TRICON CAPITAL GROUP 2010 ANNUAL REPORT

TRICON

CORPORATE OVERVIEW

Founded in 1988, Tricon is one of North America's pre-eminent asset managers focused on the residential real estate development industry with approximately $1 billion of assets under management. Tricon participates in the development of residential properties in Canada and the United States by acting as the manager of limited partnerships that provide financing, typically in the form of participating loans, to developers, with a specific focus on residential land development, single-family homebuilding, multi-family construction and retail developed in conjunction with residential projects. Since inception, Tricon has invested in over 140 transactions for development projects valued at approximately $9 billion.

OUR MARKETS

Tricon's funds are currently active in four major markets in Canada (Toronto, Calgary, Edmonton and Vancouver) and five major markets or regions in the United States (Northern California, Southern California, Phoenix, Atlanta and South Florida).

CHAIRMAN'S MESSAGE

Fellow Shareholders:

The year ended 31st December 2010 was a landmark year for the Company in that it marked the transformation of Tricon from a private to a public company listed on the Toronto Stock Exchange. That we were able to do this in a period marked by continued global weakness and volatile stock markets is testament to the market's recognition of our excellent track record and reputation and its confidence in our ability to build upon that track record to grow our fund management business over the long term. This is particularly so since it was well understood that the "closed end" nature of our funds would dictate that shareholders would not see any meaningful growth in our business until mid-2011, at which time we would have launched our new funds.

Since Tricon's inception 23 years ago, we have operated in the residential development industry as a fund manager, initially for private clients and over the last decade and a half increasingly as a fund manager for institutional investors. Our business strategy has not changed over that period. We are wholly focused on the residential real estate industry in the United States and Canada and on finding the best investments and development partners in each of the local markets where we operate. We view our successful Initial Public Offering (IPO) as an endorsement of this strategy. Today, we are the largest dedicated provider of institutional equity capital for Canada's residential development industry and one of the pre-eminent companies operating in this space in the United States. Prior to going public we had raised ten limited partnership funds and we are now putting the proceeds from our IPO to work by making significant investments in our new Canadian and U.S. funds. In the first quarter of 2011 we announced a first closing of approximately $70 million for our new Canadian fund and expect to announce subsequent closings over the course of 2011 and early 2012 as more institutions commit to the fund. Similarly, we initiated fundraising for our proposed U.S. distressed fund in the first quarter of 2011 and expect an initial closing for this fund in the third quarter of 2011 with subsequent closings through the middle of 2012. Our ability to generate significant assets under management (AUM) growth is dependent on our ability to provide excellent returns for our existing fund investors and I am pleased to report that over the course of 2010 we were able to generate strong returns in our most recent funds. This bodes well for our fund-raising efforts, both in Canada and the United States, and I am confident that these two new funds will result in meaningful growth of our AUM which, in turn, will result in increased fee income and bottom line profitability for Tricon's shareholders.

Another key objective which we accomplished in the past year was the introduction of a quarterly dividend in the aggregate annual amount of $0.24 per share, with the first payment made on October 15, 2010. We believe that a meaningful dividend provides another means for us to create tangible value for Tricon's shareholders over the long-term and we look forward to delivering an attractive and ongoing current yield to our shareholders.

I have also always believed that for a company to be successful in the long-term, the interests of management and employees must be directly aligned with those of its clients (in Tricon's case, its fund investors), its business partners (our developers) and its shareholders. Tricon has always operated under this premise and I am pleased to report that the interests of Tricon management and employees continue to be directly aligned with those of our fund investors and shareholders. Management and employees collectively own approximately 37% of all shares outstanding and many of the senior management team have increased their shareholdings by acquiring shares on the open market over the past 12 months. In addition, management's bonus compensation is directly driven by the success of our funds which, in turn, drives the success of the Company. If we do not perform well for our shareholders, we cannot perform well for ourselves.

"We believe that a meaningful dividend provides another means for us to create tangible value for Tricon's shareholders over the long-term and we look forward to delivering an attractive and ongoing current yield to our shareholders.

Fund Update

During this past year, the Company continued to seek suitable investments for U.S. distressed fund Tricon IX and Canadian fund Tricon X, as well as manage existing investments in predecessor funds. As a result of the investments made in 2010 and early 2011, along with a strong pipeline of potential investments, we expect that Tricon IX will be fully committed by mid-year 2011. On a similar note, several investments were made by Tricon X in 2010 and early 2011 and that fund is now fully committed. These funds remain on target to produce compelling risk-adjusted returns, with Tricon IX (essentially, a first mortgage fund) on target for an IRR of 14% and Tricon X on target for an IRR of 20%. We continue to maintain very good relationships with the pension funds and endowments that invest in our funds which we believe will translate into successful fundraises for both Tricon XI and Tricon XII.

Market Update

The current economic climate of the two countries in which we operate is somewhat disparate; however, both are rich with residential real estate development opportunities.

The Canadian real estate market remains robust and we have been primarily focused on financing institutional quality condominium developments in Toronto, with a secondary focus on development opportunities in Alberta. We expect this trend to continue in 2011 and we are already hard at work underwriting several potential marquee investments

for Tricon XII. We view in-fill development in Toronto as the core of our Canadian business, as the city continues to experience steady population growth, strong demographic fundamentals, a diversified economy and a desire for urban intensification — all of which bode well for the success of our Canadian funds.

The U.S. economy is still in the nascent stages of recovery and our investment strategy has been primarily focused on investing in distressed assets at deep discounts to peak value and typically replacement cost. These assets are largely held by banks either in the form of notes which are "underwater" or real estate owned (REO) assets on their balance sheets. Our unwavering focus on residential distressed assets over the past few years has helped establish Tricon as one of the leading players in this market and has enabled us to build a very strong network of contacts to help facilitate this business plan. We are reviewing new investment opportunities on a daily basis and in particular are experiencing strong deal flow in both Northern and Southern California, which appear to be emerging from the recession ahead of our other target markets. We are also cautiously exploring new markets, especially those in Texas, a state which has been able to weather the economic storm better than most.

Looking Ahead

Our yearly results were solid and in line with our expectations, despite operating in a volatile market. With fundraising for our new U.S. distressed fund Tricon XI initiated and a first closing already announced for Canadian fund Tricon XII, we continue to have great confidence in Tricon's ability to grow as a public company. Our 2010 achievements demonstrate the resilience of our business model and position Tricon for future growth and success. Going forward, we are in a healthy financial position to execute our business plan and maintain our quarterly dividend payments to our shareholders. We also expect to see meaningful financial growth as we generate additional management fees from our new funds and begin to reap investment income from our co-investment in these funds, a new revenue stream which will bolster our returns.

"With fundraising for our new U.S. distressed fund Tricon XI initiated and a first closing already announced for the Canadian fund Tricon XII, we continue to have great confidence in Tricon's ability to grow as a public company.

The past year represented a milestone in Tricon's history and our success has been dependent on the dedication of our talented and motivated management team, the guidance of our experienced Board, as well as the confidence of our steadfast fund investors, shareholders and business partners. I would like to express my appreciation and gratitude to all for their continued support and loyalty. Together, we will build on our existing strengths and continue to execute our proven business strategy.

David Berman
Chairman and Chief Executive Officer

CORPORATE GOVERNANCE

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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1. INTRODUCTION

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

1.1 Forward-Looking Statements

This MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe", "anticipate", "estimate", "plan", "expect", "intend", "may", "project", "will", "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risk and uncertainties. Many factors could cause our actual results, performance or achievements to be materially different from any future forward-looking statements. Factors which may cause such differences include, but are not limited to, general economic and market conditions, investment performance, financial markets, legislative and regulatory changes, technological developments, catastrophic events and other business risks. The reader is cautioned against undue reliance on these forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management currently believes to be reasonable assumptions, we cannot assure that actual results, performance or achievements will be consistent with such statements.

1.2 Overview

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

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

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

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

Contractual Management Fees are typically based on the capital committed to the fund during the Investment Period. Thereafter, they are typically calculated on the lesser of: (i) the fund's capital commitment, and (ii) invested capital. Contractual Management Fees decline over time once the Investment Period expires and investments are realized.

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

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

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

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

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

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

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

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

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

2. HIGHLIGHTS

2.1 New Funds

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

2.2 Operations

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

2.3 Dividends

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

3. FINANCIAL REVIEW

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

3.1 Metrics of our Business

	As at			Variance	
	Q4 2010	Q3 2010	Q4 2009	Quarter	Year-to-Date
AUM	$ 852,636,000	$ 876,984,000	$ 1,001,000,000	$ (24,348,000)	$ (148,364,000)

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

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

Adjusted Base EBITDA for the Q4 2010 and the year ended December 31, 2010 were lower than the corresponding periods in 2009 as a result of i) a decrease in Contractual Management Fees caused by lower AUM and unfavorable foreign exchange fluctuations, and ii) an increase in Salaries and Benefits expenses and General and Administration Expenses as a result of the hiring of a new employee, normal salary increases and additional expenses related to being a public company. Although the IPO proceeds have not been fully deployed, the investment income earned on these proceeds partially offset the increased expenses.

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

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

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

3.2 Net and Comprehensive Income (Loss)

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

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

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

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

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

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

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

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

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

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

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

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

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

This requirement to accrue the potential LTIP payments to employees *without recognizing the income that would have been earned by the Company to make those payments* (which is in accordance with IFRS), combined with the cost of common shares gifted to employees prior to going public, significantly increased the Net and Comprehensive (Loss) for the year ended December 31, 2010. In management's opinion, these expenses are neither indicative of the Company's current performance nor its future prospects. Adjusting Net and Comprehensive Income (Loss) for these items and other Non-Recurring and Non-Cash items noted below generates the Adjusted Net Income amounts for Q4 2010 and 2010 shown in "Selected Financial Information" below – which amounts are more indicative of the Company's performance. It should be noted that the LTIP payments will only be made if and when the corresponding Performance Fees are earned in the future.

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

3.3 Selected Financial Information (Unaudited)

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

(Rounded to nearest thousand except per share amounts)

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

	For the 3 Months Ended December 31			For the Year Ended December 31		
	2010	2009	Variance	2010	2009	Variance
Selected Income Statement Information						
Contractual Management Fees	$ 2,413,000	$ 2,631,000	$ (218,000)	$ 9,943,000	$ 11,017,000	$ (1,074,000)
Performance Fees	658,000	908,000	(250,000)	2,102,000	1,156,000	946,000
Other Revenue	257,000	64,000	193,000	547,000	143,000	404,000
Total Revenues	**3,328,000**	**3,603,000**	**(275,000)**	**12,592,000**	**12,316,000**	**276,000**
Salaries and Benefits	1,086,000	1,876,000	790,000	4,661,000	4,722,000	61,000
Gifted Shares	-	-	-	5,041,000	-	(5,041,000)
Stock Option Expense	211,000	-	(211,000)	555,000	-	(555,000)
LTIP expense	144,000	-	(144,000)	6,355,000	-	(6,355,000)
Professional and Directors' Fees	323,000	296,000	(27,000)	992,000	749,000	(243,000)
Formation costs - New Funds	213,000	-	(213,000)	213,000	-	(213,000)
Discretionary Management Bonus	-	2,151,000	2,151,000	2,013,000	6,347,000	4,334,000
General and Administration Expense	106,000	261,000	155,000	804,000	722,000	(82,000)
Amortization	306,000	283,000	(23,000)	1,188,000	1,147,000	(41,000)
Realized and Unrealized Foreign Exchange Loss (Gain)	112,000	(7,000)	(119,000)	150,000	141,000	(9,000)
Other Income	-	-	-	(215,000)	-	215,000
Total Expenses	**2,501,000**	**4,860,000**	**2,359,000**	**21,757,000**	**13,828,000**	**(7,929,000)**
Net Income (Loss) before Income Taxes	827,000	(1,257,000)	2,084,000	(9,165,000)	(1,512,000)	(7,653,000)
Income Tax Expense (Recovery)	321,000	(474,000)	(795,000)	(696,000)	(409,000)	287,000
Net and Comprehensive Income (Loss) for the Period	**$ 506,000**	**$ (783,000)**	**$ 1,289,000**	**$ (8,469,000)**	**$ (1,103,000)**	**$ (7,366,000)**
Adjusted as follows:						
Discretionary Management Bonus [1]	-	2,151,000	(2,151,000)	2,013,000	6,347,000	(4,334,000)
Discretionary Employee Compensation [2]	103,000	1,089,000	(986,000)	1,061,000	1,763,000	(702,000)
Non-Recurring and Non-Cash Items, Net [3]	275,000	156,000	119,000	11,891,000	172,000	11,719,000
Management Fee-Related Bonus Pool [4]	-	(189,000)	189,000	(350,000)	(845,000)	495,000
Performance Fee-Related Bonus Pool [5]	-	(454,000)	454,000	(604,000)	(578,000)	(26,000)
Total Adjustments	378,000	2,753,000	(2,375,000)	14,011,000	6,859,000	7,152,000
Net and Comprehensive Income After Adjustments	884,000	1,970,000	(1,086,000)	5,542,000	5,756,000	(214,000)
Tax Effect of Adjustments [6]	(117,000)	(908,000)	791,000	(2,780,000)	(2,263,000)	(517,000)
Adjusted Net Income [7]	**767,000**	**1,062,000**	**(295,000)**	**2,762,000**	**3,493,000**	**(731,000)**
Amortization [8]	306,000	283,000	(23,000)	1,188,000	1,147,000	(41,000)
Income Tax Expense [6]	438,000	434,000	(4,000)	2,084,000	1,854,000	(230,000)
Adjusted EBITDA [7]	**1,511,000**	**1,779,000**	**(268,000)**	**6,034,000**	**6,494,000**	**(460,000)**
Performance Fees	(658,000)	(908,000)	250,000	(2,102,000)	(1,156,000)	(946,000)
Performance Fee-Related Bonus Pool [9]	329,000	454,000	(125,000)	1,051,000	578,000	473,000
Adjusted Base EBITDA [7]	**$ 1,182,000**	**$ 1,325,000**	**$ (143,000)**	**$ 4,983,000**	**$ 5,916,000**	**$ (933,000)**
Basic and Diluted Earnings (Loss) Per Share	**$ 0.03**	**$ (0.10)**		**$ (0.61)**	**$ (0.14)**	
Adjusted Basic Earnings Per Share	**$ 0.04**	**$ 0.14**		**$ 0.20**	**$ 0.45**	

Please see Notes below.

Notes to Selected Financial Information:

1. Discretionary Management Bonus is compensation paid to shareholders of the Company prior to the Company going public. Q4 2010 is the second full quarter of being a public company and Discretionary Management Bonus amounts are no longer paid or payable.

2. Discretionary Employee Compensation includes discretionary bonus payments to employees of the Company prior to the Company going public.

3. Non-Recurring and Non-Cash adjustments are detailed below.

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

4. As described in the Prospectus relating to the IPO, 12.5% of Base Operating Income (Contractual Management Fees plus investment income from warehoused investments and direct investments, less Base Operating Expenses (Salaries and Benefits, General and Administration expenses including Professional and Director's Fees, and Realized/Unrealized Foreign Exchange Gains or Losses)) relating to the current funds and syndicated investments is allocated to the Management Fee-Related Employee Bonus Pool. Investment Income earned from amounts invested by the Company in these funds or syndicated investments is not included in the calculation, as this would result in "double counting". Historical information in this table has been adjusted to reflect this arrangement.

   Q4 2010 is the second full quarter of being a public company and $165,000 has been accrued in Q4 2010 under the terms of the new compensation policy and therefore no adjustment for Q4 2010 for this line item is required. The Management Fee-Related Bonus Pool amounts to $706,000 for 2010 which consists of (i) the pre-IPO adjustment to May 19, 2010 of $350,000 and (ii) a May 20, 2010 to December 31, 2010 accrual of $356,000.

5. Adjustment related to pre-IPO Performance Fee Related Bonus Plan. Q4 2010 is the second full quarter of being a public company and amounts accrued are under the new compensation policy and therefore do not require an adjustment for the quarter.

6. Income Tax (Recovery) Expense has been adjusted to reflect the impact of the pro-forma adjustments.

7. Adjusted Net Income, Adjusted Base EBITDA and Adjusted EBITDA are not recognized measures under IFRS – See "Metrics of Our Business (including Non-IFRS Financial Measures)" above.

8. Amortization expense relates mainly to Placement Agent Fees (described below), Performance Fee Rights, and a minor amount for furniture, equipment and leaseholds. Placement fees paid to placement agents for US Funds VII and IX and Canadian Fund X have been recognized as Intangible Assets on the Balance Sheet and are being amortized over the estimated term of the funds, specifically eight years. The value of common shares issued to the founding shareholders (as disclosed in the Prospectus) to transfer the Performance Fee rights of all the funds of $707,000 was recorded as Performance Fee Right Intangibles and amortized over the estimated life of the funds including the two one-year extension periods.

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

3.4 Normalization Adjustments

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

3.5 Pro-Forma Adjusted Financial Information (Unaudited)

(Rounded to nearest thousand except per share amounts)

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

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

10. Other Revenue consists of interest earned on IPO proceeds and investment income from investments in associates.

11. Salaries and Benefits include annual employee bonus amounts and have been adjusted for Discretionary Employee Compensation as follows: Q4 2010 - $103,000; Q4 2009 - $1,089,000; 2010 - $1,061,000; 2009 - $1,763,000.

12. Realized and Unrealized Foreign Exchange Losses (Gains) relate to the conversion of the United States subsidiary dollar balances to Canadian equivalent dollars as well as actual realized foreign exchange losses or gains. The Company translates all components of the United States subsidiary Income Statement at the average foreign exchange rate in effect for the period. The United States subsidiary monetary Balance Sheet components are translated at the foreign exchange rate in effect at the balance sheet date; non-monetary balances are translated at the historical exchange rates.

13. Base Operating Expenses exclude the Discretionary Management Bonus amounts to shareholders of: Q4 2010 - $0; Q4 2009 - $2,151,000; 2010 - $2,013,000; 2009 - $6,347,000. See Note (2) on page 8 above.

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

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

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

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

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

	For the 3 Months Ended December 31			For the Year Ended December 31		
	2010	2009	Variance	2010	2009	Variance
Salaries and Benefits	$ 1,086,000	$ 1,876,000	$ 790,000	$ 4,661,000	$ 4,722,000	$ 61,000
Adjustments:						
Discretionary Employee Compensation	(103,000)	(1,089,000)	(986,000)	(1,061,000)	(1,763,000)	(702,000)
Salaries and Benefits related to MOD Developments Inc	-	(100,000)	(100,000)	-	(253,000)	(253,000)
LTIP Expense Paid	307,000	-	(307,000)	307,000	-	(307,000)
Performance Fee Related Bonus Pool (shown seperately)	(329,000)	-	329,000	(447,000)	-	447,000
Accrued Management Fee-Related Bonus Pool	(165,000)	-	165,000	(356,000)	-	356,000
Adjusted Salaries and Benefits	**$ 796,000**	**$ 687,000**	**$ (109,000)**	**$ 3,104,000**	**$ 2,706,000**	**$ (398,000)**

	For the 3 Months Ended December 31			For the Year Ended December 31		
	2010	2009	Variance	2010	2009	Variance
General and Administration Expense	$ 106,000	$ 261,000	$ 155,000	$ 804,000	$ 722,000	$ (82,000)
Professional and Directors' Fees	323,000	296,000	(27,000)	992,000	749,000	(243,000)
Other Expenses (Income)	-	-	-	(215,000)	-	215,000
Adjustments:						
General and Administration related to MOD Developments Ir	-	(11,000)	(11,000)	-	(26,000)	(26,000)
General and Administration related to IFRS conversion	-	(125,000)	(125,000)	-	(125,000)	(125,000)
Other Income - MOD Developments Inc	-	-	-	139,000	-	(139,000)
Other Income - Sale of Investment	-	-	-	76,000	-	(76,000)
Non-Capitalized IPO Expenses	(14,000)	-	14,000	(249,000)	-	249,000
Adjusted General and Administration Expense	**$ 415,000**	**$ 421,000**	**$ 6,000**	**$ 1,547,000**	**$ 1,320,000**	**$ (227,000)**

3.6 Summary of Quarterly Results

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

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

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

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

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

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

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

4. OTHER PERTINENT FACTORS

4.1 Controls and Procedures

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

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

4.2 Liquidity and Capital Resources

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

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

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

4.3 Transactions with Related Parties

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

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

4.4 Dividends

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

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

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

4.5 Share Capital

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

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

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

Please see the audited consolidated financial statements for further information.

4.6 Critical Accounting Estimates

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

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

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

The LTIP liability calculation requires the Company to estimate the fair value of Performance Fees that would be paid into the Performance Fee-Related Bonus Pool based on the estimated fair market value of assets within the funds managed by the Company at the reporting date. This requires significant estimates and assumptions regarding future cash flows and discount rates by project within the funds, as described in the "Fund Information" section below.

4.7 Risk Definition and Management

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

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

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

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

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

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

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

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

The Company has recently hired an additional administrative staff member and a financial analyst, and does not anticipate the need to significantly increase the number of employees in the short term. As a listed issuer, additional expenditures will be required as a result of increased regulatory and accounting requirements and technological equipment and back-office systems may need to be upgraded. As the Company grows in the future, additional investment professionals and administrative staff may be required to manage the business which in turn would increase future Salaries and Benefits, and General and Administration expenditures. Managing the costs of a growing Company will be integral to meeting our financial projections and achieving success as a public company.

4.8 Recent Events / Business Outlook

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

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

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

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

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

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

5. FUND INFORMATION

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

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

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

(in Canadian dollars unless otherwise noted)

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

Notes:

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

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

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

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

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

Notes:

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

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

(in Fund currency)

Fund	Fund Currency	Fund Capitalization	Project Commitments [1]	Fund Capital Available [2]	Actual and Projected Gross Cashflow [3] Total	Realized	Unrealized	Projected Net Cashflow [4]
Tricon VIII	CA	$ 101,124,000	$ 102,997,000	$ -	$ 187,577,000	$ 54,872,000	$ 132,705,000	$ 101,934,000
Tricon IX	US	331,775,000	246,150,000	60,000,000	411,833,000	14,010,000	397,823,000	182,440,000
Tricon X [5]	CA	85,362,000	69,657,000	-	95,640,000	18,814,000	76,826,000	37,836,000
Syndicated Investments [6]	CA	65,606,000	65,606,000	-	100,444,000	36,543,000	63,901,000	54,968,000

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

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

(Dollars in fund currency)

Fund	Fund Currency	Project Commitments [1]	Geographic Breakdown (By Project Commitments) Phoenix	N California	S California	Atlanta	Florida	Vancouver	Edmonton	Toronto
Tricon VIII	CA	$ 102,997,000						8%	17%	75%
Tricon IX	US	246,150,000	21%	35%	16%	15%	13%			
Tricon X	CA	69,657,000							11%	89%

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

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

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

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

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

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PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
North American Centre
5700 Yonge Street, Suite 1900
North York, Ontario
Canada M2M 4K7
Telephone +1 416 218 1500
Facsimile +1 416 218 1499
www.pwc.com/ca

March 2, 2011

Independent Auditor's Report

To the Shareholders of
Tricon Capital Group Inc.

We have audited the accompanying consolidated financial statements of Tricon Capital Group Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2010 and December 31, 2009, and the related notes including a summary of significant accounting policies.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tricon Capital Group Inc. and its subsidiaries as at December 31, 2010 and December 31, 2009 and their financial performance and their cash flows for the years ended December 31, 2010 and December 31, 2009 in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

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

Tricon Capital Group Inc.
Consolidated Balance Sheets

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

	December 31, 2010	December 31, 2009
Assets		
Current Assets		
Cash and cash equivalents	$ 19,683,000	$ 1,330,000
Short term investments	31,156,000	-
Accounts receivable (note 9)	920,000	562,000
Prepaid expenses and other assets	83,000	395,000
Income taxes recoverable	-	5,000
	51,842,000	2,292,000
Non-current assets		
Investments in associates	35,000	29,000
Intangible assets (note 3)	3,929,000	4,347,000
Office equipment and leasehold improvements (note 4)	202,000	191,000
Deferred income tax assets (note 8)	2,889,000	-
Total assets	$ 58,897,000	$ 6,859,000
Liabilities		
Current liabilities		
Accounts payable and accruals (notes 5 and 9)	$ 855,000	$ 2,127,000
Long-term incentive plan accrual - current portion (note 19)	177,000	-
Dividends payable (notes 9 and 13)	1,094,000	875,000
Income taxes payable	580,000	335,000
	2,706,000	3,337,000
Non-current liabilities		
Deferred income tax liabilities (note 8)	1,059,000	1,299,000
Long-term incentive plan accrual - non-current portion (note 19)	5,871,000	-
	9,636,000	4,636,000
Equity		
Share capital (note 7)	57,934,000	1,000
Contributed surplus	555,000	-
Retained earnings (deficit)	(9,228,000)	2,222,000
	49,261,000	2,223,000
Total liabilities and equity	$ 58,897,000	$ 6,859,000

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

Approved by the Board of Directors

David Berman *Anna Kennedy* *Duff Scott*

Tricon Capital Group Inc.

Consolidated Statements of Comprehensive Loss

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

	For the Year Ended	
	December 2010	December 2009
Revenue		
Contractual management fees (note 9)	$ 9,943,000	$ 11,017,000
Performance fees (note 9)	2,102,000	1,156,000
Other revenue (note 20)	547,000	143,000
	12,592,000	12,316,000
Expenses		
Salaries and benefits expense (notes 9 and 18)	4,661,000	4,722,000
Gifted shares (notes 9 and 18)	5,041,000	-
Stock option expense (notes 9 and 18)	555,000	-
Long-term incentive plan (notes 9 and 19)	6,355,000	-
Professional and director's fees expense (notes 9 and 18)	992,000	749,000
Formation costs	213,000	-
Discretionary management bonus expense (note 9)	2,013,000	6,347,000
General and administration expense (note 14)	804,000	722,000
Amortization expense	1,188,000	1,147,000
Realized and unrealized foreign exchange loss	150,000	141,000
Other income (note 17)	(215,000)	-
	21,757,000	13,828,000
Loss before income taxes	(9,165,000)	(1,512,000)
Income tax recovery (note 8)	(696,000)	(409,000)
Net and comprehensive loss for the year	(8,469,000)	(1,103,000)
Retained earnings - Beginning of year	2,222,000	4,200,000
Dividends (notes 9 and 13)	(2,981,000)	(875,000)
Retained earnings (deficit) - End of year	$ (9,228,000)	$ 2,222,000
Basic and diluted loss per share (note 12)	**(0.61)**	**(0.14)**

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

Tricon Capital Group Inc.

Consolidated Statements of Changes in Equity

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

	Share capital	Contributed surplus	Retained earnings (deficit)	Total
Balance at January 1, 2009	$ 1,000	$ -	$ 4,200,000	$ 4,201,000
Net and comprehensive loss for the year	-	-	(1,103,000)	(1,103,000)
Dividends	-	-	(875,000)	(875,000)
Issuance of common shares (note 7)	-	-	-	-
Balance at December 31, 2009	1,000	-	2,222,000	2,223,000
Net and comprehensive loss for the year	-	-	(8,469,000)	(8,469,000)
Dividends (note 9 and 13)	-	-	(2,981,000)	(2,981,000)
Issuance of common shares (note 7)	62,694,000	-		62,694,000
Equity issuance costs-net of income taxes of $1,752,000	(4,761,000)	-	-	(4,761,000)
Stock option expense (note 18)	-	555,000	-	555,000
Balance at December 31, 2010	$ 57,934,000	$ 555,000	$ (9,228,000)	$ 49,261,000

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

Tricon Capital Group Inc.
Consolidated Statements of Cash Flows

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

	For the Year Ended December 2010	For the Year Ended December 2009
Cash provided by (used in)		
Operating activities		
Net and comprehensive income (loss) for the year	$ (8,469,000)	$ (1,103,000)
Adjustments for		
Amortization	1,188,000	1,147,000
Deferred income taxes (note 8)	(1,346,000)	(77,000)
Long-term incentive plan (net of payments of $307,000)	6,048,000	-
Gifted shares expense	5,041,000	-
Stock option expense	555,000	-
Gain on disposal of investment in real estate (note 17)	(76,000)	-
Gain on disposal of MOD Developments Inc. (note 17)	(139,000)	-
Foreign exchange loss on cash	154,000	189,000
Other	(18,000)	5,000
	2,938,000	161,000
Changes in non-cash working capital items		
Accounts receivable	(712,000)	1,678,000
Prepaid expenses and other assets	36,000	13,000
Accounts payable and accruals	(1,282,000)	(919,000)
Income taxes payable/recoverable	250,000	(351,000)
	1,230,000	582,000
Investing activities		
Purchase of office equipment	(74,000)	(21,000)
Purchase of short term investments	(35,000,000)	-
Proceeds on sale of short term investments	3,844,000	-
Placement fees	-	(1,333,000)
Proceeds on disposal of investments	89,000	-
Other	(4,000)	(6,000)
	(31,145,000)	(1,360,000)
Financing activities		
Issuance of common shares - net of issue costs	50,411,000	-
Dividends paid	(1,989,000)	-
	48,422,000	-
Foreign exchange loss on cash	(154,000)	(189,000)
Change in cash during the year	18,507,000	(778,000)
Cash - Beginning of year	1,330,000	2,297,000
Cash - End of year	$ 19,683,000	$ 1,330,000
Supplementary information		
Income taxes paid	**422,000**	**19,000**
Intangible assets purchased with shares	**707,000**	**-**
Dividend-in-kind	**773,000**	**-**

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

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 of 8,500,000 common shares at $6.00 per 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 consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. These consolidated financial statements have been prepared using the historical cost convention and were authorized for issue on March 2, 2011 by the Board of Directors of Tricon.

Use of estimates

The preparation of consolidated financial statements in conformity 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 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 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 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. Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars using the historical exchange rate. Gains and losses arising from foreign exchange are included in the statements of comprehensive (loss).

Office equipment and leasehold improvements

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

Furniture	3 years
Office equipment	5 years
Computer equipment	2 years

Estimated useful lives and residual values of capital assets are reviewed and adjusted, if appropriate, at 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, accounts payable and accruals and dividends payable. Cash and cash equivalents, short-term investments and accounts receivable are classified as loans and receivables. Loans and receivables and accounts payable and accruals are initially recognized at fair value and subsequently accounted for at amortized cost. Interest income and expense are accounted for using the effective interest rate method.

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

Cash and cash equivalents

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

Dividends

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

Current and deferred income taxes

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

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

Related parties

Transactions and balances with related parties are identified by management and separately disclosed in the consolidated financial statements (note 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 as an expense in net income on a straight-line basis over the term of the lease. Leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Share Capital

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

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 as of the grant date using a Black-Scholes option pricing model and observable market inputs. This fair value of the options is recognized as compensation cost using the graded vesting method over the vesting period of the options.

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 beginning at the time of grant for the estimated fair value, adjusted each period, of the participant's rights, as they vest.

3. INTANGIBLE ASSETS

	December 31, 2010	December 31, 2009
Placement fees		
Cost - Opening and Ending	8,516,000	8,516,000
Accumulated amortization - Opening	(4,169,000)	(3,098,000)
Amortization expense	(1,071,000)	(1,071,000)
Accumulated amortization - Ending	(5,240,000)	(4,169,000)
Net book value - Ending	3,276,000	4,347,000
Rights to performance fees		
Cost - Opening and Ending (note 7)	707,000	-
Accumulated amortization - Opening	-	-
Amortization expense	(54,000)	-
Accumulated amortization - Ending	(54,000)	-
Net book value - Ending	653,000	-
Net book value - Ending	3,929,000	4,347,000

There were no impairment charges of Placement fees and Rights to performance fees in 2010 and 2009.

4. OFFICE EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Furniture $	Office equipment $	Computer equipment $	Leasehold improvements $	Total $
As at January 1, 2009					
Cost	$ 132,000	$ 50,000	$ 395,000	$ 409,000	$ 986,000
Accumulated amortization	(127,000)	(29,000)	(362,000)	(230,000)	(748,000)
Net book value	5,000	21,000	33,000	179,000	238,000
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	(4,000)	(7,000)	(26,000)	(31,000)	(68,000)
Net book value	1,000	14,000	11,000	165,000	191,000
As at December 31, 2009					
Cost	132,000	50,000	399,000	426,000	1,007,000
Accumulated amortization	(131,000)	(36,000)	(388,000)	(261,000)	(816,000)
Net book value	1,000	14,000	11,000	165,000	191,000
Year ended December 31, 2010					
Opening Net book value	1,000	14,000	11,000	165,000	191,000
Additions	14,000	8,000	52,000	-	74,000
Amortized expense	(2,000)	(8,000)	(26,000)	(27,000)	(63,000)
Net book value	13,000	14,000	37,000	138,000	202,000
As at December 31, 2010					
Cost	146,000	58,000	451,000	426,000	1,081,000
Accumulated amortization	(133,000)	(44,000)	(414,000)	(288,000)	(879,000)
Net book value	$ 13,000	$ 14,000	$ 37,000	$ 138,000	$ 202,000

There were no impairment charges in 2010 and 2009.

5. ACCOUNTS PAYABLE AND ACCRUALS

	December 31, 2010	December 31, 2009
Accounts payable and accruals	$ 753,000	$ 685,000
Indirect taxes payable	-	11,000
STIP (note 18)	102,000	-
Discretionary management bonuses payable to related parties	-	1,431,000
	$ 855,000	$ 2,127,000

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:

2011	27,000
2012	25,000
2013	25,000
2014	21,000
2015	8,000
Thereafter	-

7. SHARE CAPITAL

Date	Particulars	Notes	No of shares Issued	December 31, 2010
As at January 1, 2009 - Opening Balance			**1,000**	**$ 1,000**
	Issued 25.6415 common shares for $0.26		26	-
			1,026	1,000
Mar 10, 2009	Filed articles of amendment to convert the 1,025.6415 issued and outstanding common shares into 1,000,000 common shares on a 974.99955 for 1 basis		1,000,000	-
As at December 31, 2009 - Ending Balance			**1,000,000**	**$ 1,000**
May 11, 2010	Issued 8,880 and 4,781 common shares to Althurst and Mandukwe, respectively at $51.79 per share	(1)	13,661	707,000
			1,013,661	$ 708,000
May 13, 2010	Stock Split of 1,013,661 common shares on a 7.803170883 for 1 basis		7,909,770	$ 708,000
May 13, 2010	Issued 3 and 6 common shares to Althurst and Mandukwe, respectively for $54	(2)	9	-
May 13, 2010	Issued 679,921 common shares from treasury to two officers in consideration for their past services to the Company at $6 per share		679,921	4,080,000
May 19, 2010	Issued 160,300 common shares from treasury to the employees in consideration for their past services to the Company at $6 per share		160,300	962,000
May 20, 2010	Issued 8,500,000 common shares at $6 per share upon completion of the initial public offering, net of issuance costs of $4,398,000, net of tax of $1,616,000		8,500,000	46,602,000
June 17, 2010	Exercise of over-allotment option by underwriters at $6.00 per share, net of issuance costs of $342,000 net of tax of $128,000		990,871	5,603,000
	Additional issuance costs of $21,000, net of tax of $8,000		-	(21,000)
As at December 31, 2010 - Ending Balance			**18,240,871**	**$ 57,934,000**

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 Capital VII Limited Partnership and Tricon IX Limited Partnership, respectively.

(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 Continental (1997) Ltd., Tri Continental III Ltd, Tri Continental IV Ltd., Tri Continental V Ltd., Tri Continental VI Ltd., Tricon VIII Ltd. and Tricon X Ltd.) and transfer of rights to performance fees.

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

8. INCOME TAXES

	For Year Ended December 31, 2010	For Year Ended December 31, 2009
Current income tax (recovery)		
Current income taxes on income for the year	$ 647,000	$ (332,000)
Other	3,000	0
	650,000	(332,000)
Deferred taxes		
Origination and reversal of temporary differences	(1,800,000)	(70,000)
Other	15,000	0
Impact of change in effective rates	439,000	(7,000)
	(1,346,000)	(77,000)
Income tax recovery	$ (696,000)	$ (409,000)

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:

	For Year Ended December 31, 2010	For Year Ended December 31, 2009
Loss before income taxes	$ (9,165,000)	$ (1,512,000)
Combined statutory federal and provincial income tax	30.99%	33.00%
Expected income tax recovery	(2,840,000)	(499,000)
Tax rate differential (small business deduction and foreign tax rates)	(24,000)	3,000
Tax effects of		
Permanent differences	1,724,000	68,000
Change in effective tax rates	439,000	(7,000)
Valuation allowance in respect of deferred tax asset of MOD Developments Inc.	(46,000)	46,000
Other	51,000	(20,000)
Income tax recovery	$ (696,000)	$ (409,000)

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

	December 31, 2010	December 31, 2009
Deferred income tax assets relating primarily to equity issuance costs and LTIP to be recovered after more than 12 months	$ 2,889,000	$ -
Deferred income tax liabilities relating to non-current assets to be recovered after more than 12 months	1,059,000	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 an officer of the Company. The Company completed an initial public offering on May 20, 2010.

The Company leases office space from Mandukwe, a company that is owned by a director of Tricon. During the year ended December 31, 2010, the Company paid $87,000 in rental payments, including common costs, to Mandukwe (2009 - $112,000).

Key management compensation

Key management includes directors and the "Named Executive Officers" which are the current Chief Executive Officer, Chief Financial Officer and the top three executive officers of the Company. Compensation paid or payable to key management for employee services is as follows:

	For Year Ended	
	December 31, 2010	December 31, 2009
Salaries & benefits	$ 2,103,000	$ 1,650,000
Discretionary (pre-IPO) management bonus	2,013,000	6,821,000
STIP and stock option expense (notes 18)	595,000	-
Gifted shares	4,170,000	-
Dividends paid on gifted shares	42,000	-
LTIP paid	264,000	-
LTIP accrued (note 19)	4,312,000	-
	13,499,000	8,471,000
Director's compensation (note 19)	143,000	-
	$ 13,642,000	$ 8,471,000

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 of the investment funds:

	For Year Ended	
	December 31, 2010	**December 31, 2009**
Contractual management fees	$ 9,943,000	$ 11,017,000
Performance fees	2,102,000	1,156,000
	$12,045,000	$12,173,000

Balances arising from transactions with related parties

	December 31, 2010	**December 31, 2009**
Receivables from related parties included in accounts receivable		
Contractual management fees receivable from investment funds managed by the Company	$ 436,000	$ 220,000
Performance fees receivable from investment funds managed by the Company	103,000	190,000
Loans receivable from the funds	203,000	-
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 (*note 1*)	69,000	1,431,000
Long Term Incentive Plan (short and long term portion)	6,048,000	-
Short Term Incentive Plan	102,000	-
Dividends payable to employees and associated corporations	406,000	875,000

Note 1 – Payables to related parties include compensation accruals and an amount of office rent payable to Mandukwe Inc. (note 6).

Revenues and receivables from related parties relate to contractual management and performance fees for services provided by the Company. The receivables are unsecured and are non-interest bearing except for the Loans receivable from the funds amount which bears a 9% interest. There are no provisions recorded against receivables from related parties at December 31, 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 and comprehensive loss 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 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. LOSS PER SHARE

Loss per share is 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 December 31, 2010 (there were no outstanding stock options in 2009).

	For Year Ended December 31, 2010	For Year Ended December 31, 2009
Net loss attributable to common shareholders	$ (8,469,000)	$ (1,103,000)
Basic and diluted net loss per share	$ (0.61)	$ (0.14)
Weighted average number of common shares outstanding	13,891,829	7,803,171

13. DIVIDENDS PER SHARE

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

14. GENERAL AND ADMINISTRATION

	For Year Ended December 31, 2010	December 31, 2009
Office and other	$ 690,000	$ 562,000
Rent (note 9)	87,000	112,000
Travel	27,000	48,000
	$ 804,000	$ 722,000

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

16. ENTITY-WIDE DISCLOSURE

	For Year Ended December 31, 2010	December 31, 2009
Revenue		
Canada	$ 6,803,000	$ 5,486,000
United States of America	5,789,000	6,830,000
	$ 12,592,000	$ 12,316,000

	December 31, 2010	December 31, 2009
Non-current assets		
Canada	$ 3,906,000	$ 386,000
United States of America	3,149,000	4,181,000
	$ 7,055,000	$ 4,567,000

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

	For Year Ended December 31, 2010	For Year Ended December 31, 2009
Tri Continental Capital VI Limited Partnership	$ 1,264,000	$ 1,646,000
Tri Continental Capital VII Limited Partnership	1,687,000	1,887,000
Tricon VIII Limited Partnership	1,307,000	1,310,000
Tricon IX Limited Partnership	4,099,000	4,561,000
Tricon X Limited Partnership	1,287,000	1,342,000

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 Year Ended December 31, 2010	For Year Ended December 31, 2009
Stock options expense	555,000	-
Short-term incentive plan (included in salaries and benefits expenses)	356,000	-
Deferred unit plan	25,000	-
Gifted shares	5,041,000	-
Long-term incentive plan (note 19)	6,355,000	-

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

Stock option plan

Stock options 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 from the anniversary of the grant date (the vesting period) provided the optionee is employed with the Company. The options are exercisable at any time from the date of vesting and have a contractual option term of 10 years. The Company has no legal or constructive obligation to repurchase or settle the options in cash. All options will be settled in equity.

The first issuance of options under the stock option plan occurred on May 19, 2010 of 895,000 stock options. On August 3, 2010, 71,500 additional stock options were granted to employees of the Company, and no options have been exercised during the yearended December 31, 2010. Movements in number of share options outstanding and their related weighted average exercise price are as follows:

	Average exercise price per share	Options (in thousands)
As of January 1, 2010 and 2009	$ -	-
Granted during the year	5.94	966.5
Forfeited during the year	6.00	(25.0)
As of December 31, 2010	$ 5.94	941.5

No options were exercisable as of December 31, 2010 as the first vesting date has not yet been met for the options granted.

Expiry date	Exercise price per share	Options (in thousands)
May 19, 2020	$ 6.00	870.0
August 3, 2020	5.26	71.5

The fair value of the options granted in the year ended December 31, 2010 was determined using the Black-Scholes valuation model. The fair value of the options granted for the year totaled $1,385,000. The significant inputs into the model were:

	May 19, 2010	August 3, 2010
Share price	$ 6.00	$ 5.50
Exercise price	$ 6.00	$ 5.26
Expected volatility	34%	34%
Expected dividend yield	4.00%	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.

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 year ended December 31, 2010 is $356,000. STIP accrual of as of December 31, 2010 is $102,000 (2009 - $nil).

Deferred share unit plan

On May 20, 2010, the Company established a Directors' deferred share unit plan ("**DSUP**") to allow participants to participate in the long-term success of Tricon and promote a greater alignment of interests between the participants and shareholders of the Company, while reducing the cash requirements of Tricon, to the extent participants elect to receive their fees in the form of deferred units. Each Independent member of the Board, at their discretion, is eligible to participate in the DSUP.

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

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

The liability is fair valued at each reporting date, based on the share price of the Company as at the reporting date and is recorded within current liabilities as there are no vesting requirements and payment takes place when a Board member resigns, which could take place at any time. DSUP expense for the year ended December 31, 2010 is $25,000 (2009 - $nil).

Upon the redemption of the DSUs, the Company shall pay to the Independent director a lump sum cash payment (rounded to the nearest cent) equal to the number of DSUs to be redeemed multiplied by the Market Price of the Company's common shares on the redemption date, net of applicable deductions and withholdings.

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 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 during the year ended December 31, 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 may differ from the related actual results. These estimates, assumptions and management judgments could result in a material adjustment to the carrying value of amounts of the LTIP liability 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 by 5%, the LTIP liability would increase by $74,000 or decrease by $74,000. 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 $165,000 or increase by $198,000, respectively.

The current portion of the LTIP liability of $177,000 is based on expected payments under the LTIP to be made within the next fiscal year. The remaining LTIP liability of $5,871,000 is classified in non-current liabilities. LTIP expense was $6,355,000 for the year ended December 31, 2010 (2009 - $nil).

LTIP Rollforward		**December 31, 2010**
As of January 1, 2010 and 2009	$	-
Payments		(307,000)
LTIP expense		6,355,000
As of December 31, 2010	**$**	**6,048,000**

20. OTHER REVENUE

Other revenue represents interest income earned on Short term investments and temporary loans provided to the funds.

21. 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.

22. SUBSEQUENT EVENTS

i) On January 1, 2011 the Company successfully closed a US$10 million investment in The New Home Company, an Orange County, California-based homebuilding and land development company.

ii) On March 2, 2011, the Company declared a dividend of $0.06 per share for a total dividend of $1,094,000, following approval from the Board of Directors.

SENIOR MANAGEMENT TEAM

David Berman
Chairman and Chief Executive Officer

Geoff Matus
Co-Founder and Director

Gary Berman
President and Co-Chief Operating Officer

Glenn Watchorn
Co-Chief Operating Officer

June Alikhan
Chief Financial Officer

Saul Shulman
Member of the Investment Committee

Jonathan Ellenzweig
Vice President

David Giles
Vice President

Craig Mode
Vice President

Jeremy Scheetz
Vice President

BOARD OF DIRECTORS

David Berman
Chairman and Chief Executive Officer

Geoff Matus
Co-Founder and Director

Eric Duff Scott
Lead Director and Chair of Compensation, Nominating and Corporate Governance Committee

Aida Tammer
Independent Director

Anna Kennedy
Chair of Audit Committee

SHAREHOLDER INFORMATION

Exchange and Symbol
TSX: TCN

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

Plan Eligibility
RRSP, RRIF, DPSP, RESP, RDSP, and TFSA

Auditors
PricewaterhouseCoopers LLP
North York, Ontario

Legal Counsel
Goodmans LLP
Toronto, Ontario

Transfer Agent
Equity Transfer and Trust Company
200 University Avenue, Suite 400
Toronto, ON M5H 4H1
1-866-393-4891
www.equitytransfer.com

Investor Relations Contact
Gary Berman
President
416-928-4122

June Alikhan
Chief Financial Officer
416-928-4116

Website
www.triconcapital.com

Annual and Special Meeting
May 18, 2011 at 1:00 pm ET
Goodmans LLP
333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

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