



**TRICON CAPITAL GROUP INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
*AS AT DECEMBER 31, 2010*



## **MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **1. INTRODUCTION**

This Management Discussion and Analysis (“MD&A”) as of December 31, 2010 is provided as of March 2, 2011. It should be read in conjunction with the audited consolidated financial statements, including the notes thereto, of Tricon Capital Group Inc. (“Tricon” or the “Company”) for the year ended December 31, 2010 (additional information relating to the Company is available at [www.sedar.com](http://www.sedar.com)), and the Prospectus for the Initial Public Offering (“IPO”) of the Common Shares of the Company dated May 14, 2010. The audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) and are presented in Canadian dollars.

#### **1.1 Forward-Looking Statements**

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 forward-looking statements. Factors which may cause such differences include, but are not limited to, general economic and market conditions, investment performance, financial markets, legislative and regulatory changes, technological developments, catastrophic events and other business risks. The reader is cautioned against undue reliance on these forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, we cannot assure that actual results, performance or achievements will be consistent with such statements.

#### **1.2 Overview**

Tricon is an asset manager of funds that participate in the development of real estate in North America by providing financing (generally in the form of participating loans which consist of a base rate of interest and/or a share of net cash flow) to developers. The Company focuses specifically on residential land development, single-family homebuilding and multi-family construction as well as retail development done in conjunction with residential projects.

We measure the success of our business by employing several key performance indicators which are not recognized under IFRS. These indicators should not be considered an alternative to IFRS financial measures such as net income. Non-IFRS financial measures do not have standardized definitions prescribed by IFRS and are therefore unlikely to be comparable with other issuers or companies. The performance indicators used by the Company are defined in the section below entitled “Metrics of our Business”.

#### **1.3 Metrics of Our Business (including Non-IFRS Financial Measures)**

Our financial success is dependent upon our ability to attract investors to the funds and to select successful, high-return projects for such funds. The management of these funds produces our two main revenue streams: (i) Contractual Management Fees and (ii) Performance Fees.

Contractual Management Fees are typically based on the capital committed to the fund during the Investment Period. Thereafter, they are typically calculated on the lesser of: (i) the fund’s capital commitment, and (ii) invested capital. Contractual Management Fees decline over time once the Investment Period expires and investments are realized. Performance Fees are also based on prescribed formulas within a fund’s Limited Partnership Agreement, and are earned after repayment to the limited partners of their capital and a

predetermined preferred return. In the case of both funds and syndicated investments, Performance Fees are calculated and paid on each distribution subsequent to repayment of investor capital and the predetermined preferred return, and are therefore largely earned towards the end of the fund's term. Performance Fees are largely dependent on investment performance and are only recognized when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company.

Assets under Management ("AUM") is a key measure for evaluating Contractual Management Fees. From time to time, new as well as existing investors, primarily institutional and a small proportion of high net worth investors, provide capital commitments to new Tricon-managed funds thereby increasing our AUM. In addition, investments in projects that are too large or investments that might lead to a heavy geographic or developer concentration in a fund are syndicated to existing institutional and/or high net worth investors and/or third parties, and such syndicated commitments also increase AUM. It should be noted that these commitments are above commitments already made to funds. After the expiry of the Investment Period, AUM decreases as fund capital and/or syndicated commitments are paid down through investment realization.

For reporting purposes, **AUM** is defined as capital commitments by investors in the funds managed by Tricon which are paying Contractual Management Fees and include syndicated investment commitments. During a fund's Investment Period, AUM is calculated as the capital commitment by the investors in the fund and related syndicated investments. After the expiry of the Investment Period, AUM is calculated on the lesser of: (i) the fund's capital commitment and (ii) invested capital. AUM for syndicated investments is calculated as the capital commitment amount net of realized value.

Other key measures are "Adjusted Net Income", "EBITDA", "Adjusted EBITDA" and "Adjusted Base EBITDA", with the latter two being the most relevant.

**Adjusted Net Income** refers to Adjusted EBITDA net of Amortization Expenses and Provision for Income Taxes.

**EBITDA** refers to Earnings before Interest Expense, Income Taxes, Depreciation and Amortization. EBITDA is a standard measure used in our industry by management, investors and investment analysts in understanding and comparing results. We believe this to be an important measure in assessing our ongoing business performance since it will provide a stable business performance metric over time.

**Adjusted EBITDA** refers to Adjusted Base EBITDA plus Performance Fees earned less the Performance Fee-Related Bonus Pool.

**Adjusted Base EBITDA** refers to EBITDA adjusted for Performance Fees, the Performance Fee-Related Bonus Pool and Non-Recurring items of the business. In addition, Discretionary Management and Employee Bonuses, which were part of the compensation structure prior to the IPO, are also removed and replaced with the approved Management Fee-Related Bonus Pool. This is intended to provide a stable business performance metric over time.

Refer to "Selected Financial Information" and "Pro Forma Adjusted Financial Information" in this MD&A for a reconciliation of these performance indicators to the closest IFRS measures.

## 2. HIGHLIGHTS

### 2.1 New Funds

- Canadian fund Tricon XII LP has received commitments of approximately \$70 million with the first close expected by Q2 2011. Fundraising efforts will continue in 2011 with a final fund close one year after initial close.
- We formally commenced fund raising efforts for US distressed fund Tricon XI LP in the first quarter of 2011, in line with our previous expectations.

### 2.2 Operations

- Performance Fees for the year were up \$946,000, or 82%, from 2009, resulting in 2010 revenues being slightly higher than 2009.

### 2.3 Dividends

- Post IPO, quarterly dividends were declared of 6 cents per share for each quarter, totaling \$2,188,000.
- On March 2, 2011, the Board of Directors approved a dividend of 6 cents per share to shareholders of record on March 31, 2011 and payable on April 15, 2011.

## 3. FINANCIAL REVIEW

Set out below is a comparative review of financial results for the three months ended December 31, 2010 ("Q4 2010") with those for the three months ended December 31, 2009 ("Q4 2009") and for the year ended December 31, 2010 ("2010") with those for the prior year. ("2009")

### 3.1 Metrics of our Business

	As at			Variance	
	December 31, 2010	September 30, 2010	December 31, 2009	Quarter	Year-to-Date
AUM	\$ 852,636,000	\$ 876,984,000	\$ 1,001,000,000	\$ (24,348,000)	\$ (148,364,000)

As expected, AUM decreased for both the quarter and the year. This decrease resulted in part from: (i) the successful realization of several projects in the TCC VI fund and related syndicated investments and the subsequent distribution of proceeds to investors, (ii) the removal of TCC V's outstanding capital from AUM given that there is now definitely no prospect of Management Fees being earned from this fund in the future (the Company stopped recognizing Management Fee Income from this fund in Q4 2008), and (iii) unfavorable changes in the foreign exchange conversion rates. It should be noted that the removal of TCC V from the AUM calculation has no impact on Company Revenues but does result in a higher ratio of weighted the Management Fees to AUM, which in turn is more reflective of the Contractual Management Fee rates stipulated in the Limited Partnership Agreements of the active funds managed by the Company. The Company has no existing or future commitments or obligations to the TCC V fund.

	For the 3 Months Ended December 31			For the Year Ended December 31		
	2010	2009	Variance	2010	2009	Variance
Adjusted Base EBITDA	\$ 1,182,000	\$ 1,325,000	\$ (143,000)	\$ 4,983,000	\$ 5,916,000	\$ (933,000)
Adjusted EBITDA	1,511,000	1,779,000	(268,000)	6,034,000	6,494,000	(460,000)
Adjusted Net Income	767,000	1,062,000	(295,000)	2,762,000	3,493,000	(731,000)

Adjusted Base EBITDA for the Q4 2010 and the year ended December 31, 2010 were lower than the corresponding periods in 2009 as a result of i) a decrease in Contractual Management Fees caused by lower AUM and unfavorable foreign exchange fluctuations, and ii) an increase in Salaries and Benefits expenses and General and Administration Expenses as a result of the hiring of a new employee, normal salary increases and

additional expenses related to being a public company. Although the IPO proceeds have not been fully deployed, the investment income earned on these proceeds partially offset the increased expenses.

Adjusted EBITDA for the Q4 2010 and the year ended December 31, 2010 were lower than the corresponding periods in 2009 as a result of the Adjusted Base EBITDA items mentioned above. Performance Fees earned in Q4 2010 were lower than the corresponding period in 2009. However, Performance Fees for 2010 were significantly higher than the corresponding period in 2009 due to distributions received from a number of completed Canadian projects, thereby helping to offset the additional expenses mentioned above, which resulted in Adjusted EBITDA for 2010 being only \$460,000 lower than the corresponding period in 2009.

Adjusted Net Income for Q4 2010 and 2010 were lower as a result of the reduced Contractual Management Fees and the additional expenses related to being a public company, both mentioned above.

In management's opinion, the Adjusted Base EBITDA, Adjusted EBITDA and Adjusted Net Income figures are useful measures of our performance as they exclude Non-Recurring and Non-Cash Items, including a significant LTIP-related expense and the expenses relating to the one-time gifting of common shares to employees prior to going public.

### 3.2 Net and Comprehensive Income (Loss)

	For the 3 Months Ended December 31			For the Year Ended December 31		
	2010	2009	Variance	2010	2009	Variance
Total Revenues	\$ 3,328,000	\$ 3,603,000	\$ (275,000)	\$ 12,592,000	\$ 12,316,000	\$ 276,000
Total Expenses	2,501,000	4,860,000	2,359,000	21,757,000	13,828,000	(7,929,000)
Net and Comprehensive Income (Loss)	\$ 506,000	\$ (783,000)	\$ 1,289,000	\$ (8,469,000)	\$ (1,103,000)	\$ (7,366,000)

	For the 3 Months Ended December 31			For the Year Ended December 31		
	2010	2009	Variance	2010	2009	Variance
Contractual Management Fees	\$ 2,413,000	\$ 2,631,000	\$ (218,000)	\$ 9,943,000	\$ 11,017,000	\$ (1,074,000)
Other Revenue	257,000	64,000	193,000	547,000	143,000	404,000
Base Revenue	\$ 2,670,000	\$ 2,695,000	\$ (25,000)	\$ 10,490,000	\$ 11,160,000	\$ (670,000)
Performance Fees	658,000	908,000	(250,000)	2,102,000	1,156,000	946,000
<b>Total Revenues</b>	<b>\$ 3,328,000</b>	<b>\$ 3,603,000</b>	<b>\$ (275,000)</b>	<b>\$ 12,592,000</b>	<b>\$ 12,316,000</b>	<b>\$ 276,000</b>

Total Revenues for 2010 were slightly higher in 2010 compared to the corresponding period in 2009 as a result of strong Performance Fees. Performance Fees were earned in Q4 2010 and 2010 from three Canadian syndicated investments with the amounts earned in Q4 2010 being lower than Q4 2009, while those for the full year were substantially higher than those earned in the corresponding period in 2009.

The reduction in Contractual Management Fees for both Q4 2010 and the year ended December 31, 2010 from the corresponding periods in 2009 was due to (i) a weaker US dollar and (ii) reduced Contractual Management Fees as a result of lower AUM, particularly related to TCC VI and Canadian syndicated investments. As a result of unfavorable movements in foreign exchange rates, Total Revenues in Q4 2010 and for 2010 are \$65,000 and \$663,000, respectively, lower than they would have been if the average exchange rates for these periods were the same as those in the corresponding periods in 2009. It should be noted that the reduction in Revenues as a result of foreign exchange movements does not expose the Company to near term economic loss since the Company does not convert the US Management Fees earned into Canadian dollars, which would crystallize the loss or gain. Instead, it retains the US dollars earned for investment in future US funds. In both Q4 2010 and fiscal 2010, the reduction in Contractual Management Fees was partially offset by Other Revenue, specifically interest earned on the IPO proceeds.

As previously mentioned and similar to 2009, Contractual Management Fees from TCC V for Q4 2010 and for 2010 were not received from that fund and were not recognized as revenue, as management does not believe that future economic benefits will flow to the Company.

	For the 3 Months Ended December 31			For the Year Ended December 31		
	2010	2009	Variance	2010	2009	Variance
Salaries and Benefits	\$ 1,086,000	\$ 1,876,000	\$ 790,000	\$ 4,661,000	\$ 4,722,000	\$ 61,000
Gifted Shares	-	-	-	5,041,000	-	(5,041,000)
Stock Option Expense	211,000	-	(211,000)	555,000	-	(555,000)
LTIP expense	144,000	-	(144,000)	6,355,000	-	(6,355,000)
Professional and Directors' Fees	323,000	296,000	(27,000)	992,000	749,000	(243,000)
Formation Costs - New Funds	213,000	-	(213,000)	213,000	-	(213,000)
Discretionary Management Bonus	-	2,151,000	2,151,000	2,013,000	6,347,000	4,334,000
General and Administration Expense	106,000	261,000	155,000	804,000	722,000	(82,000)
Amortization	306,000	283,000	(23,000)	1,188,000	1,147,000	(41,000)
Realized and Unrealized Foreign Exchange Loss	112,000	(7,000)	(119,000)	150,000	141,000	(9,000)
Other Expenses (Income)	-	-	-	(215,000)	-	215,000
<b>Total Expenses</b>	<b>\$ 2,501,000</b>	<b>\$ 4,860,000</b>	<b>\$ 2,359,000</b>	<b>\$ 21,757,000</b>	<b>\$ 13,828,000</b>	<b>\$ (7,929,000)</b>

Total Expenses decreased from Q4 2009 to Q4 2010 by \$2,359,000 and increased from 2009 to 2010 by \$7,929,000. However, after adjusting the reported amounts for Non-Cash and Non-Recurring items as well as IPO expenses, normalized expenses of the Company increased by \$222,000 and \$634,000 respectively – see the “Pro-Forma Adjusted Financial Information” section of this MD&A.

Salaries and Benefits decreased from Q4 2009 to Q4 2010 by \$790,000 and increased from 2009 to 2010 by \$61,000. However, when Salaries and Benefits are adjusted/normalized for Non-Recurring items, the amount paid in Q4 2010 was \$109,000 higher than the amount paid in Q4 2009, and the increase in 2010 over the amount paid in 2009 was \$398,000 – see “Pro Forma Adjusted Financial Information” below. This increase was a result of the addition of an administrative staff member, a senior employee on sabbatical for the first half of 2009, and normal increases in base salaries. There were no changes to senior management or investment personnel during the period.

The Company gifted 840,221 common shares to employees in 2010 prior to the IPO (as disclosed in the Prospectus) resulting in an expense of \$5,041,000 for 2010, while Stock Options granted to employees resulted in a Non-Cash expenses of \$211,000 in Q4 2010 and \$555,000 for 2010.

The Company is required under IFRS to estimate potential amounts payable pursuant to the Company's LTIP based on the estimated fair value of assets within funds managed by the Company at each reporting period, resulting in an LTIP expense for 2010 of \$6,355,000, a combination of realized LTIP of \$307,000 and potential future LTIP of \$6,048,000. In Q4 2010, LTIP expense increased by \$144,000 and LTIP paid to employees amounted to \$307,000. It should be noted that the LTIP payments will only be made when and if the corresponding Performance Fees are earned in the future.

General and Administration expenses and Professional and Directors' Fees decreased for Q4 2010 by \$128,000 and increased by \$325,000 for 2010 when compared to the corresponding periods in 2009. The decrease in Q4 2010 was mainly a result of IFRS conversion costs incurred in 2009 of \$125,000; the increases for 2010 are directly attributable to Tricon becoming a public company; the costs associated with the addition of three independent directors to the Board of \$143,000 as well as Non-Recurring and non-capitalized IPO expenses of \$249,000.

Formation costs incurred in Q4 2010 to establish two new funds will be recoverable once an initial close occurs in 2011. Under IFRS, these costs are required to be expensed rather than setup as a recoverable. As a result, they have been removed when calculating Adjusted Net Income.

Under IFRS the Company is required to estimate amounts payable pursuant to the Company's Long-Term Incentive Plan (“LTIP”) based on the estimated fair value of assets within each fund and each syndicated investment managed by the Company at each reporting period. Going forward, our LTIP will be impacted by the fair value changes from quarter to quarter relating to these funds and syndicated investments which, in turn, will affect Net and Comprehensive Income (Loss).

This requirement to accrue the potential LTIP payments to employees *without recognizing the income that would have been earned by the Company to make those payments* (which is in accordance with IFRS),

combined with the cost of common shares gifted to employees prior to going public, significantly increased the Net and Comprehensive (Loss) for the year ended December 31, 2010. In management's opinion, these expenses are neither indicative of the Company's current performance nor its future prospects. Adjusting Net and Comprehensive Income (Loss) for these items and other Non-Recurring and Non-Cash items noted below generates the Adjusted Net Income amounts for Q4 2010 and 2010 shown in "Selected Financial Information" below – which amounts are more indicative of the Company's performance. It should be noted that the LTIP payments will only be made if and when the corresponding Performance Fees are earned in the future.

Please see the "Selected Financial Information", "Pro-Forma Adjusted Financial Information" and "Fund Information" sections below for more detailed explanations.

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### 3.3 Selected Financial Information (Unaudited)

Set out below is a more comprehensive comparative analysis of financial results between Q4 2010 and Q4 2009; and between 2010 and 2009.

*(Rounded to nearest thousand except per share amounts)*

<u>Selected Balance Sheet Information</u>	<u>December 31, 2010</u>		<u>December 31, 2009</u>			
	\$		\$			
Total Assets	\$	58,897,000		\$	6,859,000	
Total Liabilities	\$	9,636,000		\$	4,636,000	
Equity	\$	49,261,000		\$	2,223,000	

  

	<u>For the Three Months Ended December 31,</u>			<u>For the Year Ended December 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>Variance</u>	<u>2010</u>	<u>2009</u>	<u>Variance</u>
<u>Selected Income Statement Information</u>						
Contractual Management Fees	\$	2,413,000	\$	2,631,000	\$	(218,000)
Performance Fees		658,000		908,000		(250,000)
Other Revenue		257,000		64,000		193,000
<b>Total Revenues</b>		<b>3,328,000</b>		<b>3,603,000</b>		<b>(275,000)</b>
Salaries and Benefits		1,086,000		1,876,000		790,000
Gifted Shares		-		-		-
Stock Option Expense		211,000		-		(211,000)
LTIP expense		144,000		-		(144,000)
Professional and Directors' Fees		323,000		296,000		(27,000)
Formation costs - New Funds		213,000		-		(213,000)
Discretionary Management Bonus		-		2,151,000		2,151,000
General and Administration Expense		106,000		261,000		155,000
Amortization		306,000		283,000		(23,000)
Realized and Unrealized Foreign Exchange Loss (Gain)		112,000		(7,000)		(119,000)
Other Income		-		-		-
<b>Total Expenses</b>		<b>2,501,000</b>		<b>4,860,000</b>		<b>2,359,000</b>
Net Income (Loss) before Income Taxes		827,000		(1,257,000)		2,084,000
Income Tax Expense (Recovery)		321,000		(474,000)		(795,000)
<b>Net and Comprehensive Income (Loss) for the Period</b>	<b>\$</b>	<b>506,000</b>	<b>\$</b>	<b>(783,000)</b>	<b>\$</b>	<b>1,289,000</b>
<b>Adjusted as follows:</b>						
Discretionary Management Bonus <sup>(1)</sup>		-		2,151,000		(2,151,000)
Discretionary Employee Compensation <sup>(2)</sup>		103,000		1,089,000		(986,000)
Non-Recurring and Non-Cash Items, Net <sup>(3)</sup>		275,000		156,000		119,000
Management Fee-Related Bonus Pool <sup>(4)</sup>		-		(189,000)		189,000
Performance Fee-Related Bonus Pool <sup>(5)</sup>		-		(454,000)		454,000
<b>Total Adjustments</b>		<b>378,000</b>		<b>2,753,000</b>		<b>(2,375,000)</b>
Net and Comprehensive Income After Adjustments		884,000		1,970,000		(1,086,000)
Tax Effect of Adjustments <sup>(6)</sup>		(117,000)		(908,000)		791,000
<b>Adjusted Net Income <sup>(7)</sup></b>		<b>767,000</b>		<b>1,062,000</b>		<b>(295,000)</b>
Amortization <sup>(8)</sup>		306,000		283,000		(23,000)
Income Tax Expense <sup>(6)</sup>		438,000		434,000		(4,000)
<b>Adjusted EBITDA <sup>(7)</sup></b>		<b>1,511,000</b>		<b>1,779,000</b>		<b>(268,000)</b>
Performance Fees		(658,000)		(908,000)		250,000
Performance Fee-Related Bonus Pool <sup>(9)</sup>		329,000		454,000		(125,000)
<b>Adjusted Base EBITDA <sup>(7)</sup></b>	<b>\$</b>	<b>1,182,000</b>	<b>\$</b>	<b>1,325,000</b>	<b>\$</b>	<b>(143,000)</b>
<b>Basic and Diluted Earnings (Loss) Per Share</b>	<b>\$</b>	<b>0.03</b>	<b>\$</b>	<b>(0.10)</b>	<b>\$</b>	<b>(0.61)</b>
<b>Adjusted Basic Earnings Per Share</b>	<b>\$</b>	<b>0.04</b>	<b>\$</b>	<b>0.14</b>	<b>\$</b>	<b>0.20</b>

Please see Notes below.



Notes to Selected Financial Information:

1. Discretionary Management Bonus is compensation paid to shareholders of the Company prior to the Company going public. Q4 2010 is the second full quarter of being a public company and Discretionary Management Bonus amounts are no longer paid or payable.
2. Discretionary Employee Compensation includes discretionary bonus payments to employees of the Company prior to the Company going public.
3. Non-Recurring and Non-Cash adjustments are detailed below.

Breakdown of Non-Recurring and Non-Cash Items, Net	For the three months ended December 31		For the year ended December 31	
	2010	2009	2010	2009
Contractual Management Fees from pre-2000 Funds	\$ -	\$ (20,000)	\$ -	\$ (92,000)
Other Income - MOD Developments Inc.	-	(60,000)	(139,000)	(140,000)
Other Income - Sale of Investment	-	-	(76,000)	-
Salaries and Benefits related to Shares Gifted to Employees for Past Service	-	-	5,041,000	-
Stock Option Expense	211,000	-	555,000	-
LTIP Expense Accrual	144,000	-	6,355,000	-
LTIP Expense Paid	(307,000)	-	(307,000)	-
Salaries and Benefits related to MOD Developments Inc.	-	100,000	-	253,000
General and Administration for MOD Developments Inc.	-	11,000	-	26,000
General and Administration Expenses related to IFRS conversion	-	125,000	-	125,000
Non-Capitalized IPO Expenses	14,000	-	249,000	-
Formation Costs to be Charged to New Funds	213,000	-	213,000	-
	<b>\$ 275,000</b>	<b>\$ 156,000</b>	<b>\$ 11,891,000</b>	<b>\$ 172,000</b>

4. As described in the Prospectus relating to the IPO, 12.5% of Base Operating Income (Contractual Management Fees plus investment income from warehoused investments and direct investments, less Base Operating Expenses (Salaries and Benefits, General and Administration expenses including Professional and Director's Fees, and Realized/Unrealized Foreign Exchange Gains or Losses)) relating to the current funds and syndicated investments is allocated to the Management Fee-Related Employee Bonus Pool. Investment Income earned from amounts invested by the Company in these funds or syndicated investments is not included in the calculation, as this would result in "double counting". Historical information in this table has been adjusted to reflect this arrangement. Q4 2010 is the second full quarter of being a public company and \$165,000 has been accrued in Q4 2010 under the terms of the new compensation policy and therefore no adjustment for Q4 2010 for this line item is required. The Management Fee-Related Bonus Pool amounts to \$706,000 for 2010 which consists of (i) the pre-IPO adjustment to May 19, 2010 of \$350,000 and (ii) a May 20, 2010 to December 31, 2010 accrual of \$356,000.
5. Adjustment related to pre-IPO Performance Fee Related Bonus Plan. Q4 2010 is the second full quarter of being a public company and amounts accrued are under the new compensation policy and therefore do not require an adjustment for the quarter.
6. Income Tax (Recovery) Expense has been adjusted to reflect the impact of the pro-forma adjustments.
7. Adjusted Net Income, Adjusted Base EBITDA and Adjusted EBITDA are not recognized measures under IFRS – See "Metrics of Our Business (including Non-IFRS Financial Measures)" above.
8. Amortization expense relates mainly to Placement Agent Fees (described below), Performance Fee Rights, and a minor amount for furniture, equipment and leaseholds. Placement fees paid to placement agents for US Funds VII and IX and Canadian Fund X have been recognized as Intangible Assets on the Balance Sheet and are being amortized over the estimated term of the funds, specifically eight years. The value of common shares issued to the founding shareholders (as disclosed in the Prospectus) to transfer the Performance Fee rights of all the funds of \$707,000 was recorded as Performance Fee Right Intangibles and amortized over the estimated life of the funds including the two one-year extension periods.

9. Subsequent to going public, 50% of Performance Fees will be allocated to the Performance Fee- Related Employee Bonus Pool. Historical information has been adjusted to reflect this arrangement.

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### 3.4 Normalization Adjustments

The conversion of the Company from a private company to a public company on May 20, 2010 has made the comparison of the Company's performance in Q4 2010 and 2010 with that of the corresponding periods in 2009 more complicated. To facilitate a more meaningful comparison of the Company's results between the pre- and post-IPO periods, management has prepared the Pro-Forma Adjusted Financial Information set out below, which reflects the financial results that would have been presented in the respective periods in 2010 and 2009 if the Company had gone public on January 1, 2009. In preparing these, management has eliminated Non-Recurring and Non-Cash Items (in particular, accrued LTIP expenses, cost of common shares gifted to employees, Stock Option Compensation Expense as well as other Non-Recurring Expenses as shown below).

### 3.5 Pro-Forma Adjusted Financial Information (Unaudited)

(Rounded to nearest thousand except per share amounts)

	For the Three Months Ended December 31,			For the Year Ended December 31,		
	2010	2009	Variance	2010	2009	Variance
Contractual Management Fees	\$ 2,413,000	\$ 2,611,000	\$ (198,000)	\$ 9,943,000	\$10,925,000	\$ (982,000)
Other Revenue <sup>(10)</sup>	257,000	4,000	253,000	547,000	3,000	544,000
<b>Adjusted Base Revenues</b>	<b>2,670,000</b>	<b>2,615,000</b>	<b>55,000</b>	<b>10,490,000</b>	<b>10,928,000</b>	<b>(438,000)</b>
Salaries and Benefits <sup>(11)</sup>	796,000	687,000	(109,000)	3,104,000	2,706,000	(398,000)
General and Administration	415,000	421,000	6,000	1,547,000	1,320,000	(227,000)
Realized and Unrealized Foreign Exchange Loss <sup>(12)</sup>	112,000	(7,000)	(119,000)	150,000	141,000	(9,000)
<b>Adjusted Base Operating Expenses <sup>(13)</sup></b>	<b>1,323,000</b>	<b>1,101,000</b>	<b>(222,000)</b>	<b>4,801,000</b>	<b>4,167,000</b>	<b>(634,000)</b>
<b>Adjusted Base Operating Income</b>	<b>1,347,000</b>	<b>1,514,000</b>	<b>(167,000)</b>	<b>5,689,000</b>	<b>6,761,000</b>	<b>(1,072,000)</b>
Management Fee-Related Bonus Pool	(165,000)	(189,000)	24,000	(706,000)	(845,000)	139,000
<b>Adjusted Base EBITDA</b>	<b>1,182,000</b>	<b>1,325,000</b>	<b>(143,000)</b>	<b>4,983,000</b>	<b>5,916,000</b>	<b>(933,000)</b>
Performance Fees	658,000	908,000	(250,000)	2,102,000	1,156,000	946,000
Performance Fee-Related Bonus Pool	(329,000)	(454,000)	125,000	(1,051,000)	(578,000)	(473,000)
<b>Adjusted EBITDA</b>	<b>\$ 1,511,000</b>	<b>\$ 1,779,000</b>	<b>\$ (268,000)</b>	<b>\$ 6,034,000</b>	<b>\$ 6,494,000</b>	<b>\$ (460,000)</b>
Amortization <sup>(8)</sup>	(306,000)	(283,000)	(23,000)	(1,188,000)	(1,147,000)	(41,000)
Income Tax Recovery(Expense)	(438,000)	(434,000)	(4,000)	(2,084,000)	(1,854,000)	(230,000)
<b>Adjusted Net Income (Loss)</b>	<b>\$ 767,000</b>	<b>\$ 1,062,000</b>	<b>\$ (295,000)</b>	<b>\$ 2,762,000</b>	<b>\$ 3,493,000</b>	<b>\$ (731,000)</b>

Notes to Pro-Forma Adjusted Financial Information (continued from Notes to Selected Financial Information):

10. Other Revenue consists of interest earned on IPO proceeds and investment income from investments in associates.
11. Salaries and Benefits include annual employee bonus amounts and have been adjusted for Discretionary Employee Compensation as follows: Q4 2010 - \$103,000; Q4 2009 - \$1,089,000; 2010 - \$1,061,000; 2009 - \$1,763,000.
12. Realized and Unrealized Foreign Exchange Losses (Gains) relate to the conversion of the United States subsidiary dollar balances to Canadian equivalent dollars as well as actual realized foreign exchange losses or gains. The Company translates all components of the United States subsidiary Income Statement at the average foreign exchange rate in effect for the period. The United States subsidiary monetary Balance Sheet components are translated at the foreign exchange rate in effect at the balance sheet date; non-monetary balances are translated at the historical exchange rates.
13. Base Operating Expenses exclude the Discretionary Management Bonus amounts to shareholders of: Q4 2010 - \$0; Q4 2009 - \$2,151,000; 2010 - \$2,013,000; 2009 - \$6,347,000. See Note (2) on page 8 above.

Performance Fees were deducted from “Total Revenues” as set out in “Selected Financial Information” on page 7 to arrive at “Base Revenues” as set out below. “Adjusted Base Revenues” is the revenue number arrived at after making the normalization adjustments set out below.

	For the 3 Months Ended December 31			For the Year Ended December 31		
	2010	2009	Variance	2010	2009	Variance
Contractual Management Fees	\$ 2,413,000	\$ 2,631,000	\$ (218,000)	\$ 9,943,000	\$ 11,017,000	\$ (1,074,000)
Other Revenue	257,000	64,000	193,000	547,000	143,000	404,000
Base Revenue	\$ 2,670,000	\$ 2,695,000	\$ (25,000)	\$ 10,490,000	\$ 11,160,000	\$ (670,000)
Adjustments:						
Contractual Management Fees - pre 2000 funds	-	(20,000)	20,000	-	(92,000)	92,000
Other Income - MOD Developments Inc	-	(60,000)	60,000	-	(140,000)	140,000
<b>Adjusted Base Revenues</b>	<b>\$ 2,670,000</b>	<b>\$ 2,615,000</b>	<b>\$ 55,000</b>	<b>\$ 10,490,000</b>	<b>\$ 10,928,000</b>	<b>\$ (438,000)</b>

Similar normalization adjustments (see below) were made to “Total Expenses” in “Selected Financial Information” to generate “Adjusted Base Operating Expenses”, which together with “Adjusted Base Revenues”, are the components of “Adjusted Base Operating Income” as set out in the “Pro-Forma Adjusted Financial Information” statement above.

	For the 3 Months Ended December 31			For the Year Ended December 31		
	2010	2009	Variance	2010	2009	Variance
Total Expenses	\$ 2,501,000	\$ 4,860,000	\$ 2,359,000	\$ 21,757,000	\$ 13,828,000	\$ (7,929,000)
Less: Amortization Expense	(306,000)	(283,000)	23,000	(1,188,000)	(1,147,000)	41,000
	\$ 2,195,000	\$ 4,577,000	\$ 2,382,000	\$ 20,569,000	\$ 12,681,000	\$ (7,888,000)
Adjustments:						
Discretionary Management Bonus	-	(2,151,000)	(2,151,000)	(2,013,000)	(6,347,000)	(4,334,000)
Discretionary Employee Compensation	(103,000)	(1,089,000)	(986,000)	(1,061,000)	(1,763,000)	(702,000)
Stock Option Compensation Expense	(211,000)	-	211,000	(555,000)	-	555,000
Salaries and Benefits related to Shares	-	-	-	-	-	-
Gifted to Employees	-	-	-	(5,041,000)	-	5,041,000
LTIP Expense Accrued	(144,000)	-	144,000	(6,355,000)	-	6,355,000
LTIP Expense Paid	307,000	-	(307,000)	307,000	-	(307,000)
Salaries and Benefits related to MOD Developments Inc	-	(100,000)	(100,000)	-	(253,000)	(253,000)
General and Administration related to MOD Developments Inc	-	(11,000)	(11,000)	-	(26,000)	(26,000)
General and Administration related to IFRS conversion	-	(125,000)	(125,000)	-	(125,000)	(125,000)
Other Income - MOD Developments Inc	-	-	-	139,000	-	(139,000)
Other Income - Sale of Investment	-	-	-	76,000	-	(76,000)
Non-Capitalized IPO Expenses	(14,000)	-	14,000	(249,000)	-	249,000
Formation Costs - New Funds	(213,000)	-	213,000	(213,000)	-	213,000
Performance Fee Related Bonus Pool (shown seperately)	(329,000)	-	329,000	(447,000)	-	447,000
Accrued Management Fee-Related Bonuses	(165,000)	-	165,000	(356,000)	-	356,000
<b>Adjusted Base Operating Expenses</b>	<b>\$ 1,323,000</b>	<b>\$ 1,101,000</b>	<b>\$ (222,000)</b>	<b>\$ 4,801,000</b>	<b>\$ 4,167,000</b>	<b>\$ (634,000)</b>

A number of normalization adjustments made to Total Expenses relate specifically to Salaries and Benefits and General and Administration Expenses. The particular adjustments relating to each of these line items, as shown in the “Pro-Forma Adjusted Financial Information” statement on page 10, are shown below.

Salaries and Benefits	\$ 1,086,000	\$ 1,876,000	\$ 790,000	\$ 4,661,000	\$ 4,722,000	\$ 61,000
Adjustments:						
Discretionary Employee Compensation	(103,000)	(1,089,000)	(986,000)	(1,061,000)	(1,763,000)	(702,000)
Salaries and Benefits related to MOD Developments Inc	-	(100,000)	(100,000)	-	(253,000)	(253,000)
LTIP Expense Paid	307,000	-	(307,000)	307,000	-	(307,000)
Performance Fee Related Bonus Pool (shown seperately)	(329,000)	-	329,000	(447,000)	-	447,000
Accrued Management Fee-Related Bonus Pool	(165,000)	-	165,000	(356,000)	-	356,000
<b>Adjusted Salaries and Benefits</b>	<b>\$ 796,000</b>	<b>\$ 687,000</b>	<b>\$ (109,000)</b>	<b>\$ 3,104,000</b>	<b>\$ 2,706,000</b>	<b>\$ (398,000)</b>

General and Administration Expense	\$ 106,000	\$ 261,000	\$ 155,000	\$ 804,000	\$ 722,000	\$ (82,000)
Professional and Directors' Fees	323,000	296,000	(27,000)	992,000	749,000	(243,000)
Other Expenses (Income)	-	-	-	(215,000)	-	215,000
Adjustments:						
General and Administration related to MOD Developments	-	(11,000)	(11,000)	-	(26,000)	(26,000)
General and Administration related to IFRS conversion	-	(125,000)	(125,000)	-	(125,000)	(125,000)
Other Income - MOD Developments Inc	-	-	-	139,000	-	(139,000)
Other Income - Sale of Investment	-	-	-	76,000	-	(76,000)
Non-Capitalized IPO Expenses	(14,000)	-	14,000	(249,000)	-	249,000
<b>Adjusted General and Administration Expense</b>	<b>\$ 415,000</b>	<b>\$ 421,000</b>	<b>\$ 6,000</b>	<b>\$ 1,547,000</b>	<b>\$ 1,320,000</b>	<b>\$ (227,000)</b>

### 3.6 Summary of Quarterly Results

The following quarterly information was taken from the Company's unaudited quarterly financial statements. This information is consistent with the annual audited financial statements of the Company.

	For the Three Months Ended				For the Three Months Ended			
	31-Dec-2010	30-Sep-2010	30-Jun-2010	31-Mar-2010	31-Dec-2009	30-Sep-2009	30-Jun-2009	31-Mar-2009
<b>Selected Income Statement Information</b>								
Contractual Management Fees	\$ 2,413,000	\$ 2,486,000	\$ 2,492,000	\$ 2,552,000	\$ 2,631,000	\$ 2,681,000	\$ 2,879,000	\$ 2,826,000
Performance Fees	658,000	236,000	538,000	670,000	908,000	232,000	12,000	4,000
Other Revenue	257,000	227,000	57,000	6,000	64,000	60,000	18,000	1,000
<b>Total Revenues</b>	<b>3,328,000</b>	<b>2,949,000</b>	<b>3,087,000</b>	<b>3,228,000</b>	<b>3,603,000</b>	<b>2,973,000</b>	<b>2,909,000</b>	<b>2,831,000</b>
Salaries and Benefits	1,086,000	1,070,000	1,141,000	1,364,000	1,876,000	996,000	937,000	913,000
Gifted Shares	-	-	5,041,000	-	-	-	-	-
Stock Option Expense	211,000	209,000	135,000	-	-	-	-	-
Long Term Incentive Plan	144,000	373,000	5,838,000	-	-	-	-	-
Professional and Directors Fees	323,000	314,000	219,000	136,000	295,000	152,000	131,000	171,000
Formation Cost	213,000	-	-	-	-	-	-	-
Discretionary Management Bonus	-	-	704,000	1,309,000	2,152,000	1,805,000	1,263,000	1,127,000
General and Administration Expense	106,000	356,000	214,000	128,000	260,000	148,000	165,000	149,000
Amortization	306,000	304,000	294,000	284,000	284,000	286,000	288,000	289,000
Realized and Unrealized Foreign Exchange Gain (Loss)	112,000	46,000	(38,000)	30,000	(6,000)	46,000	141,000	(40,000)
Other Income	-	-	-	(215,000)	-	-	-	-
<b>Total Expenses</b>	<b>2,501,000</b>	<b>2,672,000</b>	<b>13,548,000</b>	<b>3,036,000</b>	<b>4,861,000</b>	<b>3,433,000</b>	<b>2,925,000</b>	<b>2,609,000</b>
Income (loss) before Income Taxes	827,000	277,000	(10,461,000)	192,000	(1,258,000)	(460,000)	(16,000)	222,000
Income Tax Expense (Recovery)	321,000	162,000	(1,174,000)	(5,000)	(475,000)	(49,000)	76,000	39,000
<b>Net and Comprehensive Income (Loss)</b>	<b>\$ 506,000</b>	<b>\$ 115,000</b>	<b>\$ (9,287,000)</b>	<b>\$ 197,000</b>	<b>\$ (783,000)</b>	<b>\$ (411,000)</b>	<b>\$ (92,000)</b>	<b>\$ 183,000</b>
<b>Basic Earnings per Share</b>	<b>\$ 0.03</b>	<b>\$ 0.01</b>	<b>\$ (0.82)</b>	<b>\$ 0.03</b>	<b>\$ (0.10)</b>	<b>\$ (0.05)</b>	<b>\$ (0.01)</b>	<b>\$ 0.02</b>
Weighted Average Shares Outstanding	18,240,871	18,240,871	11,282,404	7,803,171	7,803,171	7,803,171	7,803,171	7,803,171

	For the Three Months Ended				For the Three Months Ended			
	31-Dec-2010	30-Sep-2010	30-Jun-2010	31-Mar-2010	31-Dec-2009	30-Sep-2009	30-Jun-2009	31-Mar-2009
<b>Adjusted Non-IFRS Measures</b>								
Adjusted Base EBITDA	\$1,182,000	\$1,348,000	\$1,140,000	\$1,313,000	\$1,321,000	\$1,525,000	\$1,468,000	\$1,602,000
Adjusted EBITDA	\$1,511,000	\$1,466,000	\$1,409,000	\$1,648,000	\$1,775,000	\$1,641,000	\$1,474,000	\$1,604,000
Adjusted Net Income	\$767,000	\$725,000	\$263,000	\$1,007,000	\$1,059,000	\$805,000	\$713,000	\$916,000
<b>Adjusted Basic and Diluted Earnings per Share</b>	<b>\$0.04</b>	<b>\$0.04</b>	<b>\$0.02</b>	<b>\$0.13</b>	<b>\$0.14</b>	<b>\$0.10</b>	<b>\$0.09</b>	<b>\$0.12</b>

Contractual Management Fees trended down over the last eight quarters as (a) AUM decreased from distributions received from Canadian projects, and (b) a weakening US dollar led to foreign exchange translation losses on US Management Fees. Performance Fees trends are dependent on fund and syndicated project performance and hence are more volatile.

Commencing Q2 2010, total expenses started to increase as a result of common shares gifted to employees, stock option expenses, IPO expenses that could not be capitalized, and potential LTIP payables. Other than expenses related to common shares gifted to employees, all other expenses continued to be incurred in subsequent quarters. In addition, costs related to being a public company such as directors and professional fees also increased.

Once the quarters are adjusted for Non-Recurring and Non-Cash Items, the Adjusted Base EBITDA is impacted by decreasing Contractual Management Fees and increasing public company expenses. Adjusted EBITDA and Adjusted Net Income decreases are partially offset by Performance Fees received and, commencing Q2 2010, interest earned on IPO proceeds.

The Basic and Diluted Earnings per Share calculation used a weighted average share basis. On May 20, 2010 the issued and outstanding shares changed materially as the Company completed its IPO and issued 8,500,000 common shares at \$6.00 per share. On June 17, 2010, the underwriters exercised their over-allotment option and an additional 990,871 common shares were issued at \$6.00 per share. Please see Note 7 to the Consolidated Financial Statements for further detailed information.

## 4 OTHER PERTINENT FACTORS

### 4.1 Controls and Procedures

Pursuant to National Instrument 52-109 released by the Canadian Securities Administrators, the Company's CEO and CFO have evaluated the design and operating effectiveness of the Company's disclosure controls and procedures and the Company's internal controls over financial reporting for the year ended December 31, 2010. The CEO and CFO did not identify any material weaknesses in the system of internal controls over financial reporting.

During the quarter ended December 31, 2010, there were no changes to policies, procedures, and processes that comprise the system of internal controls over financial reporting, that may have affected, or are reasonably likely to materially affect the Company's internal control over financial reporting. However, in light of the Company's recent IPO, such controls and procedures are subject to continuous review and changes to such controls and procedures, management resources, and systems may be required.

### 4.2 Liquidity and Capital Resources

We have historically generated positive cash flow before dividends and discretionary bonuses from our business and have not needed to borrow capital other than periodic nominal amounts provided by the owners. Contractual Management Fees are expected to continue to meet ongoing working capital needs and satisfy operating expenses in the short term, including any expenditures required to maintain corporate infrastructure and information systems.

There are no off-Balance Sheet financial arrangements. Long-term lease commitments for premises over the next 10 years are discussed below - See "Transactions with Related Parties" below.

On January 1, 2011 the Company successfully closed a US\$10 million investment in The New Home Company, an Orange County, California-based homebuilding and land development company. TNHC will use the new capital to expand homebuilding and land acquisition efforts throughout California. Tricon intends to warehouse the TNHC investment until the formation of its successor U.S. distressed fund, Tricon XI LP, at which point the investment would be offered to Tricon XI LP for a 9% return on capital.

### 4.3 Transactions with Related Parties

As reported in the consolidated financial statements, there are no shareholder loan receivables. We have a 10 year sub-lease commitment on our head office premises with Mandukwe Inc. a company owned and controlled by a co-founder and current director of the Company. The annual rental amount is \$43,000 plus common area maintenance costs and realty taxes. The lease expires on November 30, 2019.

Tricon acts as a trustee, manager, transfer agent and principal distributor for the various Tricon funds. These funds are Limited Partnerships and a number of the current shareholders of the Company are also currently the general partners of the funds. Certain employees of the Company also own units, directly or indirectly, in the various Tricon funds as well as common shares of the Company. Please refer to the Related Party Transactions and Balances note in the financial statements for further detail.

### 4.4 Dividends

As disclosed in the Prospectus, on April 1, 2010, an aggregate dividend of \$793,000 was declared payable to the then registered shareholders of the Company, of which \$773,000 was a dividend-in-kind and \$20,000 was a cash dividend. The purpose of the dividend-in-kind was to settle shareholder loans and distribute other non-core assets of the Company.

In the third and the fourth quarters the dividends were declared of 6 cents per share for each quarter, totaling \$2,188,000.

On March 2, 2011 the Board of Directors declared a dividend of \$1,094,000 (6 cents a share) to shareholders of record on March 31, 2011 and payable on April 15, 2011.

#### **4.5 Share Capital**

The authorized Share Capital of the Company consisted of 1,000,000 common shares at the end of Q1 2010. Prior to the closing of the IPO, a reorganization of Share Capital was undertaken to reflect the transactions outlined under the "Description of Share Capital" section in the Prospectus. After giving effect to an issuance of 13,661 common shares to the private shareholders in connection with a pre-closing reorganization, a stock split was implemented, whereby each of the common shares issued and outstanding prior to the split were converted into 7.803170883 common shares, resulting in 7,909,770 common shares outstanding following completion of the split. On May 13, 2010, an additional 679,921 common shares were issued from Treasury to two officers of the Company and nine common shares were issued in connection with the transfer of Canadian Performance Fee rights resulting in total outstanding common shares to 8,589,700.

On May 19, 2010, 160,300 common shares were gifted to employees for past service. On May 20, 2010, the IPO, as outlined in the Prospectus dated May 14, 2010, was completed resulting in the issuance of 8,500,000 common shares. On June 17, 2010, an additional 990,871 common shares were issued on the exercise of an over-allotment option by the underwriters. After giving effect to the transactions noted above, 18,240,871 common shares were outstanding as at December 31, 2010.

71,500 additional stock options, arising from the exercise of the over-allotment option by the underwriters, were approved by the Board of Directors on August 3, 2010 increasing total stock options granted to employees to 941,500. As at March 2, 2011, no additional options were granted.

Please see the audited consolidated financial statements for further information.

#### **4.6 Critical Accounting Estimates**

Accounting policies are a critical part of the preparation of financial statements in accordance with IFRS and require us to make estimates and assumptions that affect all components of the Balance Sheet and Income Statement. Estimates and assumptions involve judgments based on available information; therefore, actual results or amounts could differ from estimates and the difference could have a material impact on the consolidated financial statements.

The Company ensures that all assets are assessed for impairment at the Balance Sheet date requiring a number of estimates and assumptions to be made. Contractual Management Fees owing from TCC V were not recorded as revenue due to management's belief that no future economic benefit will flow to the Company.

The determination of which entities to consolidate in accordance with SIC – 12, Consolidation of Special Purpose Entities and IAS 27, Consolidated and Separate Financial Statements, requires analysis and judgment in respect of the individual facts and circumstances. Based on current IFRS requirements, if Tricon makes more than a nominal direct investment in a fund that it manages, the Company will likely be required to consolidate such fund's financial statements. In such an event, additional disclosures as required by IFRS will be included in the Company's financial statements.

The LTIP liability calculation requires the Company to estimate the fair value of Performance Fees that would be paid into the Performance Fee-Related Bonus Pool based on the estimated fair market value of assets within the funds managed by the Company at the reporting date. This requires significant

estimates and assumptions regarding future cash flows and discount rates by project within the funds, as described in the “Fund Information” section below.

#### **4.7 Risk Definition and Management**

The Company has identified a number of risks and uncertainties that are related to our business.

Credit Risk is defined as the risk the Company will not be able to collect all the Contractual Management Fees that it is entitled to, under the terms of the Limited Partnership Agreements entered into with the various funds we manage, because limited partners were unable to meet their commitments.

Liquidity Risk is defined as the risk the Company will not meet its financial obligations as they come due.

Market Risk is defined as the risk that the fair value or future cash flows associated with the funds that we manage will fluctuate because of changes in real estate market prices.

Currency Risk is defined as the risk that the fair value or future cash flows associated with our investment in US funds will fluctuate because of changes in foreign exchange rates.

Risk factors related to the Company include, but are not limited to: (i) difficult market conditions or changing real estate markets, (ii) inability to raise additional funds in a timely manner or at all, (iii) loss of key employees, (iv) limited flexibility or control over the properties that the funds invest in, (v) rapid growth in our AUM could adversely affect our investment performance, (vi) failure to execute our succession plan, (vii) competitive pressures, (viii) failure to manage risks (developer, environmental, market, financial) within each investment, (ix) employee error or misconduct, (x) failure to implement effective information security policies, procedures and capabilities, (xi) failure to maintain adequate insurance coverage, and (xii) failure to comply with government regulations. Managing all these risks that the Company is exposed to, described in greater detail in the Prospectus, is a significant senior management responsibility.

The above risk factors are mitigated to a large extent by senior management’s direct involvement in the day-to-day operations of the business. Members of senior management meet regularly to address, among other things, business issues, to consider new risks to the business and to chart the direction of the Company in terms of new investments being considered, AUM, geographical focus and strategic direction. Information deemed critical to the ongoing monitoring of the Company’s performance and key business metrics are accessible by management when considering operational plans or strategic directions. The Company’s investment performance is monitored on an ongoing basis, including a review of trends and activity in real estate markets. The Company has a defined and controlled investment approach, which is the foundation of its investment philosophy and methodology for investing in real estate projects.

The Company also maintains a system of internal controls and procedures to safeguard assets, control expenses and to ensure that financial reporting is accurate and reliable. The Company believes that trust, integrity and professionalism are essential to the success of the business. Confidential account information is kept under strict control in compliance with all applicable laws and safeguarded from unauthorized parties. The Company has processes in place for succession planning and market based compensation policies to ensure the hiring and retention of highly qualified staff. Insurance policies are reviewed and maintained with adequate coverage on an annual basis.

The Company has recently hired an additional administrative staff member and a financial analyst, and does not anticipate the need to significantly increase the number of employees in the short term. As a listed issuer, additional expenditures will be required as a result of increased regulatory and accounting requirements and technological equipment and back-office systems may need to be upgraded. As the Company grows in the future, additional investment professionals and administrative staff may be



required to manage the business which in turn would increase future Salaries and Benefits, and General and Administration expenditures. Managing the costs of a growing Company will be integral to meeting our financial projections and achieving success as a public company.

#### **4.8 Recent Events / Business Outlook**

During Q4 2010 we continued to seek suitable investments for the uncommitted capital in US distressed fund Tricon IX and Canadian fund Tricon X, as well as managing existing investments in predecessor funds. Given the volatility experienced in the residential real estate industry and capital markets after the late 2008 financial crisis and the resultant global recession, we have limited our activity in Canada to prime development sites within our target markets. In the United States we are concentrating on distressed investment opportunities. Please see “Fund Information” section below for further details.

In Q4 2010, a new subordinated loan was committed by US distressed fund Tricon IX, thereby reducing capital available for investment in that fund to \$60,000,000 after taking into account fund reserves and contingencies. It is expected that the remaining capital available in Tricon IX will be substantially committed by Q3 2011. Capital available in Canadian fund Tricon X remains unchanged at approximately \$20,000,000 after taking into account fund reserves and contingencies for projects and operating expenses. However, subsequent to 2010 the Tricon X Investment Advisory Committee approved an additional investment for the fund which has resulted in that fund being fully committed at the end of January 2011.

The Company is generally permitted to start marketing a successor fund once a predecessor fund is 60% to 75% committed or there is less than 12 to 18 months remaining in the Investment Period. It should be noted that the closing of a successor fund cannot occur until the prior fund is approximately 95% committed (including reserves) or its Investment Period is over, resulting in variability in our AUM. Since we have met all the criteria necessary for launching the proposed new funds, we formally initiated fundraising efforts for successor Canadian fund Tricon XII in Q4 2010 and launched successor, distressed US fund Tricon XI in the first quarter of 2011, in line with previous expectations.

The current fundraising environment continues to be extremely difficult given that most institutional investors are still recovering from the poor returns realized from prior investments in commingled limited partnerships – a direct result of the tough economic environment of the past few years. In turn, this has made many investors re-think their commitment to such funds. That said, our limited partners, in general, have indicated a willingness to invest in the new funds; however, a lack or limited availability of funds may have an impact on their final commitment amount.

Notwithstanding the foregoing, Canadian fund XII has received commitments of approximately \$70 million to date with an initial close expected by Q2 2011. The initial closing of Tricon XI is expected to take place before the end of 2011. It should be noted that the Limited Partnership Agreements for the respective funds allow for subsequent closings for up to one year after the initial close. In addition, Limited Partners admitted after the initial closing are required, inter alia, to pay Management Fees calculated as though they were admitted to the fund at the date of initial closing.

As we reach out to a broader group of prospective investors, it is becoming evident that the use of the net proceeds from the IPO to significantly increase our co-investment in Tricon XI and XII will enhance our fundraising capabilities. Specifically, by co-investing at least 5% of the required capital into new US fund XI and 10% into new Canadian fund XII (Canada has a smaller institutional pool than the United States and will therefore necessitate a larger co-investment to increase fund size), we believe that we will be able to grow AUM through the raising of larger successor funds and ultimately broadening the fund platform by investing in related strategies, both of which should result in increased revenues. Under IFRS, because of this larger co-investment, the new funds may need to be consolidated with the Company resulting in the elimination of the Tricon XI and XII Management Fees and the pickup of the fund income and expenses.

## 5 FUND INFORMATION

The Company manages five active funds (TCC VI to Tricon X) and two prospective future funds (Tricon XI and XII) which are currently in the marketing phase. The funds provide financing to local development partners or operators to acquire, develop and/or construct primarily residential projects including multi-family construction, single-family land development and homebuilding. We also provide financing for retail development but this is typically done in conjunction with residential projects such as master planned communities or retail anchored, urban condos. Given the severity of the housing downturn in the US that occurred from 2006 through 2009, the current fund Tricon IX provides (and successor US fund Tricon XI will provide) financing to local operators to enable them to acquire distressed residential assets mainly through the purchase of discounted bank notes, REO property (i.e. property foreclosed on by banks), bankruptcy sales and from other distressed sellers. While we remain focused on residential real estate development, the Company is opportunistic in nature and, as such, our strategy related to geographic and product type allocation may shift from fund to fund.

The funds typically have a life of eight years with two one-year extensions and an Investment Period of three to four years. The manager of each of these funds, a wholly-owned subsidiary of the Company, earns Management Fees and Performance Fees if certain predetermined return thresholds are met. In addition, as a limited partner in future funds, the Company will earn its pro rata share of income from co-investing in these funds. Management Fees are charged to limited partners based on the size of their commitment and typically range from 1.25% to 2% per annum. During the Investment Period, fees are charged on a limited partner's commitment. After the Investment Period, Management Fees are charged on the lesser of the commitment and the outstanding invested capital. Performance Fees are typically calculated as 20% of net cash flow after limited partners' capital together with a preferred return of 9% to 10% has been repaid. However, the Performance Fee formula also typically contains a "catch-up" provision which enables the manager to earn 50% of net cash flow as a Performance Fee until the ratio of the limited partner return (preferred return plus its share of net cash flow) to Performance Fees paid to the manager is 80/20, with Performance Fees reverting back to 20% of net cash flow thereafter.

A major factor determining the Contractual Management Fees to be ultimately earned by the Company is AUM. A summary of AUM by fund is presented below:

(in Canadian dollars unless otherwise noted)

Fund	Fund Currency	Initial Close	Investment Period End	Fund Capitalization		Assets Under Management <sup>3</sup> (Canadian Equivalent) <sup>2</sup>		
				Fund Currency <sup>1</sup>	Canadian Equivalent <sup>2</sup>	December 31, 2010	September 30, 2010	December 31, 2009
TCC V	US	January-2000	June-2004	\$ 52,500,000	\$ 52,216,500	\$ -	\$ -	\$ 41,411,000
TCC VI	CA	June-2004	March-2007	95,702,500	95,702,500	68,383,000	71,131,000	95,703,000
TCC VII	US	September-2004	March-2007	247,200,000	245,865,120	227,488,000	235,396,000	255,581,000
Tricon VIII	CA	October-2005	June-2008	101,124,000	101,124,000	101,124,000	101,124,000	101,124,000
Tricon IX	US	May-2007	January-2012	331,775,000	329,983,415	329,983,000	341,397,000	364,953,000
Tricon X	CA	April-2008	April-2011	85,362,000	85,362,000	85,362,000	85,362,000	85,362,000
Syndicated Investments	US	--	--	14,900,000	14,819,540	14,820,000	15,332,000	16,390,000
Syndicated Investments	CA	--	--	65,606,000	65,606,000	25,476,000	27,242,000	40,476,000
<b>Total Assets Under Management</b>						<b>\$ 852,636,000</b>	<b>\$ 876,984,000</b>	<b>\$ 1,001,000,000</b>
<b>Contractual Management Fees - Year-to-date</b>						<b>\$ 9,943,000</b>	<b>\$ 7,530,000</b>	<b>\$ 11,017,000</b>
<b>Annualized Weighted Average Fee % - Year-to-date</b>						<b>1.17%</b>	<b>1.14%</b>	<b>1.10%</b>

Notes:

- Fund capitalization does not include syndicated investments, which are shown separately.
- Foreign exchange rate used is at balance sheet date - CA\$.9946 per US\$1.00.
- During the investment period, Assets Under Management equals the Fund Capitalization. After the investment period, Assets Under Management represents the lesser of:
  - fund capital commitment, and
  - invested capital.

The net cash flow generated by each of the funds determines the Performance Fees to be earned by the Company. The estimates shown below are only for funds expected to generate Performance Fees and are based on information gathered from our developers, detailed in-house market research and management judgments. They are reviewed and revised on a quarterly basis.

Fund projections for Tricon IX and X are currently not indicative of expected results since the funds have not been fully deployed. All amounts are based on actual current project commitments for the life of the fund and do not include any assumptions for the balance of funds to be invested. During Q4 2010, additional commitments to new projects were made in Tricon IX in the amount of US\$18,000,000, reducing capital available for investment to US\$60,000,000 after reserves and contingencies. For Tricon X, no new commitments were made in the quarter; however, subsequent to 2010 an investment was approved for \$17,500,000, which resulted in Tricon X being fully committed after taking into consideration fund reserves and contingencies.

Fund IRR's and ROI's shown below are based on cash flows projected over the life of each of the funds. Net ROI and IRR have not been calculated for Tricon IX and X since the capital committed by the funds' limited partners has not been fully invested. Also, since Tricon IX is essentially unlevered at the project level (unlike the other funds) its returns on a risk-adjusted basis are as good as or better than the other funds.

Fund	Projected - December 31, 2010				Projected - September 30, 2010			
	Gross ROI	Gross IRR	Net ROI	Net IRR	Gross ROI	Gross IRR	Net ROI	Net IRR
Tricon VIII	2.2x	19%	1.7x	14%	2.1x	19%	1.7x	15%
Tricon IX	1.8x	14%	n/a <sup>1</sup>	n/a <sup>1</sup>	1.7x	15%	n/a <sup>1</sup>	n/a <sup>1</sup>
Tricon X	1.7x	20%	n/a <sup>1</sup>	n/a <sup>1</sup>	1.7x	20%	n/a <sup>1</sup>	n/a <sup>1</sup>
Syndicated Investments	2.2x	16%	1.9x	13%	2.2x	17%	1.9x	14%

Notes:

1. Net ROI and IRR have not been calculated for Tricon IX and Tricon X since investor capital has not been fully invested. All amounts are based on actual current project commitments and do not include any assumptions for the balance of the funds to be invested.

Financial data for funds expected to pay Performance Fees are as follows:

(in Fund currency)

Fund	Fund Currency	Fund Capitalization	Project Commitments <sup>1</sup>	Fund Capital Available <sup>2</sup>	Actual and Projected Gross Cashflow <sup>3</sup>			Projected Net Cashflow <sup>4</sup>
					Total	Realized	Unrealized	
Tricon VIII	CA \$	101,124,000	\$ 102,997,000	\$ -	\$ 187,577,000	\$ 54,872,000	\$ 132,705,000	\$ 101,934,000
Tricon IX	US	331,775,000	331,775,000	60,000,000	411,833,000	14,010,000	397,823,000	182,440,000
Tricon X <sup>5</sup>	CA	85,362,000	69,657,000	-	95,640,000	18,814,000	76,826,000	37,836,000
Syndicated Investments <sup>6</sup>	CA	65,606,000	65,606,000	-	100,444,000	36,543,000	63,901,000	54,968,000

Notes:

All amounts shown above exclude syndicated investment amounts unless noted otherwise.

n/m = non-meaningful

1. Fund commitments to projects, including guarantees made under loan agreements.
2. Capital available, after operating reserves and project contingencies, for new investments.
3. Actual and projected gross cashflows over the life of the fund.
4. Projected net cashflows are before fund expenses, management fees and performance fees over the life of the fund. Total fund expenses have historically been 1% of fund capitalization. Projected Net Cashflow is derived by subtracting the actual investment amount from Actual and Projected Gross Cashflow. Investment amount does not necessarily equal Project Commitments.
5. Fund capital available is shown subsequent to the approval of the final investment at January 31, 2011.
6. Cashflow information for syndicated investments are only for current active projects.

The geographic breakdown of the funds expected to pay Performance Fees is as follows:

(Dollars in fund currency)

Fund	Fund Currency	Project Commitments <sup>1</sup>	Geographic Breakdown (By Project Commitments)							
			Phoenix	N California	S California	Atlanta	Florida	Vancouver	Edmonton	Toronto
Tricon VIII	CA	\$ 102,997,000						8%	17%	75%
Tricon IX	US	241,150,000	21%	36%	15%	16%	13%			
Tricon X	CA	69,657,000							11%	89%

Notes:

1. Fund commitments to projects, include guarantees made under loan agreements.

The product breakdown of the funds expected to pay Performance Fees is as follows:

Fund	Product Breakdown - Available				
	Multi-Family Units	Single-Family Lots	Land (Acres)	Houses	Retail (SF)
Tricon VIII	2,591	2,543	46	0	58,899
Tricon IX	59	3,961	0	166	8,998
Tricon X	1,405	437	320	0	61,763
<b>Total</b>	<b>4,055</b>	<b>6,941</b>	<b>366</b>	<b>166</b>	<b>129,660</b>

Fund	Product Breakdown - Sold				
	Multi-Family Units	Single-Family Lots	Land (Acres)	Houses	Retail (SF)
Tricon VIII	2,366	263	0	0	36,714
Tricon IX	13	198	0	121	0
Tricon X	1,110	95	0	0	18,360
<b>Total</b>	<b>3,489</b>	<b>556</b>	<b>0</b>	<b>121</b>	<b>55,074</b>

Notes: Lots include finished, partially finished and undeveloped lots. All projects where Tricon has exited its investment are shown as 100% sold. Certain multi-family investments are split between Tricon VIII and X and result in double counting of units.