



TRICON CAPITAL GROUP INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2010 AND 2009



Tricon Capital Group Inc.
Interim Consolidated Balance Sheets
(Unaudited)

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

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 10,554,000	\$ 1,330,000
Short term investments	35,000,000	-
Accounts receivable (note 9)	822,000	562,000
Loan receivable (note 21)	5,590,000	-
Prepaid expenses and other assets	118,000	395,000
Income taxes recoverable	-	5,000
	<u>52,084,000</u>	<u>2,292,000</u>
Non-current assets		
Investments in associates	35,000	29,000
Intangible assets (note 3)	4,217,000	4,347,000
Office equipment and leasehold improvements (note 4)	208,000	191,000
Deferred income tax assets (note 8)	2,946,000	-
Total assets	<u>\$ 59,490,000</u>	<u>\$ 6,859,000</u>
Liabilities		
Current liabilities		
Accounts payable and accruals (notes 5 and 9)	\$ 1,131,000	\$ 2,127,000
Long-term incentive plan accrual - current portion (note 19)	433,000	-
Dividends payable (note 9)	1,094,000	875,000
Income taxes payable	248,000	335,000
	<u>2,906,000</u>	<u>3,337,000</u>
Non-current liabilities		
Deferred income tax liabilities (note 8)	1,147,000	1,299,000
Long-term incentive plan accrual - non-current portion (note 19)	5,778,000	-
	<u>9,831,000</u>	<u>4,636,000</u>
Equity		
Share capital (note 7)	57,955,000	1,000
Contributed surplus	344,000	-
Retained earnings (deficit)	(8,640,000)	2,222,000
	<u>49,659,000</u>	<u>2,223,000</u>
Total liabilities and equity	<u>\$ 59,490,000</u>	<u>\$ 6,859,000</u>

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

Approved by the Board of Directors

Tricon Capital Group Inc.

Interim Consolidated Statements of Comprehensive Loss (Unaudited)

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

	For the Nine Months Ended	
	September 2010	September 2009
Revenue		
Contractual management fees (note 9)	\$ 7,530,000	\$ 8,386,000
Performance fees (note 9)	1,444,000	248,000
Other revenue	290,000	79,000
	<u>9,264,000</u>	<u>8,713,000</u>
Expenses		
Salaries and benefits expense (note 18)	3,575,000	2,846,000
Gifted shares (note 18)	5,041,000	-
Stock option expense (note 18)	344,000	-
Long-term incentive plan (note 19)	6,211,000	-
Professional and director's fees expense	669,000	454,000
Discretionary management bonus expense (note 9)	2,013,000	4,195,000
General and administration expense (note 14)	698,000	462,000
Amortization expense	882,000	863,000
Realized and unrealized foreign exchange loss	38,000	147,000
Other income (note 17)	(215,000)	-
	<u>19,256,000</u>	<u>8,967,000</u>
Loss before income taxes	(9,992,000)	(254,000)
Income tax (recovery) expense (note 8)	<u>(1,017,000)</u>	<u>66,000</u>
Net and comprehensive income (loss) for the period	(8,975,000)	(320,000)
Retained earnings - Beginning of period	2,222,000	4,200,000
Dividends (notes 9 and 13)	<u>(1,887,000)</u>	<u>-</u>
Retained earnings (deficit) - End of period	<u>\$ (8,640,000)</u>	<u>\$ 3,880,000</u>
Basic and diluted loss per share (note 12)	<u>(0.72)</u>	<u>(0.04)</u>

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

Tricon Capital Group Inc.

Interim Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

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

	For the Three Months Ended	
	September 2010	September 2009
Revenue		
Contractual management fees (note 9)	\$ 2,486,000	\$ 2,681,000
Performance fees (note 9)	236,000	232,000
Other revenue	227,000	60,000
	<u>2,949,000</u>	<u>2,973,000</u>
Expenses		
Salaries and benefits expense (note 18)	1,070,000	996,000
Gifted shares (note 18)	-	-
Stock option expense (note 18)	209,000	-
Long-term incentive plan (note 19)	373,000	-
Professional and director's fees expense	314,000	152,000
Discretionary management bonus expense (note 9)	-	1,805,000
General and administration expense (note 14)	356,000	148,000
Amortization expense	304,000	286,000
Realized and unrealized foreign exchange loss	46,000	46,000
	<u>2,672,000</u>	<u>3,433,000</u>
Income (loss) before income taxes	277,000	(460,000)
Income tax expense (recovery) (note 8)	162,000	(49,000)
Net and comprehensive income (loss) for the period	115,000	(411,000)
Retained earnings (deficit) - Beginning of period	(7,661,000)	4,291,000
Dividends (notes 9 and 13)	(1,094,000)	-
Retained earnings (deficit) - End of period	<u>\$ (8,640,000)</u>	<u>\$ 3,880,000</u>
Basic and diluted net income (loss) per share (note 12)	<u>0.01</u>	<u>(0.05)</u>

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Tricon Capital Group Inc.

Interim Consolidated Statements of Changes in Equity (Unaudited)

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

	<u>Share capital</u>	<u>Contributed surplus</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at January 1, 2009	\$ 1,000	\$ -	\$ 4,200,000	\$ 4,201,000
Net and comprehensive loss for the period	-	-	(320,000)	(320,000)
Dividends	-	-	-	-
Issuance of common shares (note 7)	-	-	-	-
Balance at September 30, 2009	<u>1,000</u>	<u>-</u>	<u>3,880,000</u>	<u>3,881,000</u>
Net and comprehensive loss for the period	-	-	(783,000)	(783,000)
Dividends	-	-	(875,000)	(875,000)
Issuance of common shares (note 7)	-	-	-	-
Balance at December 31, 2009	<u>1,000</u>	<u>-</u>	<u>2,222,000</u>	<u>2,223,000</u>
Net and comprehensive loss for the period	-	-	(8,975,000)	(8,975,000)
Dividends (note 9 and 13)	-	-	(1,887,000)	(1,887,000)
Issuance of common shares (note 7)	62,694,000	-	-	62,694,000
Equity issuance costs-net of income taxes of \$1,744,000	(4,740,000)	-	-	(4,740,000)
Stock option expense (note 18)	-	344,000	-	344,000
Balance at September 30, 2010	<u><u>\$ 57,955,000</u></u>	<u><u>\$ 344,000</u></u>	<u><u>\$ (8,640,000)</u></u>	<u><u>\$ 49,659,000</u></u>

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Tricon Capital Group Inc.

Interim Consolidated Statements of Cash Flows (Unaudited)

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

	For the Nine Months Ended	
	<u>September 2010</u>	<u>September 2009</u>
Cash provided by (used in)		
Operating activities		
Net and comprehensive income (loss) for the period	\$ (8,975,000)	\$ (320,000)
Adjustments for		
Amortization	882,000	863,000
Deferred income taxes	(1,328,000)	(83,000)
Long-term incentive plan	6,211,000	-
Gifted shares expense	5,041,000	-
Stock option expense	344,000	-
Gain on disposal of investment in real estate (note 17)	(76,000)	-
Gain on disposal of MOD Developments Inc. (note 17)	(139,000)	-
Other	(13,000)	39,000
	<u>1,947,000</u>	<u>499,000</u>
Changes in non-cash working capital items		
Accounts receivable	(614,000)	1,884,000
Prepaid expenses and other assets	1,000	-
Accounts payable and accruals	(1,006,000)	(3,100,000)
Income taxes payable/recoverable	(82,000)	101,000
	<u>246,000</u>	<u>(616,000)</u>
Investing activities		
Purchase of office equipment	(62,000)	(4,000)
Purchase of short term investments	(35,000,000)	-
Loan receivable	(5,590,000)	-
Placement fees	-	(902,000)
Proceeds on disposal of investments	89,000	-
Other	(4,000)	(3,000)
	<u>(40,567,000)</u>	<u>(909,000)</u>
Financing activities		
Issuance of common shares - net of issue costs	50,440,000	-
Dividends paid	(895,000)	-
	<u>49,545,000</u>	<u>-</u>
Change in cash during the period	9,224,000	(1,525,000)
Cash - Beginning of period	1,330,000	2,297,000
Cash - End of period	<u>\$ 10,554,000</u>	<u>\$ 772,000</u>
Supplementary information		
Income taxes paid	417,000	70,000
Equity issuance costs included in accounts payable and accruals	369,000	-
Intangible assets purchased with shares	707,000	-
Dividend-in-kind	773,000	-

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Tricon Capital Group Inc.

Interim Consolidated Statements of Cash Flows (Unaudited)

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

	For the Three Months Ended	
	<u>September 2010</u>	<u>September 2009</u>
Cash provided by (used in)		
Operating activities		
Net and comprehensive income (loss) for the period	\$ 115,000	\$ (411,000)
Adjustments for		
Amortization	304,000	286,000
Deferred income taxes	(62,000)	15,000
Long-term incentive plan	373,000	-
Stock option expense	209,000	-
Other	(11,000)	32,000
	<u>928,000</u>	<u>(78,000)</u>
Changes in non-cash working capital items		
Accounts receivable	269,000	(62,000)
Prepaid expenses and other assets	37,000	-
Accounts payable and accruals	(734,000)	(159,000)
Income taxes payable/recoverable	217,000	(67,000)
	<u>717,000</u>	<u>(366,000)</u>
Investing activities		
Purchase of office equipment	(48,000)	-
Purchase of short term investments	-	-
Loan receivable	(5,590,000)	-
Placement fees	-	(217,000)
Other	(1,000)	(2,000)
	<u>(5,639,000)</u>	<u>(219,000)</u>
Financing activities		
Common share issue costs	(85,000)	-
Dividends paid	-	-
	<u>(85,000)</u>	<u>-</u>
Change in cash during the period	(5,007,000)	(585,000)
Cash - Beginning of period	15,561,000	1,357,000
Cash - End of period	<u>\$ 10,554,000</u>	<u>\$ 772,000</u>
Supplementary information		
Income taxes paid	20,000	14,000
Equity issuance costs included in accounts payable and accruals	369,000	-

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Notes to Interim Consolidated Financial Statements (Unaudited)

September 30, 2010

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

1. Nature of business

Tricon Capital Group Inc. (Tricon) and its subsidiaries, Tricon USA Inc. and, prior to its disposal on January 1, 2010, MOD Developments Inc. (formerly Tricon Development Group Inc.), 2237176 Ontario Limited (effective May 11, 2010), TCC III Funding Limited, TCC IV Funding Limited, TCC V Funding Limited, TCC VI Funding Limited, Tricon VIII Funding Limited, Tricon X Funding Limited, Tri Continental (1997) Ltd., Tri Continental III Ltd., Tri Continental IV Ltd., Tri Continental Capital V Ltd., Tri Continental Capital VI Ltd., Tricon VIII Ltd. and Tricon X Ltd. (effective May 13, 2010) (collectively, the Company) provide asset management services to funds managed by the Company of which the investors are high net worth individuals and institutional investors. Tricon was incorporated in June 1997 under the Business Corporations Act (Ontario) and is situated at 1067 Yonge Street, Toronto, Ontario, M4W 2L2. The Company operates in Canada and in the United States of America.

On May 20, 2010, the Company successfully completed an initial public offering at \$6.00 per common share.

2. Summary of significant accounting policies

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

Basis of preparation

The interim consolidated financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and in accordance with the interpretations of the International Financial Reporting Interpretations Committee, as issued by the International Accounting Standards Board. These interim consolidated financial statements have been prepared using the historical cost convention and were authorized for issue on November 9, 2010 by the Board of Directors of Tricon.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles and International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity that have a significant risk of material adjustment to the carrying amounts of assets or liabilities within the next fiscal year include accounts payable and accruals, impairment of assets, income taxes, the estimated useful lives of long-lived assets, the determination of the long-term incentive plan accrual and the determination of consolidation requirements for the funds managed by the Company.

Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is obtained and deconsolidated at the date on which control ceases.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the provision of services in the ordinary course of the Company's activities. The Company recognizes revenue when the amount of

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revenue can be reliably measured, it is probable that future economic benefits will be received and when specific criteria have been met, as described below.

Revenues primarily comprise contractual management fees and performance fees earned in respect of investment management services provided to investment funds managed by the Company. Contractual management fees are recognized as services are performed and are based on a fixed percentage of each fund's committed capital prior to the expiration of each such fund's investment period and based on invested capital following the expiration of the relevant investment period.

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

Investments in associates

Investments in associates consist of general partnership interests in investment funds managed by the Company. The Company's ownership interest and share of income in the investment funds is insignificant; however, significant influence is exercised through the Company's general partnership interest in certain of the investment funds. Accordingly, the equity method of accounting is applied to these investments.

Placement fee and performance fee rights intangible assets

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

Placement fee and performance fee rights intangible assets are reviewed for impairment at each measurement date or whenever indicators of impairment exist. The impairment assessment is performed at the level of the cash generating unit, which is at the fund level, as this is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets. If determined to be impaired, placement fee and performance fee rights intangible assets are written down to the higher of their value-in-use and fair value less costs to sell.

Foreign currency translation

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

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

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Office equipment and leasehold improvements

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

Furniture	3 years
Office equipment	5 years
Computer equipment	2 years

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

Financial instruments

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

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

Cash and cash equivalents

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

Dividends

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

Current and deferred income taxes

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

The Company uses the liability method to recognize deferred income taxes on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax assets are

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

only recorded if it is probable that they will be realized. Enacted or substantively enacted rates in effect at the consolidated balance sheet date that are expected to apply when the deferred income tax asset is realized or the deferred tax liability is settled are used to calculate deferred income taxes.

Related parties

Transactions and balances with related parties are identified by management and separately disclosed in the consolidated financial statements (note 9).

Leases

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

Share Capital

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

Earnings (loss) per share

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

Stock option plan

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

Long-term incentive plan

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

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

3. Intangible assets

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Placement fees		
Cost - Opening and Ending	\$ 8,516,000	\$ 8,516,000
Accumulated amortization - Opening	(4,169,000)	(3,098,000)
Amortization expense	<u>(803,000)</u>	<u>(1,071,000)</u>
Accumulated amortization - Ending	<u>(4,972,000)</u>	<u>(4,169,000)</u>
Net book value - Ending	<u>3,544,000</u>	<u>4,347,000</u>
Rights to performance fees		
Cost - Opening and Ending (note 7)	<u>707,000</u>	<u>-</u>
Accumulated amortization - Opening	-	-
Amortization expense	<u>(34,000)</u>	<u>-</u>
Accumulated amortization - Ending	<u>(34,000)</u>	<u>-</u>
Net book value - Ending	<u>673,000</u>	<u>-</u>
Net book value - Ending	<u>\$ 4,217,000</u>	<u>\$ 4,347,000</u>

Tricon Capital Group Inc.

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

4. Office equipment and leasehold improvements

	<u>Furniture</u>	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Leasehold improvements</u>	<u>Total</u>
As at January 1, 2009					
Cost	\$ 132,000	\$ 50,000	\$ 395,000	\$ 409,000	\$ 986,000
Accumulated amortization	<u>(127,000)</u>	<u>(29,000)</u>	<u>(362,000)</u>	<u>(230,000)</u>	<u>(748,000)</u>
Net book value	<u>5,000</u>	<u>21,000</u>	<u>33,000</u>	<u>179,000</u>	<u>238,000</u>
Year ended December 31, 2009					
Opening Net book value	5,000	21,000	33,000	179,000	238,000
Additions	-	-	4,000	17,000	21,000
Amortized expense	<u>(4,000)</u>	<u>(7,000)</u>	<u>(26,000)</u>	<u>(31,000)</u>	<u>(68,000)</u>
Net book value	<u>1,000</u>	<u>14,000</u>	<u>11,000</u>	<u>165,000</u>	<u>191,000</u>
As at December 31, 2009					
Cost	132,000	50,000	399,000	426,000	1,007,000
Accumulated amortization	<u>(131,000)</u>	<u>(36,000)</u>	<u>(388,000)</u>	<u>(261,000)</u>	<u>(816,000)</u>
Net book value	<u>1,000</u>	<u>14,000</u>	<u>11,000</u>	<u>165,000</u>	<u>191,000</u>
Period ended September 30, 2010					
Opening Net book value	1,000	14,000	11,000	165,000	191,000
Additions	14,000	-	48,000	-	62,000
Amortized expense	<u>(1,000)</u>	<u>(5,000)</u>	<u>(19,000)</u>	<u>(20,000)</u>	<u>(45,000)</u>
Net book value	<u>14,000</u>	<u>9,000</u>	<u>40,000</u>	<u>145,000</u>	<u>208,000</u>
As at September 30, 2010					
Cost	146,000	50,000	447,000	426,000	1,069,000
Accumulated amortization	<u>(132,000)</u>	<u>(41,000)</u>	<u>(407,000)</u>	<u>(281,000)</u>	<u>(861,000)</u>
Net book value	<u>\$ 14,000</u>	<u>\$ 9,000</u>	<u>\$ 40,000</u>	<u>\$ 145,000</u>	<u>\$ 208,000</u>

There were no impairment charges in 2010 and 2009.

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

5. Accounts payable and accruals

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Accounts payable	\$ 940,000	\$ 685,000
Indirect taxes payable	-	11,000
STIP - 12.5% Management fee-related bonus pool	191,000	-
Discretionary management bonuses payable to related parties	-	1,431,000
	<u>\$ 1,131,000</u>	<u>\$ 2,127,000</u>

6. Lease commitments

The Company has a lease commitment on its head office premises located at 1067 Yonge Street, Toronto, Ontario. The landlord is Mandukwe Inc., a related corporation (note 9). The minimum rental amount is \$43,000 per annum extending to November 30, 2019. Additional maintenance and utility costs and realty taxes are payable as incurred.

In addition, the Company leases office equipment and furniture. The future minimum payments in respect of the leases are:

2010	\$ 8,000
2011	27,000
2012	25,000
2013	25,000
2014	21,000
Thereafter	8,000

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

7. Share capital

Date	Particulars	Notes	No of shares Issued	September 30, 2010
As at December 31, 2008 - Opening Balance			1,000	1,000
Jan 1, 2009	Issued 25.6415 common shares for \$0.26		26	-
			<u>1,026</u>	<u>1,000</u>
Mar 10, 2009	Filed articles of amendment to convert the 1,025.6415 issued and outstanding common shares into 1,000,000 common shares on a 974.99955 for 1 basis		1,000,000	-
As at December 31, 2009 - Ending Balance			1,000,000	1,000
May 11, 2010	Issued 8,880 and 4,781 common shares to Alhurst and Mandukwe, respectively at \$51.75 per share	(1)	13,661	707,000
			<u>1,013,661</u>	<u>\$ 708,000</u>
May 13, 2010	Stock Split of 1,013,661 common shares on a 7.803170883 for 1 basis		7,909,770	\$ 708,000
May 13, 2010	Issued 3 and 6 common shares to Alhurst and Mandukwe, respectively for \$54	(2)	9	-
May 13, 2010	Issued 679,921 common shares from treasury to two senior executives in consideration for their past services to the Company at \$6 per share		679,921	4,080,000
May 19, 2010	Issued 160,300 common shares from treasury to the employees in consideration for their past services to the Company at \$6 per share		160,300	962,000
May 20, 2010	Issued 8,500,000 common shares at \$6 per share upon completion of the initial public offering net of issuance costs of \$4,336,000, net of tax of \$1,616,000		8,500,000	46,664,000
June 17, 2010	Exercise of over-allotment option by underwriters at \$6.00 per share, net of issuance costs of \$342,000, net of tax of \$128,000		990,871	5,603,000
As at June 30, 2010 - Ending Balance			18,240,871	58,017,000
	Additional issuance costs incurred during the period		-	(62,000)
As at September 30, 2010 - Ending Balance			18,240,871	57,955,000

Notes

(1) The shares were issued in exchange for the transfer to the Company of all the issued and outstanding shares of 2237176 Ontario Limited, which indirectly held an 80% and 86.5% interest in the performance fees receivable in respect of Tri Continental C

(2) The shares were issued as partial consideration for Canadian General Partners shares (TCC III Funding Limited, TCC IV Funding Limited, TCC V Funding Limited, TCC VI Funding Limited, Tricon VIII Funding Limited, Tricon X Funding Limited, Tri Continenta

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The Company can issue unlimited common shares and unlimited redeemable and retractable Class A, B and C shares. As of September 30, 2010, the Company had 18,240,871 common shares outstanding (December 31, 2009 – 1,000,000 common shares outstanding).

8. Income taxes

	For Three Months Ended		For Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Current income taxes				
Current income taxes on income for the period	\$ 233,000	\$ (64,000)	\$ 308,000	\$ 149,000
Adjustments relating to prior periods	(9,000)	0	3,000	0
	<u>224,000</u>	<u>(64,000)</u>	<u>311,000</u>	<u>149,000</u>
Deferred taxes				
Origination and reversal of temporary differences	(96,000)	23,000	(1,797,000)	(75,000)
Adjustments relating to prior periods	22,000	(9,000)	15,000	(9,000)
Impact of change in effective rates	12,000	1,000	454,000	1,000
	<u>(62,000)</u>	<u>15,000</u>	<u>(1,328,000)</u>	<u>(83,000)</u>
Income tax expense (recovery)	<u>\$ 162,000</u>	<u>\$ (49,000)</u>	<u>\$ (1,017,000)</u>	<u>\$ 66,000</u>

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

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	For Three Months Ended		For Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,
	2010	2009	2010	2009
Income (loss) before income taxes	\$ 277,000	\$ (460,000)	\$ (9,992,000)	\$ (254,000)
Combined statutory federal and Expected income tax expense	30.99% 86,000	33.00% (152,000)	30.99% (3,097,000)	33.00% (84,000)
Tax rate differential (small Tax effects of	(22,000)	0	(24,000)	(3,000)
Permanent differences	47,000	73,000	1,651,000	112,000
Change in effective tax rates	12,000	1,000	454,000	1,000
Adjustment in respect of prior periods	18,000	(9,000)	18,000	(9,000)
Valuation allowance in respect of	-	17,000	(46,000)	29,000
Other	21,000	21,000	27,000	20,000
Income tax (recovery) expense	<u>\$ 162,000</u>	<u>\$ (49,000)</u>	<u>\$ (1,017,000)</u>	<u>\$ 66,000</u>

The following is an analysis of the Company's deferred income tax assets and deferred income tax liabilities:

	September 30,	December 31,
	2010	2009
Deferred income tax assets relating primarily to equity issuance costs and LTIP to be recovered after more than 12 months	\$ 2,946,000	\$ -
Deferred income tax liabilities relating to non-current assets to be recovered after more than 12 months	1,147,000	1,299,000

9. Related party transactions and balances

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

The Company leases office space from Mandukwe, a company that is owned by a director of Tricon. During the period ended September 30, 2010, the Company paid \$65,000 in rental payments, including common costs, to Mandukwe (2009 - \$70,000).

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Key management compensation

Key management includes directors and members of the Executive Committee. Compensation paid or payable to key management for employee services is as follows:

	For Three Months Ended		For Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Salaries	\$ 452,000	\$ 465,000	\$ 1,632,000	\$ 1,394,000
Discretionary management bonus	-	1,805,000	2,013,000	4,195,000
STIP, LTIP and stock option expense (notes 18 and 19)	529,000	-	4,852,000	-
	<u>981,000</u>	<u>2,270,000</u>	<u>8,497,000</u>	<u>5,589,000</u>
Director's compensation (note 19)	54,000	-	88,000	-
	<u>\$ 1,035,000</u>	<u>\$ 2,270,000</u>	<u>\$ 8,585,000</u>	<u>\$ 5,589,000</u>

Transactions with related parties

The following table summarizes revenue from investment funds managed by the Company, which are considered related parties as the Company is the general partner for the investment funds:

	For Three Months Ended		For Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Contractual management fees	\$2,486,000	\$2,681,000	\$7,530,000	\$8,386,000
Performance fees	236,000	232,000	1,444,000	248,000
	<u>\$2,722,000</u>	<u>\$2,913,000</u>	<u>\$8,974,000</u>	<u>\$8,634,000</u>

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Balances arising from transactions with related parties

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Receivables from related parties included in accounts receivable and loan receivable		
Contractual management fees receivable from investment funds managed by the Company	\$ 362,000	\$ 220,000
Performance fees receivable from investment funds managed by the Company	283,000	190,000
Loan receivable from Landrex Hunter Ridge Inc. (note 20)	2,795,000	-
Other receivables due on demand from shareholders of the Company included in prepaid expenses and other assets	-	280,000
Payables to related parties included in accounts payable and accruals	137,000	1,431,000
Long Term Incentive Plan	6,211,000	-
Dividends payable to related parties	405,000	875,000

Revenues and receivables from related parties relate to contractual management and performance fees for services provided by the Company. The receivables are unsecured and are non-interest bearing. There are no provisions recorded against receivables from related parties as of September 30, 2010 (December 31, 2009 - \$nil).

On April 1, 2010, the Company recorded a dividend of \$793,000, consisting of a cash dividend of \$20,000 and a dividend-in-kind of \$773,000. The dividend-in-kind was for the distribution of: (i) receivables from shareholders of the Company; (ii) loans receivable from MOD Developments Inc.; and (iii) miscellaneous non-core assets.

The Company and its founding shareholders have indemnified the limited partners of certain funds the Company manages. Refer to note 15 for further details.

10. Capital risk management

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

11. Financial instruments

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

Credit risk arises from cash and cash equivalents, short-term investments and accounts receivable. The Company's cash and cash equivalents and short-term investments are held by financial institutions with a minimum credit rating of AA. The Company's receivables consist primarily of contractual management fees

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and performance fees that are receivable from investment funds managed by the Company. The fair values of these financial instruments approximate their carrying values due to the short maturity of the financial instruments.

The maturities of all of the Company's financial liabilities are less than twelve months.

12. Earnings per share

Earnings per share are calculated by dividing the profit attributable to holders of the Company's common shares by the weighted average number of shares outstanding during the period retroactively adjusted for the share splits described in note 7. The Company's stock options are anti-dilutive at September 30, 2010.

	For Three Months Ended		For Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Net income (loss) attributable to common shareholders	\$ 115,000	\$ (411,000)	\$ (8,975,000)	\$ (320,000)
Basic and diluted net income (loss) per share	\$ 0.01	\$ (0.05)	\$ (0.72)	\$ (0.04)
Weighted average number of common shares outstanding	18,240,871	7,803,171	12,442,149	7,803,171

13. Dividends per share

On August 3, 2010, the Company declared a dividend of \$0.06 per share for a total dividend of \$1,094,000, following approval from the Board of Directors.

14. General and administration

	For Three Months Ended		For Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Office and other	\$ 331,000	\$ 127,000	\$ 611,000	\$ 364,000
Rent (note 9)	20,000	16,000	65,000	70,000
Travel	5,000	5,000	22,000	28,000
	<u>\$ 356,000</u>	<u>\$ 148,000</u>	<u>\$ 698,000</u>	<u>\$ 462,000</u>

15. Indemnification

Pursuant to Indemnification Agreements with certain General Partners of Limited Partnerships managed by the Company and certain shareholders of the Company, (whom are also officers and directors of the Company), the Company has agreed to indemnify the General Partner and those shareholders and, where applicable, any of their directors, officers, agents and employees (collectively, the Indemnified Parties) for any past, present or future amounts paid or payable by any of the Indemnified Parties to the Limited Partnership in the form of a capital contribution or clawback guarantee relating to performance fees for any

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claim or obligation as set out in the Limited Partnership Agreements. There are no amounts payable in respect of this indemnification at September 30, 2010 (December 31, 2009 - \$nil).

16. Entity-wide disclosure

	For Three Months Ended		For Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Revenue				
Canada	1,487,000	1,305,000	\$ 4,900,000	\$ 3,636,000
United States of America	1,462,000	1,550,000	4,364,000	4,959,000
	<u>2,949,000</u>	<u>2,855,000</u>	<u>\$ 9,264,000</u>	<u>\$ 8,595,000</u>
			September 30, 2010	December 31, 2009
Non-current assets				
Canada			\$ 3,997,000	\$ 386,000
United States of America			3,409,000	4,181,000
			<u>\$ 7,406,000</u>	<u>\$ 4,567,000</u>

Canadian components consist of Deferred income tax assets of \$2,946,000, Intangible assets (mainly Deferred placement fees) of \$843,000 and Office equipment and leasehold improvements of \$208,000.

The US components consist of Investments in associates of \$35,000 and Intangible assets (mainly Deferred placement fees) of \$3,374,000.

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

	For Three Months Ended		For Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Tri Continental Capital VI Limited Partnership	\$ 269,000	\$ 415,000	\$ 1,012,000	\$ 1,230,000
Tri Continental Capital VII Limited Partnership	429,000	455,000	1,270,000	1,449,000
Tricon VIII Limited Partnership	330,000	330,000	978,000	980,000
Tricon IX Limited Partnership	1,034,000	1,091,000	3,092,000	3,509,000
Tricon X Limited Partnership	318,000	322,000	959,000	1,020,000

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17. Other income

Other income comprises:

i) A gain on the disposal of the Company's 100% interest in MOD Developments Inc. on January 1, 2010 for net proceeds of \$100 and the assumption by the acquirer of the liabilities of MOD Developments Inc. resulting in a gain of \$139,000.

ii) A gain on the disposal of an investment in real estate for net proceeds of \$89,000 resulting in a gain of \$76,000.

18. Compensation arrangements

The breakdown of the various compensation arrangements is as follows:

	For Three Months Ended		For Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Stock options expense	209,000	-	344,000	-
Short-term incentive plan (included in salaries and benefits expense)	144,000	-	191,000	-
Deferred unit plan	13,000	-	13,000	-
Gifted shares	-	-	5,041,000	-

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

Stock option plan

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

The options are not conditional on any performance criteria, and shall vest equally at one-third per year for the next 3 years (the vesting period) provided the optionee is employed with the Company. The options are exercisable at any time from the date of vesting and have a contractual option term of 10 years. The Company has no legal or constructive obligation to repurchase or settle the options in cash. All options will be settled in equity.

The first issuance of options under the stock option plan occurred on May 19, 2010. On August 3, 2010, 71,500 additional stock options were granted to employees of the Company, and no options have been exercised during the period ended as of September 30, 2010. Movements in number of share options outstanding and their related weighted average exercise price are as follows:

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	September 30, 2010	
	Average exercise price per share	Options (in thousands)
	<u> </u>	<u> </u>
As of January 1, 2010 and prior	\$ -	-
Granted during the period	6.00	895.0
As of June 30, 2010	<u>6.00</u>	<u>895.0</u>
Granted during the period	5.26	71.5
Forfeited during the period	<u>6.00</u>	<u>(25.0)</u>
As of September 30, 2010	\$ 5.94	941.5

No options were exercisable as of September 30, 2010 as the first vesting date has not yet been met for any options granted.

Stock option expense for the three and nine months ended September 30, 2010 of \$209,000 and \$344,000, respectively, is included in salaries and benefits expense. There is no stock option expense relating to any periods in 2009 presented in these interim consolidated financial statements.

	September 30, 2010	
Expiry date	Exercise price per share	Options (in thousands)
<u> </u>	<u> </u>	<u> </u>
May 19, 2020	\$ 6.00	870.0
August 3, 2020	5.26	71.5

The fair value of the options granted in the quarter, determined using the Black-Scholes valuation model, was \$1.33 per option. The significant weighted average inputs into the model were:

	May 19, 2010	August 3, 2010
	<u> </u>	<u> </u>
Share price	\$ 6.00	\$ 5.50
Exercise price	\$ 6.00	\$ 5.26
Expected volatility	34%	34%
Expected dividend yield	4.36%	4.36%
Expected option life	6 years	6 years
Risk-free interest rate	3%	3%

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

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Short-term incentive plan

All of the Company's employees participate in the short-term incentive plan (STIP). The STIP pool is determined based on 12.5% of base operating income as defined in the plan and is paid on an annual basis in cash. Employees are required to be employed with the Company to receive a payment under the STIP. STIP expense is accrued quarterly and is recorded in salaries and benefits expense. STIP expense for the three and nine months ended September 30, 2010 is \$144,000 and \$191,000 respectively (\$nil for all other periods presented). The STIP accrual of \$191,000 is classified within current liabilities in the consolidated balance sheet as payment is expected within one year.

Deferred unit plan

The deferred unit plan (DUP) is open to all independent Board directors and allows these individuals, at their discretion, to elect to have their director fees contributed to the DUP. Contributions made to the DUP will take the form of notional units, whose value will be based upon the share trade price of Tricon common shares. These notional units do not have any vesting restrictions, nor any conditions of any service or performance criteria, and are non-forfeitable. These notional units may only be redeemed when the respective director no longer serves on the Board of Directors of Tricon. At that time, the notional units shall be redeemed in cash by the Company, based on the common share trade price as at that date. The liability is fair valued at each reporting date, based on the share price of the Company as at the reporting date and is recorded within current liabilities as there are no vesting requirements and payment takes place when a Board member resigns, which could take place at any time. DUP expense for the three and nine months ended September 30, 2010 is \$13,000 (\$nil for all other periods presented).

Gifted shares

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

The gifted shares were recorded in salaries and benefits expense based on their grant date value of \$5,041,000. None of these awards have been released to the respective holders, and as such no shares have been sold during the period to September 30, 2010.

19. Long-term Incentive Plan

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

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significant risk of causing a material adjustment to the carrying value of amounts of the LTIP liability within the next financial year.

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

If the expected performance fee cash flows relating to each project were increased or decreased relating to each project by 5%, the LTIP liability would increase by \$80,000 or be decreased by \$80,000. The weighted average discount rate used by management in calculating the fair value of performance fees for the LTIP liability is 30%. If the discount rate was increased or decreased by 5%, the LTIP liability would decrease by \$193,000 or increase by \$231,000, respectively.

The current portion of the LTIP liability of \$433,000 is based on expected payments under the LTIP to be made within the next fiscal year. The remaining LTIP liability of \$5,778,000 is classified in non-current liabilities. LTIP expense was \$373,000 in the third quarter of and \$5,838,000 in the second quarter of 2010, respectively (\$nil for all other periods presented).

20. New accounting requirements

There are no standards and interpretations in issue but not yet adopted that are expected to have a material effect on the reported income or net assets of the Company.

21. Loan Receivable and Subsequent event

The Company issued a \$5.5 million subordinate loan to Landrex Hunter Ridge Inc. ("Landrex") through its subsidiary Tricon Hunter Ridge Inc. at an interest rate of 20% compounded monthly to fund a land development project in Alberta. Landrex is 50% owned by TCC LP General Partner Ltd. (a related party that is controlled by certain officers and directors of the Company).

The loan receivable is a financial instrument and is classified as loans and receivables, which requires measurement at amortized cost. The loan is classified as a current asset as the interest in the project is expected to be transferred to one of the funds managed by the Company in the fourth quarter of 2010. As the loan was issued on September 1, 2010 and there are no indications of significant events that would indicate impairment, the fair value of the loan approximates the carrying value as of September 30, 2010.

On November 5, 2010, the Company transferred its interests in Tricon Hunter Ridge Inc. to Tricon X Limited Partnership for the principal balance of the loan plus accrued interest of \$198,000.