

**Tricon Capital Group** 2011 Annual Report



**CORPORATE OVERVIEW** ... Founded in 1988, Tricon is one of North America's pre-eminent asset managers focused on the provision of equity and mezzanine capital to the residential real estate industry. Through our private funds, Tricon participates in the development of residential properties in Canada and the United States by providing local operating partners with financing for residential land development, single-family homebuilding, multi-family construction and retail in conjunction with residential projects. Since inception, Tricon has invested in over 150 transactions for development projects valued at approximately \$10 billion. In our direct investment business, Tricon is actively purchasing distressed single family rental homes in the United States with a network of dedicated operating partners.



**OUR MARKETS** ... Tricon is focused on four major geographic markets in Canada (Toronto, Vancouver, Calgary and Edmonton) and six major geographic markets or regions in the United States (Northern California; Southern California; Dallas and Houston, Texas; Phoenix, Arizona; Atlanta, Georgia; and South Florida).

# Chairman's Message

## Fellow Shareholders:

2011 has been a year of transition for Tricon. During the year (and during the month following year end) we made final investments on behalf of our active U.S. and Canadian funds and subsequently made significant headway in the raising of our successor funds. We have also been working to refine our corporate strategy, to find new ways to take advantage of our scope and expertise in both Canada and in the United States. As we refine and define the proposed changes, some of which are discussed in this letter, we remain steadfastly focused on the residential real estate industry in both countries. Further, given our belief that real estate, and particularly residential real estate, is a business best carried out by local developers and managers, we remain convinced that the best way to maximize returns for both our fund investors and shareholders alike is by allocating our capital to experienced and reputable local operating partners.

## FUNDS UPDATE

At year end, Tricon had seven active funds totaling approximately \$944 million of assets under management ("AUM"), an increase of approximately 11% from a year earlier. We made the final investment for our Canadian fund Tricon X in the first quarter of 2011 and shortly thereafter announced a first closing of approximately \$70 million for new Canadian fund Tricon XII. A subsequent close of an additional \$70 million was announced in July 2011, followed by a final close for an additional \$46 million in March 2012. The total amount raised for Tricon XII was \$186 million. As a result, the fund is more than twice the size of its predecessor fund and represents our largest Canadian fund to date. I believe that our fundraising success is a testament to our unparalleled track record and reputation

in financing residential development in Canada. Furthermore, our co-investment of \$20 million into the fund has been a catalyst for the fund's success—investors recognize that in today's environment, managers who are willing to "put their money where their mouth is" are few and far between. Consequently, Tricon XII has attracted six large institutional investors—three existing and three new. As we continue to grow our institutional investor base and produce excellent returns for these investors, this should make Tricon even more attractive to other prospective institutional investors and should serve to help fundraising efforts in the future.

On the investment front, we have primarily been concentrating on condominium development, in a number of different markets. The final investment in Tricon X was

in Calgary's East Village, a major area of redevelopment along the Bow River and within short walking distance of the city's central business district. The first investment in Tricon XII was the Massey Tower, an iconic development in the heart of downtown Toronto, across the road from the Eaton Centre and adjacent to celebrated Massey Hall and the entrance to the Yonge Street subway line. The second investment in Tricon XII was the Metrotown Portfolio, a two tower project across the street from the Skytrain Station and the Metropolis regional mall in Vancouver's high-demand suburb of Burnaby. All three of these investments share several common traits: all sites are transit oriented and occupy prime locations within their respective markets (a hallmark of Tricon's Canadian in-fill strategy), strong

developers with track records of successful development and all three projects are in high population growth markets with residents who espouse the virtues of urban living. Although all three projects are at the early stages of development, they have all been embraced by their local communities and are on track to produce outstanding returns.

We have made similar progress in the United States, as we invested the remaining capital for distressed fund Tricon IX in early 2012 and are now fully focused on the fundraising process for U.S. successor fund, Tricon XI. In fact, as I write this letter, we have commenced definitive documentation for a lead order of \$100 million from a returning Tricon IX investor, which will be augmented by our corporate commitment of \$25 million. Similar to Tricon XII, we expect that this sizeable co-investment will help to attract other large institutional partners and will allow us to meet our fundraising goal of a minimum of \$300 million. I expect to spend a large part of the coming year on the road, meeting with potential institutional investors for Tricon XI, replicating the successes of Tricon IX.

In terms of U.S. investments, the majority of our activity in 2011 and the early part of 2012 was focused on Northern California, where distressed acquisition opportunities still exist in spite of a housing market which

has begun to show signs of improvement. Our Northern California strategy is bifurcated into two components: in-fill condominium development in San Francisco and land development and homebuilding, predominantly in the East Bay Area. We also devoted a significant amount of time in 2011 to exploring new development opportunities in Texas, namely in Dallas and Houston. Both of these markets were able to largely avoid the housing market collapse of 2007-2009 and have growing populations and strong employment bases. Tricon's last U.S. investment was made in Dallas in the early 1990s and we were recently pleased to announce a return to Dallas, subsequent to the year end, with an investment in a 60 acre mixed-used development site at the southern edge of the city's downtown. This investment is currently being warehoused on Tricon's balance sheet and will be offered to Tricon XI upon its first closing, which we anticipate will take place during the second quarter of 2012.

#### **MARKET UPDATE**

The Canadian residential real estate market exhibited continued strength over the past year, underpinned largely by a stable banking environment and slow but steady economic growth. These factors, when combined with historically low mortgage rates and strong immigration-driven popu-

lation growth have resulted in home prices increasing at higher-than-historical rates, which we believe is not sustainable; however, unless there is a significant exogenous shock to the system or severe tightening of credit, we expect that our investments will continue to perform as anticipated and that we will continue to see a pipeline of high quality investment opportunities.

At this time last year, the United States housing market was still bouncing along the bottom, although small green shoots were beginning to emerge in certain regions. I now feel more confident that the bottom has been reached, although there is still a lack of clarity on how long it will take until there is a "full-on" recovery. In spite of this uncertainty, several markets, in particular those in Northern California and Texas, are widely supporting new housing development. Other markets, such as Phoenix, have seen significant reductions in resale inventory overhang, which is necessary before new development takes hold. However, the U.S. banking system remains in turmoil, as it has taken years to deal with stockpiles of defaulted acquisition, development and construction loans as well as defaulted first mortgage residential loans. But, what is often bad for the banks can be very good for Tricon, as we continue to see a high volume of distressed acquisition opportunities in the United States. Accordingly,

**“We expect that our investments will continue to perform as anticipated and we will continue to see a pipeline of high quality investment opportunities.”**

**“We believe that our new funds and strategies will ultimately drive strong revenue, EBITDA and net income growth in 2012 and beyond and that we will all collectively reap the rewards.”**

we do not expect any issues with placing the capital that we hope to raise for our new U.S. distressed fund Tricon XI.

**LOOKING AHEAD**

In addition to transitioning from our older fully invested funds to newly raised funds, we have also slowly been transitioning our business philosophy. Historically we have been relatively rigid in terms of our product offerings—we have had a Canadian residential fund and a U.S. residential fund, each of which had specified investment parameters, and if they did not fit the needs of prospective institutional limited partners we were unable to serve them. Recognizing this as a shortcoming, we have been working with large investors in order to understand their needs and tailor solutions to them. For example, we are looking at forming single-purpose joint ventures or separate accounts with major institutions and targeting large “trophy” U.S. residential assets which well exceed the investment capacity of our funds. On that note, we recently announced our first such investment, Cross Creek Ranch—a 3,200 acre master planned community in Houston, where we are partnering with a major North American pension plan. Collectively, we are committing approximately \$144 million to develop the project (Tricon will be investing 10% of

this commitment with the remaining 90% provided by our institutional partner). This investment will provide strong contractual fee generation for Tricon, as well as investment income and potential performance fees, should we exceed certain specified return hurdles.

Similarly, we have been looking at other residential real estate opportunities beyond our typical development investments. As a result, we recently announced our entry into the single-family home rental market, where we are partnering with local operators, acquiring distressed homes primarily through foreclosure or short sales, renovating the homes and renting them out to families who have been displaced by the “great recession”. We see this strategy as a way to not only generate current yield but also to acquire homes at “wholesale” pricing and hold them until the market has fully recovered in order to reap capital gains upon selective disposition. We have already aligned ourselves with several strong operating partners in some of our existing markets and recently announced an equity financing for \$45 million at \$4.00 per share, with net proceeds to be used primarily to seed this strategy. We continue to evaluate new initiatives with the mindset of growing the business prudently over time, with an overriding focus on our core expertise in residential real estate.

As a whole, our second year as a public company has been extremely productive and has laid the foundation for what I believe to be a very exciting and promising future. The recent share offering will strengthen our balance sheet and will increase Tricon’s market capitalization. It will also create a more liquid security by broadening both the retail and institutional base of the company. As Tricon’s largest shareholder, I recognize that our stock price has room for improvement and our overriding focus has been and continues to be creating value for our shareholders. In that regard, we believe that our new funds and co-investment strategies will ultimately drive strong revenue, EBITDA and net income growth in 2012 and beyond and that we will all collectively reap the rewards of growth in shareholder value.

Our success over the past year is a result of the dedication of our talented and motivated management team, the guidance of our experienced Board, as well as the confidence of our business partners, our steadfast fund investors and our shareholders. I would like to express my appreciation and gratitude to all for their continued support and loyalty. Together, we will build on our existing foundation.

**David Berman**  
*Chairman and Chief Executive Officer*

## Corporate Governance

Sound corporate governance is essential to Tricon's effective operation and is fundamental for building and maintaining the confidence of investors, achieving strategic and operational plans, goals and objectives, as well as increasing shareholder value. Our Board of Directors is committed to ensuring that it has appropriate internal controls and corporate governance policies in place, as well as applying business ethics, compliance and a culture of integrity throughout the organization.

The Board's mandate is the stewardship of the Company. Its key responsibilities, generally through the Chief Executive Officer, include the following:

- Reviewing and approving the strategic plan and, in relation thereto, approval of an annual budget and capital plans;
- Reviewing and approving policies and processes generated by management relating to the authorization of major investments and significant allocations of capital;
- Supervising and evaluating senior management, including the appointment of the Chief Executive Officer, the Chair of the Board and the Lead Director of the Board, and ensuring that other executives are in place to ensure sound management of Tricon;
- Succession planning;
- Ensuring effective and adequate communication with shareholders, other stakeholders and the public, as well as maintaining records and providing reports to shareholders;
- Assessing its own effectiveness and that of its committees;
- Ensuring that Tricon has risk management systems, as well as appropriate internal controls and management information systems in place;
- Identifying and managing risk exposure;
- Ensuring strong business ethics, compliance and corporate governance, and creation of a culture of integrity throughout the organization; and
- Determining the amount and timing of dividends to shareholders.

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## **1. INTRODUCTION**

This Management Discussion and Analysis ("MD&A") at December 31, 2011 is provided as of March 14, 2012. 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, 2011 (additional information relating to the Company is available at [www.sedar.com](http://www.sedar.com)), the audited consolidated financial statements for the year ended December 31, 2010 and the Prospectus for the Initial Public Offering ("IPO") of the Common Shares of the Company dated May 14, 2010. These audited consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") consistent with the year ended 2010 and are presented in Canadian dollars, with the exception of the early adoption of IFRS 10 - Consolidated Financial Statements and IFRS 12 - Disclosure of Interest in Other Entities, as described in Note 2 of the financial statements.

### **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 which 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 future 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 section 1.3 below.

### **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 currently produces our four main revenue streams: (i) Contractual Management Fees, (ii) General Partner Distributions which are not contingent on the performance of the funds, (iii) Performance Fees, and (iv) Investment Income.

Contractual Management Fees are 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.



General Partner Distributions are based on prescribed formulas within a fund's Limited Partnership Agreement and decline over time as 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.

Investment Income will be earned from (i) investing the Company's cash balances into "warehoused" investments that will be offered to new funds upon their formation and (ii) investing directly into new funds or co-investing alongside investments within those funds. The Company has committed \$20 million into newly formed Canadian fund Tricon XII Limited Partnership ("Tricon XII") and will be investing \$25 million into future US distressed fund Tricon XI, L.P. ("Tricon XI"). The Company will earn its pro-rata share of income from these investments, although it does not expect Investment Income to be a significant contributor to Total Revenues until the cash balances are substantially invested into the new funds and the new funds commence investing into underlying projects.

Assets Under Management ("AUM") is a key measure for evaluating Contractual Management Fees and General Partner Distributions. 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 syndicated commitments are above, or in addition to, commitments already made to the 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, General Partner Distributions 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 defined as 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 "EBITDA", "Adjusted Base EBITDA" and "Adjusted EBITDA", and "Adjusted Net Income" with the second and third being the most relevant.

**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 consistent business performance metric over time.

**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 consistent business performance metric over time.

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

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

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 Long Term Incentive Plan ("LTIP") expense. Please see section "3.1 Pro-Forma Adjusted Financial Information" below for adjusted results, section "3.2 Net and Comprehensive Income (Loss)" for unadjusted or IFRS results and section "3.3 Selected Financial Information" for reconciliation and explanation of adjustments made to IFRS measures.

## **2. HIGHLIGHTS**

### **2.1 Operations**

- AUM for the quarter ending December 31, 2011 was \$944,000,000, approximately \$91.2 million higher year over year primarily as a result of the new Canadian fund Tricon XII but approximately \$17.7 million lower in comparison to the prior quarter primarily as a result of US/Canadian dollar exchange rate fluctuations.
- Adjusted Base Revenues for the quarter ended December 31, 2011 ("Q4 2011") increased by \$360,000 to \$3,023,000 when compared to quarter ended December 31, 2010 ("Q4 2010"). For the year ended December 31, 2011 ("YTD 2011"), Adjusted Base Revenues of \$11,435,000 were \$959,000 higher than the year ended December 31, 2010 ("YTD 2010") primarily as a result of General Partner Distributions from Tricon XII.
- Adjusted Base EBITDA for Q4 2011 decreased by \$92,000 to \$1,202,000 compared to Q4 2010 and decreased by \$455,000 to \$4,678,000 for YTD 2011 compared to YTD 2010 primarily a result of the Investment Losses incurred on the co-investment in Tricon XII. Investment Losses are always incurred in the early years of a fund's life as a result of upfront formation and operating costs which precede revenue generating investments.
- Adjusted EBITDA for Q4 2011 was lower by \$421,000 at \$1,202,000 and for YTD 2011 was \$1,351,000 lower at \$4,833,000 when compared to the corresponding periods in 2010, primarily as a result of the aforementioned Investment Losses and the previously anticipated reduction in Performance Fees to be earned.
- Similarly Adjusted Net Income for Q4 2011 was \$302,000 lower at \$608,000 and \$499,000 lower at \$2,539,000 for YTD 2011 when compared to the corresponding periods in 2010.

### **2.2 New Funds**

- Tricon XII, our largest Canadian managed fund to date, currently has total fund commitments of \$140,000,000. A final close for Canadian fund Tricon XII is expected March 22, 2012; subject to finalization of closing documentation, the expectation is that total fund commitments will be approximately \$185,000,000.
- We continue to move forward on due diligence with a large U.S. institutional investor with an initial close now anticipated for Tricon XI in Q2 2012. Fund raising efforts will continue with subsequent closings permitted for a period of one year from the date of initial closing.

### **2.3 Dividends**

- On March 14, 2012, the Board of Directors declared a dividend of 6 cents per share to shareholders of record on March 31, 2012 and payable on April 13, 2012. Accordingly, dividends per share for 2011 totalled 24 cents for the year.

### 3. FINANCIAL REVIEW

Set out in section 3.1 below is a comparative review of financial results for the three months and year ended December 31, 2011 with those for the three months and year ended December 31, 2010.

It should be noted that the new consolidation standard IFRS 10 was early adopted by the Company, and changed the consolidation requirement by electing fair value based accounting provided by the venture capital exemption. This, combined with the additional capital commitments raised during the second quarter, resulted in Tricon XII being accounted for as an associate under IFRS and switching to fair value accounting commencing June 15, 2011. The period between the initial close of March 23, 2011 and June 14, 2011 was accounted for on a consolidation basis.

It should also be noted that 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 2011 to that of 2010 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 2011 and 2010 as if the Company had gone public on January 1, 2010. In preparing these, management has eliminated Non-Recurring and Non-Cash Items (in particular, accrued LTIP expenses, Stock Compensation Expense as well as other Non-Recurring Expenses as shown below).

#### 3.1 Pro-Forma Adjusted Financial Information

	As at			Variance	
	December 31, 2011	September 30, 2011	December 31, 2010	Quarter	Year-to-Date
<b>Assets Under Management</b>	\$ 943,807,000	\$ 961,548,000	\$ 852,636,000	\$ (17,741,000)	\$ 91,171,000

(Rounded to nearest thousand)

	For the Three Months Ended December 31			For the Year Ended December 31		
	2011	2010	Variance	2011	2010	Variance
Contractual Management Fees	\$ 2,315,000	\$ 2,413,000	\$ (98,000)	\$ 9,132,000	\$ 9,943,000	\$ (811,000)
General Partner Distribution Tricon XII	527,000	-	527,000	1,631,000	-	1,631,000
Other Revenue <sup>(10)</sup>	181,000	250,000	(69,000)	672,000	533,000	139,000
<b>Adjusted Base Revenues (Table A)</b>	<b>3,023,000</b>	<b>2,663,000</b>	<b>360,000</b>	<b>11,435,000</b>	<b>10,476,000</b>	<b>959,000</b>
Salaries and Benefits (Table B) <sup>(11)</sup>	928,000	797,000	(131,000)	3,549,000	3,104,000	(445,000)
General and Administration Expenses (Table C)	692,000	414,000	(278,000)	2,043,000	1,547,000	(496,000)
Realized and Unrealized Foreign Exchange (Gain) Loss <sup>(12)</sup>	467,000	112,000	(355,000)	(349,000)	150,000	499,000
<b>Adjusted Base Operating Expenses (Table D)<sup>(13)</sup></b>	<b>2,087,000</b>	<b>1,323,000</b>	<b>(764,000)</b>	<b>5,243,000</b>	<b>4,801,000</b>	<b>(442,000)</b>
<b>Adjusted Base Operating Income</b>	<b>936,000</b>	<b>1,340,000</b>	<b>(404,000)</b>	<b>6,192,000</b>	<b>5,675,000</b>	<b>517,000</b>
Management Fee-Related Bonus Pool <sup>(11)</sup>	(119,000)	(165,000)	46,000	(774,000)	(706,000)	(68,000)
Investment Income (Loss) (Table E)	(82,000)	7,000	(89,000)	(391,000)	14,000	(405,000)
Unrealized Foreign Exchange (Gain) Loss <sup>(12)</sup>	467,000	112,000	355,000	(349,000)	150,000	(499,000)
<b>Adjusted Base EBITDA</b>	<b>1,202,000</b>	<b>1,294,000</b>	<b>(92,000)</b>	<b>4,678,000</b>	<b>5,133,000</b>	<b>(455,000)</b>
Performance Fees	-	658,000	(658,000)	311,000	2,102,000	(1,791,000)
Performance Fee-Related Bonus Pool	-	(329,000)	329,000	(156,000)	(1,051,000)	895,000
<b>Adjusted EBITDA</b>	<b>1,202,000</b>	<b>1,623,000</b>	<b>(421,000)</b>	<b>4,833,000</b>	<b>6,184,000</b>	<b>(1,351,000)</b>
Amortization <sup>(8)</sup>	(350,000)	(306,000)	(44,000)	(1,313,000)	(1,188,000)	(125,000)
Income Tax Recovery (Expense) <sup>(6)</sup>	(244,000)	(407,000)	163,000	(981,000)	(1,958,000)	977,000
<b>Adjusted Net Income</b>	<b>\$ 608,000</b>	<b>\$ 910,000</b>	<b>\$ (302,000)</b>	<b>\$ 2,539,000</b>	<b>\$ 3,038,000</b>	<b>\$ (499,000)</b>

For Notes and Tables, please see "3.3 Selected Financial Information".

AUM decreased for the quarter primarily as a result of unfavorable foreign exchange rate movements. The US dollar was equal to CA\$1.017 at December 31, 2011 compared to CA\$1.0482 at the end of September 30, 2011 and CA\$0.9946 at December 31, 2010. The year to date increase in AUM was primarily the result of the amounts raised for the new Canadian fund Tricon XII. This was offset by: (i) a reduction in the Tricon X management fee base with a concomitant reduction in Tricon X AUM (on the commencement of Tricon XII, Tricon X was required to switch from a fee based on committed capital to a fee based on invested capital, which was significantly lower), and (ii) the successful realization of investments and related distributions to limited partners in the other Canadian funds. As a result of the reduction in Tricon X AUM and the successful realizations aforementioned, Contractual Management Fees decreased for the quarter and year to date by \$98,000 and \$811,000 respectively when compared to the corresponding periods in the prior year – see section “3.2 Net and Comprehensive Income (Loss)” below.

The Contractual Management Fee decreases were fully offset by General Partner Distributions from Tricon XII, our new Canadian managed fund. General Partner Distributions for the quarter and year to date were \$527,000 and \$1,141,000 respectively - see section “3.2 Net and Comprehensive Income (Loss)” below. However, after adjusting for Non-Recurring items related to the consolidation period eliminations, General Partner Distributions from Tricon XII amounted to \$1,631,000 for YTD 2011.

Other Revenue consists of interest earned on cash deposits, cash equivalents, and long term investments as well as on temporary loans to funds.

Salaries and Benefits increased for Q4 2011 and YTD 2011 compared to the corresponding periods in the prior year by \$56,000 and \$157,000 respectively – see section “3.2 Net and Comprehensive Income (Loss)” below. However, after adjusting for Non-Recurring items, Salaries and Benefits increased for the quarter and year-to-date by \$131,000 and \$445,000 respectively. This increase was a result of new hires and normal increases in base salaries.

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 a negative LTIP expense for Q4 2011 of \$257,000 - see section “3.2 Net and Comprehensive Income (Loss)” below, in respect of potential future LTIP. On a year-to-date basis, LTIP was \$2,418,000, of which \$2,262,000 relates to potential future Performance Fees; LTIP was accrued for the first time in Q2 2010 under IFRS. It should be noted that LTIP is only paid when and if the corresponding Performance Fees are earned in the future. Accordingly, potential LTIP payments have been removed in calculating Adjusted Net Income above. However, LTIP payments made in respect of Performance Fees actually earned during the corresponding reporting periods are included in the determination of Adjusted Net Income, specifically \$Nil for Q4 2011 and \$156,000 for YTD 2011.

It should be noted when reading the above analysis that the 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*, significantly decreased the Net and Comprehensive Income (Loss) for YTD 2011 and the comparative periods in 2010 – see section “3.2 Net and Comprehensive Income (Loss)”. 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 this item and other Non-Recurring and Non-Cash items noted in section 3.3 generates the Adjusted Net Income amounts shown above – which 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.

General and Administration Expense and Professional and Directors' Fees increased for Q4 2011 and YTD 2011 compared to the corresponding periods in the prior year by \$264,000 and \$269,000, respectively - see section “3.2 Net and Comprehensive Income (Loss)” below. However, after adjusting for Non-Recurring items, General and Administration Expenses including Professional and Director's Fees increased for Q4 2011 by \$278,000 and YTD 2011 by \$496,000. The increase in the quarter was due to expenses incurred on the investigation of new strategic initiatives. The increased year-to-date expenses were attributable to Tricon becoming a public company and the costs associated with the addition of three independent directors to the Board, as well as increased professional fees, filing fees and investor relation expenses.

Formation Costs related to the new Canadian fund Tricon XII for the period Jan 1, 2011 to June 14, 2011 of \$469,000 were expensed, as well as Formation Costs relating to Tricon XI of \$25,000 for Q4 2011 and \$120,000 for YTD 2011 - see section "3.2 Net and Comprehensive Income (Loss)" below. Under IFRS, all Formation Costs incurred prior to the first close of the fund are required to be expensed rather than set up as a recoverable cost. Since all Formation Costs will be recovered in the future from the limited partners of Tricon XI and XII, they have been removed when calculating Adjusted Net Income.

Unrealized Foreign Exchange Losses were incurred for Q4 2011 of \$467,000 an increase of \$355,000 over Q4 2010 and Unrealized Foreign Exchange Gains were incurred for YTD 2011 of \$349,000 an increase of \$499,000 compared to YTD 2010. Foreign Exchange gains or losses are unrealized and occur from the translation of US fund Management Fees earned and held as cash for future investment. It should be noted that foreign exchange movements do not expose the Company to near term economic gains or losses since the Company does not convert the US Management Fees earned into Canadian dollars, which would crystallize the gains or losses. Instead, it retains the US dollars earned for investment in future US funds. Therefore, due to the nature of this item, its impact has been removed when calculating the Adjusted Base EBITDA, Adjusted EBITDA and Adjusted Net Income amounts set out above.

As expected, Investment Losses of \$82,000 were incurred in Q4 2011 and \$225,000 for YTD 2011 as a result of the Company's investment in Tricon XII, and the change in the fair value of the fund. It should be noted that a new fund generally incurs net operating losses in the first two years of its life as a result of formation costs and operating costs incurred without the benefit of offsetting income as the fund is not sufficiently invested at this time. Investment losses incurred during the early years should be recovered over the life of the fund.

Therefore, for the reasons noted above Adjusted Base EBITDA decreased for Q4 2011 and YTD 2011 by \$92,000 and \$455,000 when compared to the corresponding period in 2010.

Adjusted EBITDA for Q4 2011 and YTD 2011 was lower than the corresponding periods in 2010 as a result of the items mentioned above as well as lower Performance Fees. As mentioned in previous reports, Performance Fees were significantly lower in 2011 when compared to 2010 as a result of the substantial completion of Canadian syndicated investments and the anticipated lag time before the realization of investments in the current active funds.

Finally, Adjusted Net Income for Q4 2011 and YTD 2011 was lower than the corresponding periods of the prior year as a result of the factors mentioned above as well as the tax effect of certain adjustments, as described in the section "3.3 Selected Financial Information".

### 3.2 Net and Comprehensive Income (Loss)

	For the Three Months Ended December 31			For the Year Ended December 31		
	2011	2010	Variance	2011	2010	Variance
Total Revenues	\$ 2,941,000	\$ 3,328,000	\$ (387,000)	\$ 11,031,000	\$ 12,592,000	\$ (1,561,000)
Total Expenses	(2,508,000)	(2,501,000)	(7,000)	(10,972,000)	(21,757,000)	10,785,000
Non-Controlling Interest Fair Value Change	-	-	-	931,000	-	931,000
Income Tax (Expense) Recovery	(178,000)	(321,000)	143,000	(446,000)	696,000	(1,142,000)
<b>Net and Comprehensive Income (Loss)</b>	<b>\$ 255,000</b>	<b>\$ 506,000</b>	<b>\$ (251,000)</b>	<b>\$ 544,000</b>	<b>\$ (8,469,000)</b>	<b>\$ 9,013,000</b>

Details of the revenue and expense items making up Net and Comprehensive Income (Loss) are as follows:

	For the Three Months Ended December 31			For the Year Ended December 31		
	2011	2010	Variance	2011	2010	Variance
Contractual Management Fees	\$ 2,315,000	\$ 2,413,000	\$ (98,000)	\$ 9,132,000	\$ 9,943,000	\$ (811,000)
General Partner Distributions Tricon XII	527,000	-	527,000	1,141,000	-	1,141,000
Other Revenue	181,000	250,000	(69,000)	672,000	533,000	139,000
Base Revenue	3,023,000	2,663,000	360,000	10,945,000	10,476,000	469,000
Investment Income (Loss)	(82,000)	7,000	(89,000)	(225,000)	14,000	(239,000)
Performance Fees	-	658,000	(658,000)	311,000	2,102,000	(1,791,000)
<b>Total Revenues</b>	<b>\$ 2,941,000</b>	<b>\$ 3,328,000</b>	<b>\$ (387,000)</b>	<b>\$ 11,031,000</b>	<b>\$ 12,592,000</b>	<b>\$ (1,561,000)</b>

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	For the Three Months Ended December 31			For the Year Ended December 31		
	2011	2010	Variance	2011	2010	Variance
Salaries and Benefits	\$ 1,047,000	\$ 991,000	\$ (56,000)	\$ 4,323,000	\$ 4,166,000	\$ (157,000)
Gifted Shares	-	-	-	-	5,041,000	5,041,000
Stock Compensation Expense	184,000	211,000	27,000	635,000	555,000	(80,000)
LTIP Expense	(257,000)	240,000	497,000	2,418,000	6,872,000	4,454,000
Professional and Directors' Fees	295,000	322,000	27,000	1,067,000	970,000	(97,000)
Formation Costs	25,000	213,000	188,000	589,000	213,000	(376,000)
Discretionary Management Bonus	-	-	-	-	2,013,000	2,013,000
General and Administration Expense	397,000	106,000	(291,000)	976,000	804,000	(172,000)
Amortization	350,000	306,000	(44,000)	1,313,000	1,188,000	(125,000)
Realized and Unrealized Foreign Exchange (Gain) Loss	467,000	112,000	(355,000)	(349,000)	150,000	499,000
Other Income	-	-	-	-	(215,000)	(215,000)
<b>Total Expenses</b>	<b>\$ 2,508,000</b>	<b>\$ 2,501,000</b>	<b>\$ (7,000)</b>	<b>\$ 10,972,000</b>	<b>\$ 21,757,000</b>	<b>\$ 10,785,000</b>

Tricon XII, the new Canadian fund currently being marketed by the Company had an initial close on March 23, 2011 with a direct commitment to that fund of \$20,000,000 from the Company. New consolidation rules issued under IFRS 10 and early adopted by the Company changed the rules governing consolidation. This combined with the change of the Company's limited partnership interest from the new commitments closed on June 15, 2011 resulted in a change in the accounting treatment of Tricon XII from consolidation accounting to an investment in associate, recorded at fair value. As a result, the Company consolidated the Tricon XII financial statements for the period March 23, 2011 to June 14, 2011, and recorded a share of fair value adjustment related to its investment for the period June 15, 2011 to December 31, 2011.

The items making up the Non-Controlling Interest are as follows:

	For the Three Months Ended December 31			For the Year Ended December 31		
	2011	2010	Variance	2011	2010	Variance
Formation Costs	\$ -	\$ -	\$ -	\$ 523,000	\$ -	\$ -
General Partner Distributions Tricon XII	-	-	-	408,000	-	-
<b>Non-Controlling Interest Fair Value Change</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 931,000</b>	<b>\$ -</b>	<b>\$ -</b>

The Company's limited partnership interest reduced from 29.1% to 14.3% on June 15, 2011 as a result of the second close.

Please see "3.1 Pro-Forma Adjusted Financial Information" above, "3.3 Selected Financial Information" and "6. Fund Information" below for more detailed explanations.

### 3.3 Selected Financial Information

Set out below is a comprehensive analysis of Non-Recurring and Non-Cash adjustments made to Q4 2011 and Q4 2010, and YTD 2011 and YTD 2010. Please note that the Q4 2010 and YTD 2010 amounts have been revised to: (i) tax effect the 2010 adjustments made, and (ii) deduct non-cash items such as Stock Compensation Expense and Unrealized Foreign Exchange (Gains) Losses. As a result, Q4 2010 and YTD 2010 Adjusted Base EBITDA, Adjusted EBITDA, and Adjusted Net Income have changed from the amounts published last year in order to maintain consistency with the current year adjustments.

(Rounded to nearest thousands of dollars except per share amounts)

Selected Balance Sheet Information	December 31, 2011		December 31, 2010	
Total Assets	\$	57,030,000	\$	58,897,000
Total Liabilities		11,017,000		9,636,000
Equity		46,013,000		49,261,000

Selected Income Statement Information	For the Three Months Ended December 31			For the Year Ended December 31								
	2011	2010	Variance	2011	2010	Variance						
Net and Comprehensive Income (Loss)	\$	255,000	\$	506,000	\$	(251,000)	\$	544,000	\$	(8,469,000)	\$	9,013,000
Adjusted as follows:												
Discretionary Management Bonus <sup>(1)</sup>	-	-	-	-	2,013,000	(2,013,000)						
Discretionary Employee Compensation <sup>(2)</sup>	-	103,000	(103,000)	-	1,061,000	(1,061,000)						
Non-Recurring, Non-Cash Items and LTIP, Net <sup>(3)</sup>	419,000	387,000	32,000	3,053,000	12,041,000	(8,988,000)						
Non-Controlling Interest <sup>(3)</sup>	-	-	-	(523,000)	-	(523,000)						
Management Fee-Related Bonus Pool <sup>(4)</sup>	-	-	-	-	(350,000)	350,000						
Performance Fee-Related Bonus Pool <sup>(5)</sup>	-	-	-	-	(604,000)	604,000						
Total Adjustments	419,000	490,000	(71,000)	2,530,000	14,161,000	(11,631,000)						
Net and Comprehensive Income After Adjustments	674,000	996,000	(322,000)	3,074,000	5,692,000	(2,618,000)						
Tax Effect of Adjustments <sup>(6)</sup>	(66,000)	(86,000)	20,000	(535,000)	(2,654,000)	2,119,000						
Adjusted Net Income <sup>(7)</sup>	608,000	910,000	(302,000)	2,539,000	3,038,000	(499,000)						
Amortization <sup>(8)</sup>	350,000	306,000	44,000	1,313,000	1,188,000	125,000						
Income Tax Expense (Recovery) <sup>(6)</sup>	244,000	407,000	(163,000)	981,000	1,958,000	(977,000)						
Adjusted EBITDA <sup>(7)</sup>	1,202,000	1,623,000	(421,000)	4,833,000	6,184,000	(1,351,000)						
Performance Fees	-	(658,000)	658,000	(311,000)	(2,102,000)	1,791,000						
Performance Fee-Related Bonus Pool <sup>(9)</sup>	-	329,000	(329,000)	156,000	1,051,000	(895,000)						
Adjusted Base EBITDA <sup>(7)</sup>	\$	1,202,000	\$	1,294,000	\$	(92,000)	\$	4,678,000	\$	5,133,000	\$	(455,000)
Basic and Diluted Earnings (Loss) Per Share	\$	0.01	\$	0.03	\$	0.03	\$	(0.61)				
Adjusted Basic and Diluted Earnings Per Share	\$	0.03	\$	0.05	\$	0.14	\$	0.22				
Weighted Average Shares Outstanding		18,237,404		18,240,871		18,240,004		13,891,829				

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. Commencing Q4 2010 the public company no longer paid Discretionary Management Bonus amounts.
2. Discretionary Employee Compensation includes discretionary bonus payments to employees of the Company prior to the Company going public.

3. Non-Recurring, Non-Cash and LTIP adjustments are detailed below, as well as Formation Costs. Formation Costs recovered from the Tricon XII Non-Controlling Interest are being reversed out since the related expense was also reversed.

	For the Three Months Ended December 31		For the Year Ended December 31	
	2011	2010	2011	2010
Contractual Management Fees from pre-2000 Funds	\$ -	\$ -	\$ -	\$ -
Other Income - MOD Developments Inc.	-	-	-	(139,000)
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	184,000	211,000	635,000	555,000
LTIP Expense Accrued	(257,000)	144,000	2,418,000	6,355,000
LTIP Expense Paid	-	(307,000)	(156,000)	(307,000)
Formation Costs to be Charged to New Funds	25,000	213,000	589,000	213,000
Formation Costs related to Co-investment	-	-	(84,000)	-
Unrealized Foreign Exchange Loss (Gain)	467,000	112,000	(349,000)	150,000
Non-Capitalized IPO Expenses	-	14,000	-	249,000
<b>Non-Recurring, Non-Cash Items and LTIP</b>	<b>\$ 419,000</b>	<b>\$ 387,000</b>	<b>\$ 3,053,000</b>	<b>\$ 12,041,000</b>
Formation Costs - Non Controlling Interest	-	-	(523,000)	-
<b>Non-Controlling Interest</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (523,000)</b>	<b>\$ -</b>

4. 12.5% of Base Operating Income (Contractual Management Fees, Investment Income from warehoused investments, and Other Revenue, 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 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.
5. Adjustment related to pre-IPO Performance Fee Related Bonus Plan. See Note 9 below.
6. Income Tax Expense has been adjusted to reflect the impact of the above pro-forma adjustments. Please note that the Q4 2010 and YTD 2010 adjustments had not been previously tax adjusted therefore adjustments were resulting in a revision to Adjusted Net and Comprehensive Income.
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 TCC VII and Tricon IX and Canadian fund Tricon 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 US 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 are allocated to the Performance Fee- Related Employee Bonus Pool. Historical information has been adjusted to reflect this arrangement.
10. Other Revenue consists of interest earned on IPO proceeds and temporary loans to funds.



11. Salaries and Benefits include annual employee bonus amounts and have been adjusted for Discretionary Employee Compensation, Performance Fee Related Bonus Pool and Management Fee Related Bonus Pool as shown on Table B. The Management Fee Related Bonus Pool calculation for 2011 includes the General Partner Distribution on the Company's co-investment.
12. Realized and Unrealized Foreign Exchange Losses (Gains) relate to the conversion of the United States dollar balances to Canadian equivalent. 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 2011 - \$Nil (Q4 2010 - \$Nil); and YTD 2011 - \$Nil (YTD 2010 - \$2,013,000). See Note (1) above under "Notes to Selected Financial Information".

The following tables provide a breakdown of the normalization adjustments between the income and expense line items on the "Selected Financial Information" shown in section 3.3 and the "Pro-Forma Adjusted Financial Information" shown in section 3.1.

Table A: Adjusted Base Revenue

	For the Three Months Ended December 31			For the Year Ended December 31		
	2011	2010	Variance	2011	2010	Variance
Contractual Management Fees	\$ 2,315,000	\$ 2,413,000	\$ (98,000)	\$ 9,132,000	\$ 9,943,000	\$ (811,000)
General Partner Distributions Tricon XII	527,000	-	527,000	1,141,000	-	1,141,000
Other Revenue	181,000	250,000	(69,000)	672,000	533,000	139,000
<b>Base Revenue</b>	<b>3,023,000</b>	<b>2,663,000</b>	<b>360,000</b>	<b>\$ 10,945,000</b>	<b>\$ 10,476,000</b>	<b>\$ 469,000</b>
Adjustments:						
General Partner Distributions- Tricon XII Co-investment	-	-	-	82,000	-	82,000
General Partner Distributions Tricon XII (Note 1)	-	-	-	408,000	-	408,000
<b>Adjusted Base Revenues</b>	<b>\$ 3,023,000</b>	<b>\$ 2,663,000</b>	<b>\$ 360,000</b>	<b>\$ 11,435,000</b>	<b>\$ 10,476,000</b>	<b>\$ 959,000</b>

Note 1: General Partner Distributions received from third parties during March 23, 2011 to June 13, 2011 and eliminated on consolidation to Non-Controlling Interest

Table B: Salaries and Benefits

	For the Three Months Ended December 31			For the Year Ended December 31		
	2011	2010	Variance	2011	2010	Variance
Salaries and Benefits	\$ 1,047,000	\$ 991,000	\$ (56,000)	\$ 4,323,000	\$ 4,166,000	\$ (157,000)
Adjustments:						
Discretionary Employee Compensation	-	(103,000)	(103,000)	-	(1,061,000)	(1,061,000)
Performance Fee Related Bonus Pool (pre-IPO)	-	-	-	-	604,000	604,000
LTIP Expense Paid	-	403,000	403,000	-	802,000	802,000
Performance Fee Related Bonus Pool (shown separately)	-	(329,000)	(329,000)	-	(1,051,000)	(1,051,000)
Accrued Management Fee-Related Bonus Pool	(119,000)	(165,000)	(46,000)	(774,000)	(356,000)	418,000
<b>Adjusted Salaries and Benefits</b>	<b>\$ 928,000</b>	<b>\$ 797,000</b>	<b>\$ (131,000)</b>	<b>\$ 3,549,000</b>	<b>\$ 3,104,000</b>	<b>\$ (445,000)</b>

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Table C: General and Administration

	For the Three Months Ended December 31			For the Year Ended December 31		
	2011	2010	Variance	2011	2010	Variance
General and Administration Expense	\$ 397,000	\$ 106,000	\$ (291,000)	\$ 976,000	\$ 804,000	\$ (172,000)
Professional and Directors' Fees	295,000	322,000	27,000	1,067,000	970,000	(97,000)
Other Expenses (Income)	-	-	-	-	(215,000)	(215,000)
	692,000	428,000	(264,000)	2,043,000	1,559,000	(484,000)
Adjustments:						
Sale of MOD Developments Inc	-	-	-	-	139,000	139,000
Sale of Other Investment	-	-	-	-	76,000	76,000
Non-Capitalized IPO Expenses	-	(14,000)	(14,000)	-	(227,000)	(227,000)
<b>Adjusted General and Administration Expense</b>	<b>\$ 692,000</b>	<b>\$ 414,000</b>	<b>\$ (278,000)</b>	<b>\$ 2,043,000</b>	<b>\$ 1,547,000</b>	<b>\$ (496,000)</b>

Table D: Adjusted Base Operating Expenses

	For the Three Months Ended December 31			For the Year Ended December 31		
	2011	2010	Variance	2011	2010	Variance
Total Expenses	\$ 2,508,000	\$ 2,501,000	\$ (7,000)	\$ 10,972,000	\$ 21,757,000	\$ 10,785,000
Less: Amortization Expense	(350,000)	(306,000)	44,000	(1,313,000)	(1,188,000)	125,000
	2,158,000	2,195,000	37,000	9,659,000	20,569,000	10,910,000
Adjustments:						
Discretionary Management Bonus	-	-	-	-	(2,013,000)	(2,013,000)
Discretionary Employee Compensation	-	(103,000)	(103,000)	-	(1,061,000)	(1,061,000)
Stock Compensation Expense	(184,000)	(211,000)	(27,000)	(635,000)	(555,000)	80,000
Salaries and Benefits related to Shares						
Gifted to Employees	-	-	-	-	(5,041,000)	(5,041,000)
Potential LTIP Expense Accrued	257,000	163,000	(94,000)	(2,418,000)	(6,048,000)	(3,630,000)
Other Income - MOD Developments Inc	-	-	-	-	139,000	139,000
Other Income - Sale of Investment	-	-	-	-	76,000	76,000
Roadshow Expenses (Non-Capitalized IPO Expenses)	-	(14,000)	(14,000)	-	(249,000)	(249,000)
Formation Costs	(25,000)	(213,000)	(188,000)	(589,000)	(213,000)	376,000
Performance Fee Related Bonus Pool (pre-IPO)	-	-	-	-	604,000	604,000
Performance Fee Related Bonus Pool (shown separately)	-	(329,000)	(329,000)	-	(1,051,000)	(1,051,000)
Accrued Management Fee-Related Bonuses	(119,000)	(165,000)	(46,000)	(774,000)	(356,000)	418,000
<b>Adjusted Base Operating Expenses</b>	<b>2,087,000</b>	<b>1,323,000</b>	<b>(764,000)</b>	<b>5,243,000</b>	<b>4,801,000</b>	<b>(442,000)</b>
Add: Unrealized Foreign Exchange Gain (Loss)	(467,000)	(112,000)	355,000	349,000	(150,000)	(499,000)
<b>Adjusted Base Operating Expenses excluding Foreign Exchange (Gain) Loss</b>	<b>\$ 1,620,000</b>	<b>\$ 1,211,000</b>	<b>\$ (409,000)</b>	<b>\$ 5,592,000</b>	<b>\$ 4,651,000</b>	<b>\$ (941,000)</b>

Table E: Investment Income (Loss)

	For the Three Months Ended December 31			For the Year Ended December 31		
	2011	2010	Variance	2011	2010	Variance
Investment Income (Loss)	\$ (82,000)	\$ 7,000	\$ (89,000)	\$ (225,000)	\$ 14,000	\$ (239,000)
General Partner Distributions eliminated on consolidation	-	-	-	(82,000)	-	(82,000)
Formation Costs Related to Co-investment	-	-	-	(84,000)	-	(84,000)
<b>Adjusted Investment Income (Loss)</b>	<b>\$ (82,000)</b>	<b>\$ 7,000</b>	<b>\$ (89,000)</b>	<b>\$ (391,000)</b>	<b>\$ 14,000</b>	<b>\$ (405,000)</b>

### 3.4 Summary of Quarterly Results

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

	For the Three Months Ended				For the Three Months Ended			
	31-Dec-2011	30-Sep-2011	30-Jun-2011	31-Mar-2011	31-Dec-2010	30-Sep-2010	30-Jun-2010	31-Mar-2010
<b>Selected Income Statement Information</b>								
Contractual Management Fees	\$ 2,315,000	\$ 2,257,000	\$ 2,212,000	\$ 2,348,000	\$ 2,413,000	\$ 2,486,000	\$ 2,492,000	\$ 2,552,000
General Partner Distribution	527,000	541,000	73,000	-	-	-	-	-
Performance Fees	-	5,000	119,000	187,000	658,000	236,000	538,000	670,000
Income (loss) from partnerships	(82,000)	(143,000)	(4,000)	4,000	7,000	4,000	2,000	1,000
Other Revenue	181,000	119,000	170,000	202,000	250,000	223,000	55,000	5,000
<b>Total Revenues</b>	<b>2,941,000</b>	<b>2,779,000</b>	<b>2,570,000</b>	<b>2,741,000</b>	<b>3,328,000</b>	<b>2,949,000</b>	<b>3,087,000</b>	<b>3,228,000</b>
Salaries and Benefits	1,047,000	1,210,000	1,066,000	1,000,000	991,000	939,000	1,122,000	1,114,000
Gifted Shares	-	-	-	-	-	-	5,041,000	-
Stock Option Expense	184,000	100,000	140,000	211,000	211,000	209,000	135,000	-
Long Term Incentive Plan	(257,000)	543,000	1,507,000	625,000	240,000	794,000	5,588,000	250,000
Professional and Directors Fees	295,000	170,000	308,000	294,000	322,000	293,000	219,000	136,000
Formation Cost	25,000	62,000	218,000	284,000	213,000	-	-	-
Discretionary Management Bonus	-	-	-	-	-	-	704,000	1,309,000
General and Administration Expense	397,000	221,000	180,000	178,000	106,000	356,000	214,000	128,000
Amortization	350,000	351,000	307,000	305,000	306,000	304,000	294,000	284,000
Realized and Unrealized Foreign Exchange	467,000	(1,216,000)	23,000	377,000	112,000	46,000	(38,000)	30,000
Other Income	-	-	-	-	-	-	-	(215,000)
<b>Total Expenses</b>	<b>2,508,000</b>	<b>1,441,000</b>	<b>3,749,000</b>	<b>3,274,000</b>	<b>2,501,000</b>	<b>2,941,000</b>	<b>13,279,000</b>	<b>3,036,000</b>
Income (loss) before non controlling interest	433,000	1,338,000	(1,179,000)	(533,000)	827,000	8,000	(10,192,000)	192,000
Non-controlling interest	-	-	616,000	315,000	-	-	-	-
Income (loss) before Income Taxes	433,000	1,338,000	(563,000)	(218,000)	827,000	8,000	(10,192,000)	192,000
Income Tax Expense (Recovery)	178,000	345,000	(54,000)	(23,000)	321,000	162,000	(1,174,000)	(5,000)
<b>Net and Comprehensive Income (Loss)</b>	<b>\$ 255,000</b>	<b>\$ 993,000</b>	<b>\$ (509,000)</b>	<b>\$ (195,000)</b>	<b>\$ 506,000</b>	<b>\$ (154,000)</b>	<b>\$ (9,018,000)</b>	<b>\$ 197,000</b>
<b>Basic Earnings per Share</b>	<b>\$ 0.01</b>	<b>\$ 0.06</b>	<b>\$ (0.03)</b>	<b>\$ (0.01)</b>	<b>\$ 0.03</b>	<b>\$ (0.01)</b>	<b>\$ (0.80)</b>	<b>\$ 0.03</b>
Weighted Average Shares Outstanding	18,237,404	18,240,871	18,240,871	18,240,871	18,240,871	18,240,871	11,282,404	7,803,171

	For the Three Months Ended				For the Three Months Ended			
	31-Dec-2011	30-Sep-2011	30-Jun-2011	31-Mar-2011	31-Dec-2010	30-Sep-2010	30-Jun-2010	31-Mar-2010
<b>Adjusted Non-IFRS Measures</b>								
Adjusted Base EBITDA	\$ 1,202,000	\$ 1,089,000	\$ 1,288,000	\$ 1,099,000	\$ 1,294,000	\$ 1,278,000	\$ 1,218,000	\$ 1,343,000
Adjusted EBITDA	\$ 1,202,000	\$ 1,091,000	\$ 1,347,000	\$ 1,193,000	\$ 1,623,000	\$ 1,396,000	\$ 1,487,000	\$ 1,678,000
Adjusted Net Income	\$ 608,000	\$ 592,000	\$ 681,000	\$ 658,000	\$ 910,000	\$ 744,000	\$ 358,000	\$ 1,026,000
<b>Adjusted Basic and Diluted Earnings per Share</b>	<b>\$0.03</b>	<b>\$0.04</b>	<b>\$0.04</b>	<b>\$0.04</b>	<b>\$0.05</b>	<b>\$0.04</b>	<b>\$0.03</b>	<b>\$0.13</b>

Contractual Management Fees and General Partner Distributions trended down slightly over the 2010 quarters in 2010 and increased materially in 2011 as a result of new Canadian fund Tricon XII which closed the year with \$140,000,000 in commitments. Performance Fees trends are dependent on fund and syndicated project performance and hence are more volatile.

A number of Non-Recurring and Non-Cash expenses occurred during 2010, specifically Q2 2010, such as 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 was impacted by expected Investment Losses incurred on the Tricon XII investment and increased costs related to being a public company. Adjusted EBITDA and Adjusted Net Income declined as a result of anticipated reduction in Performance Fees.

The Basic and Diluted Earnings per Share calculation used a weighted average share basis. Please see "Section 4.4 – Share Capital" below for further detailed information.

## **4. OTHER PERTINENT FACTS**

### **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, 2011. 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, 2011, 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. Such controls and procedures are subject to continuous review and changes to such controls and procedures, management resources, and systems may be required in the future.

### **4.2 Liquidity and Capital Resources**

We have historically generated positive cash flow from operations which has led to the Company not needing to borrow capital. Revenues are expected to continue to meet ongoing working capital needs and satisfy operating expenses in the short term, including any expenditure 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 commitment in The New Home Company ("TNHC"), an Orange County, California-based homebuilding and land development company, of which US\$7.7 million has been funded as at December 31, 2011. 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 US distressed fund, Tricon XI, at which point the investment would be offered to Tricon XI at cost plus a 9% return on capital invested.

### **4.3 Transactions with Related Parties**

Tricon has 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.

During the first quarter, the Company undertook an internal reorganization with respect to future funds to be raised. This resulted in the transfer of assets and liabilities related to management activities from Tricon Capital Group Inc. to a 100% subsidiary entity at book value with no impact on historical results and no gain/loss on transfer. Tricon Capital GP Inc. (the new subsidiary) acts as a trustee, manager, transfer agent and principal distributor for the various Tricon funds. This reorganization did not have any impact on the Company's consolidated financial position or performance.

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**

On March 14, 2012 the Board of Directors declared a dividend of \$1,094,000 (6 cents per share) to shareholders of record on March 31, 2012, payable on April 13, 2012. Dividends declared for the year ended December 31, 2011 amounted to \$4,377,000 (24 cents per share).

#### **4.5 Share Capital**

The authorized Share Capital of the Company consisted of 1,000,000 common shares at January 1, 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. On November 18, 2011, the Company announced its intention to buy back a portion of outstanding common shares under a Normal Course Issuer Bid ("NCIB") which resulted in the repurchase of 10,400 common shares during Q4 2011. After giving effect to the transactions noted above, 18,230,471 common shares were outstanding as at December 31, 2011.

Stock options outstanding at December 31, 2011 increased by 55,000 to 996,500. An additional 40,000 stock options were granted to employees who previously had no stock options, and 15,000 options were granted to a public relations firm for services rendered. On May 19, 2011, 298,333 stock options were vested and exercisable and on August 3, 2011 23,833 additional stock options were vested and exercisable; however no options have been exercised at December 31, 2011.

The Company adopted a Phantom Unit Plan on May 18, 2011 after shareholder approval and in accordance with Toronto Stock Exchange (the "TSX") guidelines. The Plan will consist of a share based awards mechanism to attract, retain and motivate officers and employees of the Company and promote an alignment of interest between such persons and the shareholders of the Company. At December 31, 2011, 192,300 phantom units had been granted to employees.

Please see the audited consolidated financial statements at December 31, 2011 and December 31, 2010 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 Consolidated Balance Sheet and Consolidated Statement of Net and Comprehensive Income (Loss). 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 determination of which entities to consolidate in accordance with the newly issued IFRS 10, Consolidated Financial Statements, which the Company elected to adopt early, requires analysis and judgment in respect of the individual facts and circumstances. Tricon XII which was launched in Q1 2011 was consolidated by the Company to June 14, 2011 since the Company's interest in the Fund was 29.1% to this date. On June 15, 2011 the Company's interest was reduced to 14.3% as a result of a second close on that date which changed the accounting treatment from consolidated subsidiary to investment in associate.

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 Newly Adopted and Future Accounting Standards**

In addition to IFRS 10 noted above, a number of new accounting requirements were issued by the International Accounting Standards Board ("IASB") during the year and are outlined below.

On May 12, 2011 the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company has adopted this standard in conjunction with IFRS 10, as required by IFRS. The adoption of this standard required the disclosure of summarized financial information of the company's Investment in Associates.

On May 12, 2011 the IASB issued IFRS 13, *Fair Value Measurement*, which defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company did not adopt this standard as of December 31, 2011 and management continues to analyze its impact on the consolidated financial statements.

On June 16, 2011 the IASB issued an amended version of IAS 19, *Employee Benefits*, effective for annual periods beginning on or after January 1, 2013. The Company did not adopt this standard as of December 31, 2011 and management continues to analyze its impact on the consolidated financial statements.

On November 9, 2011 the IASB issued the first part of IFRS 9 financial Instruments which covers the classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement, effective for annual periods beginning on or after January 1, 2015. The Company did not adopt this standard as of December 31, 2011 and management continues to analyze its impact on the consolidated financial statements.

#### **4.8 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 or General Partner Distributions 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.

#### **4.9 Staffing**

In the latter half of 2010, the Company hired an administrative staff member and an investment analyst and in early 2011 hired an additional investment analyst, and as a result does not anticipate the need to significantly increase the number of employees in the short term. As a listed issuer, additional expenditures may 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.

### **5. RECENT EVENTS / BUSINESS OUTLOOK**

#### **5.1 Investment Activity**

During Q4 2011 we continued to seek suitable investments for the uncommitted capital in US distressed fund Tricon IX and new Canadian fund Tricon XII, as well as managing existing investments in predecessor funds. In Canada, we continue to limit the fund's investment activity to only prime development opportunities in Canada's major urban centers, have committed to make two new investments and have several probable deals in our pipeline; all of these real and potential transactions are (i) well located condominium projects with a below market land basis, and (ii) controlled by our local development partners through a land purchase contract or outright ownership, and for which we have issued terms with closing subject to additional due diligence and legal documentation. In the United States, given that the housing market remains depressed, we are concentrating on distressed investment opportunities primarily in desirable suburban single-family land and urban multi-family land in anticipation of a broader housing recovery by 2013. In both Canada and the U.S, notwithstanding the disparate nature of the real estate markets in each country, we continue to see robust deal flow but are remaining very selective in our pursuit of investment opportunities. Please see "Fund Information" section below for further details.

In Q4 2011, additional amounts were committed by US distressed fund Tricon IX, resulting in a decrease in capital available for investment to \$12,000,000. Subsequent to the year end, the Manager committed to finance a land development/house-building transaction in the Greater Bay area of Northern California which essentially committed all the remaining capital in Tricon IX after taking into account fund reserves and contingencies. Also subsequent to the year end, a \$20,000,000 investment for a condominium project in the greater Vancouver area was approved for new Canadian fund Tricon XII reducing capital available for new projects to \$86,000,000 (out of the \$140 million currently committed to that fund) after fund reserves and contingencies.

## **5.2 Fundraising**

New Canadian fund Tricon XII had an additional close in Q2 2011 for approximately \$70 million, bringing total commitments to \$140 million. Fundraising efforts will continued throughout 2011 and into early 2012 with a final close expected on March 22, 2012.

Fundraising efforts are progressing for US distressed fund Tricon XI. We recently received an expression of interest for a lead order of \$100 million from a large U.S. institutional investor.

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 in this extremely difficult fund raising environment, it is very evident that the use of the net proceeds from the IPO to significantly increase our co-investment in Tricon XI and XII has enhanced our fundraising capabilities. Specifically, Canadian fund XII at \$140,000,000 is the largest Canadian fund ever raised by the Company and subject to finalization of closing documentation, the expectation is that total fund commitments will be approximately \$185,000,000. It is also evident in the extremely difficult fundraising environment in the US that access to additional co-investment capital will enable us to succeed where other general partners would fail.

## **6. FUND INFORMATION**

The Company manages six active funds (TCC VI to Tricon X and new Canadian fund Tricon XII) and has also commenced marketing a prospective US distressed fund, Tricon XI. 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. The funds 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, 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 (i) discounted bank notes, (ii) REO property (i.e. property foreclosed on by banks), (iii) property in bankruptcy, and (iv) property 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 available under certain circumstances 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, General Partner Distributions (both of which are not contingent on fund performance) and Performance Fees if certain predetermined return thresholds are met. In addition, as a limited partner in Tricon XI and Tricon XII as well as 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% 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 limited partner's commitment and the outstanding invested capital. Contractual Management Fees decline over time once the Investment Period expires and investments are realized. General Partner Distributions are based on prescribed formulas within a Fund's Limited Partnership Agreement and also decline over time as investments are realized. Performance Fees are typically calculated as 20% of net cash flow and are paid after limited partners' capital together with a preferred return of 9% to 10%. The Performance Fee formula also often contains a "catch-up" provision which enables the manager (a wholly owned subsidiary of the Company) 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.



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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, 2011	September 30, 2011	December 31, 2010
TCC VI	CA	June-2004	March-2007	95,703,000	95,703,000	68,353,000	68,029,000	68,383,000
TCC VII	US	September-2004	March-2007	247,200,000	251,402,000	232,511,000	239,700,000	227,488,000
Tricon VIII	CA	October-2005	June-2008	101,124,000	101,124,000	79,084,000	79,951,000	101,124,000
Tricon IX	US	May-2007	January-2012	331,775,000	337,415,000	337,415,000	347,767,000	329,983,000
Tricon X	CA	April-2008	April-2011	85,362,000	85,362,000	59,951,000	59,577,000	85,362,000
Tricon XII <sup>4</sup>	CA	March-2011	March-2014	140,000,000	140,000,000	140,000,000	140,000,000	-
Syndicated Investments	US		--	14,900,000	15,153,000	1,017,000	1,048,000	14,820,000
Syndicated Investments	CA		--	65,606,000	65,606,000	25,476,000	25,476,000	25,476,000
<b>Total Assets Under Management</b>						<b>\$ 943,807,000</b>	<b>\$ 961,548,000</b>	<b>\$ 852,636,000</b>
<b>Adjusted Contractual Management Fees and General Partner Distributions - Year-to-date</b>						<b>\$ 10,763,000</b>	<b>\$ 7,921,000</b>	<b>\$ 9,943,000</b>
<b>Annualized Weighted Average Fee % - Year-to-date<sup>4</sup></b>						<b>1.19%</b>	<b>1.12%</b>	<b>1.17%</b>

Notes:

- Fund capitalization does not include syndicated investments, which are shown separately.
- Foreign exchange rates used at each balance sheet date are: at December 31, 2011 CA\$1.017 per US\$1.00, at September 30, 2011 CA\$1.0482 per US\$1.00, and at December 31, 2010 CA\$0.9946 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: (a) fund capital commitment, and (b) invested capital.
- Tricon XII's initial close occurred on March 23, 2011, therefore Tricon XII fees have been annualized to determine the Annualized Weighted Average Fee percent.

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 expectations. They are reviewed and revised on a quarterly basis.

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 2011, additional commitments to new projects were made in Tricon IX along with reductions to reserves and contingencies resulting in a decrease in capital available for investment to US\$12,000,000. Fund reserves and contingencies are amounts set aside for future fund operating expenses and anticipated additional requirements to support existing projects. Subsequent to quarter end, Tricon IX committed to finance a land development/house-building transaction in the Greater Bay area of Northern California which essentially committed all the remaining capital in the fund after taking into account 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. 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, 2011 <sup>1</sup>				Projected - December 31, 2010 <sup>1</sup>			
	Gross ROI	Gross IRR	Net ROI	Net IRR	Gross ROI	Gross IRR	Net ROI	Net IRR
Tricon VIII	2.2x	18%	1.7x	14%	2.2x	19%	1.7x	14%
Tricon IX	1.8x	14%	1.5x	10%	1.8x	14%	n/a	n/a
Tricon X	1.9x	19%	1.6x	14%	1.7x	20%	n/a	n/a
Tricon XII <sup>2</sup>	2.0x	22%	n/a	n/a	-	-	-	-
Syndicated Investments <sup>3</sup>	2.2x	18%	2.0x	15%	2.2x	16%	1.9x	13%

Notes:

- All amounts are based on actual current project commitments and do not include any assumptions for the balance of the funds to be invested.
- Expected Net Returns to Limited Partners are not applicable until the fund is fully committed.
- Syndicated investment returns are for Canadian syndicated investments only.

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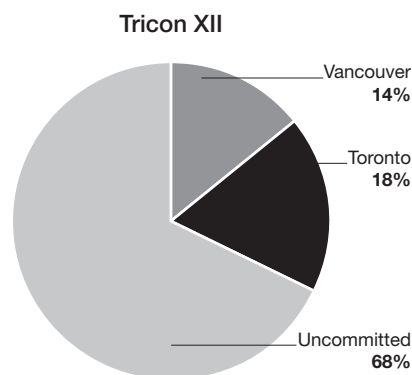
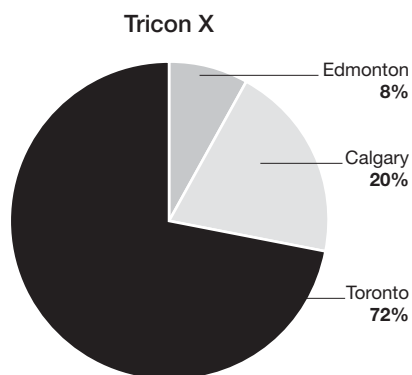
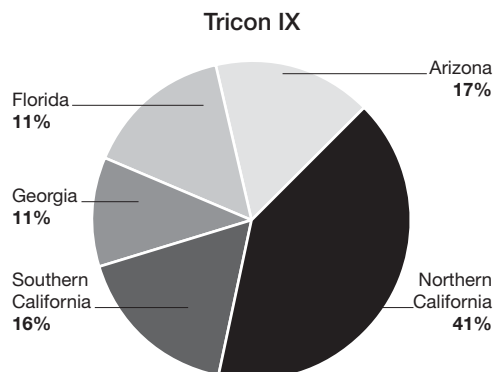
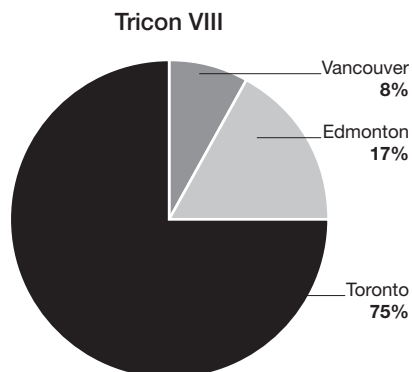
Financial data for funds expected to pay Performance Fees are as follows:

December 31, 2011 (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	\$ -	\$ 189,082,000	\$ 62,416,000	\$ 126,666,000	\$ 103,545,000
Tricon IX	US	331,775,000	291,520,000	12,000,000	488,913,000	21,306,000	467,607,000	213,134,000
Tricon X	CA	85,362,000	88,757,000	-	144,156,000	22,268,000	121,888,000	69,908,000
Tricon XII <sup>5</sup>	CA	140,000,000	45,500,000	86,000,000	84,758,000	-	84,758,000	42,058,000
Syndicated Investments <sup>6</sup>	CA	65,606,000	65,606,000	-	59,170,079	-	59,170,079	35,109,219
<b>Total - December 31, 2011 <sup>7</sup></b>					<b>\$ 966,079,079</b>	<b>\$ 105,990,000</b>	<b>\$ 860,089,079</b>	<b>\$ 463,754,219</b>
<b>Total - Previous Quarter</b>					<b>\$ 942,596,000</b>	<b>\$ 140,327,000</b>	<b>\$ 802,269,000</b>	<b>\$ 460,670,000</b>

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. No projections have been made in respect of fund capital not committed to projects.
6. Syndicated investments shown are for projects which have future cashflows.
7. Totals assume that US\$1.00 equals CA\$1.00.

The geographic breakdown of investments made by the funds expected to pay Performance Fees are:



**Tricon Capital Group Inc.**  
**Management Discussion and Analysis**

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

Fund	Product Breakdown				
	Multi-Family Units <sup>(1)</sup>	Single-Family Lots <sup>(2)</sup>	Land (Acres)	Houses	Retail (SF)
Tricon VIII	2,615	2,543	46	-	58,899
Tricon IX	497	4,213	-	220	8,998
Tricon X	1,634	437	320	-	99,282
Tricon XII	1,033	-	-	-	-
<b>Total</b>	<b>5,779</b>	<b>7,193</b>	<b>366</b>	<b>220</b>	<b>167,179</b>
Double Counted <sup>(3)</sup>	(936)	-	-	-	(36,481)
<b>Net</b>	<b>4,843</b>	<b>7,193</b>	<b>366</b>	<b>220</b>	<b>130,698</b>

Fund	Total Unit/Lot Breakdown Sold				
	Multi-Family Units <sup>(1)</sup>	Single-Family Lots <sup>(2)</sup>	Land (Acres)	Houses	Retail (SF)
Tricon VIII	2,569	286	-	-	36,714
Tricon IX	20	242	-	180	-
Tricon X	1,339	98	-	-	18,360
Tricon XII	-	-	-	-	-
<b>Total</b>	<b>3,928</b>	<b>626</b>	<b>-</b>	<b>180</b>	<b>55,074</b>
Double Counted <sup>(3)</sup>	(901)	-	-	-	(18,360)
<b>Net</b>	<b>3,027</b>	<b>626</b>	<b>-</b>	<b>180</b>	<b>36,714</b>

1. Includes units which have not been released to the market yet.
2. Lots include finished, partially finished and undeveloped lots.
3. Certain investments which are shared between Tricon VIII and X and included in both funds have been removed.

# Consolidated Financial Statements

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## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of Tricon Capital Group Inc.

We have audited the accompanying consolidated financial statements of Tricon Capital Group Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2011 and December 31, 2010 and the consolidated statements of net and comprehensive income (loss), changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tricon Capital Group Inc. and its subsidiaries as at December 31, 2011 and December 31, 2010 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### **(Signed) "Pricewaterhouse Coopers LLP"**

Chartered Accountants, Licensed Public Accountants

March 14, 2012

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*PricewaterhouseCoopers LLP, Chartered Accountants  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2  
T: +1 416 687 8803, F: +1 416 814 3220, [www.pwc.com/ca](http://www.pwc.com/ca)*

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

**Tricon Capital Group Inc.**  
**Consolidated Balance Sheets**

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

	<u>Notes</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	\$ 22,008,000	\$ 19,683,000
Short term investments	3	9,188,000	31,156,000
Accounts receivable	10	779,000	920,000
Prepaid expenses and other assets		154,000	83,000
Income taxes recoverable		185,000	-
		<u>32,314,000</u>	<u>51,842,000</u>
<b>Non-current assets</b>			
Investments in associates	13	8,009,000	35,000
Long-term investments	12	10,802,000	-
Intangible assets	4	2,777,000	3,929,000
Office equipment and leasehold improvements	5	153,000	202,000
Deferred income tax assets	9	2,975,000	2,889,000
<b>Total assets</b>		<u>\$ 57,030,000</u>	<u>\$ 58,897,000</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accruals	6,10	\$ 889,000	\$ 855,000
Long-term incentive plan - current portion	10,21	40,000	177,000
Dividends payable	10,15	1,094,000	1,094,000
Income taxes payable		18,000	580,000
		<u>2,041,000</u>	<u>2,706,000</u>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	9	706,000	1,059,000
Long-term incentive plan - non-current portion	10,21	8,270,000	5,871,000
		<u>11,017,000</u>	<u>9,636,000</u>
<b>Equity</b>			
Share capital	8	57,901,000	57,934,000
Contributed surplus		1,190,000	555,000
Deficit		(13,078,000)	(9,228,000)
<b>Total equity</b>		<u>46,013,000</u>	<u>49,261,000</u>
<b>Total liabilities and equity</b>		<u>\$ 57,030,000</u>	<u>\$ 58,897,000</u>

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

**Approved by the Board of Directors**

*David Berman*

*Michael Knowlton*

*Duff Scott*

**Tricon Capital Group Inc.****Consolidated Statements of Net and Comprehensive Income (Loss)**

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

		<b>For the Year Ended</b>	
	<b>Notes</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>Revenue</b>			
Contractual management fees	10	\$ 9,132,000	\$ 9,943,000
General partner distributions	10	1,141,000	-
Performance fees	10	311,000	2,102,000
Investment income (loss)	10,13	(225,000)	14,000
Other revenue	24	672,000	533,000
		<u>11,031,000</u>	<u>12,592,000</u>
<b>Expenses</b>			
Salaries and benefits expense	10,20	4,323,000	4,166,000
Gifted shares	8,10,20	-	5,041,000
Stock compensation	10,20	635,000	555,000
Long-term incentive plan	10,21	2,418,000	6,872,000
Professional and directors fees expense	10,20	1,067,000	970,000
Formation costs	16	589,000	213,000
Discretionary management bonus expense	10	-	2,013,000
General and administration expense	16	976,000	804,000
Amortization expense	4,5	1,313,000	1,188,000
Realized and unrealized foreign exchange (gain) loss		(349,000)	150,000
Other income	19	-	(215,000)
		<u>10,972,000</u>	<u>21,757,000</u>
<b>Income (loss) before non-controlling interest and income taxes</b>		<b>59,000</b>	<b>(9,165,000)</b>
Non-controlling interest fair value change	23	931,000	-
<b>Income (loss) before income taxes</b>		<b>990,000</b>	<b>(9,165,000)</b>
Income tax expense (recovery)	9	446,000	(696,000)
<b>Net and comprehensive income (loss)</b>		<b>\$ 544,000</b>	<b>\$ (8,469,000)</b>
<b>Basic and diluted income (loss) per share</b>	14	<b>\$ 0.03</b>	<b>\$ (0.61)</b>

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

**Tricon Capital Group Inc.**  
**Consolidated Statements of Changes in Equity**

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

	<u>Notes</u>	<u>Share Capital</u>	<u>Contributed Surplus</u>	<u>Retained Earnings (Deficit)</u>	<u>Total Equity</u>
<b>Balance at January 1, 2010</b>		\$ 1,000	\$ -	\$ 2,222,000	\$ 2,223,000
Net and comprehensive loss for the year		-	-	(8,469,000)	(8,469,000)
Dividends	10,15	-	-	(2,981,000)	(2,981,000)
Issuance of common shares	8	62,694,000	-	-	62,694,000
Equity issuance costs-net of income taxes of \$1,752,000		(4,761,000)	-	-	(4,761,000)
Stock option expense	20	-	555,000	-	555,000
<b>Balance at December 31, 2010</b>		<u>57,934,000</u>	<u>555,000</u>	<u>(9,228,000)</u>	<u>49,261,000</u>
Net and comprehensive income for the year		-	-	544,000	544,000
Dividends	10,15	-	-	(4,377,000)	(4,377,000)
Repurchase of common shares	8	(33,000)	-	(17,000)	(50,000)
Stock option expense	20	-	557,000	-	557,000
Phantom unit expense	20	-	78,000	-	78,000
<b>Balance at December 31, 2011</b>		<u>\$ 57,901,000</u>	<u>\$ 1,190,000</u>	<u>\$ (13,078,000)</u>	<u>\$ 46,013,000</u>

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



**Tricon Capital Group Inc.**  
**Consolidated Statements of Cash Flows**

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

	Notes	For the Year Ended	
		December 31, 2011	December 31, 2010
<b>Cash provided by (used in)</b>			
<b>Operating activities</b>			
Net and comprehensive income (loss) for the year		\$ 544,000	\$ (8,469,000)
Adjustments for			
Non-controlling interest	23	(931,000)	-
Amortization expense	4, 5	1,313,000	1,188,000
DSUP expense	20	46,000	-
Deferred income taxes	9	(439,000)	(1,346,000)
Long-term incentive plan (net of payments of \$156,000)	21	2,262,000	6,048,000
Gifted shares expense	20	-	5,041,000
Stock compensation expense		635,000	555,000
Gain on disposal of investment in real estate	19	-	(76,000)
Gain on disposal of MOD Developments Inc.	19	-	(139,000)
Accrued interest		(101,000)	-
Investment (income) loss	10,13,22	225,000	(10,000)
Foreign exchange (gain) loss on cash		(190,000)	154,000
Other	22	-	(8,000)
		<u>3,364,000</u>	<u>2,938,000</u>
Changes in non-cash working capital items			
Accounts receivable		141,000	(712,000)
Non-controlling interest	23	931,000	-
Income tax recoverable		(185,000)	-
Prepaid expenses and other assets		(71,000)	36,000
Accounts payable and accruals	20	(12,000)	(1,282,000)
Income taxes payable		<u>(562,000)</u>	<u>250,000</u>
		<u>3,606,000</u>	<u>1,230,000</u>
<b>Investing activities</b>			
Purchase of office equipment		(23,000)	(74,000)
Purchase of short term investments		(9,000,000)	(35,000,000)
Proceeds on disposal of short-term investments		31,156,000	3,844,000
Purchase of long term investments		(10,889,000)	-
Placement fees		(89,000)	-
Investment in associates	13	(8,199,000)	-
Proceeds on disposal of investments		-	89,000
Other		-	(4,000)
		<u>2,956,000</u>	<u>(31,145,000)</u>
<b>Financing activities</b>			
Repurchase of common shares		(50,000)	50,411,000
Dividends paid		<u>(4,377,000)</u>	<u>(1,989,000)</u>
		<u>(4,427,000)</u>	<u>48,422,000</u>
<b>Foreign exchange gain (loss) on cash</b>		190,000	(154,000)
<b>Change in cash and cash equivalents during the year</b>		2,135,000	18,507,000
<b>Cash and cash equivalents - Beginning of year</b>		<u>19,683,000</u>	<u>1,330,000</u>
<b>Cash and cash equivalents - End of year</b>		<u>\$ 22,008,000</u>	<u>\$ 19,683,000</u>
<b>Supplementary information</b>			
Income taxes paid		\$ 1,632,000	\$ 422,000

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

## Tricon Capital Group Inc.

### Notes to Consolidated Financial Statements

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

#### 1. NATURE OF BUSINESS

Tricon Capital Group Inc. (Tricon or the Company) and its subsidiaries provide asset management services to funds managed by the Company of which the investors are high net worth individuals and institutional investors. Tricon was incorporated in June 1997 under the Business Corporations Act (Ontario) and is situated at 1067 Yonge Street, Toronto, Ontario, M4W 2L2. The Company operates in Canada and in the United States of America. Listed below are the subsidiaries of the Company:

<b>Company Name</b>	<b>Effective date</b>
Tricon Capital GP Inc.	March 23, 2011
Tricon USA Inc.	December 20, 2002
MOD Developments Inc. (formerly Tricon Development Group Inc.)	May 5, 2009 – disposed on January 1, 2010
2237176 Ontario Limited	May 11, 2010
TCC III Funding Limited	May 13, 2010
Altman VII General Partnership	May 13, 2010
Altman IX General Partnership	May 13, 2010
TCC IV Funding Limited	May 13, 2010
TCC V Funding Limited	May 13, 2010
TCC VI Funding Limited	May 13, 2010
Tricon VIII Funding Limited	May 13, 2010
Tricon X Funding Limited	May 13, 2010
Tri Continental Capital (1997) Ltd.	May 13, 2010
Tri Continental Capital III Ltd.	May 13, 2010
Tri Continental Capital IV Ltd.	May 13, 2010
Tri Continental Capital V Ltd.	May 13, 2010
Tri Continental Capital VI Ltd	May 13, 2010
Tricon VIII Ltd.	May 13, 2010
Tricon X Ltd.	May 13, 2010
Tricon X Secondary Funding Ltd.	August 26, 2010
TCN/TNHC LP	December 15, 2010
Tricon Capital Fund XII Co-Investment Inc.	March 23, 2011
Tricon XII Funding Limited	March 23, 2011
Tricon XII Feeder GP Ltd	May 24, 2011

Tricon became a public company on May 20, 2010 and its common shares are listed on the TSX (symbol: TCN). Tricon is domiciled in Canada.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies applied in the preparation of these consolidated financial statements.

##### **Basis of preparation**

The consolidated financial statements are prepared in accordance with International Accounting Standards (“IFRS”), and in accordance with the Interpretations of the International Financial Reporting Interpretation Committee as issued by the International Accounting Standards Board. These consolidated financial statements have been prepared using the historical cost convention with the exception of the Company’s investments in associates which are recorded at fair value. The consolidated financial statements were authorized for issue on March 14, 2012 by the Board of Directors of Tricon.

## Tricon Capital Group Inc.

### Notes to Consolidated Financial Statements

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(rounded to the nearest thousands of Canadian dollars, except per share amounts)

#### Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity that have a significant risk of material adjustment to the carrying amounts of assets or liabilities within the next fiscal year include impairment of assets, income taxes, the estimated useful lives of long-lived assets, the estimated fair value of investments in associates, the determination of the long-term incentive plan accrual, the estimates used in the fair valuing of stock option grants and the determination of consolidation requirements for the funds managed by the Company.

#### Consolidation

##### *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies and sufficient exposure to benefits or losses such that consolidation is appropriate under IFRS 10 *Consolidated Financial Statements* (see accounting requirements in Note 2 – New accounting requirements) generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is obtained and no longer consolidated from the date on which control ceases. Inter-company transactions, balances and unrealized gains or losses on transactions between the Company and its subsidiaries are eliminated. Accounting policies of Tricon's subsidiaries have been conformed where necessary to ensure consistency to the policies adopted by the Company.

#### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the provision of services in the ordinary course of the Company's activities. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will be received and when specific criteria have been met, as described below.

Revenues primarily comprise contractual management fees and general partner distributions which are not contingent on the performance of the underlying funds as well as performance fees earned in respect of investment management services provided to investment funds managed by the Company. Contractual management fees are recognized as services are performed and are based on a fixed percentage of each fund's committed capital prior to the expiration of each such fund's investment period and based on invested capital following the expiration of the relevant investment period. General Partner Distributions are recognized as services are performed.

Performance fees are earned based on fixed percentages of the returns of each fund in excess of predetermined thresholds. Performance fees are recognized when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company, which is generally subsequent to the return of all the original capital provided by investors plus a preferred rate of return as specified in the limited partnership agreement. Contractual management fees and performance fees are earned through the Company's fiduciary activities as an investment manager.

#### Investments in associates

Associates are those entities in which the Company has significant influence, but not control, over financial and operating policies. Investments in associates consist of general partnership interests in investment funds and investments held on behalf of future investment funds (warehoused investments) managed by the Company.

## Tricon Capital Group Inc.

### Notes to Consolidated Financial Statements

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

#### a) *General Partnership interests*

The Company holds an ownership interest in certain investment funds managed by the Company. Significant influence is exercised through the Company's general partnership interest in these investment funds. Accordingly, these interests are accounted for as investments in associates.

These ownership interests are held as part of the Company's investment portfolio and are carried on the consolidated balance sheet at fair value in accordance with the IAS 28 *Investment in Associates* exemption, which permits investments held by venture capital organizations in which they have significant influence to be excluded from the scope of IAS 28 where those investments are designated, upon initial recognition, such that they are carried at fair value with gains and losses recognized through profit or loss. The Company has elected to designate its general partnership interests at fair value.

#### b) *Warehoused investments*

The Company has designated warehoused investments, over which the Company has significant influence that are held as part of the Company's investment portfolio which are recorded at fair value, consistent with the IAS 28 exemption referred to above.

The fair value of warehoused investments is determined using discounted cash flow (DCF) models. The determination of the fair value of warehoused investments requires management to make significant estimates in respect of the inputs and assumptions used in the DCF, such as the discount rate and the timing and amounts of cash flows. These inputs and assumptions are regularly reviewed by management and are adjusted as required. It is possible that changes in future conditions could significantly change these inputs and assumptions and result in a material change in fair value. The effect on net and comprehensive income of a 1% absolute change in the discount rate is as follows:

	Discount rate Increase 1%	Discount rate Decrease 1%
Effect on net and comprehensive income	(\$300,000)	\$300,000

#### c) *Investment in Tricon XII Limited Partnership*

The Company has a designated investment in Tricon XII Limited Partnership through its wholly-owned subsidiary Tricon Capital Fund XII Co-Investment Inc. that invests in Tricon XII LP as a limited partner, which is recorded at fair value, consistent with the IAS 28 exemption referred to above.

Changes in fair value of investments in associates are included in Investment income (loss) in the consolidated statements of net and comprehensive income (loss).

#### **Placement fee and performance fee rights intangible assets**

Placement fees represent costs incurred to secure investment management contracts. Performance fee rights represent costs incurred to obtain rights to receive future performance fees from certain funds. These are accounted for as intangible assets carried at cost less accumulated amortization. Amortization is recorded using the straight-line method and is based on the estimated useful lives of the associated funds, which is generally eight years.

Placement fee and performance fee rights intangible assets are reviewed for impairment at each measurement date or whenever indicators of impairment exist. The impairment assessment is performed at the level of the cash generating unit, which is at the fund level, as this is the smallest

## Tricon Capital Group Inc.

### Notes to Consolidated Financial Statements

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(rounded to the nearest thousands of Canadian dollars, except per share amounts)

identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets. If determined to be impaired, placement fee and performance fee rights intangible assets are written down to the higher of their value-in-use and fair value less costs to sell.

#### Foreign currency translation

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment of the subsidiary. The consolidated financial statements are presented in Canadian dollars, which is Tricon's functional currency and the functional currency of its foreign operations.

Foreign currency transactions are translated into Canadian dollars using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the historical exchange rate. Gains and losses arising from foreign exchange are included in the statements of comprehensive income (loss).

#### Office equipment and leasehold improvements

Furniture, office equipment, computer equipment and leasehold improvements are accounted for at cost less accumulated amortization. Leasehold improvements are amortized on a straight-line basis over the lease term (including reasonably assured renewal options). All other capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Furniture	3 years
Office equipment	5 years
Computer equipment	2 years

Estimated useful lives and residual values of capital assets are reviewed and adjusted, if appropriate, at each financial year-end. Office equipment and leasehold improvements are tested for impairment whenever indicators of impairment exist. An impairment writedown is recorded when the carrying amount of a capital asset is determined to exceed its recoverable amount. The recoverable amount is the greater of an asset's fair value less cost to sell and its value-in-use.

#### Financial instruments

The Company's financial instruments consist of cash and cash equivalents, short-term and long-term investments, accounts receivable, accounts payable and accruals and dividends payable. Cash and cash equivalents, short-term and long-term investments and accounts receivable are classified as loans and receivables. Loans and receivables and accounts payable and accruals are initially recognized at fair value and subsequently accounted for at amortized cost. Interest income and expense are accounted for using the effective interest rate method.

Loans and receivables are assessed to determine whether objective evidence of impairment exists at each reporting date. Impairment losses are measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Impairment losses are reversed in subsequent periods if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

### **Short-term investments**

Short-term investments include investments in Guaranteed Investment Certificates that mature within twelve months.

### **Long-term investments**

Long-term investments include investment in Guaranteed Investment Certificates that mature later than twelve months and corporate bonds of major Canadian financial institutions with high credit rating and maturity no longer than three years. The carrying value of long-term investments approximates their fair value due to short term to maturity.

### **Dividends**

Dividends are accrued when declared by Tricon's Board of Directors.

### **Current and deferred income taxes**

Income tax (recovery) expense includes current and deferred income taxes. Income tax (recovery) expense is recognized in the income statement, except to the extent that it relates to items recognized directly in equity, in which case the tax is also recognized directly in equity. Income taxes are calculated based on the enacted or substantively enacted rates in effect at the consolidated balance sheet date. Management evaluates uncertain tax positions subject to interpretation and establishes provisions as appropriate, based on expectations about future settlements, using the best estimate approach.

The Company uses the liability method to recognize deferred income taxes on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax assets are only recorded if it is probable that they will be realized. Enacted or substantively enacted rates in effect at the consolidated balance sheet date that are expected to apply when the deferred income tax asset is realized or the deferred tax liability is settled are used to calculate deferred income taxes.

### **Related parties**

Transactions and balances with related parties are identified by management and separately disclosed in the consolidated financial statements (note 10).

### **Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are recorded as an expense in net income on a straight-line basis over the term of the lease. Leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

### **Share Capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown as a deduction, net of tax, from the proceeds.

Where the Company purchases its equity share capital for cancellation, the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders.

### **Earnings (loss) per share**

a) *Basic*

The treasury stock method is used in the calculation of per share amounts. Basic earnings (loss) per share are determined by the weighted average number of shares outstanding during the year, taking into account on a retrospective basis any increases or decreases caused by share splits or reverse share splits occurring after the reporting period, but prior to the financial statements being authorized for issue.

b) *Diluted*

The Company also considers the effects of stock options in calculating diluted earnings per share. Diluted earnings (loss) per share are determined by the weighted average number of shares outstanding, taking into account conversion of all dilutive potential ordinary shares on a weighted basis from the date the options vest to the balance sheet date.

### **Stock option plan**

The Company accounts for its stock option plan by calculating the fair value of the options as of the grant date using a Black-Scholes option pricing model and observable market inputs. This fair value of the options is recognized as compensation cost using the graded vesting method over the vesting period of the options.

### **Phantom unit plan**

The Company accounts for its phantom unit plan by calculating the fair value of the units as of the grant date using the formula as defined in the Phantom Unit Plan. The Fair Market Value is defined as the volume-weighted average trading price of the Company's common shares on the TSX for the five trading days immediately preceding grant date. This fair value of the units is recognized as compensation cost over the vesting period of the units.

### **Long-term incentive plan**

Payments under the Company's long-term incentive plan ("LTIP"), which are paid to participants of the plan only if and when performance fees are generated from funds under management, are based on 50% of performance fees earned by the Company. Amounts under the LTIP are allocated among the employees based on amounts defined in employment agreements. The Company accounts for its LTIP using a fair value based method under which compensation expense is recognized beginning at the time of grant for the estimated fair value, adjusted each period, of the participants' rights in accordance with IAS 19.

**New and future accounting requirements**

On May 12, 2011 the IASB issued IFRS 10, *Consolidated Financial Statements*. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under IFRS prior to the issuance of IFRS 10, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC - 12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*. The standard is effective for annual periods beginning on or after January 1, 2013 with earlier adoption permitted. The Company elected to adopt IFRS 10 in Q2 2011 which resulted in Tricon XII Limited Partnership no longer being consolidated commencing June 15, 2011, the date that the Company's percentage of capital commitment dropped from 29% to 14%.

On May 12, 2011 the IASB issued IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company adopted this standard in Q2 2011 along with IFRS 10. The adoption of this standard results in expanded disclosures regarding the Company's material interests in other entities.

On May 12, 2011 the IASB issued IFRS 13, *Fair Value Measurement*. IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company did not adopt this standard as of December 31, 2011. Management is in the process of determining the impact of this standard to the Company.

On June 16, 2011 the IASB issued an amended version of IAS 19, *Employee Benefits*, effective for annual periods beginning on or after January 1, 2013. The Company did not adopt this standard as of December 31, 2011. Management is in the process of determining the impact of this standard to the Company.

On November 9, 2009 the IASB issued the first part of IFRS 9 Financial Instruments which covers the classification and measurement of financial assets that will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Company did not adopt this standard as of December 31, 2011. Management is in the process of determining the impact of this standard to the Company.



**Tricon Capital Group Inc.****Notes to Consolidated Financial Statements**

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

**3. CASH, CASH EQUIVALENTS AND SHORT TERM INVESTMENTS****Cash and Cash Equivalents**

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Bank operating accounts	\$ 5,480,000	\$ 4,257,000
High Interest Savings Account	5,592,000	15,426,000
CAD Interest Savings Account	4,317,000	-
USD Interest Savings Account	6,619,000	-
	<u>\$ 22,008,000</u>	<u>\$ 19,683,000</u>

**Short-Term Investments**

	<u>Rate</u>	<u>Maturity</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
1-year GICs	1.43%	May 21, 2011	\$ -	\$ 10,000,000
1-year GIC	1.55%	June 30, 2011	-	5,000,000
9-month GICs	1.50%	August 15, 2011	-	6,000,000
1-year GICs	1.55%	November 17, 2011	-	10,000,000
1-year GIC	1.55%	July 3, 2012	5,000,000	-
1-year GICs	1.75%	November 21, 2012	4,000,000	-
Accrued interest			188,000	156,000
			<u>\$ 9,188,000</u>	<u>\$ 31,156,000</u>

**Tricon Capital Group Inc.**  
**Notes to Consolidated Financial Statements**

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

**4. INTANGIBLE ASSETS**

	<u>Placement fees</u>	<u>Rights to performance fees</u>	<u>Total</u>
<b>Year ended December 31, 2010</b>			
Opening Net book value	4,347,000	707,000	5,054,000
Amortization expense	<u>(1,071,000)</u>	<u>(54,000)</u>	<u>(1,125,000)</u>
Net book value	<u>3,276,000</u>	<u>653,000</u>	<u>3,929,000</u>
<b>As at December 31, 2010</b>			
Cost	8,516,000	707,000	9,223,000
Accumulated amortization	<u>(5,240,000)</u>	<u>(54,000)</u>	<u>(5,294,000)</u>
Net book value	<u>3,276,000</u>	<u>653,000</u>	<u>3,929,000</u>
<b>Year ended December 31, 2011</b>			
Opening Net book value	3,276,000	653,000	3,929,000
Additions	89,000	-	89,000
Amortization expense	<u>(1,160,000)</u>	<u>(81,000)</u>	<u>(1,241,000)</u>
Net book value	<u>2,205,000</u>	<u>572,000</u>	<u>2,777,000</u>
<b>As at December 31, 2011</b>			
Cost	8,605,000	707,000	9,312,000
Accumulated amortization	<u>(6,400,000)</u>	<u>(135,000)</u>	<u>(6,535,000)</u>
Net book value	<u>\$ 2,205,000</u>	<u>\$ 572,000</u>	<u>\$ 2,777,000</u>

There were no impairment charges of Placement fees and Rights to performance fees in 2011 and 2010.

**Tricon Capital Group Inc.**  
Notes to Consolidated Financial Statements

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

**5. OFFICE EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

	<u>Furniture</u>	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
<b>Year ended December 31, 2010</b>					
Opening Net book value	1,000	14,000	11,000	165,000	191,000
Additions	14,000	8,000	52,000	-	74,000
Amortization expense	<u>(2,000)</u>	<u>(8,000)</u>	<u>(26,000)</u>	<u>(27,000)</u>	<u>(63,000)</u>
Net book value	<u>13,000</u>	<u>14,000</u>	<u>37,000</u>	<u>138,000</u>	<u>202,000</u>
<b>As at December 31, 2010</b>					
Cost	146,000	58,000	451,000	426,000	1,081,000
Accumulated amortization	<u>(133,000)</u>	<u>(44,000)</u>	<u>(414,000)</u>	<u>(288,000)</u>	<u>(879,000)</u>
Net book value	<u>13,000</u>	<u>14,000</u>	<u>37,000</u>	<u>138,000</u>	<u>202,000</u>
<b>Year ended December 31, 2011</b>					
Opening Net book value	13,000	14,000	37,000	138,000	202,000
Additions	6,000	-	17,000	-	23,000
Amortization expense	<u>(6,000)</u>	<u>(11,000)</u>	<u>(29,000)</u>	<u>(26,000)</u>	<u>(72,000)</u>
Net book value	<u>13,000</u>	<u>3,000</u>	<u>25,000</u>	<u>112,000</u>	<u>153,000</u>
<b>As at December 31, 2011</b>					
Cost	152,000	58,000	468,000	426,000	1,104,000
Accumulated amortization	<u>(139,000)</u>	<u>(55,000)</u>	<u>(443,000)</u>	<u>(314,000)</u>	<u>(951,000)</u>
Net book value	<u>\$ 13,000</u>	<u>\$ 3,000</u>	<u>\$ 25,000</u>	<u>\$ 112,000</u>	<u>\$ 153,000</u>

There were no impairment charges in 2011 and 2010.

**6. ACCOUNTS PAYABLE AND ACCRUALS**

	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Accounts payable and accruals	\$ 776,000	\$ 753,000
STIP (note 20)	<u>113,000</u>	<u>102,000</u>
	<u>\$ 889,000</u>	<u>\$ 855,000</u>

**Tricon Capital Group Inc.****Notes to Consolidated Financial Statements**

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(rounded to the nearest thousands of Canadian dollars, except per share amounts)

**7. LEASE COMMITMENTS**

The Company has a lease commitment on its head office premises located at 1067 Yonge Street, Toronto, Ontario. The landlord is Mandukwe Inc., a related corporation (note 10). The minimum rental amount is \$43,000 per annum extending to November 30, 2019. Additional maintenance and utility costs and realty taxes are payable as incurred.

In addition, the Company leases office equipment and furniture. The furniture lease expired on April 30, 2011. The lease had an option to buy the furniture which the Company exercised. The future minimum payments in respect of the office equipment leases are:

2012	\$	25,000
2013		25,000
2014		21,000
2015		8,000
Thereafter		-

**Tricon Capital Group Inc.**  
Notes to Consolidated Financial Statements

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

**8. SHARE CAPITAL**

Date	Particulars	Notes	No of shares Issued	
<b>As at January 1, 2010 - Opening Balance</b>			<b>1,000,000</b>	<b>\$ 1,000</b>
May 11, 2010	Issued 8,880 and 4,781 common shares to Althurst and Mandukwe, respectively at \$51.79 per share	(A)	13,661	707,000
			<u>1,013,661</u>	<u>\$ 708,000</u>
May 13, 2010	Stock Split of 1,013,661 common shares on a 7.803170883 for 1 basis		7,909,770	\$ 708,000
May 13, 2010	Issued 3 and 6 common shares to Althurst and Mandukwe, respectively for \$54	(B)	9	-
May 13, 2010	Issued 679,921 common shares from treasury to two officers in consideration for their past services to the Company at \$6 per share		679,921	4,080,000
May 19, 2010	Issued 160,300 common shares from treasury to the employees in consideration for their past services to the Company at \$6 per share		160,300	962,000
May 20, 2010	Issued 8,500,000 common shares at \$6 per share upon completion of the initial public offering, net of issuance costs of \$4,398,000, net of tax of \$1,616,000		8,500,000	46,602,000
June 17, 2010	Exercise of over-allotment option by underwriters at \$6.00 per share, net of issuance costs of \$342,000 net of tax of \$128,000		990,871	5,603,000
	Additional issuance costs of \$21,000, net of tax of \$8,000		-	(21,000)
<b>As at November 17, 2011 and December 31, 2010 - Ending Balance</b>			<b>18,240,871</b>	<b>\$ 57,934,000</b>
Dec 6 - Dec 29, 2011	Repurchased and cancelled under the normal course issuer bid (NCIB)	(C)	(10,400)	(33,000)
<b>As at December 31, 2011 - Ending Balance</b>			<b>18,230,471</b>	<b>\$ 57,901,000</b>

(A) The shares were issued in exchange for the transfer to the Company of all the issued and outstanding shares of 2237176 Ontario Limited, which indirectly held an 80% and 86.5% interest in the performance fees receivable in respect of Tri Continental Capital VII Limited Partnership and Tricon IX Limited Partnership, respectively.

(B) The shares were issued as partial consideration for Canadian General Partners shares (TCC III Funding Limited, TCC IV Funding Limited, TCC V Funding Limited, TCC VI Funding Limited, Tricon VIII Funding Limited, Tricon X Funding Limited, Tri Continental (1997) Ltd., Tri Continental III Ltd, Tri Continental IV Ltd., Tri Continental V Ltd., Tri Continental VI Ltd., Tricon VIII Ltd. and Tricon X Ltd.) and transfer of rights to performance fees.

(C) On November 18, 2011, Toronto Stock Exchange (TSX) approved the Company's intention to make a normal course issuer bid (NCIB) for a portion of its Common Shares. Under the NCIB, the Company may repurchase for cancellation up to a maximum number of Common Shares equal to a lesser of 912,043, being 5% of the issued and outstanding Common Shares and the number of Common Shares that can be purchased for an aggregate purchase price not to exceed \$500,000 in the twelve-month period commencing November 22, 2011 and ending November 21, 2012. Between December 6 and December 29, 2011, the Company acquired and cancelled 10,400 Common Shares at an average price of \$4.32 for a total of \$50,000, including transaction costs.

**Tricon Capital Group Inc.**

## Notes to Consolidated Financial Statements

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

The Company can issue unlimited common shares and unlimited redeemable and retractable Class A, B and C shares.

As of December 31, 2011, the Company had 18,230,471 common shares outstanding (December 31, 2010 – 18,240,871 common shares outstanding).

**9. INCOME TAXES**

	<b>For the Year Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Current income tax		
Current income taxes on income for the year	\$ 885,000	\$ 647,000
Adjustments relating to prior years	-	3,000
	<u>885,000</u>	<u>650,000</u>
Deferred taxes		
Origination and reversal of temporary differences	(315,000)	(1,800,000)
Adjustments relating to prior years	(11,000)	15,000
Impact of change in effective rates	(113,000)	439,000
	<u>(439,000)</u>	<u>(1,346,000)</u>
Income tax expense (recovery)	<u>\$ 446,000</u>	<u>\$ (696,000)</u>

The tax on the Company's income before income taxes differs from the theoretical amount that would arise using the weighted average tax rate applicable to income of the consolidated entities as follows:

	<b>For the Year Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Income (loss) before income taxes	\$ 990,000	\$ (9,165,000)
Combined statutory federal and provincial income tax rate	28.25%	30.99%
Expected income tax expense (recovery)	280,000	(2,840,000)
Tax rate differential (foreign tax rates)	57,000	(24,000)
Tax effects of		
Permanent differences	231,000	1,724,000
Change in effective tax rates	(113,000)	439,000
Adjustment in respect of prior years	(11,000)	-
Other	2,000	5,000
Income tax expense (recovery)	<u>\$ 446,000</u>	<u>\$ (696,000)</u>

**Tricon Capital Group Inc.****Notes to Consolidated Financial Statements**

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	<b>2011</b>	<b>2010</b>
Deferred Tax Assets:		
- Deferred tax asset to be recovered after more than 12 months	2,449,000	2,889,000
- Deferred tax asset to be recovered within 12 months	526,000	-
Total Deferred Tax Assets	<u>2,975,000</u>	<u>2,889,000</u>

	<b>2011</b>	<b>2010</b>
Deferred Tax Liabilities:		
- Deferred tax liabilities to be recovered after more than 12 months	353,000	1,059,000
- Deferred tax liabilities to be recovered within 12 months	353,000	-
Total Deferred Tax Liabilities	<u>706,000</u>	<u>1,059,000</u>

The movement of the deferred tax account is as follows:

	<b>2011</b>	<b>2010</b>
At January 1	1,830,000	(1,299,000)
Credit to the statement of income	439,000	1,346,000
Credit to equity	-	1,751,000
Other	-	32,000
At December 31	<u>2,269,000</u>	<u>1,830,000</u>

The tax effects of the significant components of temporary differences giving rise to the Company's future income tax assets and liabilities are as follows:

	<b>Issuance costs</b>	<b>Long-term incentive plan accrual</b>	<b>Deferred placement fees</b>	<b>Partnership Interest</b>	<b>Other</b>	<b>Total</b>
At January 1, 2010	-	-	(49,000)	-	(4,000)	(53,000)
Addition/(reversal)	1,380,000	1,512,000	8,000	-	42,000	2,942,000
At December 31, 2010	1,380,000	1,512,000	(40,000)	-	37,000	2,889,000
Addition/(reversal)	(322,000)	566,000	8,000	(337,000)	171,000	86,000
At December 31, 2011	<u>1,057,000</u>	<u>2,078,000</u>	<u>(32,000)</u>	<u>(337,000)</u>	<u>209,000</u>	<u>2,975,000</u>

	<b>Deferred placement fees</b>	<b>Net operating losses</b>	<b>Total</b>
At January 1, 2010	1,427,000	(181,000)	1,246,000
Addition/(reversal)	(368,000)	181,000	(187,000)
At December 31, 2010	1,059,000	-	1,059,000
Addition/(reversal)	(353,000)	-	(353,000)
At December 31, 2011	<u>706,000</u>	<u>-</u>	<u>706,000</u>

**10. RELATED PARTY TRANSACTIONS AND BALANCES**

Until May 19, 2010, the Company was owned by Althurst Holdings Inc. (Althurst), Mandukwe Inc. (Mandukwe) and an officer of the Company. The Company completed an initial public offering on May 20, 2010.

The Company leases office space from Mandukwe, a company that is owned by a director of Tricon. During the year ended December 31, 2011, the Company paid \$92,000 in rental payments, including common costs to Mandukwe (2010 - \$87,000).

## Tricon Capital Group Inc.

### Notes to Consolidated Financial Statements

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

#### Key management compensation

Key management includes directors and the “Named Executive Officers” who are Chief Executive Officer, Chief Financial Officer and the top three executive officers of the Company. Compensation paid or payable to key management for employee services are based on employment agreements and are as follows:

	For the Year Ended December 31,	
	2011	2010
Salaries, benefits and STIP (note 20)	\$ 2,421,000	\$ 2,026,000
Discretionary (pre-IPO) management bonus	-	2,013,000
Stock option expense (notes 20)	324,000	324,000
Phantom units	41,000	-
Gifted shares	-	4,170,000
LTIP paid	129,000	612,000
LTIP accrued (note 21)	1,660,000	4,312,000
	<u>4,575,000</u>	<u>13,457,000</u>
Director's compensation (note 20)	168,000	143,000
	<u>\$ 4,743,000</u>	<u>\$ 13,600,000</u>

#### Transactions with related parties

The following table summarizes revenue based on contractual arrangements from investment funds managed by the Company, which are considered related parties as the Company is the general partner of the investment funds, as well as loss from partnerships in which the Company invests:

	For the Year Ended December 31,	
	2011	2010
Contractual management fees	\$ 9,132,000	\$ 9,943,000
General Partner distributions (i)	1,141,000	-
Performance fees	311,000	2,102,000
Investment income (loss)	(225,000)	14,000
	<u>\$ 10,359,000</u>	<u>\$ 12,059,000</u>

- (i) *The Company received General Partner distributions from an investment fund of \$1,631,000 in 2011 (2010 – \$nil), of which \$490,000 was eliminated on consolidation as that investment fund was consolidated until June 15, 2011.*



## Tricon Capital Group Inc.

### Notes to Consolidated Financial Statements

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

#### Balances arising from transactions with related parties

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Receivables from related parties included in accounts receivable		
Contractual management fees receivable from investment funds managed by the Company	\$ 427,000	\$ 436,000
Performance fees receivable from investment funds managed by the Company	11,000	103,000
Loans receivable from the funds	-	203,000
Other receivables	75,000	-
Payables to related parties included in accounts payable and accruals	391,000	69,000
Long Term Incentive Plan (current and non-current portion)	8,310,000	6,048,000
Short Term Incentive Plan	774,000	102,000
Dividends payable to employees and associated corporations	407,000	406,000

Revenues and receivables from related parties relate to contractual management and performance fees for services provided by the Company. The receivables are unsecured and are non-interest bearing except for the loans receivable from the funds which bear an interest rate of 9%. There are no provisions recorded against receivables from related parties at December 31, 2011 (December 31, 2010 - \$nil).

The Company and its founding shareholders have indemnified the limited partners of certain funds the Company manages. Refer to note 17 for further details.

#### 11. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company manages equity as capital and may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

#### 12. FINANCIAL INSTRUMENTS

The Company's activities expose it to certain financial risks including interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company's exposure to interest rate risk is limited due to the short-term nature of the Company's financial instruments with the exception of the long-term investments discussed below. The effects on net and comprehensive income (loss) of possible changes in interest rates resulting from changes in the fair values of, or cash flows associated with, the Company's financial instruments other than the long-term investments discussed below, would not be significant to the Company's operations.

The Company has exposure to foreign currency risk due to the effects of changes in foreign exchange rates related to investments and cash in US dollars. A one percentage movement in the US dollar exchange rate would result in an approximate \$85,000 movement in unrealized foreign exchange income (loss) in the income statement.

## Tricon Capital Group Inc.

### Notes to Consolidated Financial Statements

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(rounded to the nearest thousands of Canadian dollars, except per share amounts)

Credit risk arises from cash and cash equivalents, short-term and long-term investments and accounts receivable. The Company's cash and cash equivalents, short-term and long-term investments are held by financial institutions with a minimum credit rating of AA. The Company's receivables consist primarily of contractual management fees and performance fees that are receivable from investment funds managed by the Company. Capital available at the investment funds' level mitigates the credit risk of the Company's receivables. The fair values of these financial instruments approximate their carrying values due to the short maturity of the financial instruments. The maturities of all of the Company's financial liabilities are less than twelve months.

#### Long-term investments

The Company purchased two two-year Guaranteed Investment Certificates for a total of \$4,000,000, bearing a 2.10% interest rate which will mature on November 18, 2013. The accrued interest was \$10,000 as of December 31, 2011.

On May 25, 2011 the Company bought CIBC corporate bonds, with a face value of \$6,450,000, at a premium of \$439,000. The bonds have an interest rate 4.95% per annum with a yield of 2.3% payable semi-annually and mature on January 23, 2014. Management intends to hold the bonds to maturity. A 1% change in interest rates would impact the fair value of these bonds by \$69,000.

The premium is amortized at the effective interest rate of 2.3% and is netted against the interest under Other Revenue. The premium amortization expense in 2011 was \$97,000 (2010 – \$nil). These bonds hold a credit rating of AA at December 31, 2011.

### 13. INVESTMENT IN ASSOCIATES

During the fourth quarter of 2011, the Company invested an additional US\$0.3 million in The New Home Company ("TNHC"), an Orange County, California-based homebuilding and land development company for a total investment of US\$7.7 million (\$7.8 million Canadian equivalent as of December 31, 2011). The Company's total commitment to TNHC is US\$10 million which is a 16.7% ownership interest in the investment. The fair value of the investment in TNHC at December 31, 2011 is US\$7.7 million (\$7.8 million Canadian equivalent).

The Company committed \$20 million through its wholly-owned subsidiary Tricon Capital Fund XII Co-Investment Inc. to Tricon XII Limited Partnership ("Tricon XII") representing 29% ownership interest at inception. Tricon XII was formed on March 23, 2011 and incurred formation cost and operating expenses for the year ended December 31, 2011 of \$931,000 which was consolidated in the Company's financial statements.

On June 15, 2011, Tricon XII had a second closing, which reduced the Company's ownership interest in Tricon XII to 14%. Therefore, the Company no longer consolidates Tricon XII effective June 15, 2011 and accounts for this investment at fair value through the consolidated statements of comprehensive income (loss). As new limited partners are admitted to Tricon XII during subsequent closings, the Company's interest in the fund will further decrease proportionately.

In accordance with the limited partnership agreement between Tricon XII limited partners, a portion of net income will be distributed to the general partner, Tricon Capital GP Inc., a wholly-owned subsidiary of the Company.

The fair value of the Company's investment in Tricon XII is \$168,000 as of December 31, 2011 with a fair value loss of \$238,000 included in Investment income (loss) in the consolidated statements of net and comprehensive income (loss).

**Tricon Capital Group Inc.**  
Notes to Consolidated Financial Statements

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

Aggregated summarized financial information of all investments in associates is as follows:

	<b>2011</b>	<b>2010</b>
Current assets	5,971,000	5,459,000
Non-current assets	35,121,000	23,651,000
Current liabilities	2,688,000	4,007,000
Non-current liabilities	9,383,000	5,818,000
Revenue	43,486,000	30,293,000
Profit or (loss) for the year	(1,736,000)	103,000
Comprehensive income	(1,766,000)	86,000

The summarized financial information related to TNHC has been prepared in accordance with US GAAP.

There are no restrictions on the ability of associates to transfer funds to the Company in the form of cash dividends or repayment of loans.

**Non-controlling interest**

Non-controlling interest shown in the consolidated statements of net and comprehensive income (loss) represents the limited partners' share of Tricon XII. The non-controlling interest fair value is not reflected on the balance sheet as of December 31, 2011 as Tricon XII is no longer consolidated by the Company effective June 15, 2011 in accordance with IFRS 10 (December 31, 2010 - \$nil).

**14. INCOME (LOSS) PER SHARE**

a) *Basic*

Basic income (loss) per share is calculated by dividing net income (loss) by the weighted average number of shares outstanding during the year. At December 31, 2011 3,750 of the Company's stock options are dilutive at December 31, 2011 (there were no outstanding stock options at December 31, 2010).

	<b>For the Year Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Net income (loss)	\$ 544,000	\$ (8,469,000)
Basic net income (loss) per share	\$ 0.03	\$ (0.61)
Weighted average number of common shares outstanding	18,240,004	13,891,829

**Tricon Capital Group Inc.**

## Notes to Consolidated Financial Statements

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

b) *Diluted*

Diluted income (loss) per share is calculated by dividing net income (loss) by the sum of the weighted average number of shares outstanding during the year and weighted average number of potential shares outstanding from November 22, 2011 (vesting date of stock options) to December 31, 2011 (all stock options were anti-dilutive in 2010).

	<b>For the Year Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Net income (loss)	\$ 544,000	\$ (8,469,000)
Diluted earnings (loss) per share	\$ 0.03	\$ (0.61)
Weighted average number of common shares outstanding	18,240,004	13,891,829
Adjustments for stock options	469	-
Weighted average number of common shares outstanding for diluted earnings per share	18,240,473	13,891,829

**15. DIVIDENDS**

Dividends of 6 cents per share were declared per quarter in 2011 and were paid on April 15, 2011, July 15, 2011, October 15, 2011, and January 13, 2012 respectively. The aggregate amount paid in the year was \$4,377,000 (2010 - \$2,188,000).

**16. FORMATION COSTS AND GENERAL AND ADMINISTRATION EXPENSES****Formation costs**

Formation costs relate to the new Canadian fund Tricon XII for the period January 1, 2011 to June 14, 2011 of \$469,000, as well as formation costs relating to Tricon XI of \$120,000 for the year ended December 31, 2011.

**General and administration expenses**

	<b>For the Year Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Office and other	\$ 815,000	\$ 690,000
Rent (note 10)	92,000	87,000
Travel	69,000	27,000
	<u>\$ 976,000</u>	<u>\$ 804,000</u>

**17. INDEMNIFICATION**

Pursuant to Indemnification Agreements with certain General Partners of Limited Partnerships managed by the Company and certain shareholders of the Company (who are also officers and directors of the Company), the Company has agreed to indemnify the General Partner and those shareholders and, where applicable, any of their directors, officers, agents and employees (collectively, the Indemnified Parties) for any past, present or future amounts paid or payable by any of the Indemnified Parties to the Limited Partnership in the form of a capital contribution or clawback guarantee relating to performance fees for any claim or obligation as set out in the Limited Partnership Agreements. There are no amounts payable in respect of this indemnification at December 31, 2011 (December 31, 2010 - \$nil).

**Tricon Capital Group Inc.**

## Notes to Consolidated Financial Statements

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

**18. ENTITY-WIDE DISCLOSURE**

Operating segments are defined as components of an enterprise about which discrete separate financial information is available and which is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker is the Chief Executive Officer. The operations of the Company consist of a single operating segment. While the company has one operating segment it operates in different geographic markets within North America.

	<b>For the Year Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Revenue</b>		
Canada	\$ 5,475,000	\$ 6,803,000
United States of America	5,556,000	5,789,000
	<u>\$ 11,031,000</u>	<u>\$ 12,592,000</u>
	<b>For the Year Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Non-current assets</b>		
Canada	\$ 14,798,000	\$ 3,906,000
United States of America	9,918,000	3,149,000
	<u>\$ 24,716,000</u>	<u>\$ 7,055,000</u>

Revenue from funds under management that represent greater than 10% of revenues is as follows:

	<b>For the Year Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Tri Continental Capital VI Limited Partnership	\$ 1,004,000	\$ 1,264,000
Tri Continental Capital VII Limited Partnership	1,617,000	1,687,000
Tricon VIII Limited Partnership	1,265,000	1,307,000
Tricon IX Limited Partnership	3,937,000	4,099,000
Tricon X Limited Partnership	997,000	1,287,000
Tricon XII Limited Partnership	1,141,000	-

**19. OTHER INCOME**

Other income comprises:

- A gain on the disposal of the Company's 100% interest in MOD Developments Inc. on January 1, 2010 for net proceeds of \$100 and the assumption by the acquirer of the liabilities of MOD Developments Inc. resulted in a gain of \$139,000.
- A gain on the disposal of an investment in real estate for net proceeds of \$89,000 resulting in a gain of \$76,000.

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

## 20. COMPENSATION ARRANGEMENTS

The breakdown of the various compensation arrangements is as follows:

	<b>For the Year Ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Stock options	557,000	555,000
Phantom units	78,000	-
Short-term incentive plan (included in salaries)	774,000	356,000
Deferred Share Unit Plan	55,000	25,000
Gifted shares	-	5,041,000
Long-term incentive plan (note 21)	2,418,000	6,355,000

The Company operates various equity-settled and cash-settled arrangements. The sections below detail the different arrangements.

### Stock option plan

Stock options may be granted to all employees. The exercise price of the options, at the grant date, is no less than the volume-weighted average trading price of the common shares for the five trading days immediately preceding the grant date.

The options are not conditional on any performance criteria, and shall vest equally at one-third per year from the anniversary of the grant date (the vesting period) provided the optionee is employed with the Company. The options are exercisable at any time from the date of vesting and have a contractual option term of 10 years. The Company has no legal or constructive obligation to repurchase or settle the options in cash. All options will be settled in equity.

The first issuance of options under the stock option plan occurred on May 19, 2010 of 895,000 stock options. On August 3, 2010, 71,500 additional stock options were granted to employees of the Company. 298,333 and 23,833 options were vested and exercisable on May 19, 2011 and August 3, 2011 respectively, however, no options have been exercised in 2011. On November 22, 2011, 55,000 additional stock options were granted of which 40,000 belong to employees of the Company and 15,000 to Spinnaker Capital Markets Inc. as partial consideration for services provided under the Service Agreement dated October 31, 2011. Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

	<b>Average exercise price per share</b>	<b>Options (in thousands)</b>
As of January 1, 2010	\$ -	-
Granted during the year	5.94	966.5
Forfeited during the year	6.00	(25.0)
As of December 31, 2010	\$ 5.94	941.5
Granted during the year	4.16	55.0
Forfeited during the year	-	-
As of December 31, 2011	\$ 5.84	\$ 996.5

**Tricon Capital Group Inc.**

## Notes to Consolidated Financial Statements

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

<u>Expiry date</u>	<u>December 31, 2011</u>	
	<u>Exercise price per share</u>	<u>Options (in thousands)</u>
May 19, 2020	\$ 6.00	870.0
August 3, 2020	5.26	71.5
November 22, 2020	4.16	55.0

The fair value of the options granted in 2010 and 2011 was determined using the Black-Scholes valuation model. The fair value of the options granted totaled \$229,000 in 2011 and \$1,428,000 in 2010. The significant inputs into the model were:

	<u>May 19, 2010</u>	<u>August 3, 2010</u>	<u>November 22, 2011</u>
Share price	\$ 6.00	\$ 5.50	\$ 4.31
Exercise price	\$ 6.00	\$ 5.26	\$ 4.16
Expected volatility	34%	34%	33%
Expected dividend yield	4.00%	4.36%	5.57%
Expected option life	6 years	6 years	6 years
Risk-free interest rate	3%	3%	2%
Weighted-average risk free rate	3.38%	3.35%	2.07%

Tricon became a public company on May 20, 2010 and, as such, expected volatility was determined based on volatility over the last six years of a group of publicly traded companies deemed to be of comparable size and nature to Tricon.

**Phantom unit plan**

The Company adopted a Phantom Unit Plan on April 18, 2011 in accordance with the Toronto Stock Exchange ("TSX") guidelines as approved by the shareholders on May 18, 2011. The Plan consists of share-based awards to officers and employees of, and advisors to, the Company and its subsidiaries.

Expiry date - December 1, 2014	<u>December 31, 2011</u>	
	<u>Average exercise price per share</u>	<u>Units (in thousands)</u>
As of January 1, 2010 and December 31, 2010	\$ -	-
Granted during the year	4.16	192.3
Forfeited during the year	-	-
As at December 31, 2011	<u>\$ 4.16</u>	<u>192.3</u>

The fair value of the units granted on November 22, 2011 totaled \$800,000. All units will vest on the date that is one year following the date upon which the awards were granted, at which time the Company will issue common shares and retire the phantom units. \$78,000 was recognized as stock compensation expense in the year ended December 31, 2011 (2010 - \$nil).

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

### **Short-term incentive plan (“STIP”)**

All of the Company’s employees participate in the STIP. The STIP pool is currently determined based on 12.5% of base operating income as defined in the plan and is paid on an annual basis in cash. Employees are required to be employed with the Company at the end of the financial year to receive a payment under the STIP.

STIP expense is accrued quarterly and is recorded in salaries and benefits expense. STIP expense for the year ended December 31, 2011 was \$774,000 (December 31, 2010 - \$356,000). STIP accrual as of December 31, 2011 is \$113,000 (December 31, 2010 - \$102,000).

### **Deferred share unit plan (“DSUP”)**

On May 20, 2010, the Company established a DSUP. Under the DSUP, each independent director is entitled to elect to have any amount or percentage of their director fees contributed to the DSUP. The number of DSUs are determined by dividing the amount of the elected fee by the Market Price of the Company’s shares on the grant date, which is the 15th day following the end of any fiscal quarter. The market price is defined as the five day average of the closing price of the Company’s shares on the TSX ending on the last trading date immediately preceding the date as of which the market price is determined. All notional units vest as of the grant date. Additional DSUs are issued equivalent to the value of any cash dividends that would have been paid on the common shares.

Notional units issued under the DSUP may only be redeemed by the Independent director when such director no longer serves on the Board of Tricon. Redemptions will be paid out in cash. The directors that elect the amount of his or her fees that will be contributed to the DSUP upon commencement of their term as a member of the Board. Directors may change their election from fiscal quarter to fiscal quarter.

The liability is fair valued at each reporting date, based on the share price of the Company as at the reporting date and is recorded within current liabilities as there are no vesting requirements and payment takes place when a Board member resigns, which could take place at any time. DSUP expense for the year ended December 31, 2011 is \$46,000 (2010 - \$25,000).

Upon the redemption of the DSUs, the Company shall pay to the Independent director a lump sum cash payment (rounded to the nearest cent) equal to the number of DSUs to be redeemed multiplied by the market price of the Company’s common shares on the redemption date, net of applicable deductions and withholdings. If an Independent director ceases to be an eligible director, they may choose a redemption date by giving written notice to the Company provided that such date is not prior to the tenth day following the release of the Company’s quarterly or annual results and is not later than eleven months following the cessation of the Independent director being an eligible director. If written notice is not provided, the redemption date is deemed to be eleven months from the cessation of the Independent director being an eligible director.

### **Gifted shares**

In the second quarter of 2010, 840,221 shares were gifted to executives and management in consideration for past services provided. These gifted shares are eligible to receive dividends, do not have any vesting restrictions, nor any conditions of any service or performance criteria, and are non-forfeitable. The gifted shares shall be released from escrow in one third tranches, over a three year period starting from May 20, 2010. The Company has no legal or constructive obligation to repurchase or settle the awards in cash.

The gifted shares were recorded in salaries and benefits expense based on their grant date value of \$5,041,000. One third of these awards have been released on May 20, 2011.



## Tricon Capital Group Inc.

### Notes to Consolidated Financial Statements

(rounded to the nearest thousands of Canadian dollars, except per share amounts)

#### 21. LONG-TERM INCENTIVE PLAN ("LTIP")

Certain of the Company's executives and management participate in the LTIP. The LTIP pool is determined based on 50% of performance fees earned from funds managed by the Company and is paid to plan participants only if and when performance fees are generated from the funds. LTIP for all employees in funds established prior to May 20, 2010 is fully vested. For future funds, the employees LTIP entitlements will vest at one third each year from the first closing of such future funds. The LTIP liability is determined based on 50% of the expected performance fee that would be generated from the fair value of the assets within each fund at the balance sheet date, such performance fees will be recognized as revenue when earned. The fair value determination of the assets within a fund is based on a discounted cash flow model and requires management to make estimates and judgments concerning the future. These estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors. The resulting accounting estimates may differ from the related actual results. These estimates, assumptions and management judgments could result in a material adjustment to the carrying value of amounts of the LTIP liability in future years.

The most significant assumptions used in determining the LTIP liability relate to the future cash flows anticipated from projects within the funds managed by the Company and the discount rate applied to those cash flows.

If the expected performance fee cash flows relating to each project were increased or decreased by 5%, the LTIP liability would increase by approximately \$92,000 or decrease by approximately \$92,000. The weighted average discount rate used by management in calculating the fair value of performance fees for the LTIP liability is 30%. If the discount rate was increased or decreased by 5%, the LTIP liability would decrease by \$221,000 or increase by \$272,000, respectively.

LTIP Rollforward	Year ended December 31,	Year ended December 31,
	2011	2010
Opening balance - beginning of period	\$ 6,048,000	\$ -
Payments	(156,000)	(307,000)
LTIP expense	2,418,000	6,355,000
Closing balance - end of period	<u>\$ 8,310,000</u>	<u>\$ 6,048,000</u>
	December 31,	December 31,
	2011	2010
Current	\$ 40,000	\$ 177,000
Long-term	<u>8,270,000</u>	<u>5,871,000</u>
	<u>\$ 8,310,000</u>	<u>\$ 6,048,000</u>

#### 22. COMPARATIVE FIGURES

The comparative numbers for 2010 were reclassified to conform to the current year's presentation as follows: a) LTIP payments from salaries and benefits expense to LTIP and b) the "Other Revenue" classification in the income statement was split into income or loss from partnerships and other revenue.

**Tricon Capital Group Inc.****Notes to Consolidated Financial Statements**

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(rounded to the nearest thousands of Canadian dollars, except per share amounts)

**23. OTHER REVENUE**

Other revenue represents interest income earned on short-term and long-term investments (net of bond premium amortization of \$97,000) and temporary loans provided to the funds managed by the Company.

**24. VARIABILITY OF RESULTS**

The nature of our business does not allow for consistent year-to-year or period-to-period revenue comparisons. Revenues earned from a fund are dependent upon where the fund is in its life cycle. At the beginning of the fund's life cycle, consistent contractual management fees and certain general partner distributions are earned to the end of the investment period. Subsequent to the investment period, contractual management fees and the aforementioned general partner distributions start to decline as investments within a fund are realized. Performance fees which are earned at the end of the life cycle can vary significantly depending on fund performance resulting in volatile revenue streams.

**25. SUBSEQUENT EVENTS**

On March 14, 2012, the Company declared a dividend of \$0.06 per share for a total dividend of \$1,094,000, following approval from the Board of Directors.

## SENIOR MANAGEMENT TEAM

David Berman  
CHAIRMAN AND  
CHIEF EXECUTIVE OFFICER

Geoff Matus  
CO-FOUNDER AND DIRECTOR

Gary Berman  
PRESIDENT AND  
CO-CHIEF OPERATING OFFICER

Glenn Watchorn  
CO-CHIEF OPERATING OFFICER

June Alikhan  
CHIEF FINANCIAL OFFICER

Jeremy Scheetz  
VICE PRESIDENT

Jonathan Ellenzweig  
VICE PRESIDENT

David Giles  
VICE PRESIDENT

Craig Mode  
VICE PRESIDENT

## BOARD OF DIRECTORS

Duff Scott  
LEAD DIRECTOR AND CHAIR OF  
COMPENSATION, NOMINATING AND  
CORPORATE GOVERNANCE  
COMMITTEES

J. Michael Knowlton  
CHAIR OF AUDIT COMMITTEE

Aida Tammer  
INDEPENDENT DIRECTOR

David Berman  
CHAIRMAN AND  
CHIEF EXECUTIVE OFFICER

Geoff Matus  
CO-FOUNDER AND DIRECTOR

## SHAREHOLDER INFORMATION

**Exchange and Symbol:**  
TSX: TCN

**Corporate Head Office**  
1067 Yonge Street  
Toronto, ON M4W 2L2

**Plan Eligibility**  
RRSP, RRIF, DPSP, RESP,  
RDSP and TSFA

**Auditors**  
PricewaterhouseCoopers LLP  
North York, Ontario

**Legal Counsel**  
Goodmans LLP  
Toronto, Ontario

**Transfer Agent**  
Equity Financial Trust Company  
200 University Avenue, Suite 400  
Toronto, ON M5H 4H1  
1-866-393-4891  
[www.equitytransfer.com](http://www.equitytransfer.com)

**Investor Relations Contacts**  
Gary Berman, PRESIDENT  
416-928-4122

June Alikhan, CHIEF FINANCIAL OFFICER  
416-928-4116

**Website**  
[www.triconcapital.com](http://www.triconcapital.com)

**Annual General Meeting**  
May 17, 2012 at 10:00 a.m. ET  
Goodmans LLP  
333 Bay Street, Suite 3400  
Toronto, ON M5H 2S7



1067 Yonge Street  
Toronto, Ontario M4W 2L2  
Tel: 416-925-7228  
Fax: 416-925-5022  
[info@triconcapital.com](mailto:info@triconcapital.com)