



**TRICON CAPITAL GROUP INC.**

**ANNUAL INFORMATION FORM**  
*FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011*



**TABLE OF CONTENTS**

	<b>Page No.</b>
1. FORWARD-LOOKING STATEMENTS.....	1
2. GLOSSARY OF TERMS.....	2
3. CORPORATE STRUCTURE .....	5
3.1 Name, Address and Information .....	5
3.2 Inter-Corporate Relationships .....	5
4. DESCRIPTION OF THE BUSINESS .....	5
4.1 Our Management Team .....	6
4.2 Our Investment Process .....	9
4.3 Our Funds .....	11
4.4 Our Revenues .....	16
4.5 Competitive Advantages .....	17
4.6 Growth Strategy .....	19
4.7 Competition .....	20
4.8 Facilities and Employees .....	20
4.9 General Development of the Company .....	20
5. RISK FACTORS.....	21
6. DIVIDENDS.....	28
7. DESCRIPTION OF CAPITAL STRUCTURE .....	28
8. MARKET FOR SECURITIES .....	29
9. ESCROW OF SECURITIES .....	29
10. DIRECTORS AND OFFICERS .....	30
11. CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS.....	32
12. TRANSFER AGENT AND REGISTRAR.....	32
13. AUDIT COMMITTEE.....	33
14. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	33
15. ADDITIONAL INFORMATION .....	34

**ADDENDA**

Schedule A – Audit Committee Charter

## 1. FORWARD-LOOKING STATEMENTS

This Annual Information Form contains “forward-looking statements”. Statements other than statements of historical fact contained in this Annual Information Form may be forward-looking statements, including, without limitation, management’s expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to Tricon and its funds (and, in particular, IRRs and Unrealized Values of the funds), and the residential real estate development industry, including Tricon’s business operations, business strategy and financial condition.

Wherever possible, words such as “may”, “would”, “could”, “will”, “anticipate”, “believe”, “plan”, “expect”, “intend”, “estimate”, “aim”, “endeavour”, “project”, “continue” and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Many factors could cause Tricon’s actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the “Risk Factors” section of this Annual Information Form. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this Annual Information Form. Such risks include, but are not limited to: risks related to our business, market conditions, investment performance, changes in the real estate market, length of real estate investment periods, overall economic climate, project terms, environmental or other liabilities, loss of key employees, level of control over projects, competitive pressures, overly-rapid growth, sustainability of growth, financial and other reporting requirements as a reporting issuer, relevance of historical financial performance, insurance coverage, succession planning, due diligence limitations, employee errors or misconduct, economic or credit crisis, developer defaults, liquidity, removal of a fund’s general partner, and fluctuations in market price. See “Risk Factors” for a more complete list of risks relating to an investment in the Company. These factors should be considered carefully and investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Annual Information Form are based upon what management currently believes to be reasonable assumptions, the Company cannot assure investors that actual results, performance or achievements will be consistent with these forward-looking statements. Such assumptions include, but are not limited to, Tricon’s future growth potential, results of operations, future prospects and opportunities, the demographic and industry trends remaining unchanged, a stable workforce, future levels of indebtedness and the current economic conditions remaining unchanged.

IRRs are based in part, and Unrealized Values are based solely, on Tricon’s projected cash flows for incomplete projects in its funds. Such figures are derived through a process where the developers for projects in Tricon’s funds prepare for Tricon detailed quarterly and annual budgets and cash flow projections for all incomplete projects which are based on current market information and local market knowledge and, upon receipt of such information, Tricon reviews the information and makes adjustments or provides for contingencies, if necessary, based on its experience. The Company believes IRRs and Unrealized Values are important measures in assessing the financial performance of its funds. Without such measures, investors may receive an incomplete overview of the financial performance of such funds. Investors are however cautioned that these measures are not appropriate for any other purpose.

The forward-looking statements contained in this Annual Information Form are expressly qualified in their entirety by this cautionary statement. These forward-looking statements are made as of the date of this Annual Information Form and the Company does not intend to, nor does it assume any obligation to, update or revise these forward-looking statements to reflect new information, events, results or circumstances or otherwise after the date on which such statement is made as to reflect the occurrence of unanticipated events, except as required by law, including securities laws.

## 2. GLOSSARY OF TERMS

In this Annual Information Form, the following terms will have the meanings set forth below, unless otherwise indicated. Words importing the singular include the plural and vice versa and words importing any gender include all genders:

“**Active Funds**” means, collectively, TCC IV, TCC VI, TCC VII, Tricon VIII, Tricon IX, Tricon X and Tricon XII.

“**Assets Under Management**” or “**AUM**” means capital commitments by the investors in funds managed by Tricon which are paying Contractual Management Fees and includes syndicated investment commitments. During a fund’s Investment Period, Assets Under Management is calculated as the capital commitment by the investors of the fund and related syndicated investments. After the expiry of the Investment Period, Assets Under Management is calculated on the lesser of: (a) the fund’s capital commitment, and (b) net partners’ capital. Assets Under Management for syndicated investments is calculated as the capital commitment amount net of realized value.

“**Audit Committee**” means the audit committee of the Board of Directors.

“**Bilrite**” has the meaning given to such term under “Cease Trade Orders, Bankruptcies, Penalties or Sanctions”.

“**Board of Directors**” or “**Board**” means the board of directors of the Company.

“**CCA**” means the Companies’ Creditors Arrangement Act (Canada).

“**Class 1**” has the meaning given to such term under “Directors and Officers”.

“**Class 2**” has the meaning given to such term under “Directors and Officers”.

“**Class 3**” has the meaning given to such term under “Directors and Officers”.

“**Committed Capital**” or “**Capital Commitment**” means actual capital commitments made by investors to Tricon-managed funds, including related syndicated investments.

“**Common Shares**” means the common shares in the capital of the Company.

“**Company**” means Tricon Capital Group Inc., a corporation incorporated under the laws of the Province of Ontario.

“**Compensation, Nominating and Corporate Governance Committee**” means the compensation, nominating and corporate governance committee of the Board.

“**Contractual Management Fees**” means base contractual management fees earned from the management of the funds.

“**Distribtuion**” has the meaning given to such term under “Description of Capital Structure”.

“**EBITDA**” means earnings before interest, taxes, depreciation and amortization.

“**Employee Escrow**” has the meaning given such term under “Escrow of Securities”.

“**Equity Financial**” means Equity Financial Trust Company.

“**Financing**” means financing, typically in the form of participating loans which consist of a base rate of interest and/or a share of net cash flow, and “**Finance**” has a corresponding meaning.

“**funds**”, “Tricon’s funds”, “our funds” or “its funds” means limited partnerships formed for the purpose of investing in development properties or other transactions managed by the respective funds.

“**General Partner Distributions**” has the meaning given to such term under “Our Revenues”.

“**Initial Public Offering**” means the initial public offering and secondary offering completed by the Company on May 20, 2010.

“**institutional investors**” means entities, including, for greater certainty, pension funds, endowment funds, insurance companies or banks, that generally have substantial assets and investment experience, and which invest capital on behalf of other parties.

“**Investment Income**” means investment income derived from co-investing in future Tricon funds and from direct investments in residential real estate projects.

“**Investment Period**” means the contractual investment or commitment period for a fund.

“**IRR**” or “**Gross IRR**” means internal rate of return, which is calculated by Tricon for its managed funds based on actual and projected cash distributions received by a fund on its investments and actual and projected cash outflows from a fund from its investments.

“**NCIB**” has the meaning given to such term under “Description of Capital Structure”.

“**Normalized Performance Fees**” means historical Performance Fees from TCC LP, TCC II, TCC III, TCC IV and TCC VI that have been re-calculated to reflect the Performance Fee structure used by subsequent Tricon-managed funds.

“**Performance Fees**” means incentive or performance fees earned from achieving target investment returns in funds.

“**Pre-IPO Shareholders**” means, collectively, Althurst Holdings Corp., Mandukwe Corp., Gary Berman, Glenn Watchorn, Althurst Holdings Inc. and Mandukwe Inc., and “**Pre-IPO Shareholder**” means any one of them.

“**Pre-IPO Shareholder Escrow**” has the meaning given such term under “Escrow of Securities”.

“**Realized Value**” means total cash flows from completed or substantially completed development projects in a fund.

“**REO**” means a property that a bank has foreclosed on and which is classified as ‘real estate owned’.

“**ROI**” means return on equity, calculated as the sum of a fund’s Realized Value and Unrealized Value divided by the sum of a fund’s Drawn Capital and Undrawn Capital.

“**syndicated investments**” means investments made by third parties which may or may not be in addition to amounts that a fund invests. Investments are syndicated when the investment is too large or would lead to geographic or developer concentration beyond fund limits, in each case as set out in the respective fund’s limited partnership agreement.

“**TCC LP**” means Tri Continental Capital LP, a limited partnership formed under the laws of the Province of Ontario.

“**TCC II**” means Tri Continental Capital II Limited Partnership, a limited partnership formed under the laws of the Province of Ontario.

“**TCC III**” means Tri Continental Capital III Limited Partnership, a limited partnership formed under the laws of the Province of Ontario.

“**TCC IV**” means Tri Continental Capital IV Limited Partnership, a limited partnership formed under the laws of the Province of Ontario.

“**TCC V**” means Tri Continental Capital V Limited Partnership, a limited partnership formed under the laws of the Province of Ontario.

“**TCC VI**” means Tri Continental Capital VI Limited Partnership, a limited partnership formed under the laws of the Province of Ontario.

“**TCC VII**” means Tri Continental Capital VII LP, a limited partnership formed under the laws of the State of Delaware.

“**TNHC**” means The New Home Company LLC, an Orange County, California based land development and home-building company.

“**Tricon**” means Tricon Capital Group Inc., a corporation incorporated under the laws of the Province of Ontario.

“**Tricon VIII**” means Tricon VIII Limited Partnership, a limited partnership formed under the laws of the Province of Ontario.

“**Tricon IX**” means Tricon IX, L.P., a limited partnership formed under the laws of the State of Delaware.

“**Tricon X**” means Tricon X Limited Partnership, a limited partnership formed under the laws of the Province of Ontario.

“**Tricon XI**” means Tricon XI, L.P., a limited partnership to be formed under the laws of the State of Delaware.

“**Tricon XII**” means Tricon XII Limited Partnership, a limited partnership formed under the laws of the Province of Ontario.

“**Undrawn Capital**” means capital that has been committed to a fund or syndicated investment by investors and allocated to approved projects but has yet to be called.

“**United States**” or “**U.S.**” means the United States, as defined in Rule 902(1) of Regulation S under the U.S. Securities Act.

“**Unrealized Value**” means total project cash flows from incomplete development projects in a fund.

“**warehousing**” means a temporary investment that will subsequently be sold to a fund managed by the Company.

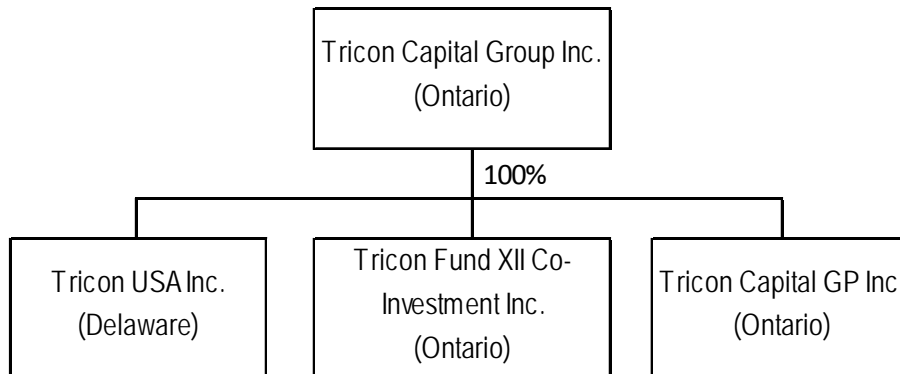
**3. CORPORATE STRUCTURE**

**3.1 Name, Address and Information**

Tricon Capital Group Inc. (“Tricon” or the “Company”) was incorporated under the *Business Corporations Act* (Ontario) on June 3, 1988 as “Tri Continental Capital Management Inc”. On June 16, 1997 “Tri Continental Management Inc” was incorporated under the *Business Corporations Act* (Ontario) and continued to carry on the business. The Company changed its name to “TCC Management Inc.” on July 10, 1997, and to “Tri Continental Capital Ltd.” on March 19, 1999, before becoming “Tricon Capital Group Inc.” on May 20, 2005. Tricon’s head and registered office is located at 1067 Yonge Street, Toronto, Ontario M4W 2L2.

**3.2 Inter-Corporate Relationships**

The following diagram depicts the Company’s corporate structure as at the date hereof:



Note: The diagram above only includes entities which represent greater than 10% of the total consolidated assets of the Company and/or represent more than 10% of the total revenue earned by the Company.

(1) Tricon Capital GP Inc. is the General Partner of Tricon XII and the Manager for each of Tricon VI, Tricon VIII, Tricon X and XII.

**4. DESCRIPTION OF THE BUSINESS**

Tricon is one of Canada’s pre-eminent asset managers focused on the residential real estate development industry. We participate in the development of residential properties in North America by acting as the manager of limited partnerships, referred to as funds, which provide financing, typically in the form of participating loans which consist of a base rate of interest and/or a share of net cash flow, to experienced local developers. The funds’ loans generally rank behind senior debt, such as a construction or development loan, but ahead of the developers’ equity, and are generally secured by way of a mortgage on the underlying real estate and/or a pledge of ownership interests in the borrowing entity. In particular, Tricon-managed funds invest in residential land development, single-family homebuilding, multi-family construction and retail developed in conjunction with residential projects. The funds are currently active in four major markets in Canada (Toronto, Calgary, Edmonton and Vancouver) and five major geographic markets or regions in the United States (Northern California, Southern California, Phoenix, Atlanta and South Florida). We manage money for plan sponsors, institutions, endowments, foundations and high net



worth investors who seek exposure to the industry. With approximately \$943 million of Assets Under Management, we believe that Tricon is one of the leading sources of capital to the North American residential real estate development industry. Since inception in 1988 (through a predecessor company), Tricon has, through its funds, invested in approximately 150 transactions for projects valued at roughly \$10 billion.

We currently manage funds whose investors include 24 institutional investors, including two of the top-ten state pension plans in the United States and four of the top-fifteen pension plans in Canada, as measured by assets. Since January 2000, Tricon has raised eight funds (seven of them being Active Funds, TCC IV, TCC VI, TCC VII, Tricon VIII, Tricon IX, Tricon X and Tricon XII) and related syndicated investments, with approximately 85% of the capital in those funds coming from institutional clients. The latest United States fund, Tricon IX, has committed capital of approximately US\$332 million and is fully invested. Accordingly, the Company has commenced fundraising for its successor U.S. fund, Tricon XI. The latest Canadian fund, Tricon XII, had a final closing on March 22, 2012 with total commitments of approximately \$186 million, well in excess of its' target capitalization of \$150 million.

We derive our revenue principally from Contractual Management Fees, General Partner Distributions, Performance Fees, and Investment Income. Contractual Management Fees are generally calculated as a percentage of committed capital in a fund, and typically range from 1% to 2% of committed capital depending on the size of the commitment in a fund. General Partner Distributions are dependent on the terms of the corresponding limited partnership agreement and range between 1.25% to 2% of committed capital. Performance Fees are typically calculated after returning contributed capital plus a 9% to 10% (compounded annually) preferred return to a fund's limited partners, with subsequent distributions split between the limited partners and general partner (each general partner being a subsidiary of Tricon or otherwise contractually committed to pass on such distributions to Tricon) in an approximately 80/20 ratio often following a 50/50 'catch-up'. Investment Income is calculated as Tricon's *pro rata* share of net income in a fund which will be determined by the Company's ratio of direct investment to total committed capital in such fund. Investment Income will also comprise returns from direct investments the Company makes in residential real estate projects. Tricon expects that its primary business will continue to be that of an asset manager and expects to continue to earn most of its revenues from Performance Fee and Contractual Management Fee income. Income from Tricon's investments (whether through its investments in Tricon XI, Tricon XII, other future funds or other investment opportunities) is anticipated to supplement its Performance Fee and Contractual Management Fee income, in the short term, though this may change with time as the Company evaluates and implements alternative opportunities available to it.

#### 4.1 Our Management Team

The strategic direction and leadership of Tricon is provided by a nine person senior management team that has substantial real estate and finance expertise, including the provision of equity capital and subordinate loans, project finance, development and construction, legal structuring, asset management and real estate market research. We believe that it is the quality of this management team and its ability to forge long-lasting working relationships with both developers and senior lenders that has earned us the reputation as one of North America's pre-eminent asset / investment manager in the residential development industry.

As an asset management company focused primarily on residential development across North America, we believe that we have created an organization that is unique in the real estate industry. We also believe that our senior management team's strong understanding of the development and construction business, particularly residential, is a core competence that provides a competitive edge when sourcing and evaluating investment opportunities and provides added insurance and downside protection during the asset management process. In addition, this expertise and experience will enable the Company to expand its operations into related areas at the appropriate time.

Tricon is committed to hiring highly-qualified individuals who are passionate about real estate development and in creating an investment team that is capable of generating superior risk-adjusted returns for its investors.



## Tricon Senior Management Biographies

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

David Berman has been involved in all phases of Tricon's development since co-founding it in 1988, and is responsible for its overall operations including investment decisions and capital commitments. He is a member of the Board of Directors of Tricon and has 40 years of experience in the real estate industry in Canada, the United States and abroad.

Mr. Berman began his career in North America in 1978 at what is now Citibank Canada where he was Vice President for real estate lending. In 1982, he joined First City Development Corporation as Vice President, with responsibility for real estate acquisitions and equity lending. Prior to co-founding Tricon, Mr. Berman acted as Executive Vice President for Lakeview Estates Limited, where he was responsible for land development and single-family homebuilding.

Mr. Berman currently sits on the real estate advisory boards for the University of Toronto and the Fisher Center at the University of California, Berkeley. He holds a Masters of Business Administration with high distinction and a Bachelor of Science from the University of the Witwatersrand in Johannesburg, South Africa.

### ***Geoffrey Matus, Co-Founder and Director***

Geoffrey Matus co-founded Tricon in 1988, and through Mandukwe Inc. continues to provide consulting services to Tricon. He is a member of the Board of Directors of Tricon and is actively involved in strategic planning; in particular, Mr. Matus focuses on the selection of markets in which the Company invests and the developers with which Tricon does business.

Mr. Matus, who has extensive business experience in Canada, the United States and abroad, is also a chairman and director of a number of other manufacturing and financial companies. Prior to 1988, he was in the corporate lending arm of Citibank Canada, and subsequently Executive Vice-President and director of Warren Paving and Materials Group. He is an honorary director and past chair of the board of directors of the Baycrest Centre for Geriatric Care. He is also a member of the Governing Council of the University of Toronto and a member of the boards of the Canadian Opera Company and the MaRS Discovery District. In 2005, Mr. Matus was a recipient of the Jewish Federation award for outstanding service to his community.

Mr. Matus graduated with a Bachelor of Commerce Degree from the University of the Witwatersrand in Johannesburg, South Africa, and received his Law Degree from Columbia University in New York.

### ***Gary Berman, President and Co-Chief Operating Officer***

Gary Berman is responsible for corporate development, fundraising, and for the sourcing, underwriting and management of investments in Canada and the United States.

Prior to joining Tricon in 2002, Mr. Berman was a Development Manager for Canderel Stoneridge Equity Group where he managed the conversion of the former Massey Harris office headquarters into loft condominiums and the development of DNA (Downtown's Next Address), a 550-unit condominium project in Toronto, Canada. Before joining Canderel Stoneridge Equity Group, Mr. Berman worked in New York as an associate in Real Estate Acquisitions for the Blackstone Group and as a financial analyst in Real Estate Advisory for Goldman Sachs & Co.

Mr. Berman is the co-founder of the Pug Awards, an online awards and education-based charity established to increase architectural awareness and elevate planning and design standards in Toronto.

Mr. Berman received a Masters of Business Administration from Harvard Business School where he was designated a Baker Scholar, and a Bachelor of Commerce from McGill University in Montreal where he graduated first overall in the Faculty of Management.

***Glenn Watchorn, Co-Chief Operating Officer***

Glenn Watchorn is responsible for investment strategy and for the sourcing, underwriting and management of investments in Canada and the United States.

Prior to joining Tricon in 2002, Mr. Watchorn was Vice President, Corporate for Intracorp Developments Ltd., a real estate development company that manages and develops residential and commercial projects throughout Canada. During his five year tenure at Intracorp Developments Ltd., Mr. Watchorn was responsible for the financial structuring of acquisitions and for raising equity and debt to finance residential and commercial projects. Before joining Intracorp Developments Ltd., Mr. Watchorn worked for Graywood Developments Ltd. for six years in the positions of Development Manager and Financial Analyst. During his employment at Graywood Developments Ltd., Mr. Watchorn was actively involved in the acquisition, financing, planning and development of the company's projects.

Mr. Watchorn is a director on the board of the Kensington Foundation, a charitable foundation that supports a health care organization focusing on health and wellness services for seniors.

Mr. Watchorn received a Masters of Business Administration from the Richard Ivey School of Business at the University of Western Ontario and a Bachelor of Arts in Economics and Political Science from the University of Western Ontario.

***June Alikhan, Chief Financial Officer***

June Alikhan is responsible for Tricon's financial management, including information technology, reporting and administration. Ms. Alikhan has over 20 years of experience in the accounting field with over ten years in the real estate industry.

Prior to joining Tricon in 2001, Ms. Alikhan had her own consulting company, providing financial management, process re-engineering and systems assessment and implementation services within the real estate industry. Prior to starting her own company in May 1999, she held a controllership position in the real estate division of The Oshawa Group Ltd., a large national retail / wholesale grocery company.

Ms. Alikhan graduated from the University of Toronto with a Bachelor of Commerce degree and subsequently received her C.A. from the Institute of Chartered Accountants of Ontario.

***Jeremy Scheetz, Vice President***

Jeremy Scheetz is responsible for sourcing and underwriting new investments and for managing existing projects in Vancouver, Edmonton and Southern California. He also assists with the oversight of Tricon's asset management program.

Prior to joining Tricon in 2003, Mr. Scheetz worked as a senior account manager for HSBC Bank Canada where he was responsible for sourcing, underwriting and managing various residential construction loans in the homebuilding and condominium sectors.

Mr. Scheetz received a Masters of Business Administration from the Ivey School of Business at the University of Western Ontario and an Honours Bachelor of Commerce from Queen's University.

**Jonathan Ellenzweig, Vice President**

Jonathan Ellenzweig is responsible for sourcing and underwriting new investments and for managing existing projects in Northern California and Phoenix. Mr. Ellenzweig also assists with corporate strategy and fundraising.

Prior to joining Tricon in 2005, Mr. Ellenzweig was an investment banking analyst for Citigroup Global Markets, working in both the New York and Toronto offices, where he was a member of the coverage and transaction execution teams for financial services and media/telecom companies.

Mr. Ellenzweig graduated from Queen's University with a Bachelor of Commerce degree and was awarded First Class Honours.

**David Giles, Vice President**

David Giles is primarily responsible for underwriting new investments and for managing existing projects in Calgary, Atlanta and Southern Florida. Mr. Giles also assists with investment fund reporting.

Prior to joining Tricon in 2005, Mr. Giles worked as a project engineer for Clough Limited, an oil and gas contractor based in Perth, Western Australia.

Mr. Giles graduated from the University of Western Australia with both Bachelor of Commerce and Bachelor of Engineering (Honours) degrees.

**Craig Mode, Vice President**

Craig Mode is primarily responsible for underwriting new investments and for managing existing investments in Toronto and Texas. Mr. Mode also assists with investment fund reporting and fundraising.

Prior to joining Tricon in 2007, Mr. Mode was an acquisitions analyst with DLJ Real Estate Capital Partners, the real estate private equity division of Credit Suisse Group, in Los Angeles, California and also worked with Haywood Securities Inc. as an investment banking analyst in Toronto.

Mr. Mode holds an Honours Business Administration degree from the Ivey School of Business at the University of Western Ontario where he graduated with Distinction.

**4.2 Our Investment Process****Our Underwriting Process**

In our underwriting process for our funds, proposed development projects generally need to meet certain pre-conditions or criteria before they are considered, including the following:

*Nature of Underlying Real Estate:* Our primary focus is on the residential real estate development industry, specifically residential land development, homebuilding, multi-family construction and retail development done in conjunction with residential projects. Our Active Funds are typically not permitted by terms of their respective limited partnership agreements to invest more than 25% to 30% of the fund's capital in non-residential sectors.

*Market Opportunity:* We generally only consider development projects in markets with populations of at least one million. Each of the markets in which our Active Funds invest typically have, in management's judgment, solid underlying real estate fundamentals including strong job and population growth (in the long-term) and rising or stable rental rates, occupancy rates and asset prices. Only markets with significant upside potential in the short- to medium-term are considered.

*Investment Size:* We typically seek development projects that require commitments from our funds in the \$10-\$30 million range. We also consider smaller or larger investments that, among other things, solidify a relationship with a key developer, obtain a foothold in a new sector or market, or offer above-target risk-adjusted returns.

*Investment Period:* In the case of development projects, return of capital is typically sought within three to five years of the initial investment, with complete project build-out expected within four to six years. Occasionally, we undertake longer-term transactions which have the potential to offer above-target risk-adjusted returns.

*Returns and Underwriting Standards:* Investments are generally made by our funds only in development projects that have sufficient margin on cost to absorb reasonable variations in the business plan.

*Calibre of Developers:* In selecting our funds' transactions, the reputation, integrity, experience and competence of the developer (or operating partner) is likely to be the primary determining factor in our underwriting process.

*Financial Commitment of Developer:* Investments are generally made by our funds only in development projects where the local developer has invested its own funds in the project. The developer investment requirement is typically 10% or more of the total required capital above senior debt (if any); however, this amount varies between investments. Guarantees of the developer may also be required; the nature and the extent of the guarantee depends on the perceived risk.

*Construction / Acquisition Financing:* Since acquisition and/or construction financing for a particular development project is often required from third parties, the making of any investment by our funds is typically conditional upon strong indications from a financial institution that senior lending will be forthcoming. The financial institution and the terms of the senior lending must be acceptable to Tricon. It is the responsibility of the developer to obtain acquisition and/or construction financing from a local bank.

*Guarantees:* Our funds may, where circumstances warrant or dictate, provide guarantees to senior lenders; in certain instances, the amount of the guarantee is considered part of the investment facility provided to the developer/borrower and the return requirement discussed above will be based on the total investment (including the amount of the guarantee).

*Security/Control:* Unless our funds acquire property for their own account or enter into a joint venture with a developer, wherever possible our funds' investment is secured by way of a mortgage on the underlying real estate and/or a pledge of ownership interests in the borrowing entity. We take an active role in monitoring and managing each project our funds invest in, typically through approval rights contained in our contractual agreements.

*Due Diligence:* Investments are subject to extensive due diligence reviews, generally including in-depth developer reference checks, environmental audits, market analysis, site analysis, financial and construction cost analysis and legal review.

### **Our Monitoring Process**

Tricon takes a very hands-on approach to asset management. Key aspects of Tricon's asset management process include (i) the use of a dynamic organizational structure in which our professionals, with the support of project-dedicated financial analysts, manage projects through to completion under the guidance of senior management; (ii) a formalized risk advisory and asset tracking program; (iii) the use of proprietary loan tracking software (LoanTrak); and (iv) a standardized reporting and capital draw process.

Given that development is a dynamic and constantly evolving process, we have made the conscious decision not to employ separate investment and asset management staff. Instead, with the support of

dedicated financial analysts and real estate professionals, the senior professional who sourced and underwrote a particular transaction is responsible for monitoring the project and seeing it through to completion. In this way, the knowledge that is accumulated during the development process is retained and reporting relationships throughout a project's life are maintained, thereby eliminating the potential information loss that can occur when a project is transitioned from one department to another. This process also helps us build strong and long-lasting relationships with our developers. As a part of our monitoring role, we have a significant amount of input with respect to a development project, whether through contractual rights or, more informally, through our collegial relations with our developer partners. For example, we typically approve or have input for any particular real estate development project with respect to: plans and specifications; the selection and/or replacement of the construction manager, the development manager and the marketing team for the project, and the terms and conditions of their respective employment contracts; the selection and approval of other consultants, professional advisors, contractors and major subcontractors, and the terms and conditions of their employment; the terms and conditions on which condominium units are to be offered for sale; the terms and conditions of any financing for the project; the terms and conditions of any development, financial or other similar agreements to be entered into with governmental authorities; the sale of the project; any non-arm's length or material arm's length contracts; the timing of the project, both from a marketing and a construction commencement perspective; and, the business plan and project budget. In addition, our senior management team communicates with our developers on an ongoing basis and typically visits or tours a project every one or two months. Our developers are required to provide us with weekly sales reports, monthly financing reports (typically in conjunction with loan draw requests) and quarterly project updates which address milestones, budget, planning, sales, finance and construction. When budgets or cash flows are revised, project-dedicated analysts in conjunction with our accounting department update the contribution and distribution schedule in our proprietary loan software so that we have an up-to-date projection of a transaction's current and projected return.

The senior professional who is responsible for a transaction typically sits on the respective project's "monitoring committee" and is involved with major decisions described above. We believe the active involvement of our knowledgeable and experienced professionals adds value to the development projects, and provides a valuable resource for our developers. The senior professional keeps our senior management team apprised of the project's progress and seeks its guidance related to major decisions at weekly meetings. Each transaction is assessed by senior management and given a risk rating based on its projected return and criteria related to milestones and other business plan objectives. Oversight for transactions that receive elevated or high risk ratings is increased, and in select situations we seek the involvement of third party development groups with which we have established relationships. We believe that our proactive and formalized approach to asset management as well as the operational expertise of our senior management team has enabled us to outperform our competition.

### **Our Disposition Process**

The Company's funds currently invest in development projects in which capital is generally returned in three to five years, and that take four to six years to complete. Unlike investments in commercial property for which holding periods and disposition strategies need to be evaluated, residential "for-sale" real estate has a built-in exit strategy as transactions automatically liquidate once the final product of units, houses or lots are sold. While we continuously monitor a project's sales performance and adjust pricing from time to time to obtain the appropriate balance between maximizing profits and returns, we do not need to implement a formal disposition process given the self-liquidating nature of our investments.

## **4.3 Our Funds**

### **Overview**

Tricon has been providing capital and expertise to developers for approximately 24 years. Since September 1988, Tricon has raised 11 funds with aggregate committed capital of approximately \$1.33 billion (including syndicated investments). The average size of our funds has grown steadily over the years

with capital commitments for our latest Canadian fund, Tricon XII, at approximately \$186 million. Capital committed to our most recent U.S. fund (Tricon IX) was US\$332 million. Tricon is also in the process of raising a new successor U.S. fund, Tricon XI. Our first four funds were focused on the North American market (Canada and the United States), but starting in January 2000 with TCC V we expanded our product offerings to funds focused specifically on the United States or Canadian market. As of December 31, 2011, we had, through our funds, entered into approximately 150 transactions and had provided more than \$1 billion of financing for residential land development, single-family homebuilding, multi-family construction and retail development projects valued at roughly \$10 billion.

### Summary of Tricon Funds

The following table provides a summary of Tricon's funds since the Company's inception.

(\$ in millions)

Fund	Geographic Focus	Final Closing Date	Investment Period	# of Transactions <sup>(1)</sup>	Fund Capital	Syndicated Capital	Total Committed Capital
TCC LP <sup>(2)</sup>	North America	Jul-90	Apr-98	20	\$12.5	\$1.8	\$14.3
TCC II <sup>(2)</sup>	North America	Jul-97	Jun-98	9	\$41.0	-	\$41.0
TCC III <sup>(2)</sup>	North America	Jun-98	Jan-00	20	\$69.4	\$3.8	\$73.2
TCC IV <sup>(2)</sup>	North America	Jan-00	Jan-03	11	\$64.0	\$4.6	\$68.6
TCC V <sup>(3)</sup>	United States	Jan-00	Jun-04	13	\$52.5	-	\$52.5
TCC VI <sup>(2)</sup>	North America	Dec-04	Mar-07	48	\$95.7	\$35.1	\$130.8
TCC VII	United States	Mar-05	Mar-07	39	\$247.2	\$13.9	\$261.1
Tricon VIII <sup>(2)</sup>	Canada	Dec-05	Jun-08	11	\$101.1	\$19.0	\$120.1
Tricon IX	United States	Jan-09	Jan-12	9	\$331.8	\$1.0	\$332.8
Tricon X <sup>(2)</sup>	Canada	Apr-09	Apr-11	7	\$85.4	\$11.5	\$96.9
Tricon XII <sup>(4)</sup>	Canada	Mar-12	Mar-14	2	\$185.8	-	\$185.8
<b>Total</b>					<b>\$1,286.4</b>	<b>\$90.7</b>	<b>\$1,377.1</b>

(1) Some investments are split between funds (particularly TCC VI which had its mandate to co-invest alongside TCC VII in United States investments) and are therefore double-counted in this table.

(2) Canadian investments are converted to US\$ at a rate of US\$1.00 = C\$1.00.

(3) A revolving fund, with a 5 year investment period.

(4) Fund in investment period. Fund had an initial close on March 23, 2011, a second close on June 14, 2011 and a final close on March 22, 2012.

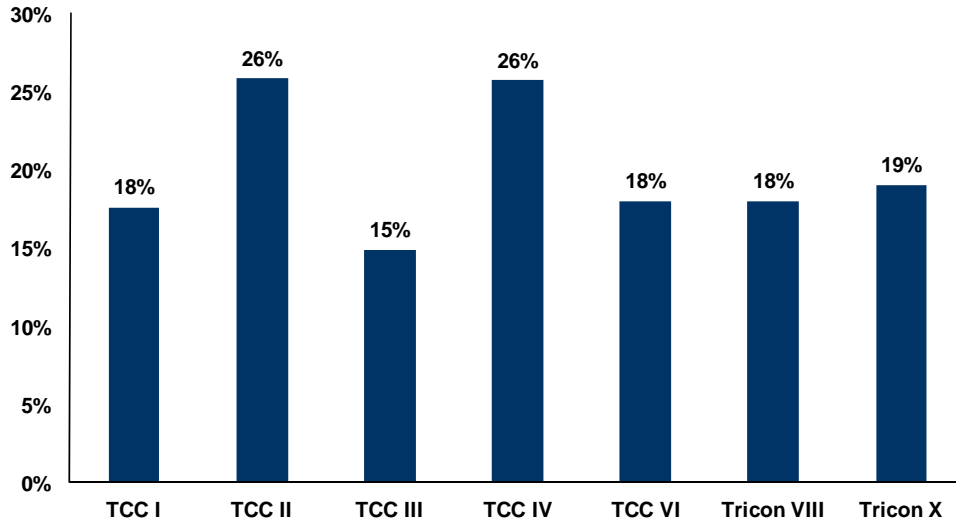
### Track Record

Since its inception, Tricon has produced significant risk-adjusted returns for investors in our funds as outlined in the charts below.

[Balance of page intentionally left blank]

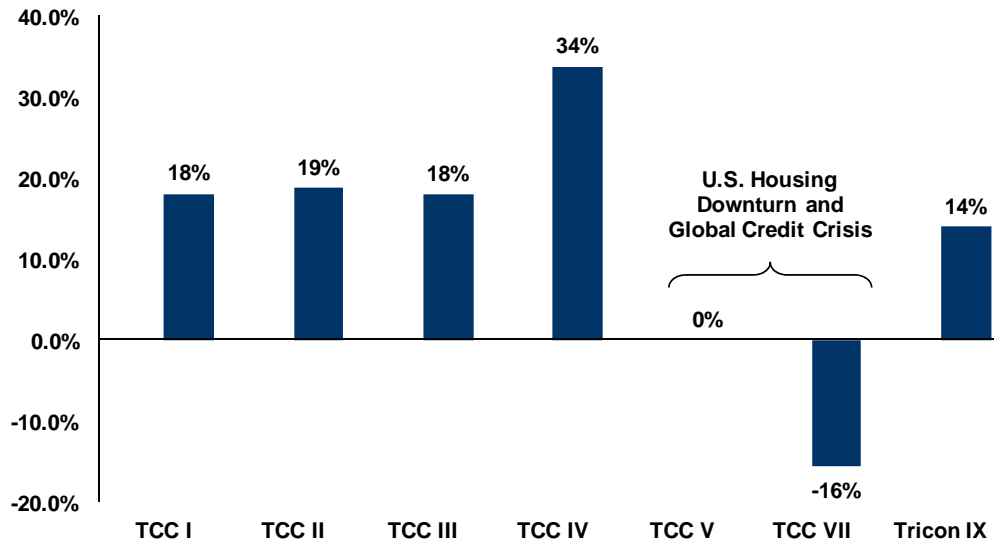
Fund-By-Fund Gross IRR

Canadian Investments



As outlined in the chart on the previous page, our funds’ Canadian investments have generated gross fund IRRs ranging from 15% to 26%. These consistent returns, as well as our ability to preserve capital while targeting outsized risk-adjusted returns, has enabled us to distinguish ourselves among our institutional investors and continue to grow our Assets Under Management for Canadian funds.

U.S. Investments



As outlined in the chart above, Tricon’s funds have historically posted strong returns on their United States investments outside of the period impacted by the United States housing market downturn and the global credit crisis (see “United States Housing Downturn” below). During that challenging period, we believe we were able to post attractive returns relative to our industry. Our strong relative returns allowed us to raise the \$332 million Tricon IX fund during 2007 through 2009, which demonstrated that our clients were still



interested in continuing to invest with Tricon. Tricon IX is also approximately 30% larger than its predecessor United States-dedicated fund (TCC VII). Investments made in Tricon IX to date have been financed on an “all cash” basis with little or no senior financing. As such, we believe that the returns projected for Tricon IX will be superior to our previous fund returns on a risk-adjusted basis.

### United States Housing Downturn

In assessing the returns of our United States-dedicated funds, we believe that it is important to consider the magnitude of the United States housing downturn which began in 2006. Between July 2006 and January 2009, median existing home prices in the United States declined by nearly 30% according to the National Association of Realtors. To put this unprecedented pricing correction into perspective, year over year median existing home prices had not dropped once in the 30 years prior to July 2007, according to the National Association of Realtors. Additionally, existing home prices in major homebuilding states such as California, Arizona, Nevada and Florida over a similar time saw even more precipitous price declines of approximately 35% to 50% according to the Federal Housing Finance Agency. The deterioration of the United States housing market negatively impacted upon the demand for new homes and brought about similar decreases in new home pricing. These pricing declines had a meaningful impact on the performance of many of our recent United States development projects, and particularly those in the TCC V and TCC VII United States dollar denominated funds.

While the well-publicized collapse of the housing market did not begin to manifest itself until late 2007, many investments made by our funds in the early-to-mid-2000s were significantly impacted by the ensuing crisis and the subsequent global credit crisis, as our funds' development projects typically take four to six years to complete (and land development projects can take the better part of eight years to complete). For example, an investment undertaken in 2004 may have been underwritten on the assumption that the bulk of its cash flow from sales or closings would occur in 2008 or 2009, with the obvious negative results. Despite the severity of the economic downturn in the United States housing market, Tricon still succeeded in raising the largest fund in its history, Tricon IX, from 2007 to 2009.

### Recent Fund Profiles

#### *Tricon VIII Limited Partnership*

Tricon VIII Limited Partnership (“**Tricon VIII**”) was formed to provide financing for Canadian residential real estate development projects. Tricon VIII had its final closing in December 2005 and had total committed capital of \$120.1 million (including syndicated investments of \$19 million), of which \$97.0 million (80.7%) was provided by institutional investors. Tricon VIII entered into 11 transactions and Tricon VIII's capital was substantially allocated by June 2008. Approximately 65% of the capital in the fund was invested in Toronto condominium developments, with 25% invested in Edmonton land development and the remaining 10% invested in Vancouver condominium development. To date, the fund has realized \$75million of value with an estimated \$169 million remaining unrealized. Given that the majority of the projects in Tricon VIII are sold and under construction, we feel confident in the ability to realize the remaining projected returns. Based upon Tricon VIII's projects' projected cash flows, Tricon VIII is currently expected to yield a Gross IRR of 18% and generate a ROI of 2.2x.

#### *Tricon IX, L.P.*

Tricon IX, L.P. (“**Tricon IX**”), a dedicated United States fund, had its final closing in January 2009 and has committed capital of US\$332.8 million (includes \$1 million of syndicated capital). 94.8% of the total committed capital came from institutional investors. In conjunction with our local operating partners, our approach with Tricon IX was to provide financing for the acquisition of distressed United States residential real estate (primarily finished or partially finished lots and standing home inventory) at significant discounts from peak pricing and typical replacement cost through the acquisition of deeply discounted bank notes, REO (property a bank has foreclosed on and which is classified as real estate owned) and assets out of bankruptcy. Distressed investments are sourced through our local operating partners, who have contacts

with local banks and are privy to bankruptcy sales, and through our management's relationships with regional or national banks

Tricon IX investments have typically been financed on an "all cash" basis with little to no senior financing other than to acquire standing inventory homes. As such, we believe that our current projected Gross IRR for Tricon IX will be superior to previous fund returns on a risk-adjusted basis. If economic conditions in the United States continue to improve and credit becomes more widely available, we will be in a position to apply a prudent amount of leverage to the individual investments which could increase investment returns. To date, Tricon IX has allocated US\$292.5 million of its capital in nine transactions. Tricon IX's total value of realized and unrealized (as estimated by management) investments is US\$489.6 million, of which \$21.3 million has been realized. Based upon Tricon IX's projects' projected cash flows, Tricon IX is currently expected to yield a Gross IRR of 14% and generate a ROI of 1.8x.

#### *Tricon X Limited Partnership*

Tricon X Limited Partnership ("**Tricon X**"), a dedicated Canadian fund, had its final closing in April 2009 and was capitalized with \$96.9 million (including syndicated investments). Over 90% of the total committed capital came from institutional investors. Tricon X is fully invested with approximately 26% of capital invested in Alberta and the remainder invested in condominium development projects in Toronto. To date, the fund has realized \$23.0 million of value with an estimated \$142.9 million remaining unrealized. Based upon Tricon X's projects' projected cash flows, Tricon X is currently expected to yield a Gross IRR of 19% and generate a ROI of 1.9x.

#### *Tricon XI, L.P.*

Fundraising efforts for Tricon XI, L.P. ("**Tricon XI**") were initiated in 2011 and are ongoing as at the date of this Annual Information Form. Despite the difficult fundraising environment in the U.S., a first close is anticipated in the second quarter or 2012.

#### *Tricon XII Limited Partnership*

The final closing for Tricon XII took place on March 22, 2012 resulting in total commitments increasing to approximately \$186 million – the largest Canadian fund ever raised by the Company. Approximately 95% of the total committed capital came from institutional investors including a \$20 million commitment from Tricon. Tricon XII is targeting a gross IRR of 18% and expects investments to range in size from \$15 - \$30 million. Tricon XII commenced investing in the fourth quarter of 2011 and will focus on major institutional quality high-rise condominium projects and master planned communities in Canada's fastest growing urban centres in conjunction with local development partners.

#### *Warehoused Investments*

In the first quarter of 2011, Tricon made its first strategic entity investment, a \$10 million commitment to The New Home Company LLC ("**TNHC**"), an Orange County, California based land development and home-building company. TNHC was founded in September 2009 by the former senior management team of John Laing Homes, which was the second largest private homebuilder in the United States prior to its sale in 2006 to Emaar Properties. TNHC was established to take advantage of the distressed California residential real estate development landscape and, unlike most of its peers, does not have any legacy issues.

In addition to Tricon and the four operating principals, the other shareholders of TNHC are IHP Capital Partners, one of the pre-eminent institutional capital providers for housing in the United States, and Watt Companies, a leading Southern California real estate developer / investor. Representatives from Tricon, IHP Capital Partners and Watt Companies all sit on the board of directors for TNHC along with TNHC's four principals. TNHC will use the new capital to expand homebuilding and land acquisition efforts throughout California.

Tricon intends to warehouse the TNHC investment until the formation of its successor U.S. distressed fund, Tricon XI, at which point the investment will be offered to Tricon XI.

#### 4.4 Our Revenues

We derive our revenue principally from (i) contractual management fees earned from the management of the Active Funds (“**Contractual Management Fees**”), (ii) general partner distributions from the management of Active Funds (“**General Partner Distributions**”), (iii) incentive or performance fees earned from achieving target investment returns in the Active Funds (“**Performance Fees**”), and (iv) investment income from co-investing in future funds and from direct investments in residential real estate projects (“**Investment Income**”).

##### **Contractual Management Fees**

Limited partnership interests in our managed funds are sold by way of private placement to accredited or otherwise eligible investors who become limited partners in the funds. During our funds’ Investment Periods (typically three to four years), limited partners pay Contractual Management Fees ranging typically from 1% to 2% of committed capital per annum depending on the size of their respective investment.

Following the Investment Period, our Contractual Management Fees are typically calculated on the lesser of: (a) the fund’s capital commitment, and (b) invested capital. Contractual Management Fees are typically paid monthly in advance. The performance of the Company will be highly correlated to our ability to grow Assets Under Management and to earn Contractual Management Fees.

##### **General Partner Distributions**

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**

Once we achieve targeted investment returns in the funds, we are entitled to earn Performance Fees. In our funds, Performance Fees are more often than not calculated and paid according to the following fund distribution schedule: (i) 100% of a fund’s distributions to limited partners until they have received a cumulative annual compounded preferred return ranging from 9% to 10% and complete repayment of all contributed capital; (ii) thereafter 50% of a fund’s distributions to limited partners and a 50% ‘catch up’ distribution is paid to the general partner of the fund (each general partner being a subsidiary of Tricon or otherwise contractually committed to pass on such distributions to Tricon) until fund distributions to the limited partners and general partner are in the ratio of 80/20, respectively; and (iii) thereafter, 80% of a fund’s distributions to limited partners and 20% to the general partner.

For the purpose of evaluating our historical Performance Fees relative to our Contractual Management Fees, we refer to the method used to calculate Performance Fees in our more recent funds as Normalized Performance Fees.

Given that Performance Fees are only earned once a fund’s limited partners have received the return of their committed capital plus a preferred return, our Performance Fees are back-ended and are typically only earned six to eight years after the commencement of a fund and only if the funds achieve their target investment returns. Performance Fees in private equity investment vehicles such as our funds are intended to reward strong performance over the long-term and therefore align the interests of the funds’ limited partners and those of Tricon and its shareholders.

## Investment Income

We have historically not had significant Investment Income. Our principals have typically co-invested 1% to 2% of committed capital in a fund, with no co-investment by the Company. However, starting with Tricon XI we intend to co-invest significant amounts in successor funds and in transactions that exceed the concentration limits of existing or future funds. For instance, we have committed to co-invest \$20 million into Canadian fund Tricon XII and US\$25 million into future U.S. distressed fund Tricon XI, which will significantly enhance our fundraising capabilities with existing investors and attract interest from a broader group of institutional investors. As such, we will earn Investment Income comprising fees, base interest and/or participating interest (meaning, net cash flow from transactions) from our limited partnership interests in successor or additional funds. The underlying investments in the successor or additional funds will likely be underwritten with a target of 20% gross annual compounded returns and our *pro rata* share of Investment Income will be determined by the performance of such investments. We may also derive Investment Income from direct investments in residential real estate projects.

## 4.5 Competitive Advantages

### Outstanding 24+ Year Track Record of Investment Performance

Our business model is based foremost on delivering excellence in asset management to our investors. Over the past 24 years Tricon has produced significant and relatively strong returns for investors in our managed funds. We believe that our most powerful competitive advantage is our ability to deliver superior investment performance to our clients, which we believe will lead to continued growth of our Assets Under Management.

### Highly Focused Investment Strategy

We believe that we have developed a distinct competitive advantage over time by focusing on residential real estate. While opportunistic competitors often choose to invest across real estate asset classes, they typically exit one or more sectors of the industry for extended periods of time and, in the process, lose important knowledge of those sector-specific asset classes and compromise key relationships with operating partners. We believe that by focusing our efforts on a particular market niche, we have been able to develop and refine core competencies and market knowledge, enabling our funds to achieve better long-term risk-adjusted returns than our most of our competitors' funds. Furthermore, we believe that an increasing number of institutional investors prefer to invest with asset managers that have focused investment strategies.

### Well-Established Relationships with Developers

We have been able to generate significant investment opportunities for our funds through our strong relationships forged over many years with local developers. Our experience has shown that when developers are well-served by a dedicated, knowledgeable capital provider, they are unlikely to seek other capital sources for future developments. Accordingly, in periods when we have not been expanding into new markets, a significant number of our investments have been entered into with developers with which we have had existing relationships. Such repeat transactions are evidence that we have become a dependable source of capital for many of our developer clientele, and this helps to create a strong investment pipeline going forward. Developers with which we have established relationships are not only well-positioned to source new investment opportunities, but also to evaluate them quickly based on their local market knowledge. Real estate is a local business and having local expertise is essential in order to access proprietary deal flow and drive long-term investment performance.

### **Value-Added Financing**

We are actively involved in our funds' residential real estate development projects, and management believes that this value-added approach provides our developers with significant advantages and opportunities that would otherwise be unavailable to them through more passive forms of financing. We have significant input in all material decisions with respect to a real estate development project and we essentially partner with our developers to create and implement strategies. This role is supported through contractual commitments, our strong relationships with developers and prior track record. Our knowledgeable and experienced professionals communicate and work with developers at various stages of a development project, from selecting consultants to arranging senior financing and participating in strategic decision-making. As manager of its funds, Tricon is involved with material decisions relating to significant matters affecting fund development projects, including, without limitation, project business plans and budgets, lot/home pricing, the selection of major contractors and design and engineering consultants and construction financing. We believe that the value Tricon brings to a development project, through our experience, knowledge or other resources, is a significant contributing factor to the success of our fund-managed projects, and we believe is relatively unique in the residential real estate development financing sector.

### **Strong Relationships with Institutional Investors**

We currently manage funds whose investors include 24 institutional investors, including two of the top-ten state pension plans in the United States and four of the top fifteen-pension plans in Canada, as measured by assets. Our fundraising track record has helped us to both attract new institutional investors and retain existing institutional investors in subsequent fund offerings. We recognize the value of our institutional investor base and maintain an active dialogue with our investors through informal meetings and semi-annual investment advisory conferences.

### **Minimal Competition**

In Canada, while there are groups focused on the provision of lower risk, first mortgage loans to developers, we are not aware of any major dedicated and national competitor with a similar investment strategy to Tricon. In the United States, many of our less-focused competitors scaled back their residential investment programs substantially or exited the industry entirely following the downturn of the United States residential real estate development industry commencing in 2006. We believe that most of these investors are unlikely to return to the market in the foreseeable future. Over the last two decades, Tricon has established an impressive long-term track record in the housing sector, and forged important relationships with a large network of contacts in the real estate pension fund and residential real estate development industries. Given the extremely capital-intensive nature of the residential real estate development industry and the track record required to raise institutional capital, we believe that, at least in the short term, it would be very difficult for a start-up or a new entrant to manage a dedicated fund that directly competes with our managed funds. These barriers to entry typically enable us to enter into proprietary transactions, to finance local developers of our choice and to have our funds earn significant risk-adjusted returns.

### **Talented, Motivated Management Team**

Our management team is comprised of highly talented, experienced and motivated professionals. The four most senior Investment Professionals have worked together at Tricon for more than eight years, and have established a unique and highly effective culture. Further, our senior management team has a wealth of real estate and finance expertise, and we believe it is the quality of this management team and its ability to forge long-lasting working relationships with both developers and senior lenders that has earned Tricon its strong reputation. In management's opinion, attractive compensation packages and a positive corporate culture have also contributed to strong employee retention. We believe the variable compensation offered by our employee bonus pool, coupled with management's ongoing ownership of a significant percentage of the Company, provides a significant incentive mechanism to continue to promote strong investment performance and key employee retention.

## **Established, Principled Approach**

We have worked diligently to develop, articulate and refine a clear mission for the Company, and a set of core principles to govern all aspects of our business. The Company's mission is to be North America's pre-eminent asset management company focused on residential real estate development, and to provide its shareholders and investors in its funds with superior risk-adjusted returns. We believe our mission statement has helped to focus the Company and serves to focus management and build a positive corporate culture.

### **4.6 Growth Strategy**

#### **Focused Asset Management**

We believe that the most effective strategy for growth is to effectively manage the assets we presently have under management. If we are able to deliver strong investment performance and provide a high level of service to our clients, we believe that we will be able to raise larger successor funds. By raising larger successor funds and increasing our Assets Under Management, we should be well positioned to increase revenues from Contractual Management Fees and, if target investment returns are exceeded, Performance Fees.

#### **Grow Assets Under Management through Larger Co-investments**

We believe the ability to use proceeds from our Initial Public Offering to significantly increase our co-investment in new funds will enhance our fundraising capabilities with existing investors and attract further interest from a broader group of institutional investors. Institutions often prefer or even require private equity funds to have initial closings and/or contain specified assets before closing, thereby providing an advantage to managers who have the capital resources to seed funds. Additionally, some institutional investors will only invest in funds where the manager has made a significant co-investment. In establishing such co-investments, we believe that our larger successor funds will (a) encourage increased fund investments from current investors, and (b) appeal to a broader institutional clientele, thereby allowing us to grow our Assets Under Management which, in turn, should result in increased fee revenue. The availability of core capital raised from the public markets will enable us to warehouse new investments for successor funds and to co-invest in larger development projects.

#### **Increase Investment Income**

Our principals have historically co-invested just 1% to 2% of the committed capital in a fund, with no direct co-investment by the Company. Management believes that by the Company being able to meaningfully co-invest much greater amounts, and contribute \$20 million or more into successor funds (depending, in each instance, upon the circumstances and on an investment-by-investment basis), that we will, in addition to significantly enhancing our future fundraising capabilities, also significantly increase our future Investment Income from our principal investments.

#### **Fund Specialization**

In the longer term, we believe our public platform will not only facilitate the creation of larger Tricon-managed successor funds, but will also enable management to develop a series of more focused fund products aimed at servicing various levels of the capital structure for the residential real estate development industry, as well as provide us with the ability to take advantage of other opportunities within our industry.



## Enhance Our Market Position

In response to weaker fundamentals, management believes that most of our non-dedicated competition (generalist real estate funds, hedge funds and other financial institutions) have scaled back their residential real estate development investment programs or exited this industry sector entirely. We expect that such competitors are unlikely to return to the market until conditions significantly improve and we believe that the flight of capital from this sector, particularly in the United States, has presented us with an excellent opportunity not only to increase the strength of our developer relationships but also to command more favourable terms on new investments. We believe the reduced competition in the residential real estate development industry, coupled with the remaining level of distress in the industry itself (particularly in the United States), provides Tricon with a significant opportunity to expand its presence in the Company's selected target markets.

### 4.7 Competition

We compete primarily with other dedicated residential asset managers of housing funds and certain traditional real estate private equity firms, investment banks, mezzanine funds, hedge funds, distress funds and private investors. Competition for financing in the residential real estate development industry is, in management's view, fragmented and far less competitive than the commercial real estate industry or corporate mezzanine lending sector in which transactions are often bid on or contested by multiple parties.

Notwithstanding that most real estate asset management firms, financial intermediaries and mezzanine funds typically had previously focused on income-producing properties from 2003 through 2007, we faced significantly more competition in the United States at that time as non-dedicated investors allocated proportions of their investment capital to "for-sale" real estate, in our view partly in response to the extremely competitive nature of the commercial sector.

However, the downturn of the residential real estate development industry in the United States commencing in 2006 highlighted the fact that investing in residential real estate development projects requires substantial expertise and very active investment management to be successful (and also stressed to many developers the merits of working with knowledgeable and dedicated capital providers like Tricon). In response to weaker fundamentals and, in many cases, disappointing returns, management believes that most of this competition has recently either scaled back their residential investment programs substantially or exited the industry entirely. We believe that most of these investors are unlikely to return to the market in the foreseeable future. In Canada, we have also recently lost a few smaller, but dedicated, competitors, and, to our knowledge, we are the only large dedicated institutional manager (investments that exceed \$10 million) focused on providing financing to local residential developers.

### 4.8 Facilities and Employees

Tricon's head and registered office is located at 1067 Yonge Street, Toronto, Ontario. The Company has a 10-year sub-lease in place with a related party, Mandukwe Inc., which expires on November 30, 2019. The leased area consists of approximately 4,000 square feet. Tricon had 22 employees as of December 31, 2011.

### 4.9 General Development of the Company

From 2007 to 2009, Tricon raised approximately \$430 million through two private limited partnerships, namely Tricon IX and Tricon X. Tricon IX, an approximately \$332 million dedicated United States fund, was established to capitalize on the distress in the United States residential real estate market by purchasing, in conjunction with local development partners, discounted bank notes and distressed properties at significant discounts to their peak market valuations and in many cases below replacement cost. Tricon X, a \$97 million dedicated Canadian fund (including syndicated investments), was formed to pursue Toronto and Vancouver condominium investments as well as land investments in Alberta.



Tricon became a public company and completed its Initial Public Offering on May 20, 2010. The underwriters subsequently exercised a portion of their over-allotment option, which closing occurred on June 17, 2010. In total, 11,490,871 Common Shares were sold in connection with the Initial Public Offering, comprising 9,490,871 newly issued Common Shares from treasury and 2,000,000 Common Shares sold by way of secondary offering. Total proceeds from the Initial Public Offering (including the proceeds from exercise by the underwriters of a portion of the over-allotment option) were \$68,945,226 with net proceeds to Tricon of approximately \$53,670,875, before deducting expenses related to the Initial Public Offering.

With the net proceeds from the Initial Public Offering, Tricon is in a position to (i) increase the size of its co-investment in new funds; (ii) make direct investments and warehouse them until new funds are formed; and (iii) co-invest alongside other limited partners in larger transactions that exceed concentration limits of a particular fund.

In this regard, during 2011 Tricon XII (a dedicated Canadian fund that will be managed by the Company) received commitments aggregating \$140 million. The fund had a final close on March 22, 2012 with aggregate commitments of approximately \$186 million, well in excess of the \$150 million target.

## 5. RISK FACTORS

The risks described below are not the only ones facing the Company and holders of Common Shares. Additional risks not currently known to us or that we currently deem immaterial may also impair our business operations. This Annual Information Form contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below.

### Risks Related to the Company

***Difficult market conditions can materially adversely affect our business in many ways, including by reducing the value or performance of the investments made by our Active Funds and by reducing capital, each of which could materially reduce our revenue and cash flow and materially adversely affect our financial condition and profitability.***

The success of our business is highly dependent upon conditions in the Canadian and United States real estate markets (and in particular the residential sector) and economic conditions throughout North America that are outside our control and difficult to predict. Factors such as interest rates, housing prices, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, currency exchange rates and controls, and national and international political circumstances (including wars, terrorist acts or security operations) could have a material negative impact on the value of our funds' portfolio investments, which in turn would reduce our revenues and profitability.

Unpredictable or unstable market conditions and adverse economic conditions may result in reduced opportunities to find suitable risk-adjusted investments to deploy capital and make it more difficult for our funds to exit and realize value from their existing real estate investments, which could materially adversely affect our ability to raise new funds and sustain our profitability and growth.

***Poor investment performance could lead to the loss of existing clients, an inability to attract new clients, lower Assets Under Management and a decline in our revenues.***

We believe that our investment performance is one of the most important factors for the growth of our Assets Under Management. Poor investment performance relative to our competitors or otherwise could impair our revenues and growth because existing clients might opt not to invest in any of our subsequent funds and we might not be able to attract funds from existing and new clients, which could result in lower Assets Under Management and could impact our ability to earn Contractual Management Fees. In addition, our ability to earn Performance Fees is directly related to our investment performance and therefore poor

investment performance may cause us to earn less or no Performance Fees. We cannot guarantee that we will be able to achieve positive returns, retain existing clients or attract new clients in the future.

***Changes in the real estate markets could lead to a decline in our revenues.***

Our revenues are dependent upon our Contractual Management Fees, which are based on a percentage of committed capital per annum depending on the size of a particular Active Fund, and our Performance Fees, which are based on pre-specified target investment returns.

The market value of our Assets Under Management and our ability to achieve returns above the target investment returns are impacted by factors beyond our control, including economic and political conditions as well as the policies and performance of businesses, government, the real estate industry and the financial community. A decline in value of the real estate properties we invest in could result in lower Performance Fees.

Poor performance of our funds would make it more difficult for us to raise new capital. Investors in our funds may decline to invest in future funds we manage. Investors and potential investors of our funds continually assess our funds' performance and our ability to raise capital for existing and future funds will depend on our funds' continued satisfactory performance.

***Investments in residential real estate development have relatively long investment periods and are subject to significant risk throughout.***

Our funds have made investments in residential land development and homebuilding operations located in the United States and Canada. These operations are concentrated in areas which we believe have positive long-term demographic and economic characteristics.

The residential real estate development industry is cyclical and is significantly affected by changes in general and local economic and industry conditions, such as consumer confidence, employment levels, availability of financing for homebuyers and interest rates, availability and terms of senior financing, levels of new and existing homes for sale, demographic trends and housing demand.

The development projects in which we invest also have lengthy project completion timelines. Typically, we invest in development projects in which capital is generally returned in three to five years and that take four to six years to complete. These extended timelines present the possibility that markets will deteriorate between the time of our initial investment and the return of capital or project completion which could have an adverse effect on our business, financial condition or results of operation.

Competition from rental properties and resale homes, including homes held for sale by investors and foreclosed homes, may reduce a developer's ability to sell new homes, depress prices and reduce margins for the sale of new homes. Homebuilders are also subject to risks related to the availability of materials and cost overruns. Furthermore, the market value of undeveloped land, buildable lots and housing inventories can fluctuate significantly as a result of changing economic and real estate market conditions. If there are significant adverse changes in economic or real estate market conditions, the developers in whose projects our funds invest may have to sell homes at a loss or hold land in inventory longer than planned. Inventory carrying costs can be significant and can result in losses in a poorly performing project or market.

Virtually all end purchasers of residential real estate finance their home acquisitions through lenders providing mortgage financing. Mortgage rates have recently been at or near their lowest levels in many years. Despite this, and given the dramatic issues being experienced in the mortgage markets in the United States and by many lenders, fewer loan products and tighter loan qualification requirements have made it more difficult for borrowers to procure mortgages.

Even if potential customers do not need financing, changes in interest rates and mortgage availability could make it harder for them to sell their homes to potential buyers who do need financing, which in the United States has resulted in reduced demand for new homes. Rising mortgage rates and / or stricter underwriting criteria could adversely affect the ability of the developers in whose projects we invest to sell new homes and the price at which they can sell them, which could materially adversely impact the results of our operations and Performance Fee revenue.

***We are dependent upon the economic climates of our primary markets.***

Substantially all of our revenues are indirectly derived from residential real estate development properties located in our primary geographic markets in Canada (Toronto, Vancouver, Calgary and Edmonton) and our six major geographic markets or regions in the United States (Southern California, Northern California, Phoenix, Atlanta and Southern Florida). A prolonged downturn in the economies of these markets, or the impact that a downturn in the overall national economies of Canada or the United States may have upon these markets, could result in reduced demand for residential properties. Because our funds' portfolios consist primarily of residential real estate (as compared to a more diversified real estate portfolio), a decrease in demand for residential real estate could adversely affect our results from operations.

***The development projects in which our funds invest may not compete on advantageous terms, or at all.***

On a strategic and selective basis, our funds provide financing to develop properties. The residential real estate development business involves significant risks that could adversely affect our business, financial condition and results of operations, including: the developer may not be able to complete construction on schedule or within budget, resulting in increased debt service expense and construction costs and delays in selling the properties in which our funds invest; the developer may not be able to obtain, or may experience delays in obtaining, all necessary zoning, land-use, building, occupancy and other governmental permits and authorizations for properties in which our funds invest; the developer may not be able to sell properties in which our funds invest on favourable terms or at all; construction costs, total investment amounts and our fund's share of remaining funding may exceed our estimates and projects may not be completed and delivered as planned.

***The development properties in which our funds invest are subject to possible environmental liabilities and other possible liabilities.***

The development properties and developers in which our funds invest are subject to various Canadian and United States federal, provincial, state and municipal laws relating to environmental matters. These laws could hold the developers or property owners liable for the costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in our development properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the developer's ability to sell the development properties or to borrow using real estate as collateral, and could potentially result in claims or other proceedings against the developer. We are not aware of any material non-compliance with environmental laws by any of the developers in which our funds invest, nor are we aware of any material non-compliance with environmental laws on any of the residential real estate developments that our funds invest in. We are also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the residential real estate developments or any material pending or threatened claims relating to environmental conditions at our development properties. We have made and will continue to make the necessary capital expenditures to support our developers' efforts to comply with environmental laws and regulations. Environmental laws and regulations can change rapidly and the developers may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on a developer or a particular development project, which, in turn, could have an adverse effect on our business, financial condition or results of operations.

***Loss of key employees could lead to a loss of clients and a decline in our revenues.***

Our business is dependent on the highly skilled and often highly specialized individuals we employ. The contribution of these individuals to our management team is important in attracting and retaining investors for our funds. We devote considerable resources to recruiting, training and compensating these individuals.

However, the growth in total assets under management in the investment management industry, the number of new firms entering the industry and the reliance on performance results to sell financial products have increased the demand for high-quality investment and client service professionals. Compensation packages for these professionals have a tendency to increase at a rate well in excess of inflation and above the rates observed in other industries. We expect that these costs will continue to represent a significant portion of our expenses.

We have taken, and will continue to take, steps to encourage our key employees to remain in our employ, including the establishment of an employee bonus pool, a stock option plan, a phantom unit plan and our entering into employment agreements with key employees. There can be no assurance that the steps we have taken to retain these individuals will be sufficient in light of the increasing competition for experienced professionals in the industry or that we will be able to recruit a sufficient number of new employees with the desired qualifications in a timely manner, if required. The employee bonus pool, the employee stock option plan and the phantom unit plan may not be attractive to our key employees if we are not able to generate Performance Fees or the value of our Common Shares declines or fails to appreciate sufficiently to be a competitive source of a portion of professional compensation. Furthermore, there can be no assurances that our key employees will not leave to pursue other opportunities, including those with our competitors (notwithstanding any non-competition provisions in our employment agreements). The failure to retain key employees and to recruit new employees could lead to a loss of clients and a decline in our revenues.

Further, the limited partnership agreements for Tricon IX, Tricon X and Tricon XII have “key person” provisions which deal with the continued involvement of certain members of our management team in the operations of those funds. Failure to comply with such provisions could result in the early termination of the Investment Periods of such funds, thereby releasing all limited partners thereof from any obligation to make further capital commitments, which could materially adversely affect our business, financial outlook or profitability.

***We do not have sole control over the properties in which our funds invest, or over the revenues, and certain decisions associated with those properties, which may limit our flexibility with respect to these investments.***

Our funds’ investments are made through the financing of local developers, and, consequently, we rely to a great extent on those developers to successfully manage their development projects. Investments in partnerships, joint ventures or other entities may involve risks not present were a third party not involved, including the possibility that our funds’ partners or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, our partners or co-venturers might at any time have economic or other business interests or goals which are inconsistent with our business interests or goals. In addition, we do not have sole control of certain important decisions relating to these development properties, including decisions relating to: the sale of the development properties; refinancing; timing and amount of distributions of cash from such development properties to Tricon; and capital improvements.

***Competitive pressures could reduce our revenues.***

The asset management industry is competitive. Some of our competitors have, and potential future competitors could have, substantially greater technical, financial, marketing, distribution and other resources than we do. There can be no assurance that we will be able to achieve or maintain any particular level of Assets Under Management or revenues in this competitive environment. Competition could have a

material adverse effect on our profitability and there can be no assurance that we will be able to compete effectively. In addition, our ability to maintain our current Contractual Management Fee and Performance Fee structure is dependent on our ability to provide clients with products and services that are competitive. There can be no assurance that we will not come under competitive pressures to lower the fees we charge or that we will be able to retain our fee structure or, with such fee structure, retain our clients in the future. A significant reduction in our Contractual Management Fees or Performance Fees could have an adverse effect on our revenues.

***Rapid growth in our Assets Under Management could adversely affect our investment performance or our ability to continue to grow.***

An important component of residential real estate development investment performance is the availability of appropriate investment opportunities. If we are not able to find sufficient residential real estate development investments for new funds in a timely manner, our investment performance could be adversely affected. Alternatively, if we do not have sufficient residential real estate development investment opportunities for new funds, we may elect to limit our growth and reduce the rate at which we receive new client assets. If our Assets Under Management increase rapidly, we may not be able to exploit the residential real estate development investment opportunities that have historically been available to us or find sufficient investment opportunities for producing the absolute returns we target. If we are not able to identify sufficient appropriate investment opportunities for new funds, our investment performance and our ability to continue to grow may be adversely affected.

***Rapid growth may also be difficult to sustain and may place significant demands on our administrative, operational and financial resources.***

Our Assets Under Management have grown from approximately \$14.3 million in 1988 to approximately \$944 million at December 31, 2011. Our rapid growth has caused, and if it continues will continue to cause, significant demands on our legal, accounting and operational infrastructure, and increased expenses. In addition, we are required to continuously develop our systems and infrastructure in response to the increasing sophistication of the residential real estate development investment management market and legal, accounting and regulatory developments.

Our future growth will depend, among other things, on our ability to maintain an operating platform and management systems sufficient to address our growth and will require us to incur additional expenses and to commit additional senior management and operational resources. As a result, we face significant challenges in: (i) maintaining adequate financial and business controls; (ii) implementing new or updated information and financial systems and procedures; and (iii) training, managing and appropriately sizing our work force and other components of our business on a timely and cost-effective basis.

There can be no assurance that we will be able to manage our expanding operations effectively or that we will be able to continue to grow, and any failure to do so could adversely affect our ability to generate revenue and control our expenses.

***We may not be able to obtain or maintain insurance coverage on favourable economic terms.***

We have various types of insurance, including errors and omissions insurance and general commercial liability insurance. The adequacy of insurance coverage is evaluated on an ongoing basis, including the cost relative to the benefits. However, there can be no assurance that potential claims will not exceed the limits of available insurance coverage or that any claim or claims will be ultimately satisfied by an insurer. A judgment against us in excess of available insurance or in respect of which insurance is not available could have a material adverse effect on our business, financial condition or profitability. There can be no assurance that we will be able to obtain insurance coverage on favourable economic terms in the future.



***Failure to execute our succession plan could lead to a loss of clients and employees and a decline in our revenues.***

David Berman and Geoffrey Matus are the founders of Tricon and remain actively involved in the business. Some of our clients have invested with us because of the personal reputations and the hard work of Mr. Berman and Mr. Matus. Mr. Berman and Mr. Matus are committed to playing active executive roles in our future. At the same time, they have been mindful of developing a succession plan and have created a strong team in all areas of the business. However, if Mr. Berman and/or Mr. Matus retire, or are no longer able to serve in their capacity, we may not be able to retain some of our existing clients or employees, which could lead to a decline in our revenues.

***The due diligence process that we undertake in connection with investments by our funds may not reveal all facts that may be relevant in connection with an investment.***

Before making residential real estate development investments for our funds, including the selection of developers, we conduct extensive due diligence reviews that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. Our due diligence process includes in-depth reference checks of developers, environmental audits, market analysis, site analysis, financial and construction cost analysis and legal review. When conducting due diligence, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on the resources available to us, including information provided by the developer, in some circumstances, third-party investigations. The due diligence investigation that we will carry out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

***Employee errors or misconduct could result in regulatory sanctions or reputational harm, which could materially adversely affect our business, financial condition or profitability.***

There have been a number of highly publicized cases involving fraud or other misconduct by employees in the investment industry in recent years and, notwithstanding the extensive measures we take to deter and prevent such activity, we run the risk that employee misconduct could occur. Misconduct by employees could include binding us to transactions that exceed authorized limits or present unacceptable risks, or concealing from us unauthorized or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use of confidential information, which could result in regulatory sanctions and serious reputational harm. We are also susceptible to loss as a result of employee error. It is not always possible to deter employee misconduct or prevent employee error and the precautions we take to prevent and detect this activity may not be effective in all cases, which could materially adversely affect our business, financial condition or profitability.

***If the global market and economic crisis continues for a long period, disruptions in the capital and credit markets may adversely affect our business, financial condition and results of operations.***

Recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions and slower growth continuing through 2011. Continued concerns about the credit crisis, particularly in Europe, the availability and cost of credit, the real estate market, energy costs and geopolitical issues have contributed to increased market volatility and diminished expectations for the global economy. These conditions, combined with declining business activity levels and consumer confidence, increased unemployment and volatile oil prices, have contributed to unprecedented levels of volatility in the capital markets. If the global market and economic crisis intensifies or continues for a long period, disruptions in the capital and credit markets may adversely affect our business, financial condition and results of operations.

***We face potential adverse effects from developer defaults, bankruptcies or insolvencies.***

A developer that our funds help to finance may experience a downturn in its business, which could cause the loss of that developer or weaken its financial condition and result in the developer's inability to make payments when due. If a developer defaults, we may experience delays and incur costs in enforcing our rights as lender and protecting our investments.

***Because real estate investments are illiquid, the developers our funds invest with may not be able to sell properties when appropriate.***

Certain residential properties can be difficult to sell, particularly if local market conditions continue to be poor. Additionally, financial difficulties of other property owners resulting in distressed sales could depress real estate values in the markets in which we operate in times of illiquidity, such as in the current economy. These restrictions could reduce our ability to respond to changes in the performance of our funds and could adversely affect our financial condition and results of operations.

***The partnership agreements of certain of our funds permit the removal of the general partner and manager without cause.***

The partnership agreements for certain Active Funds provide that the general partner of each Active Fund may be removed by the consent of limited partners that have made 75% of such partnership's capital contributions. The partnership agreements of other Active Funds provide that the general partner and manager of each such Active Fund may be removed without cause by the consent of "unaffiliated limited partners" holding at least 75% of the partnership units entitled to be voted on such matter. These partnership agreements do not provide for termination payments to the general partner or manager in the event of removal without cause. The removal of the general partner or the manager of an Active Fund prior to the termination of such fund could materially adversely affect the reputation of Tricon, lower Assets Under Management and, as a result, reduce anticipated future Contractual Management Fees and Performance Fees.

***One or more of our limited partners may fail to satisfy a drawdown request on its capital commitment.***

The limited partners in Tricon's funds comprise a relatively small group of high-quality, primarily institutional, investors. To date, each of these investors has met its commitments on called capital and we have received no indications that any investor will be unable to meet its capital commitments in the future. While our experience with the funds' limited partners suggests that commitments will be honoured, and notwithstanding the adverse consequences to a defaulting limited partner in the applicable limited partnership agreement, no assurances can be given that a limited partner will meet its entire commitment over the life of a fund. A failure by one or more limited partners to satisfy a drawdown request could impair our ability to fully finance our development projects, which could have a material adverse effect on our business.

**Risks Related to Our Common Shares**

The market price of our Common Shares could fluctuate significantly as a result of many factors, including the following:

- economic and stock market conditions generally and specifically as they may impact participants in the real estate industry;
- our earnings and results of operations and other developments affecting our business;
- sales of Common Shares into the market following the release from escrow of the Pre-IPO Shareholders' Common Shares;



- changes in financial estimates and recommendations by securities analysts following our Common Shares;
- earnings and other announcements by, and changes in market evaluations of, participants in the real estate industry;
- changes in business or regulatory conditions affecting participants in the real estate industry; and
- trading volume of the Common Shares.

In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance of such companies. Accordingly, the market price of our Common Shares may decline even if our operating results or prospects have not changed.

## 6. DIVIDENDS

All dividends are subject to declaration by Tricon's Board of Directors. The Company expects that, to the extent permitted under applicable laws, the Board of Directors will declare, and the Company will pay regular dividends on its Common Shares in the aggregate annual amount of \$0.24 per share. The Board will re-evaluate its dividend policy from time to time. The payment of dividends is not guaranteed, however, and the amount and timing of any dividends payable by Tricon will be at the discretion of the Board and will be established on the basis of Tricon's earnings, financial requirements for the Company's operations, the satisfaction of solvency tests imposed by applicable corporate law for the declaration and payment of dividends and the satisfaction of regulatory capital requirements.

The following table outlines the dividends paid or declared payable on the Common Shares by the Board of Directors since becoming a public company in May 2010.

<b>Date of Declaration</b>	<b>Record Date</b>	<b>Payment Date</b>	<b>Dividend Amount per Common Share</b>
August 3, 2010	September 30, 2010	October 15, 2010	\$0.06
November 9, 2010	December 31, 2010	January 17, 2011	\$0.06
April 6, 2011	March 31, 2011	April 15, 2011	\$0.06
May 11, 2011	June 30, 2011	July 15, 2011	\$0.06
August 10, 2011	September 30, 2011	October 14, 2011	\$0.06
November 11, 2011	December 30, 2011	January 13, 2012	\$0.06
March 14, 2012	March 30, 2012	April 13, 2012	\$0.06

## 7. DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Common Shares. On November 18, 2011, Toronto Stock Exchange approved the Company's notice of 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 of 912,043 issued and outstanding Common Shares 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, pursuant to its NCIB, acquired and cancelled 10,400 Common Shares. As at December 31, 2011 and March 23, 2012, 18,230,471 Common Shares were issued and outstanding.

### **Common Shares**

Holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of shareholders of the Company, except meetings of holders of another class of shares. Each Common Share entitles the holder thereof to one vote.

Subject to the preferences accorded to holders of any other shares of the Company ranking senior to the Common Shares from time to time with respect to the payment of dividends, holders of Common Shares are entitled to receive, if, as and when declared by the Board, such dividends as may be declared thereon by the Board from time to time in equal amounts per share on the Common Shares at the time outstanding, without preference or priority.

In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Company, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs (a “**Distribution**”), holders of Common Shares are entitled, after payment of debts and other liabilities, in each case subject to the preferences accorded to the holders of any other shares of the Company ranking senior to the Common Shares from time to time with respect to payment on a Distribution, to share equally, share for share, in the remaining property of the Company.

### **8. MARKET FOR SECURITIES**

On May 20, 2010, the Common Shares were listed and posted for trading on the Toronto Stock Exchange under the trading symbol “TCN” in connection with the Initial Public Offering. The high and low trading prices and volume traded of the Common Shares on the Toronto Stock Exchange for each applicable month of the most recently completed financial year are set out below.

<b>Month</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Monthly Volume</b>
Jan-11	5.00	4.80	76,110
Feb-11	5.25	4.80	65,275
Mar-11	5.47	5.00	36,880
Apr-11	5.50	4.97	451,030
May-11	5.24	5.00	18,715
Jun-11	5.20	4.55	102,110
Jul-11	5.15	4.72	14,220
Aug-11	4.75	4.00	31,590
Sep-11	5.00	4.06	69,969
Oct-11	4.14	3.38	177,680
Nov-11	4.52	3.46	723,170
Dec-11	4.65	4.19	52,849

### **9. ESCROW OF SECURITIES**

Prior to the closing of the Initial Public Offering on May 20, 2010, each of the Pre-IPO Shareholders entered into an escrow agreement with the Company, GMP Securities L.P. (on behalf of the underwriters) and Equity Transfer & Trust Company (now Equity Financial Trust Company) (“**Equity Financial**”), acting

as escrow agent (the “**Pre-IPO Shareholder Escrow**”). The Pre-IPO Shareholders agreed to the terms of the escrow to demonstrate their continuing commitment to Tricon. Pursuant to the escrow agreement, the Pre-IPO Shareholders deposited all of their Common Shares with the escrow agent upon the closing of Initial Public Offering, to be held in escrow by the escrow agent for a period of not more than three years. One third of the Common Shares held by each Pre-IPO Shareholder will be released from the Pre-IPO Shareholder Escrow on each of the first three anniversaries of the closing of the Initial Public Offering. Notwithstanding the foregoing, all Common Shares belonging to an Pre-IPO Shareholder, directly or indirectly, will be released from the Pre-IPO Shareholder Escrow upon the death, permanent disability or involuntary termination (other than for cause) of that Pre-IPO Shareholder, or, with the approval of a majority of the independent directors of the Company, following termination or resignation, as applicable, of such Pre-IPO Shareholder’s employment and/or board membership.

In addition, all of the Common Shares issued to the employees (other than the Pre-IPO Shareholders) in connection with the Initial Public Offering are held in escrow by Equity Financial, acting as escrow agent (the “**Employee Escrow**”). One-third of such shares will be released to the employees from the Employee Escrow on each of the first three anniversaries of the closing of the Initial Public Offering.

Designation of Class	Number of Common Shares Held in Escrow	Percentage of Class
Common Shares	690,206	3.8%

## 10. DIRECTORS AND OFFICERS

The Company’s Board of Directors is comprised of five directors, three of whom are independent in accordance with the meaning given to such term in National Policy 58-201 — *Corporate Governance Guidelines*. The by-laws of the Company provide for staggered terms of office for the directors in three classes: one class comprising two directors who shall hold office for a term expiring at the close of the third annual general meeting of the shareholders following their election (“**Class 3**”); a second class comprising two directors of whom shall hold office for a term expiring at the close of the second annual general meeting following their election and the second of whom shall hold office for a term expiring at the close of the fourth general meeting following their election (“**Class 2**”); and a third class comprising one director who shall hold office for a term expiring at the close of the first annual general meeting following his or her election (“**Class 1**”).

At each future annual general meeting, each director in a class whose member or whose members must retire from office at such meeting, on the expiration of the term for which he or she or they were elected, shall retire from office to be replaced with a successor or stand for re-election, in either case for a term expiring at the close of the third annual meeting of shareholders following such meeting.

David Berman and Eric Duff Scott are Class 3 directors, Geoffrey Matus and Michael Knowlton are Class 2 directors, and Aida Tammer is a Class 1 director. Four of the five directors have served since Tricon’s Initial Public Offering. Michael Knowlton was elected to the Board on May 18, 2011.

Name and Municipality of Residence	Position and Office Held with the Company	Principal Occupation
David Berman Toronto, Ontario, Canada	Chairman and CEO	CEO of the Company
Eric Duff Scott <sup>(1)(2)</sup> Toronto, Ontario, Canada	Director	Corporate Director
Aida Tammer <sup>(1)(2)</sup> Toronto, Ontario, Canada	Director	Corporate Director
Michael Knowlton <sup>(1)(2)</sup> Whistler, British Columbia, Canada	Director	Corporate Director

Geoffrey Matus Toronto, Ontario, Canada	Co-Founder and Director	Co-Founder of the Company
Gary Berman Toronto, Ontario, Canada	President and Co-Chief Operating Officer	President and Co-Chief Operating Officer of the Company
Glenn Watchorn Toronto, Ontario, Canada	Co-Chief Operating Officer	Co-Chief Operating Officer of the Company
June Alikhan Toronto, Ontario, Canada	Chief Financial Officer	Chief Financial Officer of the Company

- (1) Indicates member of Audit Committee.  
(2) Indicates member of Compensation, Nominating and Corporate Governance Committee.

The directors and executive officers of the Company, as a group, directly or indirectly, beneficially own, or control or direct 6,754,200 Common Shares of the Company, being 37% of the total issued and outstanding Common Shares of the Company as of December 31, 2011.

The following is a brief biographical description of the directors of the Company other than David Berman and Geoff Matus, whose biographies are under “Description of the Business – Our Management Team”.

**Eric Duff Scott** is the lead director of the Company’s Board of Directors and the Chair of the Compensation, Nominating and Corporate Governance Committee whose term expires in May 2013. Duff served as Chairman of The Toronto Stock Exchange from 1987 to 1989. Mr. Scott was also Deputy Chairman of Merrill Lynch Canada from 1983 to 1987 and Chairman of Prudential Bache Securities Canada from 1987 to 1990. Mr. Scott also served as a member of the Altamira Advisory Council from 1992 until 2002. Mr. Scott has served on the boards of over 20 public companies, including Aberdeen Asia-Pacific Income Investment Company Limited, AT&T Canada, Gentra Inc., Markborough Properties Ltd., Acantus Real Estate Corp., Bramalea Inc. and QLT Inc. As part of his role as a board member he served or acted as chairman of many audit committees, compensation committees and corporate governance committees. He currently serves on the board of directors of The Becker Milk Company Limited (TSX:BEK).

**Aida Tammer** is a director on the Company’s Board of Directors whose term expires in May 2014. She was a member of the real estate capital markets group at CIBC World Markets Inc. from 1998 until 2009, serving as Executive Director, Real Estate Investment Banking, since 2003. Prior to that, she worked for the real estate development subsidiary of CIBC as Senior Development Officer and Investment Principal. Ms Tammer received her Bachelor of Architecture and Bachelor of Environmental Studies degrees from the University of Waterloo and worked as an architect early in her career. She completed a Masters of Business Administration degree at the University of Toronto in 1990 and subsequently completed specialization in the valuation of derivative securities in 1994. She received the Chartered Financial Analyst designation in 1997.

**Michael Knowlton** is a director on the Company’s Board of Directors and Chair of the Audit Committee whose term expires in May 2012. Mr. Knowlton retired from Dundee Realty Corporation in 2011 where he held the position of President and COO of Dundee Real Estate Investment Trust. He joined Dundee Realty Corporation in, 1998 holding various positions with Dundee Realty and Dundee Real Estate Investment Trust including Executive Vice President and COO, Executive Vice President and CFO, and Managing Director Limited Partnerships, before becoming President of the Real Estate Investment Trust in 2006. Prior to that, he worked at OMERS Realty Corp. from 1990 until 1998 as a Senior Vice President and CFO. Mr. Knowlton received his Bachelor of Science (Engineering) and a Masters of Business Administration degrees at the Queen’s University in Kingston, Ontario. He is a Chartered Accountant and also holds an ICD.D designation. He currently serves as a trustee on the board of trustees for Northwest Healthcare Properties Real Estate Investment Trust, Transglobe Apartment Real Estate Investment Trust and Crombie Real Estate Investment Trust.

David Berman’s term as a director expires in May 2013 and Geoffrey Matus’ term expires in May 2012.

## 11. CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

None of the directors or executive officers or proposed directors of the Company is, as at the date of this Annual Information Form, or has been within the ten years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any person or company (including the Company) that was subject to one of the following orders, that was in effect for a period of more than 30 consecutive days:

- (a) a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was issued while the director or executive officer was acting in the capacity as director or executive officer; or
- (b) a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Other than as described below, none of the directors or executive officers of the Company, or shareholders holding a sufficient number of securities of the Company to affect materially its control:

- (a) is, as at the date of this Annual Information Form, or has been within the ten years before the date of this Annual Information Form, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer of the shareholder; or
- (c) has had imposed any penalties or sanctions by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a security regulatory authority or has had imposed any penalties or sanctions by a court or a regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Mr. Geoffrey Matus was formerly the Chairman of Biltrite Rubber (1984) Inc. and Biltrite Rubber Inc. (collectively, "**Biltrite**"). Biltrite applied for protection under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**"), and was granted such protection on March 12, 2009. On September 16, 2009, following the completion of the sales process for Biltrite's business and assets, the CCAA proceedings were terminated and a receiver was appointed to dispose of any remaining assets at that time.

## 12. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Equity Financial Trust Company at its principal office located at 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1.

**13. AUDIT COMMITTEE**

The Audit Committee is composed of three independent, financially literate directors; Michael Knowlton, Eric Duff Scott and Aida Tammer. An outline of their work experience and education is set out above in section 10 "Directors and Officers".

The full text of the Company's Audit Committee Charter is provided in Schedule A.

PricewaterhouseCoopers LLP was first appointed as auditors of the Company on January 26, 2010 however, they have been the auditors of the funds that the Company has been managing since 1997.

The aggregate fees paid to PricewaterhouseCoopers LLP for the fiscal years 2011 and 2010 are as follows:

<b>Fiscal Year Ended December 31</b>	<b>Company Audit Fees</b>	<b>Company Audit Related Fees</b>	<b>Audit of Tricon- Managed Funds</b>	<b>Funds Audit Related Fees</b>	<b>All Other Fees</b>
2011	\$ 68,000	\$ 52,000	\$ 280,000	\$ -	\$ 50,000
2010	\$ 89,000	\$ 31,000	\$ 282,000	\$ -	\$ 93,000

Company audit related fees comprise services performed on the Company's quarterly interim reviews and "all other fees" relate to tax consulting services.

**14. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as described below, no director, executive officer or shareholder who beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the outstanding Common Shares, or any known associate or affiliate of any such person, has or had any material interest, direct or indirect, in any transaction within the last three years or in any proposed transaction, that has materially affected or will materially affect the Company or a subsidiary of the Company.

The Company has a ten year sub-lease commitment on its head office premises to a related party, Mandukwe Inc., a company owned or controlled by a director and co-founder of the Company, Geoffrey Matus. The annual rental amount is \$43,260 plus common area maintenance costs and realty taxes. The lease expires on November 30, 2019.

Tricon has completed certain transactions, including:

- the acquisition by Tricon from Alhurst Holdings Inc., Mandukwe Inc., Geoffrey Matus, David Berman and Saul Shulman, as applicable, of all of the issued and outstanding shares of the general partners of each of TCC II, TCC III, TCC IV, TCC V, TCC VI, Tricon VIII and Tricon X;
- the acquisition by Tricon of an 80% interest in the performance fees receivable in respect of TCC VII by way of the indirect acquisition from Alhurst Holdings Inc. and Mandukwe Inc. of their indirect limited partnership interests in the general partner of TCC VII. The remaining 20% interest will remain held by an arm's-length third party;
- the acquisition by Tricon of an 86.5% interest in the performance fees receivable in respect of Tricon IX by way of the indirect acquisition from Alhurst Holdings Inc. and Mandukwe Inc. of their indirect limited partnership interests in the general partner of Tricon IX. The remaining 13.5% interest will remain held by an arm's-length third party;



- the acquisition by Tricon of certain other corporations involved with the administration and operation of the Active Funds;
- the distribution by Tricon to Althurst Holdings Inc. and Mandukwe Inc. of certain non-core assets; and
- the confirmation of contractual arrangements pursuant to which all Contractual Management Fees and Performance Fees received in respect of funds created prior to January 1, 2000 (being TCC LP, TCC II and TCC III) will be for the account of the Pre-IPO Shareholders and certain directors, employees or other individuals and will be allocated and paid to such Pre-IPO Shareholders, directors and employees by way of bonus or other contractual payment.

**15. ADDITIONAL INFORMATION**

Additional financial information relating to the Company is available in its financial statements and management's discussion and analysis for the financial year ended December 31, 2011.

All of these documents, as well as additional information relating to the Company, are available on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, will be contained in the Company's management information circular for its annual meeting of shareholders scheduled for May 17, 2012.

Toronto, Ontario  
March 23, 2012

**SCHEDULE A –AUDIT COMMITTEE CHARTER**  
(the “Charter”)

**1. PURPOSE**

The Audit Committee (the “**Committee**”) is appointed by the board of directors (the “**Board**”) of Tricon Capital Group Inc. (the “**Corporation**”) to assist in the oversight and evaluation of:

- the quality and integrity of the financial statements of the Corporation;
- the internal control and financial reporting systems of the Corporation;
- the compliance by the Corporation with legal and regulatory requirements in respect of financial disclosure;
- the qualification, independence and performance of the Corporation’s independent auditors;
- the performance of the Corporation’s Chief Financial Officer; and
- any additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

In addition, the Committee provides an avenue for communication between the independent auditor, financial management, other employees and the Board concerning accounting and auditing matters.

The Committee is directly responsible for the appointment, compensation, retention (and termination) and oversight of the work of the independent auditor (including oversight of the resolution of any disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing audit reports or performing other audit, review or attest services for the Corporation.

The Committee is not responsible for:

- planning or conducting audits,
- certifying or determining the completeness or accuracy of the Corporation’s financial statements or that those financial statements are in accordance with generally accepted accounting principles, or
- guaranteeing the report of the Corporation’s independent auditor.

The fundamental responsibility for the Corporation’s financial statements and disclosure rests with management and the independent auditors are responsible for auditing those financial statements. It is not the duty of the Committee to conduct investigations, to itself resolve disagreements (if any) between management and the independent auditor or to ensure compliance with applicable legal and regulatory requirements.

**2. REPORTS**

The Committee shall report to the Board on a regular basis and, in any event, before the public disclosure by the Corporation of its quarterly and annual financial results. The reports of the Committee shall include any issues of which the Committee is aware with respect to:

- the quality or integrity of the Corporation’s financial statements;

- compliance by the Corporation with legal or regulatory requirements in respect of financial matters and disclosure;
- the performance and independence of the Corporation's independent auditor;
- the effectiveness of systems of control (including risk management) established by management to safeguard the assets (real and intangible) of the Corporation; and
- the proper maintenance of accounting and other records.

The Committee shall also prepare, as required by applicable law, any audit committee report required for inclusion in the Corporation's publicly filed documents.

### 3. COMPOSITION

The members of the Committee shall be three or more individuals who are appointed (and may be replaced) by the Board. Each of the members of the Committee shall meet the standards for independence required by applicable regulatory, stock exchange and securities law requirements and, without limitation, shall be financially literate (or acquire that familiarity within a reasonable period after appointment). This shall, at a minimum, include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity that can reasonably be expected to be raised by the Corporation's financial statements. No member of the Committee shall accept (directly or indirectly) any consulting, advisory or other compensatory fee from the Corporation (other than remuneration for acting in his or her capacity as a director) or be an "affiliated person" of the Corporation. (For this purpose, an "affiliate" of a person is a person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the first person.) Without the approval of the Board, no member of the Committee shall concurrently serve on the audit committee of a competitor or client.

### 4. RESPONSIBILITIES

It is recognized that, in fulfilling their responsibilities, members of the Committee are not full-time employees of the Corporation. As such, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to determine that the Corporation's financial statements are complete and accurate. Each member of the Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Corporation from which it receives information, and (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board).

The Committee shall have authority over, and shall be responsible for, the following specific matters:

#### 4.1. Independent Auditors

The Committee shall:

- Recommend to the Board the independent auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the Corporation.
- Establish the compensation of the independent auditor.

- Obtain confirmation from the independent auditor that it ultimately is accountable, and will report directly, to the Committee and the Board.
- Oversee the independent auditor and, in the context thereof, require the independent auditor to report to the Committee (among other things) any disagreement between management and the independent auditor regarding financial reporting and the resolution of each such disagreement.
- Adopt policies and procedures for the pre-approval of the retention of the Corporation's independent auditor for all audit and permitted non-audit services (subject to any restrictions on such services imposed by applicable legislation), including procedures for the delegation of authority to provide such approval to one or more members of the Committee.
- At least annually, review the qualifications, performance and independence of the independent auditor. In doing so, the Committee should, among other things, undertake the measures set forth in Appendix "A" to this Charter.

#### **4.2. The Audit Process, Financial Statements and Related Disclosure**

The Committee shall, as it determines to be appropriate:

- Review with management and the independent auditor:
  - the proposed audit plan and scope of review by the independent auditor;
  - before public disclosure, the Corporation's annual audited financial statements and quarterly unaudited financial statements, the Corporation's accompanying disclosure of management's discussion and analysis of financial condition and results of operations ("MD&A") and earnings press releases and make recommendations to the Board as to the approval and dissemination of those statements and disclosure;
  - the adequacy of the procedures for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in the immediately preceding paragraph and periodically assess the adequacy of those procedures and consider whether they are complete and consistent with the information known to committee members;
  - financial information and any earnings guidance provided to analysts and rating agencies, recognizing that this review and discussion may be done generally (consisting of a discussion of the types of information to be disclosed and the types of presentations to be made) and need not take place in advance of the disclosure of each release or provision of guidance;
  - any significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including any significant changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that could significantly affect the Corporation's financial statements;
  - all critical accounting policies and practices used;
  - all alternative treatments of financial information within International Financial Reporting Standards ("IFRS") that have been discussed with management, ramifications of the use of

such alternative disclosures and treatments, and the treatment preferred by the independent auditor;

- the use of “pro forma” or “adjusted” non-IFRS information;
  - the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, transactions, arrangements and obligations (contingent or otherwise), on the Corporation’s financial statements;
  - any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls or disclosure controls made to the Committee by the Chief Executive Officer and the Chief Financial Officer during their certification process in documents filed with applicable securities regulators;
  - the adequacy of the Corporation’s internal accounting controls and management information systems and its financial, auditing and accounting organizations and personnel and any special steps adopted in light of any material control deficiencies; and
  - the establishment, and periodic review, of procedures for the review of financial information extracted or derived from the Corporation’s consolidated financial statements.
- Review with management the Corporation’s guidelines and policies with respect to risk assessment and the Corporation’s major financial and business risk exposures and the steps management has taken to monitor and control such exposures.
  - Review with the independent auditor:
    - the quality as well as the acceptability of the accounting principles that have been applied;
    - any problems or difficulties the independent auditor may have encountered during the provision of its audit-related services, including any restrictions on the scope of activities or access to requested information and any significant disagreements with management, any management letter provided by the independent auditor or other material communication (including any schedules of unadjusted differences) to management and the Corporation’s response to that letter or communication; and
    - any changes to the Corporation’s significant accounting principles and practices suggested by the independent auditor and members of management.
  - Review with management all related party transactions and the development of policies and procedures related to those transactions.
  - Following completion of the annual audit, review with each of management and the independent auditors any significant issues, concerns or difficulties encountered during the course of the audit including:
    - restrictions on the scope of work or on access to required or requested information;
    - issues or concerns that arose during the course of the audit concerning the Corporation’s internal accounting controls, or the fair presentation, completeness or accuracy of the financial statements; and
    - analyses prepared by management or the auditors setting forth significant financial reporting issues and judgments made in connection with preparation of the financial

statements (including analysis of the effects of alternative treatments under generally accepted accounting principles).

- Periodically review reports on the Corporation's information technology systems that support the financial reporting process.
- Receive and review reports from other Board committees with regard to matters that could affect the audit or results of operations.
- Oversee appropriate disclosure of the Charter, and other information required to be disclosed by applicable legislation in the Corporation's public disclosure documents, including any management information circular distributed in connection with the solicitation of proxies from the Corporation's security holders.

#### **4.3. Compliance**

The Committee shall, as it determines appropriate:

- Review with the Corporation's Chief Financial Officer, other members of management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the Corporation's financial statements or accounting policies.
- Review with the Corporation's external legal counsel legal matters that may have a material impact on the financial statements or accounting policies.
- Establish procedures for:
  - the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and
  - the confidential, anonymous submission by employees of the Corporation with concerns regarding any accounting or auditing matters.
- Review independent financial analyst commentary concerning the Corporation and its financial reporting.

#### **4.4. Delegation**

To avoid any confusion, the Committee responsibilities identified above are the sole responsibility of the Committee and may not be delegated to a different committee.

### **5. MEETINGS**

The Chair of the Committee shall be selected by the Board. If the Chair of the Committee is not present, the members of the Committee may designate a Chair for the meeting by majority vote of the members of the Committee present.

The Committee shall meet in accordance with a schedule established each year by the Committee, and at other times that the Committee may determine. Quorum for all meetings shall be a majority of the Committee members. Minutes shall be maintained of all meetings of the Committee and copies of the minutes shall be made available to all members of the Board.



The Committee shall meet periodically with the Chief Financial Officer, the independent auditors and external legal counsel in separate sessions. Meeting agendas shall be developed by the Chair of the Committee in consultation with the Corporation's management and the independent auditors. Committee members may propose agenda items through communication with the Chair of the Committee or the Chief Financial Officer. Agendas, together with appropriate briefing materials, shall be circulated to Committee members prior to meetings. At the discretion of the Committee, members of management and others may attend Committee meetings other than the separate sessions with the independent auditors, the Chief Financial Officer and the external legal counsel.

## **6. RESOURCES AND AUTHORITY**

The Committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to engage and establish the compensation of, at the expense of the Corporation, outside advisors including experts in particular areas of accounting, legal counsel and other experts or consultants as it determines necessary to carry out its duties, without seeking approval of the Board or management. The Committee will advise the Board of any such action taken.

The Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and has direct access to the independent auditors as well as anyone in the Corporation.

## **7. ANNUAL EVALUATION**

At least annually, the Committee shall, in a manner it determines to be appropriate:

- Perform a review and evaluation of the performance of the Committee and its members, including the compliance of the Committee with this Charter.
- Review and assess the adequacy of its Charter (including with respect to the procedures regarding the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements) and recommend to the Board any improvements to this Charter that the Committee determines to be appropriate.

## **8. QUALIFICATIONS, PERFORMANCE AND INDEPENDENCE OF INDEPENDENT AUDITOR**

- Review the experience and qualifications of the senior members of the independent auditor's team.
- Confirm with the independent auditor that it is in compliance with applicable legal, regulatory and professional standards relating to auditor independence.
- Review and approve clear policies for the hiring by the Corporation of employees or partners or former employees or former partners of the current and former independent auditor.
- Review annual reports from the independent auditor regarding its independence and consider whether there are any non-audit services or relationships that may affect the objectivity and independence of the independent auditor and, if so, recommend that the Board take appropriate action to satisfy itself of the independence of the independent auditor.
- Obtain and review such report(s) from the independent auditor as may be required by applicable legal and regulatory requirements.
- Conduct an evaluation (taking into account the opinions of management) of the independent auditor's qualifications, performance and independence and present to the Board the Committee's conclusion in such regard.

Review, as required, the independent auditor's plans with respect to the partner rotation.