

The acquisitions referred to above were accounted for by the purchase method of accounting for business combinations. Accordingly, the accompanying consolidated statements of earnings do not include any revenues or expenses related to these acquisitions prior to their respective closing dates. The consideration for the acquisitions during the year ended December 31, 2019 was financed from borrowings under the Credit Agreement and cash on hand.

The amount of revenues and earnings contributed from the date of acquisition and included in the Company’s consolidated results for the year ended December 31, 2019, and the supplemental pro forma revenues and earnings of the combined entity had the acquisition date been January 1, 2018, are as follows:

	Revenues	Net earnings
Actual from other acquired entities for 2019	$ 103,124	$ 3,780
Supplemental pro forma for 2019 (unaudited)	2,494,196	(221,769)
Supplemental pro forma for 2018 (unaudited)	2,163,426	106,069

Supplemental pro forma results were adjusted for non-recurring items.

2018 acquisitions:
The Company acquired controlling interests in twelve businesses, three in the FirstService Residential segment and nine in the FirstService Brands segment. In the FirstService Residential segment, the Company acquired regional firms operating in South Carolina, Georgia, and Ontario. In the FirstService Brands segment, the Company acquired two California Closets franchises located in Las Vegas and Houston, an independent restoration company in Florida, three Paul Davis Restoration franchises based in Alberta, Kentucky, and Seattle, and three fire protection companies operating in the Southeastern U.S., all of which will be operated as company-owned locations.

Details of these acquisitions are as follows:

	Aggregate Acquisitions
Current assets	$ 22,383
Non-current assets	6,961
Current liabilities	(12,049)
Deferred tax liabilities	(4,230)
Redeemable non-controlling interest	(19,889)
	$ (6,824)
Note consideration	$ (1,035)
Cash consideration, net of cash acquired of $3,038	(59,444)
Acquisition date fair value of contingent consideration	(4,536)
Total purchase consideration	$ (65,015)
Acquired intangible assets	$ 28,960
Goodwill	$ 42,879

In all years presented, the fair values of non-controlling interests for all acquisitions were determined using an income approach with reference to a discounted cash flow model using the same assumptions implied in determining the purchase consideration.

The purchase price allocations of all acquisitions resulted in the recognition of goodwill. The primary factors contributing to goodwill are assembled workforces, synergies with existing operations and future growth prospects. For certain acquisitions completed during the year ended December 31, 2019, goodwill in the amount of $6,911 is deductible for income tax purposes (2018 - $26,401). No goodwill that arose from the Global Restoration acquisition is deductible for tax purposes.

The determination of fair values of assets acquired and liabilities assumed in business combinations required the use of estimates and judgement by management, particularly in determining fair values of intangible assets acquired. Intangible assets acquired at fair value on the date of acquisition are recorded using the income approach on an individual asset basis. The assumptions used in estimating the fair values of intangible assets include future EBITDA margins, revenue growth rates, expected attrition rates of acquired customer relationships and the discount rates. Also, given the significance of the acquisition, the fair values of identifiable assets and liabilities related to the Global Restoration acquisition were developed with the assistance of a third-party valuation firm.

The Company typically structures its business acquisitions to include contingent consideration. Vendors, at the time of acquisition, are entitled to receive a contingent consideration payment if the acquired businesses achieve specified earnings levels during the one- to two-year periods following the dates of acquisition. The ultimate amount of payment is determined based on a formula, the key inputs to which are (i) a contractually agreed maximum payment; (ii) a contractually specified earnings level and (iii) the actual earnings for the contingency period. If the acquired business does not achieve the specified earnings level, the maximum payment is reduced for any shortfall, potentially to nil.

The fair value of the contingent consideration liability recorded on the consolidated balance sheet as at December 31, 2019 was $14,423 (see note 18). The estimated range of outcomes (undiscounted) for these contingent consideration arrangements is determined based on the formula price and the likelihood of achieving specified earnings levels over the contingency period, and ranges from $13,187 to a maximum of $15,514. These contingencies will expire during the period extending to July 2022. During the year ended December 31, 2019, $10,056 was paid with reference to such contingent consideration (2018 - $9,245).

5. Leases

The standard had a material impact on the Company's consolidated balance sheet, the primary impact being the recognition of right-of-use ("ROU") assets and lease liabilities for operating leases, while its accounting for finance leases remained substantially unchanged.

Select Consolidated Balance Sheet line items, which reflect the adoption of ASC 842 are as follows:

	As Previously Reported, at 31-Dec-18	Adjustments	As Adjusted for 1-Jan-19
(In thousands)			
Assets:			
Prepaid expenses and other current assets	$ 37,739	$ (125)	$ 37,614
Operating lease right-of-use-assets	-	99,265	99,265
Liabilities and equity:			
Accrued liabilities	132,572	(7,939)	124,633
Operating lease liabilities	-	107,469	107,469
Retained Earnings	45,537	(390)	45,147

Adoption of ASC 842 had no impact to net earnings in the Company's Consolidated Statements of Earnings as well as no impact to net cash from or used in operating, investing or financing activities in the Company's Consolidated Statements of Cash Flows.

The Company has operating leases for corporate offices, copiers, and certain equipment. Its leases have remaining lease terms of 1 year to 10 years, some of which may include options to extend the leases for up to 8 years, and some of which may include options to terminate the leases within 1 year. The Company evaluates renewal terms on a lease by lease basis to determine if the renewal is reasonably certain. The amount of operating lease expense recorded in the statement of earnings for the twelve months ended December 31, 2019 was $32,161 (2018 - $26,784).

Other information related to leases was as follows (in thousands, except lease term and discount rate):

Supplemental Cash Flows Information, twelve months ended December 31	2019
Cash paid for amounts included in the measurement of operating lease liabilities	$ 32,383
Right-of-use assets obtained in exchange for operating lease obligation	$ 55,663
Weighted Average Remaining Operating Lease Term (years)	5
Weighted Average Discount Rate	4.2%

Future minimum operating lease payments under non-cancellable leases as of December 31, 2019 were as follows:

2020	$ 36,128
2021	34,586
2022	26,856
2023	20,049
2024	13,865
Thereafter	30,080
Total future minimum lease payments	161,564
Less imputed interest	(19,695)
Total	141,869

Future minimum operating lease payments under non-cancellable leases as of December 31, 2018 were as follows:

2019	$ 24,505
2020	23,124
2021	19,643
2022	15,384
2023	11,946
Thereafter	21,446
Total future minimum lease payments	116,048

6. Other (income) expense

	2019	2018
Gain on disposal of business	**$ (6,082)**	$ -
Other (income) expense	**67**	(254)
	$ (6,015)	$ (254)

During the second quarter, the Company completed the divestiture of two non-core businesses. The Company sold its national accounts commercial painting operations for cash consideration of $3,386 and notes receivable of $2,800. The pre-tax gain on disposal was $1,406. The Company also completed the sale of its Florida and Arizona-based landscaping operations for cash consideration of $9,644 (net of cash disposed of $600). The pre-tax gain on disposal was $4,676.

7. Components of working capital accounts

	December 31, 2019	December 31, 2018
Inventories		
Work-in-progress	**$ 66,514**	$ 26,534
Finished goods	**15,347**	11,843
Supplies and other	**12,650**	9,850
	$ 94,511	$ 48,227
Accrued liabilities		
Accrued payroll and benefits	**$ 94,010**	$ 73,454
Value appreciation plans	**6,510**	8,860
Customer advances	**1,454**	1,365
Other	**63,470**	48,893
	$ 165,444	$ 132,572

8. Fixed assets

December 31, 2019	Cost	Accumulated depreciation	**Net**
Land	$ 2,521	$ -	**$ 2,521**
Buildings	10,602	5,136	**5,466**
Vehicles	85,585	48,308	**37,277**
Furniture and equipment	92,863	54,806	**38,057**
Computer equipment and software	112,752	83,371	**29,381**
Leasehold improvements	43,170	24,327	**18,843**
	$ 347,493	$ 215,948	**$ 131,545**

December 31, 2018	Cost	Accumulated depreciation	Net
Land	$ 2,521	$ -	$ 2,521
Buildings	10,581	4,952	5,629
Vehicles	67,441	40,821	26,620
Furniture and equipment	74,052	49,275	24,777
Computer equipment and software	100,743	76,108	24,635
Leasehold improvements	34,477	20,557	13,920
	$ 289,815	$ 191,713	$ 98,102

Included in fixed assets are vehicles, office and computer equipment under finance lease at a cost of $21,060 (2018 - $9,628) and net book value of $10,745 (2018 - $4,404).

9. Intangible assets

December 31, 2019	Gross carrying amount	Accumulated amortization	**Net**
Customer relationships	$ 360,228	$ 71,474	**$ 288,754**
Franchise rights	49,806	26,707	**23,099**
Trademarks and trade names	30,303	18,543	**11,760**
Management contracts and other	79,073	36,462	**42,611**
	$ 519,410	$ 153,186	**$ 366,224**

December 31, 2018	Gross carrying amount	Accumulated amortization	Net
Customer relationships	$ 135,844	$ 52,600	$ 83,244
Franchise rights	48,558	22,500	26,058
Trademarks and trade names	27,506	16,360	11,146
Management contracts and other	50,290	21,940	28,350
	$ 262,198	$ 113,400	$ 148,798

During the year ended December 31, 2019, the Company acquired the following intangible assets:

	Amount	Estimated weighted average amortization period (years)
Customer relationships	$ 226,318	11.9
Franchise rights	965	7.7
Trademarks and trade names	2,417	3.8
Management Contracts and other	22,049	6.0
	$ 251,749	11.3

The following is the estimated annual amortization expense for recorded intangible assets for each of the next five years ending December 31:

2020	$ 42,602
2021	34,690
2022	34,010
2023	32,669
2024	30,967

10. Goodwill

	FirstService Residential	FirstService Brands	Consolidated
Balance, December 31, 2017	$ 188,223	$ 103,697	$ 291,920
Goodwill acquired during the year	6,248	36,631	42,879
Other items	922	1,633	2,555
Foreign exchange	(1,450)	(749)	(2,199)
Balance, December 31, 2018	193,943	141,212	335,155
Goodwill acquired during the year	18,446	290,781	309,227
Goodwill disposed during the year	(2,025)	(229)	(2,254)
Other items	527	956	1,483
Foreign exchange	835	401	1,236
Balance, December 31, 2019	**$ 211,726**	**$ 433,121**	**$ 644,847**

Goodwill represents the excess of purchase price over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. A test for goodwill impairment is required to be completed annually, in the Company's case as of August 1, or more frequently if events or changes in circumstances indicate the asset might be impaired. Based on the quantitative assessment in 2019, the Company has concluded that goodwill is not impaired.

11. Long-term debt

	December 31, 2019
Credit Agreement	**$ 602,977**
Senior Notes	**150,000**
Capital leases maturing at various dates through 2022	**10,153**
Other long-term debt maturing at various dates up to 2023	**3,493**
	766,623
Less: current portion	**5,545**
Long-term debt - non-current	**$ 761,078**

The Company has $150 million of Senior Notes bearing interest at a rate of 4.84%. The Senior Notes are due on January 16, 2025, with five annual equal repayments beginning on January 16, 2021.

The Company has entered into the Credit Agreement with a syndicate of lenders. The Credit Agreement is comprised of a committed multi-currency revolving credit facility of $450,000 (the "Facility") and a term loan (drawn in a single advance) in the aggregate amount of $440,000 (the "Term Loan"). The Facility portion of the Credit Agreement has a term ending on January 17, 2023 and bears interest at 0.25% to 2.50% over floating preference rates, depending on certain leverage ratios. The Term Loan portion of the Credit Agreement has a term ending on June 21, 2024, with repayments of 5% per annum, paid quarterly, beginning in September 2020, with the balance payable at maturity, and bears interest at 0.25% to 2.50% over floating preference rates, depending on certain leverage ratios. The weighted average interest rate for 2019 was 4.4%. The Facility had $261,259 of available un-drawn credit as at December 31, 2019. As of December 31, 2019, letters of credit in the amount of $6,316 were outstanding ($5,214 as at December 31, 2018). The Credit Agreement requires a commitment fee of 0.25% to 0.50% of the unused portion, depending on certain leverage ratios. The Company may repay amounts owing under the Credit Agreement at any time without penalty. The Facility is available to fund working capital requirements (including acquisitions and any associated contingent purchase consideration) and other general corporate purposes. The Term Loan was implemented in order to substantially finance the purchase price for Global Restoration.

The indebtedness under the Credit Agreement and the Senior Notes rank equally in terms of seniority. The Company has granted the lenders under the Credit Agreement and the holders of the Senior Notes various security, including an interest in all of our assets. The Company is prohibited under the Credit Agreement and the Senior Notes from undertaking certain acquisitions and dispositions, and incurring certain indebtedness and encumbrances, without prior approval of the lenders under the Credit Agreement and the holders of the Senior Notes.

The effective interest rate on the Company's long-term debt for the year ended December 31, 2019 was 4.4%. The estimated aggregate amount of principal repayments on long-term debt required in each of the next five years ending December 31 and thereafter to meet the retirement provisions are as follows:

2020	$	16,770
2021		55,230
2022		54,724
2023		220,980
2024 and thereafter		418,919

12. Redeemable non-controlling interests

The minority equity positions in the Company's subsidiaries are referred to as redeemable non-controlling interests ("RNCI"). The RNCI are considered to be redeemable securities. Accordingly, the RNCI is recorded at the greater of (i) the redemption amount or (ii) the amount initially recorded as RNCI at the date of inception of the minority equity position. This amount is recorded in the "mezzanine" section of the balance sheet, outside of shareholders' equity. Changes in the RNCI amount are recognized immediately as they occur. The following table provides a reconciliation of the beginning and ending RNCI amounts:

	2019	2018
Balance, January 1	**$ 151,585**	$ 117,708
RNCI share of earnings	**7,874**	11,180
RNCI redemption increment	**16,105**	13,235
Distributions paid to RNCI	**(5,725)**	(6,913)
Purchases of interests from RNCI, net	**(30,648)**	(3,890)
RNCI recognized on business acquisitions	**35,307**	19,889
Other	**164**	376
Balance, December 31	**$ 174,662**	$ 151,585

The Company has shareholders' agreements in place at each of its non-wholly owned subsidiaries. These agreements allow the Company to "call" the non-controlling interest at a price determined with the use of a formula price, which is usually equal to a fixed multiple of average annual net earnings before extraordinary items, income taxes, interest, depreciation, and amortization. The agreements also have redemption features which allow the owners of the RNCI to "put" their equity to the Company at the same price subject to certain limitations. The formula price is referred to as the redemption amount and may be paid in cash or in Common Shares. The redemption amount as of December 31, 2019 was $170,983 (2018 - $149,132). The redemption amount is lower than that recorded on the balance sheet as the formula price of certain RNCI are lower than the amount initially recorded at the inception of the minority equity position. If all put or call options were settled with Common Shares as at December 31, 2019, approximately 1,800,000 such shares would be issued, and would have resulted in an increase of $0.90 to earnings per share for the year ended December 31, 2019.

13. Capital stock

The authorized capital stock of the Company is as follows:

An unlimited number of Common Shares having one vote per share.

The following table provides a summary of total capital stock issued and outstanding:

	Common Shares	
	Number	Amount
Balance, December 31, 2019	41,495,957	$ 605,428

On December 13, 2019, the Company completed a public offering of a total of 2,165,000 Common Shares at a price of US$92.50 per share, for gross proceeds of US$200,262 (net proceeds of $191,737) with a syndicate of underwriters led by BMO Capital Markets and TD Securities Inc. The net proceeds of the offering were used to repay existing indebtedness under the Facility.

14. Stock-based compensation

The Company has a stock option plan for certain officers and key full-time employees of the Company and its subsidiaries. Options are granted at the market price for the underlying shares on the date of grant. Each option vests over a four-year term, expires five years from the date granted and allows for the purchase of one Common Share. All Common Shares issued are new shares. As at December 31, 2019, there were 689,500 options available for future grants.

Grants under the Company's stock option plan are equity-classified awards. Stock option activity for the year ended December 31, 2019 is as follows:

	Number of options	**Weighted average exercise price**	**Weighted average remaining contractual life (years)**	**Aggregate intrinsic value**
Shares issuable under options -				
Beginning of period	1,633,150	$ 44.68		
Granted	438,000	83.89		
Exercised	(432,050)	25.30		
Shares issuable under options -				
December 31, 2019	1,639,100	$ 60.26	2.6	$ 53,724
Options exercisable - End of period	610,952	$ 47.49	1.8	$ 27,831

The Company incurred stock-based compensation expense related to these awards of $8,126 during the year ended December 31, 2019 (2018 - $5,767).

As at December 31, 2019, the range of option exercise prices was $23.96 to $83.89 per share. Also as at December 31, 2019, the aggregate intrinsic value and weighted average remaining contractual life for in-the-money options vested and expected to vest were $53,724 and 2.61 years, respectively.

The following table summarizes information about option exercises during year ended December 31, 2019:

		2019
Number of options exercised		**432,050**
Aggregate fair value	**$**	**37,890**
Intrinsic value		**26,833**
Amount of cash received		**11,057**
Tax benefit recognized	**$**	**2,932**

As at December 31, 2019, there was $9,043 of unrecognized compensation cost related to non-vested awards which is expected to be recognized over the next 4 years. During the year ended December 31, 2019, the fair value of options vested was $4,711 (2018 - $11,670).

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model, utilizing the following weighted average assumptions:

		2019
Risk free rate		**2.4%**
Expected life in years		**4.75**
Expected volatility		**30.6%**
Dividend yield		**0.7%**
Weighted average fair value per option granted	**$**	**23.85**

The risk-free interest rate is based on the implied yield of a zero-coupon US Treasury bond with a term equal to the option's expected term. The expected life in years represents the estimated period of time until exercise and is based on historical experience. The expected volatility is based on the historical prices of the Company's shares over the previous four years.

15. Income tax

Income tax differs from the amounts that would be obtained by applying the statutory rate to the respective year's earnings before tax. Differences result from the following items:

		2019		2018
Income tax expense using combined statutory rate of 26.5% (2018 - 26.5%, 2017 - 26.5%)	$	(53,128)	$	30,529
Permanent differences		**1,566**		785
Tax effect of flow through entities		**(307)**		(491)
Adjustments to tax liabilities for prior periods		**(328)**		(526)
Non-deductible stock-based compensation		**2,153**		1,528
Excess tax benefits related to stock-based compensation		**(3,672)**		(3,968)
Foreign, state and provincial tax rate differential		**(2,402)**		(2,863)
Settlement of long-term incentive arrangement		**83,310**		-
Other taxes		**(45)**		(72)
Provision for income taxes as reported	**$**	**27,147**	$	24,922

Earnings before income tax by jurisdiction comprise the following:

	2019	2018
Canada	**$ (323,100)**	$ 6,854
United States	**122,616**	108,348
Total	**$ (200,484)**	$ 115,202

Income tax expense (recovery) comprises the following:

	2019	2018
Current		
Canada	**$ 369**	$ (554)
United States	**33,978**	23,615
	34,347	23,061
Deferred		
Canada	**(1,620)**	403
United States	**(5,580)**	1,458
	(7,200)	1,861
Total	**$ 27,147**	$ 24,922

The significant components of deferred income tax are as follows:

	2019	2018
Deferred income tax assets		
Loss carry-forwards	**$ 2,788**	$ 1,567
Expenses not currently deductible	**23,283**	20,440
Stock-based compensation	**749**	1,312
Allowance for doubtful accounts	**3,860**	2,018
Inventory and other reserves	**3,024**	113
	33,704	25,450
Deferred income tax liabilities		
Depreciation and amortization	**86,072**	29,393
Basis differences of partnerships and other entities	**793**	166
Prepaid and other expenses deducted for tax purposes	**1,276**	1,689
	88,141	31,248
Net deferred income tax asset (liability) before valuation allowance	**(54,437)**	(5,798)
Valuation allowance	**965**	779
Net deferred income tax asset (liability)	**$ (55,402)**	$ (6,577)

The recoverability of deferred income tax assets is dependent on generating sufficient taxable income before the 20 year loss carry-forward limitation. Although realization is not assured, the Company believes it is more likely than not that the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

The Company has gross operating loss carry-forwards as follows:

	Loss carry forward		Gross losses not recognized		Net	
	2019	2018	**2019**	2018	**2019**	2018
Canada	**$ 4,430**	$ 1,638	**$ -**	$ -	**$ 4,430**	$ 1,638
United States	**18,615**	12,562	**15,840**	10,529	**2,775**	2,033

These amounts above are available to reduce future federal, state, and provincial income taxes in their respective jurisdictions. Net operating loss carry-forward balances attributable to the United States and Canada expire over the next 6 to 20 years.

Cumulative unremitted earnings of US and foreign subsidiaries approximated $528,519 as at December 31, 2019 (2018 - $429,173). Income tax is not provided on the unremitted earnings of US and foreign subsidiaries because it has been the practice and is the intention of the Company to reinvest these earnings indefinitely in these subsidiaries.

The gross unrecognized tax benefits are $148 (2018 - $148). Of this balance, $148 (2018 - $148) would affect the Company's effective tax rate if recognized. For the year ended December 31, 2019, there was no adjustment to interest and penalties related to provisions for income tax (2018 - nil). As at December 31, 2019, the Company had accrued $38 (2018 - $38) for potential income tax related interest and penalties.

The Company's significant tax jurisdictions include the United States and Canada. The number of years with open tax audits varies depending on the tax jurisdictions. Generally, income tax returns filed with the Canada Revenue Agency and related provinces are open for three to four years and income tax returns filed with the U.S. Internal Revenue Service and related states are open for three to five years.

The Company does not currently expect any other material impact on earnings to result from the resolution of matters related to open taxation years, other than noted above. Actual settlements may differ from the amounts accrued. The Company has, as part of its analysis, made its current estimates based on facts and circumstances known to date and cannot predict changes in facts and circumstances that may affect its current estimates.

16. Net earnings per common share

The following table reconciles the denominator used to calculate earnings per common share:

	2019	**2018**
Shares issued and outstanding at beginning of period	**35,980,047**	35,916,383
Weighted average number of shares:		
Issued during the period	**2,245,229**	111,904
Repurchased during the period	**-**	(76,076)
Weighted average number of shares used in computing basic earnings per share	38,225,276	35,952,211
Assumed exercise of stock options, net of shares assumed acquired under the Treasury Stock Method	437,204	619,089
Number of shares used in computing diluted earnings per share	38,662,480	36,571,300

17. Other supplemental information

		2019		2018
Franchisor operations				
Revenues	**$**	**148,607**	$	132,079
Operating earnings		**33,999**		37,709
Initial franchise fee revenues		**4,956**		4,496
Depreciation and amortization		**6,959**		5,893
Total assets		**140,439**		128,627
Cash payments made during the period				
Income taxes	**$**	**31,562**	$	28,221
Interest		**29,772**		11,714
Non-cash financing activities				
Increases in finance lease obligations	**$**	**9,928**	$	1,919

18. Financial instruments

Concentration of credit risk
The Company is subject to credit risk with respect to its cash and cash equivalents, accounts receivable and other receivables. Concentrations of credit risk with respect to cash and cash equivalents are limited by the use of multiple large and reputable banks. Concentrations of credit risk with respect to the receivables are limited due to the large number of entities comprising the Company's customer base and their dispersion across many different service lines.

Interest rate risk
The Company maintains an interest rate risk management strategy that uses interest rate hedging contracts from time to time. The Company's specific goals are to: (i) manage interest rate sensitivity by modifying the characteristics of its debt and (ii) lower the long-term cost of its borrowed funds.

Foreign currency risk
Foreign currency risk is related to the portion of the Company's business transactions denominated in currencies other than U.S. dollars. A portion of revenue is generated by the Company's Canadian operations. The Company's head office expenses are incurred in Canadian dollars which is economically hedged by Canadian dollar denominated revenue.

Fair values of financial instruments
The following table provides the financial assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2019:

	Carrying value at December 31, 2019	Fair value measurements		
		Level 1	Level 2	Level 3
Contingent consideration liability	$ 14,423	$ -	$ -	$ 14,423

The inputs to the measurement of the fair value of contingent consideration related to acquisitions are Level 3 inputs. The fair value measurements were made using a discounted cash flow model; significant model inputs were expected future operating cash flows (determined with reference to each specific acquired business) and discount rates (which range from 8% to 10%). The range of discount rates is attributable to level of risk related to economic growth factors combined with the length of the contingent payment periods; and the dispersion was driven by unique characteristics of the businesses acquired and the respective terms for these contingent payments. Within the range of discount rates, there is a data point concentration at 9%. A 2% increase in the weighted average discount rate would not have a significant impact on the fair value of the contingent consideration balance.

Balance, December 31, 2018	$ 13,286
Amounts recognized on acquisitions	10,611
Amounts recognized on acquisitions of management contracts	1,751
Fair value adjustments	(503)
Resolved and settled in cash	(10,056)
Other	(666)
Balance, December 31, 2019	$ 14,423
Less: current portion	$ 6,269
Non-current portion	$ 8,154

The carrying amounts for cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate fair values due to the short maturity of these instruments, unless otherwise indicated. The inputs to the measurement of the fair value of long term debt are Level 3 inputs. The fair value measurements were made using a net present value approach; significant model inputs were expected future cash outflows and discount rates (which range from 2.0% to 2.5%). The following are estimates of the fair values for other financial instruments:

	2019		2018	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Other receivables	**$ 4,033**	**$ 4,033**	$ 4,212	$ 4,212
Long-term debt	**766,623**	**779,279**	334,523	344,198

Other receivables include notes receivable from non-controlling shareholders and other non-current receivables.

19. Contingencies

In the normal course of operations, the Company is subject to routine claims and litigation incidental to its business. Litigation currently pending or threatened against the Company includes disputes with former employees and commercial liability claims related to services provided by the Company. The Company believes resolution of such proceedings, combined with amounts set aside, will not have a material impact on the Company's financial condition or the results of operations.

In May 2019, the Company settled the restated management services agreement ("MSA"), including the long-term incentive arrangement (the "LTIA"), between the Company and Jay S. Hennick, the Company's Founder and Chairman. As part of the settlement, the Multiple Voting Shares of the Company were converted into Subordinate Voting Shares on a one-for-one basis for no consideration, thereby eliminating the Company's dual class share structure. For consideration of $314,379, which is the purchase price determined with reference to the LTIA formula provided in the restated MSA, FirstService acquired all of the shares in the company which indirectly held the MSA. The Company, under the terms of the transaction: (a) paid $62,900 (approximately C$84,300) in cash; and issued a total of 2,918,860 Subordinate Voting Shares. Subsequent to the completion of the transaction, the MSA was terminated, thereby eliminating the LTIA and all future fees and other entitlements owing thereafter, and the Company filed an amendment to its articles that re-classified its Subordinate Voting Shares as Common Shares. The settlement of the LTIA was considered a modification of a share-based payment arrangement, which was accounted for as compensation expense in the Company's Consolidated Statements of Earnings. The net cash impact was included in operating activities in the Company's Consolidated Statements of Cash Flows.

20. Related party transactions

The Company has entered into office space rental arrangements and property management contracts with senior managers of certain subsidiaries. These senior managers are usually also minority shareholders of the subsidiaries. The business purpose of the transactions is to rent office space for the Company and to generate property management revenues for the Company. The recorded amount of the rent expense for the year ended December 31, 2019 was $1,330 (2018 - $1,156). These amounts are settled monthly in cash, and are priced at market rates. The rental arrangements have fixed terms of up to 10 years.

As at December 31, 2019, the Company had $2,564 of loans receivable from minority shareholders (December 31, 2018 - $2,064). The business purpose of the loans receivable was to finance the sale of non-controlling interests in subsidiaries to senior managers. The loan amounts are measured based on the formula price of the underlying non-controlling interests, and interest rates are determined based on market rates plus a spread. The loans generally have terms of 5 to 10 years, but are open for repayment without penalty at any time.

21. Segmented information

Operating segments

The Company has two reportable operating segments. The segments are grouped with reference to the nature of services provided and the types of clients that use those services. The Company assesses each segment's performance based on operating earnings or operating earnings before depreciation and amortization. FirstService Residential provides property management and related property services to residential communities in North America. FirstService Brands provides franchised and Company-owned property services to customers in North America. Corporate includes the costs of operating the Company's corporate head office. The reportable segment information excludes intersegment transactions.

2019	FirstService Residential	FirstService Brands	Corporate	Consolidated
Revenues	$ 1,411,998	$ 995,412	$ -	$ 2,407,410
Depreciation and amortization	25,628	53,886	43	79,557
Operating earnings (loss)	104,706	60,586	(339,711)	(174,419)
Other income, net				6,015
Interest expense, net				(32,080)
Income taxes				(27,147)
Net earnings				$ (227,631)
Total assets	$ 625,310	$ 1,323,024	$ 7,135	$ 1,955,469
Total additions to long lived assets	112,482	636,555	308	749,345

2018	FirstService Residential	FirstService Brands	Corporate	Consolidated
Revenues	$ 1,254,840	$ 676,633	$ -	$ 1,931,473
Depreciation and amortization	23,045	29,686	41	52,772
Operating earnings (loss)	89,043	54,988	(16,463)	127,568
Other expense, net				254
Interest expense, net				(12,620)
Income taxes				(24,922)
Net earnings				$ 90,280
Total assets	$ 474,837	$ 525,850	$ 6,787	$ 1,007,474
Total additions to long lived assets	31,548	90,592	-	122,140

Geographic information
Revenues in each geographic region are reported by customer locations.

		2019		2018
United States				
Revenues	**$**	**2,184,789**	$	1,822,688
Total long-lived assets		**1,022,721**		539,645
Canada				
Revenues	**$**	**222,621**	$	108,785
Total long-lived assets		**252,788**		42,410
Consolidated				
Revenues	**$**	**2,407,410**	$	1,931,473
Total long-lived assets		**1,275,509**		582,055

22. Impact of recently issued accounting standards

In June 2016, FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. In November 2018, FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses, which amends the scope and transition requirements of ASU 2016-13. The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. The standard will become effective for the Company beginning January 1, 2020 and will require a cumulative-effect adjustment to Accumulated retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

In December 2019, FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This ASU affects a number of aspects of tax accounting including simplifying the accounting for income taxes by removing a number of reporting exceptions. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

EXHIBIT 3

FIRSTSERVICE CORPORATION
Management's discussion and analysis for the year ended December 31, 2019
(in US dollars)
February 20, 2020

The following management's discussion and analysis ("MD&A") should be read together with the audited consolidated financial statements and the accompanying notes (the "Consolidated Financial Statements") of FirstService Corporation ("we," "us," "our," the "Company" or "FirstService") for the year ended December 31, 2019. The Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). All financial information herein is presented in United States dollars.

The Company has prepared this MD&A with reference to National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators (the "CSA"). Under the U.S./Canada Multijurisdictional Disclosure System, the Company is permitted to prepare this MD&A in accordance with the disclosure requirements of Canada, which requirements are different from those of the United States. This MD&A provides information for the year ended December 31, 2019 and up to and including February 20, 2020.

Additional information about the Company, including the Company's current Annual Information Form, which is included in FirstService's Annual Report on Form 40-F, can be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

This MD&A includes references to "Adjusted EBITDA" and "Adjusted EPS", which are financial measures that are not calculated in accordance with GAAP. For a reconciliation of these non-GAAP measures to the most directly comparable GAAP financial measures, see "Reconciliation of non-GAAP financial measures."

FirstService's business
FirstService is a leading provider of branded essential property services comprised of two reportable operating segments: (i) FirstService Residential, the largest provider of residential property management services in North America; and (ii) FirstService Brands, a leading provider of essential property services to residential and commercial customers through both franchise systems and company-owned operations. The segments are grouped with reference to the nature of services provided and the types of clients that use those services. FirstService Residential and FirstService Brands are described in further detail in our Annual Information Form.

Consolidated review
Our consolidated revenues for the year ended December 31, 2019 were $2.41 billion, an increase of 25% over the prior year. The top-line performance included approximately 7% organic growth, with the balance from recent acquisitions, with resulting growth in Adjusted EBITDA and Adjusted EPS (see definitions and reconciliations below). GAAP Operating Earnings and earnings per share were down versus the prior year period as a result of recognizing an expense associated with settling the long-term incentive arrangement ("LTIA") with our Founder and Chairman in the amount of $314.4 million.

We acquired controlling interests in fifteen businesses in 2019, including three in our FirstService Residential segment and twelve in our FirstService Brands segment. The total initial cash consideration for these acquisitions was $579.9 million. Our acquisition of Global Restoration (aka Bellwether FOS Holdco, Inc.) was the largest acquisition of 2019, with a purchase price of $506.7 million (net of cash acquired). Global Restoration is a market leader in large loss and commercial property restoration, and provides us with a platform for future growth both organically and through tuck-under acquisitions to expand its geographic footprint and increase its national client account coverage.

Our tuck-under acquisitions increase the geographic footprint and broaden our service offering at FirstService Residential. They also support the growth of our company-owned operations at FirstService Brands, including acquisitions of California Closets and Paul Davis Restoration franchises in selected key markets and expansion of our operations and broadening of our service capabilities at Century Fire.

Results of operations – year ended December 31, 2019
Our revenues were $2.41 billion for 2019, up 25% relative to 2018. The increase included organic revenue growth of 7%, with the balance coming from recent acquisitions.

The operating loss for the period was $174.4 million, down from $127.6 million of operating earnings in the prior year period, with the decrease attributable to the settlement of the LTIA with our Founder and Chairman in the amount of $314.4 million. Adjusted EBITDA rose 23% to $235.2 million in 2019 versus $190.6 million in the prior year. Our FirstService Residential division generated earnings growth in 2019 as a result of strong organic growth and modest operating margin improvements. Our FirstService Brands division was positively impacted by solid organic growth and significant acquisition growth in 2019.

Depreciation expense was $40.9 million in 2019 relative to $35.3 million in the prior year, with the increase primarily related to recently acquired company-owned operations in our FirstService Brands segment.

Amortization expense was $38.7 million in 2019 relative to $17.5 million in 2018, with the increase attributable to our significant Global Restoration acquisition in the FirstService Brands segment.

Net interest expense increased to $32.1 million in 2019 from $12.6 million in the prior year, with the difference primarily attributable to an increase in our average outstanding debt to finance the Global Restoration acquisition. Our weighted average interest rate increased to 4.4% in 2019 from 4.0% in the prior year.

Other income of $6.0 million was primarily due to the gain on sale from two small, non-core divestitures: (i) our Arizona and Florida-based landscaping operations within FirstService Residential; and (ii) our national accounts commercial painting operations within FirstService Brands, both occurring in the second quarter of 2019. Also included in other income was a small loss in the fourth quarter of the current year on the sale of our College Pro window cleaning operations for nominal consideration, as part of our exit from the College Pro franchise system within the FirstService Brands segment. In conjunction with this sale, we also wound-down our College Pro painting operations at the end of 2019.

Our consolidated income tax rate for the nine month period was negative 14%, compared to 22% of earnings before income tax in the prior year-to-date period, and relative to the statutory rate of 27% in both periods. The current period's tax rate was affected by the settlement of the LTIA, which is not deductible for tax purposes.

Net loss for the period was $227.6 million, versus net earnings of $90.3 million in the prior year period. The decrease was attributable to the settlement of the LTIA.

The non-controlling interest ("NCI") share of earnings was $7.9 million for the year, relative to $11.2 million in the prior year period, with the decrease primarily attributable to the significant purchases of NCI in the current year. The NCI redemption increment for 2019 was $16.1 million, versus $13.2 million in the prior period, and was attributable to changes in the trailing two-year average of earnings of non-wholly owned subsidiaries.

At FirstService Residential, revenues were $1.41 billion in 2019, an increase of 13% compared to the prior year. Organic growth was 7% and was driven primarily by strong sales resulting in new contract wins throughout the year across most markets. This segment reported Adjusted EBITDA of $130.6 million in 2019 or 9.2% of revenues, relative to $112.8 million or 9.0% of revenues in the prior year. Operating earnings for 2019 were $104.7 million or 7.4% of revenues, relative to $89.0 million or 7.1% of revenues in the prior year.

Our FirstService Brands operations reported revenues of $995.4 million in 2019, an increase of 47% versus the prior year, comprised of 6% organic growth and the balance from recent acquisitions, principally the acquisition of Global Restoration. Organic growth was largely attributable to double-digit revenue growth at all of our service lines, with the exception of Paul Davis Restoration which experienced milder weather patterns and lower activity levels throughout 2019 compared to the prior year. Adjusted EBITDA for this segment was $118.3 million in 2019 or 11.9% of revenues, relative to $88.4 million or 13.1% of revenues in the prior year. The margins were negatively impacted by our recently acquired Global Restoration operation, which had lower margins than the overall division, and the lower revenue performance at Paul Davis Restoration. Operating earnings were $60.6 million or 6.1% of revenues, versus $55.0 million or 8.1% of revenues a year ago. Our operating earnings margin was further impacted by increased intangible amortization from the acquisition of Global Restoration.
Corporate costs, as presented in Adjusted EBITDA were $13.7 million in 2019 relative to $10.5 million in the prior year. The year-over-year increase primarily reflects the impacts of foreign exchange. On a GAAP basis, corporate costs were $339.7 million versus $16.5 million in the prior year period, with the increase primarily attributable to the settlement of the LTIA in the second quarter of 2019.

Results of operations – year ended December 31, 2018
Our revenues were $1.93 billion for 2018, up 12% relative to 2017. The increase was comprised of organic revenue growth of 6%, with the balance coming from recent acquisitions.

Operating earnings increased 22% to $127.6 million in 2018, while Adjusted EBITDA rose 20% to $190.6 million. Our FirstService Residential division generated earnings growth in 2018 as a result of continued operating margin improvements. Our FirstService Brands division was positively impacted by significant organic revenue growth and acquisition activity in 2018. During the fourth quarter of 2018, we made the decision to wind-down our Service America operations, one of eight property service lines reported within the FirstService Brands division. We have previously indicated that Service America was a small, non-core business, with declining revenues, poor profitability and limited growth prospects. The wind-down of Service America during 2018 did not significantly impact our consolidated full year results.

Depreciation expense was $35.3 million in 2018 relative to $27.7 million in the prior year, with the increase primarily related to recently acquired company-owned operations in our FirstService Brands segment. We also incurred accelerated software depreciation in relation to the wind-down of our Service America operations.

Amortization expense was $17.5 million in 2018 relative to $14.4 million in 2017, with the increase attributable to recent acquisitions in the FirstService Brands segment.

Net interest expense increased to $12.7 million in 2018 from $9.9 million in the prior year, which was attributable to the increase in our average outstanding debt, as well as our weighted average interest rate increasing to 4.0% in 2018 from 3.6% in the prior year.

Our consolidated income tax rate for 2018 was 22%, flat versus the prior year period.

Net earnings were $90.3 million in 2018, compared to $75.0 million in the prior year. The increase was primarily attributable to strong profitability driven mainly by operating margin improvements in the FirstService Residential division and strong organic revenue growth and significant acquisition activity in the FirstService Brands division.

At FirstService Residential, revenues were $1.25 billion in 2018, an increase of 7% compared to the prior year. Organic growth was 4% and was primarily driven by competitive contract wins across our markets. This segment reported Adjusted EBITDA of $112.8 million in 2018 or 9.0% of revenues, relative to $99.9 million or 8.5% of revenues in the prior year. Operating earnings for 2018 were $89.0 million or 7.1% of revenues, relative to $77.6 million or 6.6% of revenues in the prior year. Margin expansion in this division was driven by continued operating improvements and further optimization of labour resources.

Our FirstService Brands operations reported revenues of $676.6 million in 2018, an increase of 22% versus the prior year. Organic growth of 9% was largely attributable to double-digit revenue growth at our California Closets and Century Fire company-owned operations, and within our franchised operations which largely benefit from strong home improvement spending. Adjusted EBITDA for this segment was $88.4 million in 2018 or 13.1% of revenues, relative to $71.7 million or 12.9% of revenues in the prior year. Operating earnings for 2018 were $55.0 million or 8.1% of revenues, versus $44.0 million or 7.9% of revenues in the prior year.

Corporate costs, as presented in Adjusted EBITDA were $10.5 million in 2018 relative to $12.3 million in the prior year. The year-over-year decrease primarily reflects the impact of foreign exchange. On a GAAP basis, corporate costs for 2018 were $16.5 million, compared to $16.6 million in the prior year.

Selected annual information - last five years
(in thousands of US$, except share and per share amounts)
(derived from audited financial statements prepared in accordance with US GAAP)

	Year ended December 31				
	2019	**2018**	**2017**	**2016**	**2015**
Operations					
Revenues	$ 2,407,210	$ 1,931,473	$ 1,729,031	$ 1,482,889	$ 1,264,077
Operating earnings (loss)	(174,419)	127,568	104,962	90,550	70,747
Net earnings	(227,631)	90,280	75,047	54,243	38,198
Financial position					
Total assets	$ 1,955,469	$ 1,007,474	$ 848,266	$ 770,964	$ 600,483
Long-term debt	766,623	334,523	269,625	250,909	201,199
Redeemable non-controlling interests	174,662	151,585	117,708	102,352	77,559
Shareholders' equity	425,887	236,226	192,286	181,028	167,026
Common share data					
Net earnings (loss) per common share:					
Basic	$ (6.58)	1.83	1.43	0.93	0.59
Diluted	(6.58)	1.80	1.41	0.92	0.59
Weighted average common shares outstanding (thousands)					
Basic	38,225	35,952	35,909	35,966	36,013
Diluted	38,662	36,571	36,559	36,366	36,425
Cash dividends per common share	$ 0.60	0.54	0.49	0.44	0.40
Other data					
Adjusted EBITDA	$ 235,182	$ 190,611	$ 159,312	$ 130,324	$ 103,038
Adjusted EPS	3.00	2.61	1.99	1.62	1.20

Notes:

(1) Any per share amounts prior to June 1, 2015 in the table above have been calculated using former FirstService Corporation's share balances and the terms of the June 1, 2015 spin-off. There are differences in accounting policies in 2019 with respect to the new lease standard (ASC 842) and in 2018 with respect to ASC 606 - Revenue from contracts with customers.

(2) On May 2019, we effected an amendment to our articles that eliminated the multiple voting shares and the "blank cheque" preference shares as part of the authorized capital of FirstService, and re-classified our subordinate voting shares as common shares. The information in the table provided prior to May 10, 2019 relates to the subordinate voting shares and multiple voting shares of FirstService.

Results of operations – fourth quarter ended December 31, 2019
Consolidated operating results for the fourth quarter ended December 31, 2019 were up significantly relative to the results experienced in the comparable prior year quarter, driven by strong top-line growth at our FirstService Brands segment and improved margins at our FirstService Residential operations.

FirstService Residential revenues increased 11%, with Adjusted EBITDA increasing 15% and operating earnings increasing 15% in the fourth quarter ended December 31, 2019 versus the prior year quarter. Performance was primarily driven by 7% organic growth as a result of new contract wins across our markets and strong ancillary services growth.

Our FirstService Brands operations experienced substantial revenue growth of 72% in the fourth quarter ended December 31, 2019 compared to the prior year quarter, with strong contribution from acquisition activity, primarily Global Restoration. Organic growth of 2% for the quarter was driven by strong performance within our Century Fire and California Closets service lines, largely offset by a significant year-over-year decline at our Paul Davis Restoration company-owned operations due to softer weather-related activity levels. FirstService Brands' Adjusted EBITDA increased 59% in the fourth quarter versus the prior year quarter. Operating earnings increased 26% versus the prior year quarter. The Adjusted EBITDA margin decreased to 11.6% from 12.5% in the prior year quarter, and was principally driven by the lower activity levels and revenue at Paul Davis Restoration, as well as the addition of Global Restoration, with its lower margin profile than the overall FirstService Brands division, to the current quarter results. The operating earnings margin in the segment decreased to 4.2% from 5.8% in the prior year quarter, as a result of increased amortization of backlog and other intangible assets from the Global Restoration acquisition.

Summary of quarterly results - years ended December 31, 2019 and 2018
(in thousands of US$, except per share amounts)
(derived from unaudited interim consolidated financial statement prepared in accordance with US GAAP)

	Q1	Q2	Q3	Q4	Year
Year ended December 31, 2019					
Revenues	$ 485,655	$ 573,908	$ 672,253	$ 675,594	$ 2,407,410
Operating earnings	12,930	(268,470)	49,698	31,423	(174,419)
Net earnings	8,145	(275,680)	26,336	13,568	(227,631)
Net earnings per share:					
Basic	0.06	(7.48)	0.51	0.13	(6.58)
Diluted	0.06	(7.48)	0.50	0.13	(6.58)
Year ended December 31, 2018					
Revenues	$ 426,456	$ 495,348	$ 506,356	$ 503,313	$ 1,931,473
Operating earnings	11,073	42,350	45,298	28,847	127,568
Net earnings	8,935	29,894	31,664	19,787	90,280
Net earnings per share:					
Basic	0.17	0.63	0.72	0.32	1.83
Diluted	0.17	0.62	0.70	0.31	1.80
Other data					
Adjusted EBITDA - 2019	$ 29,150	$ 65,031	$ 77,144	$ 63,857	$ 235,182
Adjusted EBITDA - 2018	25,414	57,118	59,426	48,653	190,611
Adjusted EPS - 2019	0.30	1.12	0.92	0.66	3.00
Adjusted EPS - 2018	0.25	0.86	0.89	0.62	2.61

Operating outlook
We are committed to a long-term growth strategy that includes average annual organic revenue growth in the mid-single digit range, combined with tuck-under acquisitions within each of our service platforms, resulting in targeted average annual growth in revenues of 10% or higher. We are targeting some incremental operating leverage and higher growth rates for operating earnings, and earnings per share. Economic conditions will negatively or positively impact these target growth rates in any given year.

In our FirstService Residential segment, revenues are expected to increase at a mid-single digit percentage organic growth rate in 2020 primarily from new business wins. Any additional tuck-under acquisitions will augment organic growth. Operating margins for 2020 are expected to be in-line with 2019.

Our FirstService Brands segment is expected to generate mid-single digit percentage organic revenue growth in 2020 primarily from growth of our company-owned operations at California Closets, Paul Davis Restoration, Century Fire, and Global Restoration. Tuck-under acquisitions within our company-owned operations at Paul Davis Restoration, Global Restoration, California Closets and Century Fire will add to organic growth. Operating margins are expected to remain in-line with 2019, unless influenced by further acquisitions of businesses with different margin profiles.

The foregoing contains forward-looking statements, and readers should refer to “Forward-looking statements and risks” below regarding our cautions relating to these forward-looking statements and the material risk factors that could cause actual results to differ materially from these forward-looking statements. The above forward-looking statements are made on the assumption that general economic conditions and the conduct of the Company’s businesses remain as they exist on the date hereof, with none of the material risk factors (as noted under “Forward-looking statements and risks” below) occurring during 2020.

Seasonality and quarterly fluctuations
Certain segments of the Company's operations are subject to seasonal variations. The seasonality of the service lines results in variations in quarterly revenues and operating margins. Variations can also be caused by acquisitions or dispositions, which alter the consolidated service mix.

FirstService Residential generates peak revenues and earnings in the third quarter, as seasonal ancillary swimming pool management revenues are earned. FirstService Brands includes certain franchise operations, which generate the majority of their revenues during the second and third quarters, and restoration operations which are influenced by weather patterns that typically should result in higher revenues and earnings in the fourth quarter.

Liquidity and capital resources
The Company generated cash flow from operating activities of $107.8 million for the year ended December 31, 2019, relative to $99.4 million in the prior year. Operating cash flow was favourably impacted by strong profitability at both of our segments. We believe that cash from operations and other existing resources, including our revolving credit facility described below, will continue to be adequate to satisfy the ongoing working capital needs of the Company.

In June 2019, in connection with the acquisition of Global Restoration, we entered into a $890 million amended and restated credit agreement, consisting of our existing $450 million revolving credit facility and a new $440 million term loan (drawn in a single advance). The maturity date of the revolving credit facility remains January 2023, and the maturity date of the term loan is June 2024, with repayments of 5% per annum, paid quarterly, beginning in September 2020, with the balance payable at maturity.

We have outstanding $150 million of senior secured notes bearing interest at a rate of 3.84% to 4.84%, depending on leverage ratios. As of December 31, 2019, the current interest rate is 4.84%. The senior secured notes are due on January 16, 2025, with five annual equal repayments beginning on January 16, 2021.

During 2019, we invested cash in acquisitions as follows: an aggregate of $579.9 million (net of cash acquired) in fifteen new business acquisitions, $10.1 million in contingent consideration payments related to previously completed acquisitions, and $30.6 million in acquisitions of redeemable non-controlling interests ("RNCI").

In relation to acquisitions completed during the past three years, we have outstanding contingent consideration, assuming all contingencies are satisfied and payment is due in full, totalling $14.4 million as at December 31, 2019 (December 31, 2018 - $13.3 million). The contingent consideration liability is recognized at fair value upon acquisition and is updated to fair value each quarter. The contingent consideration is based on achieving specified earnings levels, and is paid or payable after the end of the contingency period, which extends to July 2022. We estimate that a majority of the contingent consideration outstanding as of December 31, 2019 will ultimately be paid.

Capital expenditures for the year were $46.6 million (2018 - $40.6 million), which consisted primarily of office leasehold improvements, new vehicles and productivity-enhancing information technology systems in both of our operating segments.

Net indebtedness as at December 31, 2019 was $645.6 million, versus $268.2 million at December 31, 2018. Net indebtedness is calculated as the current and non-current portions of long-term debt less cash and cash equivalents. We were in compliance with the covenants contained in our credit agreement and the agreement governing our senior secured notes as at December 31, 2019 and we expect to remain in compliance with such covenants going forward.

The Company declared common share dividends totalling $0.60 per share during 2019, with $0.585 paid in cash during the year and $0.15 paid in January 2020. In February 2020, our Board of Directors approved an increase to our dividend such that, commencing with the quarter ended March 31, 2020, the quarterly dividend would be US$0.165 (a rate of US$0.66 per annum). The Company's policy is to pay quarterly dividends on its common shares in the future, subject to the discretion of our Board of Directors.
During the year we distributed $5.7 million (2018 - $6.9 million) to non-controlling shareholders of subsidiaries, in part to facilitate the payment of income taxes on account of those subsidiaries organized as flow-through entities.

The following table summarizes our contractual obligations as at December 31, 2019:

Contractual obligations (in thousands of US$)	**Payments due by period**				
	Total	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Long-term debt	$ 756,470	$ 12,874	$ 105,190	$ 608,406	$ 30,000
Interest on long term debt	130,801	32,976	59,410	36,687	1,728
Capital lease obligations	10,153	3,896	4,764	1,493	-
Contingent acquisition consideration	14,423	6,269	8,154	-	-
Operating leases	161,564	36,128	61,442	33,914	30,080
Total contractual obligations	$ 1,073,411	$ 92,143	$ 238,960	$ 680,500	$ 61,808

At December 31, 2019, we had commercial commitments totaling $6.3 million comprised of letters of credit outstanding due to expire within one year. We are required to make semi-annual payments of interest on our senior secured notes at an interest rate of 4.84%.

To manage our insurance costs, we take on risk in the form of high deductibles on many of our coverages. We believe this step reduces overall insurance costs in the long term, but may cause fluctuations in the short term depending on the frequency and severity of insurance incidents.

In most operations where managers or employees are also non-controlling owners, the Company is party to shareholders' agreements. These agreements allow us to "call" the minority position at a value determined with the use of a formula price, which is in most cases equal to a multiple of trailing two-year average earnings, less debt. Non-controlling owners may also "put" their interest to the Company at the same price, with certain limitations including (i) the inability to "put" more than 33% or 50% of their holdings in any twelve-month period and (ii) the inability to "put" any holdings for at least one year after the date of our initial acquisition of the business or the date the non-controlling shareholder acquired their interest, as the case may be. The total value of the RNCI (the "redemption amount"), as calculated in accordance with shareholders' agreements, was as follows.

(in thousands of US$)	**December 31 2019**	December 31 2018
FirstService Residential	**$ 62,407**	$ 80,631
FirstService Brands	**108,576**	68,501
	$ 170,983	$ 149,132

The amount recorded on our balance sheet under the caption "redeemable non-controlling interests" is the greater of (i) the redemption amount (as above) or (ii) the amount initially recorded as RNCI at the date of inception of the minority equity position. As at December 31, 2019, the RNCI recorded on the balance sheet was $174.7 million. The purchase prices of the RNCI may be paid in cash or in common shares of FirstService. If all RNCI were redeemed in cash, the pro forma estimated accretion to net earnings per share for 2019 would be $0.46, and the accretion to Adjusted EPS would be $0.04.

Stock-based compensation expense

One of our key operating principles is for senior management to have a significant long-term equity stake in the businesses they operate. The equity owned by senior management takes the form of stock, stock options or notional value appreciation plans, the latter two of which require the recognition of compensation expense under GAAP. The amount of expense recognized with respect to stock options is determined for the Company plan by allocating the grant-date fair value of each option over the expected term of the option. The amount of expense recognized with respect to the notional value appreciation plans is re-measured quarterly.

Critical accounting estimates

Critical accounting estimates are those that management deems to be most important to the portrayal of our financial condition and results of operations, and that require management's most difficult, subjective or complex judgments, due to the need to make estimates about the effects of matters that are inherently uncertain. We have identified three critical accounting estimates: determination of fair values of assets acquired and liabilities assumed in business combinations, impairment testing of the carrying value of goodwill, and the collectability of accounts receivable.

The determination of fair values of assets acquired and liabilities assumed in business combinations requires the use of estimates and judgment by management, particularly in determining fair values of intangible assets acquired. For example, if different assumptions were used regarding the profitability and expected attrition rates of acquired customer relationships, different amounts of intangible assets and related amortization could be reported.

Impairment of goodwill is tested at the reporting unit level. The Company has seven reporting units determined with reference to business segment, customer type, service delivery model and geography. Impairment is tested by first assessing qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Where it is determined to be more likely than not that its fair value is greater than its carrying amount, then no further testing is required. Where the qualitative analysis is not sufficient to support that the fair value exceeds the carrying amount then a goodwill impairment test is performed. A quantitative goodwill impairment test is performed by comparing the fair value of each reporting unit to its carrying value, including goodwill. Fair value is estimated using a market multiple method, which estimates market multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA") for comparable entities with similar operations and economic characteristics. Significant assumptions used in estimating the fair value of each reporting unit include the market multiples of EBITDA.

Accounts receivable allowances are determined using a combination of historical experience, current information, and management judgment. Actual collections may differ from our estimates. A 10% increase in the accounts receivable allowance would increase bad debt expense by $1.3 million.

Reconciliation of non-GAAP financial measures

In this MD&A, we make reference to "Adjusted EBITDA" and "Adjusted EPS," which are financial measures that are not calculated in accordance with GAAP.

Adjusted EBITDA is defined as net earnings, adjusted to exclude: (i) income tax; (ii) other expense (income); (iii) interest expense; (iv) depreciation and amortization; (v) acquisition-related items; (vi) stock-based compensation expense; and (vii) settlement of the LTIA. The Company uses Adjusted EBITDA to evaluate its own operating performance and its ability to service debt, as well as an integral part of its planning and reporting systems. Additionally, this measure is used in conjunction with discounted cash flow models to determine the Company's overall enterprise valuation and to evaluate acquisition targets. Adjusted EBITDA is presented as a supplemental measure because the Company believes such measure is useful to investors as a reasonable indicator of operating performance because of the low capital intensity of its service operations. The Company believes this measure is a financial metric used by many investors to compare companies, especially in the services industry. This measure is not a recognized measure of financial performance under GAAP in the United States, and should not be considered as a substitute for operating earnings, net earnings or cash flow from operating activities, as determined in accordance with GAAP. The Company's method of calculating Adjusted EBITDA may differ from other issuers and accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of net earnings to Adjusted EBITDA appears below.

(in thousands of US$)	Year ended December 31	
	2019	2018
Net earnings (loss)	**$ (227,631)**	$ 90,280
Income tax	**27,147**	24,922
Other income	**(6,015)**	(254)
Interest expense, net	**32,080**	12,620
Operating earnings (loss)	**(174,419)**	127,568
Depreciation and amortization	**79,557**	52,772
Settlement of long-term incentive arrangement	**314,379**	-
Acquisition-related items	**7,539**	4,504
Stock-based compensation expense	**8,126**	5,767
Adjusted EBITDA	**$ 235,182**	$ 190,611

Adjusted EPS is defined as diluted net earnings per share, adjusted for the effect, after income tax, of: (i) the non-controlling interest redemption increment; (ii) acquisition-related items; (iii) amortization of intangible assets recognized in connection with acquisitions; (iv) stock-based compensation expense; (v) a stock-based compensation tax adjustment related to a US GAAP change; and (vi) settlement of the LTIA. The Company believes this measure is useful to investors because it provides a supplemental way to understand the underlying operating performance of the Company and enhances the comparability of operating results from period to period. Adjusted EPS is not a recognized measure of financial performance under GAAP, and should not be considered as a substitute for diluted net earnings per common share, as determined in accordance with GAAP. The Company's method of calculating this non-GAAP measure may differ from other issuers and, accordingly, this measure may not be comparable to measures used by other issuers. A reconciliation of diluted net earnings per common share to Adjusted EPS appears below.

(in US$)	Year ended December 31	
	2019	2018
Diluted net earnings per share	**$ (6.51)**	$ 1.80
Non-controlling interest redemption increment	**0.42**	0.36
Settlement of long-term incentive arrangement	**8.13**	-
Acquisition-related items	**0.16**	0.09
Amortization of intangible assets, net of tax	**0.72**	0.35
Stock-based compensation expense, net of tax	**0.15**	0.12
Stock-based compensation tax adjustment for US GAAP change	**(0.07)**	(0.11)
Adjusted EPS	**$ 3.00**	$ 2.61

We believe that the presentation of Adjusted EBITDA and Adjusted EPS, which are non-GAAP financial measures, provides important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. We use these non-GAAP financial measures when evaluating operating performance because we believe that the inclusion or exclusion of the items described above, for which the amounts are non-cash or non-recurring in nature, provides a supplemental measure of our operating results that facilitates comparability of our operating performance from period to period, against our business model objectives, and against other companies in our industry. We have chosen to provide this information to investors so they can analyze our operating results in the same way that management does and use this information in their assessment of our core business and the valuation of the Company. Adjusted EBITDA and Adjusted EPS are not calculated in accordance with GAAP, and should be considered supplemental to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. Non-GAAP financial measures have limitations in that they do not reflect all of the costs or benefits associated with the operations of our business as determined in accordance with GAAP. As a result, investors should not consider these measures in isolation or as a substitute for analysis of our results as reported under GAAP.

Initial adoption of, and changes in, accounting policies
The Company adopted ASU 842, Leases, as of January 1, 2019, using the modified retrospective approach. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. The Company has lease agreements with lease and non-lease components, and has elected to account for each lease component (e.g., fixed rent payments) separately from the non-lease components (e.g., common-area maintenance costs). The Company has also elected not to recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. Leases are recognized on the balance sheet when the lease term commences, and the associated lease payments are recognized as an expense on a straight-line basis over the lease term.

In June 2016, FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. In November 2018, FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses, which amends the scope and transition requirements of ASU 2016-13. The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. The standard will become effective for the Company beginning January 1, 2020 and will require a cumulative-effect adjustment to Accumulated retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

Off-balance sheet arrangements
The Company does not believe that it has off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial performance or financial condition.

Transactions with related parties
The Company has entered into office space rental arrangements and property management contracts with senior managers of certain subsidiaries. These senior managers are usually also minority shareholders of the subsidiaries. The business purpose of the transactions is to rent office space for the Company and to generate property management revenues for the Company. The recorded amount of the rent expense for the year ended December 31, 2019 was $1.3 million (2018 - $1.2 million). These amounts are settled monthly in cash, and are priced at market rates. The rental arrangements have fixed terms of up to 10 years.

As at December 31, 2019, the Company had $2.6 million of loans receivable from minority shareholders (December 31, 2018 - $2.1 million). The business purpose of the loans receivable was to finance the sale of non-controlling interests in subsidiaries to senior managers. The loan amounts are measured based on the formula price of the underlying non-controlling interests, and interest rates are determined based on market rates plus a spread. The loans generally have terms of 5 to 10 years, but are open for repayment without penalty at any time.

Outstanding share data
The authorized capital of the Company consists of an unlimited number of common shares. The holders of common shares are entitled to one vote in respect of each common share held at all meetings of the shareholders of the Company.

As of the date hereof, the Company has outstanding 41,588,007 common shares. In addition, as at the date hereof 2,022,050 common shares are issuable upon exercise of options granted under the Company's stock option plan.

Canadian tax treatment of common share dividends
For the purposes of the enhanced dividend tax credit rules contained in the *Income Tax Act (Canada)* and any corresponding provincial and territorial tax legislation, all dividends (and deemed dividends) paid by us to Canadian residents on our common shares are designated as "eligible dividends". Unless stated otherwise, all dividends (and deemed dividends) paid by us hereafter are designated as "eligible dividends" for the purposes of such rules.

Disclosure controls and procedures
Our Chief Executive Officer and Chief Financial Officer, with the assistance and participation of other Company management, have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Canada by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings and in the United States by Rules 13a-15(e) and 15d-15(e) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of December 31, 2019. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of December 31, 2019, the Company's disclosure controls and procedures were effective to give reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under Canadian securities legislation and the Exchange Act is: (i) recorded, processed, summarized and reported within the time periods specified therein; and (ii) accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's report on internal control over financial reporting
Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have excluded fifteen entities acquired by the Company during the 2019 fiscal year from our assessment of internal control over financial reporting as at December 31, 2019. The total assets and total revenues of the fifteen majority-owned entities represent 11.8% and 13.4%, respectively, of the related consolidated financial statement amounts as at and for the year ended December 31, 2019.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2019, based on the criteria set forth in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that, as at December 31, 2019, the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as at December 31, 2019, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report dated February 20, 2020 which accompanies the Company's audited consolidated financial statements for the year ended December 31, 2019.

Changes in internal control over financial reporting
During the year ended December 31, 2019, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Legal proceedings
FirstService is involved in litigation in the normal course of its business, both as a defendant and as a plaintiff. Management reviews all of the relevant facts for each claim and applies judgment in evaluating the likelihood and, if applicable, the amount of any potential loss. Where a potential loss is considered probable and the amount is reasonably estimable, provisions for loss are made based on management's assessment of the likely outcome. Where a range of loss can be reasonably estimated with no best estimate in the range, FirstService records the minimum amount in the range. FirstService does not provision for claims for which the outcome is not determinable or claims for which the amount of the loss cannot be reasonably estimated. Any settlements or awards under such claims are provisioned for when reasonably determinable.

As of February 20, 2020, there are no claims outstanding for which FirstService has assessed the potential loss as both probable to result and reasonably estimable, therefore no accrual has been made.

Market risk of financial instruments
FirstService is engaged in operating and financing activities that generate risk in three primary areas as set out below. See Note 18 to the Consolidated Financial Statements for additional information regarding these risks. FirstService's overall risk management program and business practices seek to minimize any potential adverse effects on FirstService's financial performance. Risk management is carried out by the senior management team and is reviewed by FirstService's board of directors.

For an understanding of other potential risks, including non-financial risks, see the section entitled "Risk Factors" in the Company's Annual Information Form for the year ended December 31, 2019 available on SEDAR at www.sedar.com, which is also included in the Company's Annual Report on Form 40-F available on EDGAR at www.sec.gov.

Foreign exchange

FirstService is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency, the U.S. dollar. A majority of FirstService's revenues in fiscal 2019 were transacted in U.S. dollars. A portion of FirstService's revenues were denominated in Canadian dollars, which results in foreign currency exposure related to fluctuations between the Canadian and U.S. dollars. FirstService's head office expenses are incurred in Canadian dollars, which is hedged by Canadian dollar denominated revenue. As an additional part of its risk management strategy, FirstService maintains net monetary asset and/or liability balances in foreign currencies and may engage in foreign currency hedging activities using financial instruments, including currency forward contracts and currency options. FirstService does not use financial instruments for speculative purposes. As at the date of this MD&A, FirstService does not have any such financial instruments.

FirstService's credit agreement allows FirstService to borrow under its revolving credit facility in Canadian and U.S. dollars. To mitigate any foreign exchange risk related to its Canadian dollar denominated debt, FirstService may from time to time enter into forward foreign exchange contracts to sell Canadian dollars in an amount equal to the principal amount of its Canadian dollar denominated borrowings. As at the date of this MD&A, FirstService does not have any such foreign exchange contracts.

Interest rate

FirstService has no significant interest-bearing assets. FirstService's income and operating cash flows are substantially independent of changes in market interest rates.

FirstService's primary interest rate risk arises from its long-term debt under its credit agreement and senior secured notes. FirstService manages its exposure to changes in interest rates by using a combination of fixed and variable rate debt, varying lengths of terms to achieve the desired proportion of variable and fixed rate debt and, from time to time, may enter into hedging/interest rate swap contracts. Fluctuations in interest rates affect the fair value of any hedging/interest rate swap contracts as their value depends on the prevailing market interest rate. Hedging/interest rate swap contracts are monitored on a monthly basis. As at the date of this MD&A, FirstService does not have any such hedging/interest rate swap contracts. An increase (or decrease) in interest rates by 1% would result in a $6.1 million increase (or decrease) in annual interest expense under the credit facility contained in FirstService's credit agreement.

Credit risk

Credit risk refers to the risk of losses due to failure of FirstService's customers or other counterparties to meet their payment obligations. Credit risk also arises from deposits with banks. Credit risk with respect to the customer receivables are limited due to the large number of entities comprising FirstService's customer base and their dispersion across many different service lines. Credit risk with respect to deposits is limited by the use of multiple large and reputable banks.

Forward-looking statements and risks

This MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe," "anticipate," "estimate," "plan," "expect," "intend," "may," "project," "will," "would," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risk and uncertainties. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Factors which may cause such differences include, but are not limited to those set out below and those set out in detail in the "Risk Factors" section of the Company's Annual Information Form for the year ended December 31, 2019 available on SEDAR at www.sedar.com, which is also included in the Company's Annual Report on Form 40-F available on EDGAR at www.sec.gov:

- Economic conditions, especially as they relate to credit conditions, consumer spending and demand for managed residential property, particularly in regions where our business may be concentrated.
- Residential real estate property values, resale rates and general conditions of financial liquidity for real estate transactions.
- Extreme weather conditions impacting demand for our services or our ability to perform those services.
- Economic deterioration impacting our ability to recover goodwill and other intangible assets.
- A decline in our ability to generate cash from our businesses to fund future acquisitions and meet our debt obligations.
- The effects of changes in foreign exchange rates in relation to the U.S. dollar on our Canadian dollar denominated revenues and expenses.
- Competition in the markets served by the Company.
- Labour shortages or increases in wage and benefit costs.
- The effects of changes in interest rates on our cost of borrowing.
- A decline in our performance impacting our continued compliance with the financial covenants under our debt agreements, or our ability to negotiate a waiver of certain covenants with our lenders.
- Unexpected increases in operating costs, such as insurance, workers' compensation, health care and fuel prices.
- Changes in the frequency or severity of insurance incidents relative to our historical experience.
- A decline in our ability to make acquisitions at reasonable prices and successfully integrate acquired operations.
- The performance of acquired businesses and potential liabilities acquired in connection with such acquisitions.
- Changes in laws, regulations and government policies at the federal, state/provincial or local level that may adversely impact our businesses.
- Risks related to liability for employee acts or omissions, or installation/system failure, in our fire protection businesses.
- A decline in our performance impacting our ability to pay dividends on our common shares.
- Risks arising from any regulatory review and litigation.
- Risks associated with intellectual property and other proprietary rights that are material to our business.
- Disruptions or security failures in our information technology systems.
- Political conditions, including any outbreak or escalation of terrorism or hostilities and the impact thereof on our business.
- Performance in our commercial and large loss property restoration business.
- Volatility of the market price of our common shares.
- Potential future dilution to the holders of our common shares.
- Risks related to our qualification as a foreign private issuer.
- Although the spin-off is complete, the transaction exposes FirstService to certain ongoing tax and indemnification risks.

We caution that the foregoing list is not exhaustive of all possible factors, as other factors could adversely affect our results, performance or achievements. The reader is cautioned against undue reliance on these forward-looking statements. Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance that the results contemplated in such forward-looking statements will be realized. The inclusion of such forward-looking statements should not be regarded as a representation by the Company or any other person that the future events, plans or expectations contemplated by the Company will be achieved. We note that past performance in operations and share price are not necessarily predictive of future performance. All forward-looking statements in this MD&A are qualified by these cautionary statements. The forward-looking statements are made as of the date of this MD&A and, unless otherwise required by applicable securities laws, we do not intend, nor do we undertake any obligation, to update or revise any forward-looking statements contained in this MD&A to reflect subsequent information, events, results or circumstances or otherwise.

Additional information

Copies of publicly filed documents of the Company, including our Annual Information Form, can be found through the SEDAR website at www.sedar.com and on EDGAR at www.sec.gov.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Annual Report on Form 40-F for the year ended December 31, 2019 of FirstService Corporation of our report dated February 20, 2020, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in Exhibit 2 to this Annual Report on Form 40-F.

We also consent to reference to us under the heading " Experts," which appears in the Annual Information Form included in the Exhibit 1 incorporated by reference in this Annual Report on Form 40-F.

/s/ PricewaterhouseCoopers LLP
Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
February 20, 2020

EXHIBIT 31

CERTIFICATION
PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, D. Scott Patterson, certify that:

1. I have reviewed this annual report on Form 40-F of FirstService Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

February 20, 2020

/s/ D. Scott Patterson
D. Scott Patterson
Chief Executive Officer

CERTIFICATION
PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

I, Jeremy Rakusin, certify that:

1. I have reviewed this annual report on Form 40-F of FirstService Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

February 20, 2020

/s/ Jeremy Rakusin
Jeremy Rakusin
Chief Financial Officer

EXHIBIT 32

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 40-F of FirstService Corporation (the "Company") for the year ended December 31, 2019 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, D. Scott Patterson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 20, 2020

/s/ D. Scott Patterson
D. Scott Patterson
Chief Executive Officer

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 40-F of FirstService Corporation (the "Company") for the year ended December 31, 2019 (the "Report") filed with the United States Securities and Exchange Commission on the date hereof, I, Jeremy Rakusin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 20, 2020

/s/ Jeremy Rakusin
Jeremy Rakusin
Chief Financial Officer