Gluskin Sheff

First Quarter Results 2010

THREE MONTHS ENDED SEPTEMBER 30, 2009

“Our mission is to be the pre-eminent wealth management firm in Canada serving high net worth investors”

Gluskin Sheff + Associates Inc. is one of Canada's pre-eminent wealth management firms. Founded in 1984 and focused primarily on high net worth private clients, we are dedicated to meeting the needs of our clients by delivering strong, risk-adjusted investment returns and the highest level of personalized client service. With a solid track record of success, a strong reputation in the private client market and an experienced management team, we are confident that our passion for excellence will generate enhanced value for our shareholders over the long term.

Report to Shareholders

Our results for the first quarter of Fiscal 2010 reflect the continued momentum we have experienced since the beginning of the calendar year. Quarter over quarter, total AUM increased by approximately $0.5 billion to approximately $5.0 billion as at September 30, 2009. Approximately 40% of the increase was attributable to net additions and 60% to net investment performance. Average AUM for the quarter was approximately $4.7 billion as compared to approximately $4.2 billion for the quarter ended June 30, 2009, an increase of approximately $500 million. Accordingly, Base Management Fees for the quarter ended September 30, 2009 increased $1.8 million to $17.6 million from $15.8 million for the quarter ended June 30, 2009.

Base EBITDA (which excludes Performance Fees and non-cash expenses) for the quarter ended September 30, 2009, increased $0.4 million to $9.2 million from $8.8 million for the quarter ended June 30, 2009. Net Income for the quarters ended September 30, 2009 and June 30, 2009 were each approximately $5.8 million or 20 cents per share.

Despite the challenges of the past year, we believe that competitively we have never been stronger. As can be seen in our newly expanded MD&A, all of our major long-only equity portfolios continue to have enviable long-term track records that include a number of market corrections and economic crises experienced during the Firm's first 25 years.

Our newly launched multi-strategy funds — which include our collective 5+ years of experience in the alternative asset space — have delivered absolute returns with significantly less volatility than the equity markets in general. And our credit strategies have added to the diversification of our clients' assets and have proven to be a sound alternative to the equity markets when viewed on a return per unit of risk-basis. Close readers of David Rosenberg's reports will have noticed that David has *not* been bearish on corporate bonds and his insight has served our clients well from an asset mix perspective.

The Company remains in a strong financial position and we plan to use this to our advantage, to seek out new clients, to attract new talent, and to pursue other opportunities as they present themselves. In this regard, on October 7th we announced the hiring of David Vankka as Vice President, Risk Management, based in Calgary. David brings to Gluskin Sheff over 15 years of capital markets experience, having most recently been Managing Director and Co-Founder of Tristone Capital. David is a Chartered Accountant, a CFA charterholder, and is a director of the Calgary CFA Society. We are pleased that David has joined us to head up what will be our Western Canada initiative based in Calgary.

We are pleased with, and grateful for, the continuing confidence that our clients have shown in us and we remain committed to working to earn the privilege of managing an increasing share of their investable assets as well as to receive their client referrals.

GERALD SHEFF
Chairman and Chief Executive Officer
November 5, 2009

Management's Discussion and Analysis

This interim Management's Discussion and Analysis ("MD&A") for the three months ended September 30, 2009 is provided as of November 5, 2009. It should be read in conjunction with the unaudited financial statements, including the notes thereto, of Gluskin Sheff + Associates Inc. for the three months ended September 30, 2009, the Audited Financial Statements for the years ending June 30, 2009 and 2008 and the related MD&A's. Unless the context indicates or requires otherwise, the terms "Gluskin Sheff," "Company," "Firm," "we," "us," and "our" mean Gluskin Sheff + Associates Inc. Unless otherwise indicated, all dollar amounts in this MD&A are expressed in Canadian dollars.

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), requiring estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates as a result of various factors. Certain totals, subtotals and percentages may not reconcile due to rounding.

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 risks and uncertainties. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Factors which may cause such differences include, but are not limited to, general economic and market conditions, investment performance, global and domestic financial markets, the competitive industry environment, 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. The forward-looking statements are made as of the date of this MD&A and will only be updated or revised where required by applicable laws.

NON-GAAP FINANCIAL MEASURES

We measure our business using a number of performance indicators that are not measurements in accordance with Canadian GAAP and should not be considered as an alternative to net income or any other measure of performance under GAAP. Non-GAAP financial measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

Assets Under Management
Assets Under Management ("AUM") is not a recognized measure under Canadian GAAP. Any reference to AUM is only to our paying AUM, on which we charge base management fees (Base Management Fees) or performance fees (Performance Fees). Our non-paying AUM are charged either no or only nominal fees. This measure may not be comparable to similar measures presented by other issuers. We monitor the level of our AUM as it drives our Base Management Fees.

Investment Performance
Investment performance is a key driver of AUM and is at the very core of what we do. The amount of Performance Fees we earn is related to both the level of our AUM and our investment performance.

Net Additions
AUM fluctuates due to the combination of investment performance and net additions (gross additions net of redemptions). Net additions, together with investment performance, determine the level of AUM which is the basis on which Base Management Fees are charged and to which Performance Fees may be applied.

EBITDA
Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a standard measure used in the financial industry by management, investors and investment analysts in understanding and comparing results. Our method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, our EBITDA may not be comparable to similarly titled measures used by other issuers.

Base EBITDA
Base EBITDA is EBITDA without including Performance Fees and Performance Fee related bonuses, and other non-cash expenses such as those associated with the accounting for stock options, deferred share units and non-cash expenses related to the transfer of shares to the Employee Trust. Management believes that Base EBITDA, as defined, is an important measure as it provides relevant information on the profitability of the base business.

Adjusted EBITDA
Adjusted EBITDA is Base EBITDA with Performance Fees and Performance Fee related bonuses added back.

Average AUM
Each month's average AUM is calculated as the simple average of the beginning and ending AUM in each month. Average AUM for a period is the simple average of the average AUM for each month in that period.

Base Management Fee Percentage
Base Management Fee Percentage is calculated as the Base Management Fee for the period as a percentage of Average AUM, before advisory fees.

OVERVIEW

Gluskin Sheff + Associates Inc. is a wealth management firm whose primary business focus is managing assets on a discretionary basis for high net worth private clients. We also manage assets for a number of institutions. We do not consider these different types of clients to be distinct reportable business segments for accounting purposes as we operate a single business with one fundamental philosophy and deliver a similar level of service to all of our clients.

Our revenues are derived mainly from Base Management Fees, calculated as a percentage of AUM, and Performance Fees, calculated annually as a percentage of the appreciation (net of Base Management Fees and other expenses) in each of our segregated accounts and private pooled fund vehicles above pre-specified rates of return, or rates of return adjusted for a deficiency carried forward from the prior year. Our Performance Fees are calculated annually at June 30 and December 31, depending upon the performance year end of our segregated accounts and pooled fund vehicles. The Company may also earn investment income or incur losses on its cash balances and its investments, which include seeded portfolios.

AUM are impacted by the net additions of capital from new and existing clients, as well as by the net market appreciation or decline. We seek to enhance our ability to attract and retain such assets by delivering solid investment returns together with a consistently high level of client service. The Company also continues to have a pipeline of new business activity while the investment team remains focused on finding attractive investments for our clients' portfolios.

Gluskin Sheff's expenses include Salaries and Benefits, which contains a bonus component that may fluctuate significantly based upon the overall performance of the Company and the amount of Performance Fees earned, Business Development, General and Administrative expenses (which include professional fees, office supplies and related overhead expenses), Occupancy, and Amortization of Property and Equipment.

SUMMARY OF THE THREE MONTHS ENDED SEPTEMBER 30, 2009

The highlights for the three months ended September 30, 2009 were:

- AUM increased by approximately $0.5 billion to approximately $5.0 billion at September 30, 2009 or 12% from June 30, 2009. Net additions for the three months ended September 30, 2009 were $0.2 billion and investment performance resulted in AUM increasing by $0.3 billion.
- Base Management Fees for the three months ended September 30, 2009 decreased year-over-year by $1.5 million or 8% to $17.6 million from $19.1 million.
- Base EBITDA for the three months ended September 30, 2009 decreased year-over-year by $1.1 million or 10% to $9.2 million from $10.3 million.
- Net income for the three months ended September 30, 2009 was $5.8 million, and represented earnings per share, basic and diluted, of $0.20. Net income for the three months ended September 30, 2008 was $6.2 million, and represented earnings per share, basic and diluted, of $0.21.

MARKET OUTLOOK AND BUSINESS ENVIRONMENT

Investor appetite for risk continued unabated during the third quarter as North American equity markets trended higher and corporate spreads on both sides of the border maintained their tightening path to new lows for the year. Financial markets have now gone much further than just pricing out the probability of a financial meltdown, or even pricing out the recession, which was the major story for the second calendar quarter. The most recent leg-up in the equity markets, in particular, has been so pronounced that we believe that they are now effectively discounting a V-shaped recovery of around 4% real GDP growth in the U.S. for the coming year. To be sure, it does appear as though governments around the world have managed to install a high level of confidence that a 'double dip' recession is unlikely to occur, but at some point, the rampant fiscal stimulus will fade in terms of its impact, and it will be up to the private sector to sustain the nascent expansion under way. Very strong market technicals and high levels of liquidity may well maintain the bullish investment tone near-term, though at this juncture, there appears to be significant growth and risk embedded in equity valuations relative to our expectations.

Throughout the quarter the Company continued to focus on managing the asset allocations of our clients in the face of a large market rally and a somewhat more muted recovery from the recent credit crisis.

The Company remains in a strong financial position and we plan to use this to our advantage, to seek out new clients, to attract new talent, and to pursue other opportunities as they present themselves. The Company announced in October the hiring of David Vankka as Vice President, Risk Management, to be based in a new office to be opened in Calgary. We continue to take steps to build our Company and our team as we strive to be, and remain, the pre-eminent wealth management firm in Canada serving high net worth investors.

GLUSKIN SHEFF + ASSOCIATES INC.
SUMMARY FINANCIAL INFORMATION

($ in thousands, except per share amounts and assets under management)

	3 MONTHS ENDED SEP 30, 2009	3 MONTHS ENDED SEP 30, 2008
ASSETS UNDER MANAGEMENT		
Assets Under Management ($ in millions)	$ 4,981	$ 4,443
BALANCE SHEET INFORMATION		
Total assets	$ 74,085	$ 74,747
INCOME STATEMENT INFORMATION		
Revenue		
Base management fees	$ 17,558	$ 19,102
Performance fees	1,012	42
Investment and other income (loss)	46	(972)
	18,616	18,172
Operating expenses	(6,900)	(6,083)
Discretionary bonuses	(2,519)	(2,584)
EBITDA	9,197	9,505
Amortization	(202)	(168)
Provision for income taxes	(3,213)	(3,133)
Net income	$ 5,782	$ 6,204
Basic earnings per share	$ 0.20	$ 0.21
Diluted earnings per share	$ 0.20	$ 0.21
SELECTED ADJUSTED FINANCIAL INFORMATION		
EBITDA	$ 9,197	$ 9,505
Discretionary bonus compensation	2,519	2,584
Non-cash expenses[1]	831	781
EBITDA before compensation adjustment	12,547	12,870
Discretionary base bonus pool	(2,317)	(2,576)
Performance fees	(1,012)	(42)
Base EBITDA	9,218	10,252
Performance fees	1,012	42
Performance fee related bonus pool	(202)	(8)
Adjusted EBITDA	$10,028	$10,286

1. Non-cash expenses include stock options and share grants issued.

RESULTS OF OPERATIONS

Overall Performance

Total revenues for the three months ended September 30, 2009 increased year-over-year by $0.4 million or 2% to $18.6 million from $18.2 million.

Base Management Fees decreased by $1.5 million or 8% to $17.6 million from $19.1 million as a result of lower average monthly AUM over the respective periods.

Investment and Other Income increased year-over-year by approximately $1.02 million to $0.05 million from a loss of $0.97 million as a result of an increase in realized and unrealized gains on securities owned and securities sold short offset by a decrease in interest and other income.

Total operating expenses for the three months ended September 30, 2009 increased year-over-year by $0.8 million or 9% to $9.6 million from $8.8 million. The increase in operating expenses was due to the increase in general and administrative expenses of $0.7 million, resulting from increased legal fees, consulting expenses and third-party sub-advisory fees, and an increase in salaries and benefits expenses of $0.1 million, resulting from an increase in staff count.

Cash flow from operations continued to be positive within the Company.

Assets Under Management

Total AUM for the quarter increased by approximately $0.5 billion or 12% to approximately $5.0 billion as at September 30, 2009, from $4.5 billion as at June 30, 2009. The increase is attributable to net additions and investment performance. Average AUM for the three months ended September 30, 2009 was approximately $4.7 billion as compared to approximately $5.1 billion for the three months ended September 30, 2008, a decrease of $0.4 billion or 8%.

($ in millions)	3 MONTHS ENDED SEP 30, 2009	3 MONTHS ENDED SEP 30, 2008
AUM – Beginning of period	**$4,461**	$ 5,597
Net additions (withdrawals)	**188**	(72)
Market value appreciation (decline)	**332**	(1,082)
AUM – End of period	**$4,981**	$ 4,443

Revenues

Total revenues for the three months ended September 30, 2009 increased year-over-year by $0.4 million or 2% to $18.6 million from $18.2 million. Base Management Fees for the three months ended September 30, 2009 decreased year-over-year by $1.5 million or 8% to $17.6 million from $19.1 million, as Average AUM decreased approximately $0.4 billion or 8% over the same period.

The Base Management Fee percentage for the three months ended September 30, 2009 decreased year-over-year to 1.46% from 1.48%.

Investment and Other Income for the three months ended September 30, 2009 increased year-over-year by $1.02 million or 105% to $0.05 million from a loss of $0.97 million. This increase was a result of the increase in realized and unrealized gains on securities owned and securities sold short offset by a decrease in Interest and Other Income.

Expenses

Total operating expenses for the three months ended September 30, 2009 increased year-over-year by $0.8 million or 9% to $9.6 million from $8.8 million.

Salaries and benefits expense for the three months ended September 30, 2009 increased year-over-year by $0.1 million or 2% to $5.5 million from $5.4 million. The increase in salaries and benefits resulted from an increase in staff count.

Our stock option plan is described in Note 11 of our 2009 Audited Financial Statements. Stock based compensation expense on awards of stock options and employee trust shares for employees and stock options and deferred share units for directors in aggregate for the three months ended September 30, 2009 remained constant year-over-year at approximately $0.8 million.

Business development expenses for the three months ended September 30, 2009 remained constant year-over-year at approximately $0.7 million.

General and administrative expenses for the three months ended September 30, 2009 increased year-over-year by approximately $0.7 million or 34% to $2.8 million from $2.1 million. The increase in expense was due to increased legal fees and consulting expenses, third-party sub-advisory fees, and investment research database fees.

Occupancy expenses for the three months ended September 30, 2009 remained constant year-over-year at approximately $0.4 million.

EBITDA, Base EBITDA, Adjusted EBITDA and Net Income

For the three months ended September 30, 2009, EBITDA decreased year-over-year by $0.3 million or 3% to $9.2 million from $9.5 million. This information is set out in the table of Summary Financial Information which reconciles EBITDA to Net Income. Base EBITDA, which has been adjusted to eliminate the effect of non-cash expenditures as well as Performance Fees for the three months ended September 30, 2009 decreased year-over-year by $1.1 million or 10% to $9.2 million from $10.3 million. The decrease in Base EBITDA was primarily attributable to the decrease in Base Management Fees and higher operating expenses.

Adjusted EBITDA for the three months ended September 30, 2009 decreased year-over-year by $0.3 million or 3% to $10.0 million from $10.3 million. The decrease in Adjusted EBITDA was primarily attributable to the decrease in Base Management Fees offset by an increase in Performance Fees earned.

Income before taxes for the three months ended September 30, 2009 decreased year-over-year by $0.3 million or 4% to $9.0 million from $9.3 million. Net income for the three months ended September 30, 2009 decreased year-over-year by $0.4 million or 7% to $5.8 million from $6.2 million.

The Company's effective tax rate is approximately 35.7% (2008 – 33.6%) and is impacted by the non-deductibility for tax purposes of expenses associated with stock options, deferred share units and the employee trust, along with the tax treatment of realized and unrealized losses on security holdings.

Accounts Receivable

The Company's accounts receivable as at September 30, 2009 and September 30, 2008 consisted primarily of Base Management Fees and Performance Fees receivable associated with our investment products, which were substantially received subsequent to period end.

SUMMARY OF QUARTERLY RESULTS

The following quarterly financial information was taken from the Company's unaudited quarterly reports to the shareholders. This information is consistent with the annual audited financial statements of the Company, which are prepared in accordance with Canadian generally accepted accounting principles.

GLUSKIN SHEFF + ASSOCIATES INC.
SUMMARY FINANCIAL INFORMATION FOR THE LAST EIGHT QUARTERS

($ in thousands, except per share amounts and assets under management)

	3 months ended Dec 31, 2007	3 months ended Mar 31, 2008	3 months ended Jun 30, 2008	3 months ended Sep 30, 2008	3 months ended Dec 31, 2008	3 months ended Mar 31, 2009	3 months ended Jun 30, 2009	3 months ended Sep 30, 2009
ASSETS UNDER MANAGEMENT								
Assets Under Management ($ in millions)	$ 5,600	$ 5,116	$ 5,597	$ 4,443	$ 3,672	$ 3,858	$ 4,461	$ 4,981
INCOME STATEMENT INFORMATION								
Revenue								
Base Management fees	$ 21,567	$ 19,793	$20,882	$ 19,102	$14,629	$14,309	$ 15,781	$ 17,558
Performance fees	12,880	—	6,680	42	3,147	11	2,522	1,012
Investment and other income (loss)	886	481	1,096	(972)	(143)	58	544	46
	$ 35,333	$20,274	$28,658	$ 18,172	$ 17,633	$ 14,378	$18,847	$ 18,616
Base EBITDA	13,383	11,735	13,857	10,252	6,850	7,397	8,755	9,218
Adjusted EBITDA	23,691	11,735	19,198	10,286	9,367	7,406	10,773	10,028
Net income	14,068	6,511	11,031	6,204	5,142	4,098	5,793	5,782
Basic earnings per share	$ 0.49	$ 0.23	$ 0.38	$ 0.21	$ 0.18	$ 0.14	$ 0.20	$ 0.20
Diluted earnings per share	$ 0.48	$ 0.22	$ 0.38	$ 0.21	$ 0.18	$ 0.14	$ 0.20	$ 0.20

Performance fees and net income varies quarter over quarter depending on whether there was a performance year end of the funds of June 30 or December 31 occurring in the quarter and based on the performance of the applicable funds.

The number of issued and outstanding shares did not change materially over the past eight quarters, consequently earnings per share, both basic and fully diluted, mainly reflect the trend in quarterly net income.

QUARTERLY SUMMARY OF PORTFOLIO AUM AND PERFORMANCE

Gluskin Sheff Portfolio Performance for the period ended Sept 30, 2009
($ in millions)

Annualized Rates of Return[1] (net of all fees paid and accrued)

	INCEPTION DATE	AUM $	CALENDAR YEAR-TO-DATE[6] %	1 YEAR %	3 YEAR %	5 YEAR %	10 YEAR %	SINCE INCEPTION %
Equity Investment Strategies[2]								
Growth	Jul/84	276	14.6	-2.6	-0.7	6.3	5.6	11.4
Value	Jan/91	508	34.4	-5.6	-5.7	5.0	14.8	13.1
U.S. Equity	Feb/86	27	2.0	2.3	-1.6	7.0	2.5	9.4
Top 15	Jul/03	146	19.4	-18.5	-6.9	5.2	—	13.4
RRSP	Jul/97	207	14.7	1.2	0.9	9.0	12.2	11.2
Premium Income	Jul/01	407	15.6	1.9	1.9	7.3	—	14.6
		1,571						
Alternative Investment Strategies[3]								
Multi-Strategy	Jan/09	547	8.9	—	—	—	—	8.9
Multi-Strategy Opportunities	Jan/09	364	14.3	—	—	—	—	14.3
Equity Long/Short[4]	Jul/04	47	19.4	7.2	0.8	11.7	—	15.6
Income Long/Short[4]	Jul/04	147	17.2	15.5	8.8	17.8	—	20.2
Other Long/Short funds	—	38						
		1,143						
Credit Alternative Investment Strategies								
Credit Arbitrage	Jan/09	787	18.3	—	—	—	—	18.3[6]
Enhanced Credit Arbitrage	Dec/08	265	38.0	—	—	—	—	30.0[6]
		1,052						
Fixed Income Investment Strategy								
Enhanced Bond	Dec/08	587	14.2	—	—	—	—	14.5[6]
Institutional & Special Mandates[5]		628						
Assets Under Management		4,981						

Notes:

1. *Past Performance is not necessarily indicative of future performance.*
2. *Where for a particular portfolio model we manage both a pooled fund and segregated accounts, we have measured the performance of whichever has been in operation the longest to represent the overall performance of the portfolio model.*
3. *The Multi-Strategy Fund, Multi-Strategy Opportunities Fund, Multi-Strategy Trust and Multi-Strategy Opportunities Trust are portfolios that invest in a combination of Gluskin Sheff's individual alternative long/short portfolios. As such, to avoid double-counting, AUM held within one of the aforementioned portfolios is excluded from the AUM figures provided for the underlying/individual long/short portfolios.*
4. *The performance presented to April 30, 2005 for the GS+A Equity Long/Short Portfolio and the GS+A Income Long/Short Portfolio includes the historical returns of the incubated versions of each respective portfolio, prior to it being offered to Gluskin Sheff clients.*
5. *Includes institutional mandates managed primarily in accordance with our Value model ($367 million), our Premium Income model ($95 million), our all-Canadian Growth model ($95 million), our Incubator Fund ($17 million), our EAFE model and EAFE Fund ($15 million), our U.S. Equity models ($9 million), and private client mandates managed primarily in accordance with a combination of our Value and Premium Income models ($30 million) (all numbers are approximate).*
6. *Figures are not annualized.*

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures
Pursuant to Multilateral Instrument 52-109 released by the Canadian Securities Administrators, the Company's management has evaluated the effectiveness of the Company's disclosure controls and procedures as at September 30, 2009 and concluded that such disclosure controls and procedures are appropriate, given the nature and extent of the Company's operations, and that these controls and procedures are effective.

Internal Control Over Financial Reporting
The Company's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting for the Company. There are inherent limitations in all internal control systems no matter how well the systems are designed. Therefore reasonable assurance with respect to financial reporting, and financial statement preparation and presentation can only be provided by those systems and procedures which management has determined to be effective.

As at September 30, 2009 the Company's internal control systems over financial reporting, and financial statement preparation and presentation, were effective in terms of their design to provide reasonable assurance regarding the reliability of financial reporting for external purposes. Management did not identify any material weaknesses in the system of internal controls over financial reporting.

CHANGES IN INTERNAL CONTROL AND FINANCIAL REPORTING

During the three months ended September 30, 2009, 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.

LIQUIDITY AND CAPITAL RESOURCES

The Company generates positive cash flow from operations and has limited requirements for long-term capital due to the nature of its business. We believe that our Base Management Fees and current cash resources will continue to be sufficient to satisfy our ongoing operational needs.

There are no significant regulatory capital requirements for the Company, and there are presently no major capital expenditures planned in the coming year other than continued system development costs. Gluskin Sheff has been incurring capital expenditures primarily for computer hardware and software. In light of the current economic climate, the pace of certain capital projects has been slowed, however, the initiatives are still ongoing.

Gluskin Sheff's current liabilities are in the normal course of the Company's operations and are payable within one year. Payment will be funded from cash flow from operations. Gluskin Sheff has no debt.

Aside from funding normal working capital requirements, Gluskin Sheff expects to use its cash reserves to fund new business initiatives and corporate development. In the second quarter of Fiscal 2010, the Company will pay its regular dividend and special dividend, which were declared on September 17, 2009 from cash earnings.

The Company has no off-balance sheet financial arrangements and no material contractual obligations other than those described in the Company's audited financial statements as at June 30, 2009.

Gluskin Sheff's policies and procedures related to the management of capital are described in Note 6 of the Company's September 30, 2009 unaudited interim financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies underlying the financial statements is presented in Note 1 of the Company's September 30, 2009 unaudited interim financial statements and the most-recent annual Audited Financial Statements for the year ended June 30, 2009. Accounting policies are an integral part of our financial statements, which are prepared in accordance with Canadian generally accepted accounting principles. Understanding these policies is a key factor in understanding our reported results of operations and financial position. Certain critical accounting policies require us to make estimates and assumptions that affect the amount of assets, liabilities, revenues and expenses reported in the financial statements. Due to their nature, estimates 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 financial statements. Management has made the following critical accounting estimate:

Stock Based Compensation

The Company has a share option and a deferred share unit plan for employees and directors. Stock and stock-based compensation awards are measured and recognized at fair value and are expensed over the applicable vesting period of the awards. Estimates are made for a number of variables that are factored into the valuation of the share options at the time the options are awarded as described in Note 10 of the Company's September 30, 2009 unaudited interim financial statements.

CHANGES IN ACCOUNTING POLICIES

As explained in Note 2 of the Company's September 30, 2009 unaudited interim financial statements, the Company adopted one new accounting standard that became effective for Gluskin Sheff on July 1, 2009. Adoption of this standard did not have any impact on the Company's financial statements.

For the Fiscal year 2012, Gluskin Sheff will be required to adopt International Financial Reporting Standards ("IFRS") that will replace the current standards that comprise Canadian generally accepted accounting principles. Management is assessing the implications to the Company's financial statements of converting to IFRS and is planning for the conversion to take place in 2011 so that comparative financial information is available for the actual transition to IFRS on July 1, 2011.

DEFINITION OF RISKS

The sections that follow – Financial Instruments and Risk Management – use a number of terms involving various types of risks, which are defined below.

Credit Risk

The risk that one party will not fulfill the terms of a contract, or will fail to discharge an obligation, thereby causing a loss for the other party.

Liquidity Risk

The risk that an entity will encounter difficulty in meeting financial obligations as they come due.

Market Risk

The risk that the fair value or future cash flows associated with a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency Risk

The risk that the fair value or future cash flows associated with a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest Rate Risk

The risk that the fair value or future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates.

Other Price Risk

The risk that the fair value or future cash flows associated with a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or the issuer of the instrument, or factors affecting all similar financial instruments traded in the market.

FINANCIAL INSTRUMENTS

As explained in Note 3 of the Company's September 30, 2009 unaudited interim financial statements, financial instruments are subject to a number of specific risks. The Company's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, securities owned, accounts payable, dividends payable and accrued liabilities, securities sold short, and accrued bonuses payable whose carrying values approximate the relevant fair values due to their short-term nature. Included in cash and cash equivalents are investments in short-term money market securities which involves exposure to credit risk and interest rate risk. Credit risk is mitigated by selecting high quality corporate issuers which minimizes the potential to default by the issuer of securities. Interest rate risk is mitigated by the short-term nature of the securities, which mature within less than one year. The balance due from related parties is current and, therefore, has not been discounted. Gluskin Sheff does not have any off-balance sheet transactions and does not own other instruments that may be settled by the delivery of non-financial assets.

The Company is also not exposed to significant liquidity risk due to the fact that the obligations of the Company are very minimal, and the Company has sufficient cash and cash equivalents to meet its obligations.

Aside from Gluskin Sheff's securities holdings, which are discussed in more detail below, the risks associated with the Company's financial instruments are considered by Management to be minimal for the following reasons:

- Credit risk and liquidity risk related to the collection of accounts receivable and the balance due from related parties is considered to be low due to:
  - The short-term nature of these items; and,
  - The strength of the underlying business relationship with the client or related party.
- The "Know Your Client" controls and procedures in place before a potential mandate or client can be accepted.
- There is no significant currency risk as the financial instruments are denominated in Canadian dollars. The Company charges a significant amount of its investment management services in Canadian dollars.

MANAGING RISK

Gluskin Sheff is exposed to a number of risk factors that are inherent in this industry. The following risks are noted, and they are described in greater detail in the Company's Annual Information Form ("AIF").

Risk factors related to the Company:

- Change(s) in the securities markets
- Poor investment performance
- Loss of key employees
- Failure to execute our succession plan
- Change(s) in the investment management industry
- Competitive pressures
- Failure in our ability to manage risks in our portfolio models
- Rapid growth or decline in our AUM
- Employee errors or misconduct
- Failure to implement effective information security policies, procedures and capabilities
- Failure to develop effective business resiliency plans
- Failure to comply with government regulations
- Failure to maintain adequate insurance coverage on favourable economic terms

The foregoing risk factors are mitigated to the extent possible and practical from a cost and perceived benefit perspective by senior management's direct involvement in the day-to-day operation of the business. Members of senior management meet regularly to address business issues, to consider new risks to the business and to chart the direction of the Company in terms of new product development, marketing initiatives and strategic direction. Management has regular access to information deemed critical to the ongoing monitoring of the Company's performance and key business metrics in order to consider a change in operational plans or strategic direction as considered appropriate in the circumstances.

The Company also maintains an appropriate system of internal controls and procedures to safeguard assets, control expenses and to ensure that financial reporting is accurate and reliable.

The Company believes confidentiality is essential to the success of the business, and strives to consistently maintain the highest standards of trust, integrity and professionalism. Account information is kept under strict control in compliance with all applicable laws, and physical, procedural, and electronic safeguards are maintained in order to protect this information from access by unauthorized parties.

The Company's investment performance is monitored on an ongoing basis, including a review of trends and activity in the capital markets. The Company has a disciplined investment approach, which is the foundation of its investment philosophy and methodology for investing in capital markets.

The Company has processes in place for succession planning to ensure that the hiring and retention of highly qualified staff with specific expertise is achieved. These processes are reviewed on a regular basis by both the senior management team and the Board of Directors.

Finally, the Company maintains appropriate insurance coverage for general business liability risks. Insurance coverage is reviewed at least annually, or whenever there is a significant change in the Company's operations or risk profile.

RELATED PARTY TRANSACTIONS

There were no changes to the nature and extent of related party transactions entered into by the Company in the three months ended September 30, 2009. For further information, refer to the notes of the Company's September 30, 2009 unaudited interim financial statements.

SHARE CAPITAL

As at November 5, 2009, there has been no change to the capital structure of the Company or the number of outstanding shares from that disclosed in the unaudited interim financial statements dated September 30, 2009. The subordinate voting shares and multiple voting shares rank pari passu with respect of the payment of dividends, return of capital and distribution of assets in the event of liquidation, dissolution or winding up the Company. Each multiple voting share is convertible into one subordinate voting share. Subordinate voting shares carry one vote per share, while multiple voting shares carry 15 votes per share. Holders of subordinate voting shares are entitled to elect one-third of the Directors and holders of multiple voting shares are entitled to elect two-thirds of the Directors.

Stock options issued to date pursuant to our incentive stock option plan are 2,492,000 of which 629,000 stock options are currently exercisable.

OTHER INFORMATION

Additional information relating to Gluskin Sheff + Associates Inc. is also available on SEDAR at www.sedar.com.

GLUSKIN SHEFF + ASSOCIATES INC.
INTERIM BALANCE SHEETS
($ in thousands)

	AS AT SEPTEMBER 30, 2009 (UNAUDITED)	AS AT JUNE 30, 2009 (AUDITED)
ASSETS		
Current assets		
Cash	$ 51,276	$ 53,857
Accounts receivable (note 5)	8,831	8,761
Securities owned at fair value (note 4)	5,341	4,218
Income taxes recoverable (note 8)	4,950	4,548
Prepaid expenses and other assets	487	551
	70,885	**71,935**
Property and equipment	3,200	3,167
Total assets	**$ 74,085**	**$ 75,102**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,359	$ 1,857
Dividends payable	6,424	-
Securities sold short at fair value (note 4)	366	342
Future income taxes (note 8)	471	427
Accrued bonuses	2,618	9,818
	$ 11,238	**$ 12,444**
SHAREHOLDERS' EQUITY		
Share capital (note 7)	7,423	7,423
Contributed surplus (note 7)	6,088	5,257
Retained earnings	49,336	49,978
	62,847	**62,658**
Total liabilities and shareholders' equity	**$ 74,085**	**$ 75,102**

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

GLUSKIN SHEFF + ASSOCIATES INC.
INTERIM STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS (UNAUDITED)

($ in thousands, except per share amounts)

	3 months ended Sep 30, 2009	3 months ended Sep 30, 2008
REVENUE		
Base management fees (note 5)	$ 17,558	$ 19,102
Performance fees (note 5)	1,012	42
Investment and other income (loss) (note 4)	46	(972)
	18,616	**18,172**
EXPENSES		
Salaries and benefits	5,517	5,421
Business development	660	699
General and administrative	2,797	2,089
Occupancy	445	458
Amortization of property and equipment	202	168
	9,621	**8,835**
Income Before Provision for Income Taxes	$ 8,995	$ 9,337
Provision for (recovery of) income taxes (note 8)		
Current income taxes	3,169	3,399
Future income taxes	44	(266)
	3,213	3,133
Net income and comprehensive income for the period	5,782	6,204
Retained earnings – Beginning of period	49,978	50,643
	55,760	56,847
Dividends	(6,424)	(11,389)
Retained earnings – End of period	$ 49,336	$ 45,458
Basic earnings per share	$ 0.20	$ 0.21
Diluted earnings per share	$ 0.20	$ 0.21

GLUSKIN SHEFF + ASSOCIATES INC.
INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
($ in thousands)

CASH PROVIDED BY (USED IN)	3 MONTHS ENDED SEP 30, 2009	3 MONTHS ENDED SEP 30, 2008
OPERATING ACTIVITIES		
Net Income for the Period	$ 5,782	$ 6,204
Adjustments for		
Amortization of property and equipment	202	168
Net investment (gains) losses	(165)	1,505
Future income taxes	44	(266)
Stock based compensation	831	781
	6,694	8,392
Changes in non-cash working capital items		
Accounts receivable	(70)	9,473
Income taxes recoverable	(402)	(3,274)
Prepaid expenses and other assets	64	(32)
Accounts payable and accrued liabilities	(498)	471
Accrued bonuses	(7,200)	(13,945)
	(1,412)	1,085
INVESTING ACTIVITIES		
Repurchases of securities sold short	—	(187)
(Purchases) sales of securities owned	(934)	460
Purchases of property and equipment	(235)	(491)
	(1,169)	**(218)**
(Decrease) increase in cash during the period	**(2,581)**	**867**
Cash – Beginning of period	53,857	54,213
Cash – End of period	$ 51,276	$ 55,080
CASH COMPRISES		
Cash	$ 51,276	$ 55,080
Short-term Investments	—	—
	$ 51,276	$ 55,080
SUPPLEMENTARY INFORMATION		
Interest paid during the period	—	—
Income taxes paid during the period	3,500	6,674

Notes to Unaudited Interim Financial Statements

September 30, 2009 and 2008
($ in thousands, except per share amounts)

NATURE OF BUSINESS AND ORGANIZATION

Gluskin Sheff + Associates Inc. (the "Company") provides discretionary investment management services to high net worth private clients and institutional investors. The Company was incorporated in 1984 under the Ontario Business Corporations Act. The Company is listed on the Toronto Stock Exchange ("TSX") and trades under the symbol "GS".

These financial statements are for the three months ending September 30, 2009 and September 30, 2008 with the Balance Sheets being as at September 30, 2009 and June 30, 2009.

1. BASIS OF PRESENTATION

These interim financial statements are prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and do not include all disclosures required for annual financial statements.

These financial statements should be read in conjunction with the June 30, 2009 Audited Financial Statements of Gluskin Sheff + Associates Inc. included in the 2009 Annual Report. These financial statements reflect the same significant accounting policies as those described in the notes to the Audited Financial Statements of Gluskin Sheff + Associates Inc. for the year ended June 30, 2009, except as discussed in Note 2.

Certain comparative figures have been reclassified to conform with the current period's presentation.

2. CHANGES IN ACCOUNTING POLICIES

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which replaced existing section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development". The new standard provided guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The effective date of adopting this standard for the Company is July 1, 2009. Adoption of this standard did not have any impact on the Company's financial statements.

Amendments to Section 3862

Amendments to Section 3862, Financial Instruments – Disclosures, requires publicly accountable enterprises to enhance the disclosures about fair value measurements and the liquidity risk of financial instruments. The amendments will be effective for annual financial statements relating to fiscal years ending after September 30, 2009. These amendments have been made to address the need for increased consistency and comparability in fair value measurements, and to expand the disclosure surrounding fair value measurements. These amendments do not have any impact on the valuation of the Company's financial instruments. The new disclosures will be made in the financial statements as at and for the year ending June 30, 2010.

3. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, dividends payable, accrued liabilities, and accrued bonuses, whose carrying values approximate their fair values due to their short – term nature, and short – term securities holdings, which are recorded at fair value using quotations from independent third party pricing sources. The balance due from related parties included in accounts receivable is current and, therefore, has not been discounted despite the fact that it is non – interest bearing.

The Company also has financial instruments consisting of other securities owned and securities sold short recorded at fair value representing seeded capital used in forming new portfolios.

4. SECURITIES OWNED AND SOLD SHORT

The Company has seeded new portfolio models, some of which the Company may eventually introduce into its line-up of investment strategies.

The maximum loss that the Company may incur in respect of securities owned is the amount paid to acquire the securities. The maximum gain to the Company in respect of the securities sold short is the proceeds received from entering into the short sale transaction, whereas the amount of the potential loss is unlimited. The fair values of securities owned and sold short vary daily based on general market conditions and matters specific to the issuers of the securities. The realized and unrealized gains or losses incurred on securities owned and sold short are included in investment and other income (loss). The realized and unrealized gains for the three months ending September 30, 2009 are $165 (September 30, 2008 – loss of $1,505).

Details of investment and other income (loss) is as follows:

	September 30, 2009	September 30, 2008
Realized gain (loss) on securities owned and securities sold short	$ 12	$ (51)
Unrealized gain (loss) on securities owned and securities sold short	153	(1,454)
Interest and other income (loss)	(119)	533
	$ 46	$ (972)

5. RELATED PARTY TRANSACTIONS

Included in the Company's total revenue for the three months ending September 30, 2009 are base management fees of $13,433 (September 30, 2008 – $11,423) earned from the management of the Company's Pooled Fund vehicles, where the Company generally acts as the trustee, manager, transfer agent and principal distributor. In the case of those pooled funds that are limited partnerships, an affiliate of the Company is the general partner. All related party transactions are recorded at the exchange amount. Included in the Company's accounts receivable as at September 30, 2009 is $4,521 (June 30, 2009 – $3,914) owing from the Company's pooled funds.

6. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue operations as a going concern.

Capital is comprised of share capital, contributed surplus and retained earnings.

The Company's senior management team is responsible for approving the Company's capital management objectives and policies, and for overseeing the effective management of capital. The board of directors reviews the Company's capital plans as part of its review of strategic initiatives and at least annually in connection with the financial forecast process.

The Company has a minimum capital requirement of $255 in connection with its registration as an investment counsellor and portfolio manager with various Canadian regulatory bodies. The Company has maintained an amount in excess of the level of capital required throughout the period ended September 30, 2009.

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized

The company is authorized to issue an unlimited number of Subordinate Voting Shares ("SVS") and Multiple Voting Shares ("MVS") and an unlimited number of preference shares, issuable in series.

Shares Issued and Outstanding

As at September 30, 2009, there were 10,939,130 SVS and 18,263,000 MVS (September 30, 2008 – 9,889,130 SVS and 19,313,000 MVS) and no preference shares outstanding. MVS rank equally in all respects with the SVS, except that each MVS is entitled to 15 votes at any shareholders' meeting for all matters other than the election of directors.

	September 30, 2009		September 30, 2008	
Share Capital	Number of Shares (000s)	Stated Value	Number of Shares (000s)	Stated Value
Multiple Voting Shares	18,263		19,313	
Subordinate Voting Shares	10,939		9,889	
	29,202	$7,423	29,202	$4,967

During the quarters ended September 30, 2008 and September 30, 2009 no Multiple Voting Shares where converted to Subordinate Voting Shares.

Contributed Surplus	September 30, 2009	September 30, 2008
Balance – Beginning of period	$ 5,257	$4,650
Deferred share units	54	60
Amortization of stock options	777	519
Amortization of employee trust	—	202
Balance – End of period	$6,088	$ 5,431

8. INCOME TAXES

The reconciliation of the Company's effective income tax rate to the statutory income tax rate is as follows:

	3 MONTHS ENDED SEPTEMBER 30, 2009
Income Taxes at statutory rate (32.5%)	$2,923
Increase (decrease) in income taxes resulting from	
Stock-based compensation	270
Realized and unrealized capital gain on securities owned	(28)
Other	48
Income tax provision as reported (effective income tax rate of 35.7%)	$ 3,213

	3 MONTHS ENDED SEPTEMBER 30, 2008
Income Taxes at statutory rate (33.5%)	$3,128
Increase (decrease) in income taxes resulting from	
Stock-based compensation	262
Realized and unrealized capital gain on securities owned	(267)
Other	10
Income tax provision as reported (effective income tax rate of 33.6%)	$3,133

The future income tax liability relates to the following:

	3 MONTHS ENDED SEPTEMBER 30, 2009	3 MONTHS ENDED JUNE 30, 2009
Unrealized investment income	$ (8)	$ (28)
Property and equipment	479	455
Future income taxes	$ 471	$427

As at September 30, 2009, the Company has approximately $1,626 (June 30, 2009 – $1,638) of unused capital losses realized on the disposition of security holdings, for which no benefit has been recognized in these financial statements.

9. SALARIES AND BENEFITS

The Company accrues for discretionary bonuses to its employees.

Included in salaries and benefits expense for the three months ending September 30, 2009 are discretionary accrued bonuses of $2,519 (September 30, 2008 – $2,584).

10. STOCK BASED COMPENSATION PLAN

The Company established a share option plan and a deferred share unit ("DSU") plan for employees and directors in May 2006 and September 2006.

The aggregate number of SVS that may be issued under the Plans is limited to 10% of equity shares issued and outstanding.

There are three components to the Company's stock-based compensation structure.

Employee Trust

On May 19, 2006, at the time of the initial public offering, the Company conveyed 397,500 shares to an Employee Trust, the beneficiaries of which were 59 of the Company's then current employees. The value of these shares was amortized into contributed surplus over the three year vesting period of the Employee Trust. As of May 15, 2009, all such shares had been released from escrow.

The expense related to the Employee Trust that has been included in the salaries and benefits expense during the three months ending September 30, 2009 was $nil (September 30, 2008 – $202).

Deferred Share Units

The Company's DSU plan represents notional units granted to the Company's Directors in order to enhance the Company's ability to attract and retain talented individuals to serve as independent directors of the Board of Directors, and to promote a significant alignment of the interests of the independent directors and the interests of the shareholders of the Company by providing the independent directors with a long-term incentive tied to the long-term performance of the

SVS. The Company established a new DSU Plan effective January 1, 2008 and terminated the DSU plan which was in effect up to December 31, 2007.

The expense related to outstanding DSUs that has been included in the salaries and benefits expense during the three months ending September 30, 2009 was $54 (September 30, 2008 – $60).

Stock Options

The exercise price of a stock option is determined as at the close of the business day before the stock option grant is made by the Board of Directors. The expiry date of the stock options is seven years from the date of the grant. Stock options become exercisable over time at the rate of 20% of the total stock options granted on each anniversary of the grant date.

For the three months ending September 30, 2009, the Company issued 645,000 stock options to participants. The fair value of the options granted was $7.82. The fair value of the options granted has been estimated, using a Lattice option pricing model, based upon the following assumptions: (i) risk-free rate of return of 3.05%; (ii) period until exercise of five years; (iii) expected share price volatility of 43.90%; (iv) expected dividend yield of 2.43%; and (v) expected forfeiture rate of 5% per year until vested.

The expense related to stock options outstanding that has been included in the salaries and benefits expense during the three months ending September 30, 2009 was $777 (September 30, 2008 – $519) using the graded investing methodology in accordance with CICA Handbook Section 3870.

The outstanding balances of employee trust shares, DSUs and stock options are summarized in the following tables.

	3 MONTHS ENDED SEPTEMBER 30, 2009		3 MONTHS ENDED SEPTEMBER 30, 2008	
STOCK OPTIONS	OPTIONS (000s)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (000s)	WEIGHTED AVERAGE EXERCISE PRICE
Balance – Beginning of period	1,847	$ 17.23	1,127	$18.73
Options granted	645	20.55	510	15.59
Balance – End of period	2,492	$18.09	1,637	$17.75

		September 30, 2009			
		Options Outstanding		Options Exercisable	
Range of exercise prices	Number outstanding as at Sept. 30, 2009 (000s)	Weighted average remaining contractual years	Weighted average exercise price	Number exercisable as at Sept. 30, 2009 (000s)	Weighted average exercise price
$10.00 – $17.99	1,582	5.08	$ 15.34	576	$ 15.52
$18.00 – $25.99	645	7.00	20.55	—	—
$26.00 – $33.99	265	5.02	28.50	53	28.50
	2,492	5.57	$18.09	629	$16.62

		June 30, 2009			
		Options Outstanding		Options Exercisable	
Range of exercise prices	Number outstanding as at June 30, 2009 (000s)	Weighted average remaining contractual years	Weighted average exercise price	Number exercisable as at June 30, 2009 (000s)	Weighted average exercise price
$10.00 – $17.99	1,582	5.34	$ 15.34	318	$ 15.51
$26.00 – $33.99	265	5.27	28.50	53	28.50
	1,847	5.33	$ 17.23	371	$ 17.37

Deferred share units	September 30, 2009 (000s)	September 30, 2008 (000s)
Balance – Beginning of period	20	5
Issued	3	4
Balance – End of period	23	9

Employee trust	September 30, 2009 (000s)	September 30, 2008 (000s)
Balance – Beginning of period	—	131
Issued	—	—
Balance – End of period	—	131

11. EARNINGS PER SHARE

The treasury stock method is used in the calculation of per share amounts. Basic earnings per share amounts are determined by dividing net income by the number of shares outstanding during the year excluding shares held in the employee trust which are not included in shares outstanding in the relevant period for accounting purposes.

Diluted earnings per share is determined by dividing net income by the total shares outstanding assuming that all potentially dilutive common shares have been issued.

12. RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, securities owned, accounts payable, dividends payable and accrued liabilities, securities sold short and accrued bonuses whose carrying values approximate the relevant fair values due to their short-term nature.

Financial instruments present a number of specific risks as identified below:

Market Risk

Market risk refers to the risk that a change in the level of one or more of market prices, interest rates, foreign currency exchange, indices, volatilities, correlations or other market factors, such as liquidity, will result in losses. As many of the Company's financial instruments are recognized at fair values and classified as held for trading, any changes will affect reported earnings as they occur. The maximum risk resulting from financial instruments is determined by the fair values of the financial instruments. The maximum gain to the Company in respect of the securities sold short is the proceeds received entering into the short sale transaction, whereas the amount of the potential loss is unlimited. The Company manages market risk by the daily monitoring of its securities owned and securities sold short. The Company separates market risk into three categories: price risk, interest rate risk, and foreign exchange risk.

Price Risk

Price risk arises from the possibility that changes in the price of the Company's investments will result in changes in carrying values. As at September 30, 2009, investments in securities owned and securities sold short managed by the Company, amounted to $5,341 or 7.2% of total assets and $366 or 0.5% of total liabilities and shareholders' equity, respectively. If the fair values of securities owned increased by 5%, with all other variables held constant, this would have increased net income before taxes by approximately $214; conversely, if the value of securities owned decreased by 5%, this would have decreased net income by the same amount. If the fair values of securities sold short increased by 5%, with all other variables held, this would have decreased net income before taxes by approximately $15; conversely, if the value of securities sold short decreased by 5%, this would have increased net income by the same amount.

In practice, the actual results may differ from this sensitivity analysis and the difference may be expected to be material.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company does not hedge its exposure to interest rate risk as such risk is minimal.

Foreign Exchange Risk

Foreign exchange risk arises from the possibility that changes in the price of foreign currencies will result in changes in carrying value. The Company holds assets denominated in currencies other than the Canadian dollar. It is therefore exposed to foreign exchange risk, as the value of investments denominated in other currencies will fluctuate due to changes in foreign exchange rates. The Company does not enter into currency hedging transactions. As at September 30, 2009, investments in securities owned and securities sold short managed by the Company that were denominated in U.S. dollars, amounted to $1,750 and $366, respectively. Furthermore, a total of $1,920 of cash and $96 of accounts receivable were denominated in U.S. dollars. As at September 30, 2009, had the foreign exchange rate between the U.S. dollar and the Canadian dollar increased or decreased by 5%, with all other variables held constant, the increase or decrease, respectively, in net income before taxes would have amounted to approximately $136.

In practice, the actual results may differ from this sensitivity analysis and the difference may be expected to be material.

Credit Risk
Credit risk arises from the potential that counterparties will fail to satisfy their obligations as they come due. The Company incurs credit risk when entering into, settling and financing various investment transactions. Credit risk arises from the potential that counterparties fail to satisfy their obligations. The Company's exposure to credit risk is minimal. Credit risk is managed by dealing with counterparties the Company believes to be creditworthy by actively monitoring credit exposure and the financial health of the counterparties. The majority of accounts receivable relates to base management fees and performance fees receivable from the pooled funds and managed accounts managed by the Company, which are current.

Liquidity Risk
Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. The Company's exposure to liquidity risk is minimal as it maintains sufficient levels of liquid assets to meet its obligations as they come due. The current assets reflected in the consolidated balance sheets are highly liquid. The majority of investments held by the Company are readily marketable and are recorded at their fair value. Financial liabilities, including accounts payable, dividends payable and accrued liabilities and salaries and benefits and accrued bonuses, are short-term in nature and are generally due within several months. The Company's management is responsible for reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they come due, as well as ensuring adequate funds exist to support business strategies and operations growth. The Company manages liquidity risk by monitoring cash balances on a daily basis.

13. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board has now confirmed that the use of IFRS will be required commencing in 2011 for publicly accountable, profit-oriented enterprises. IFRS will replace current Canadian GAAP followed by the Company. The Company will be required to begin reporting under IFRS for its fiscal year ended June 30, 2012 and will be required to provide information that conforms with IFRS for the comparative years presented. The Company has developed a change-over plan to meet the timetable published by the CICA. In accordance with the change over plan the Company completed a diagnostic review and is currently assessing the results of this review in order to develop a plan.

14. SUBSEQUENT EVENT

During the second quarter of fiscal 2010, the Company finalized an agreement with its Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, that govern the terms of their arrangements with the Company following their departures from their current roles. Under this agreement both Messrs. Gluskin and Sheff will continue to be employed by the Company thereafter for a period of up to five years. The agreement provides for a lump sum retirement payment to each of $1.5 million at the end of their respective 5 year transition periods or on their respective deaths, and fixed annual payments to each of $250,000 plus certain employment benefits commencing at the end of their respective transition periods for the balance of their natural lives. The future lump sum retirement payments, the annual retirement allowances and the continuation of benefits will be immediately recognized as an expense in the second quarter of 2010. The company estimates that the net expense after tax impact will be $6.1 million or $0.21 per share.

15. AUDITORS

The interim financial statements have been prepared by Management and have not been reviewed by the Company's independent auditors.

Board of Directors

DONALD CARTY
Compensation, Nominating and Governance Committee

JEREMY FREEDMAN
Deputy Chief Executive Officer
Gluskin Sheff

IRA GLUSKIN
President and Chief Investment Officer
Gluskin Sheff

WILFRED GOBERT
Audit Committee

GERALD SHEFF
Chairman and Chief Executive Officer
Gluskin Sheff

HERBERT SOLWAY
Chairman of the Compensation, Nominating and Governance Committee

PIERRE-ANDRE THEMENS
Audit Committee

PAMELA D. WALLIN
Compensation, Nominating and Governance Committee

ROBERT S. WEISS
Chairman of the Audit Committee

Officers

GERALD SHEFF
Chairman and Chief Executive Officer

IRA GLUSKIN
President and Chief Investment Officer

JEREMY FREEDMAN
Deputy Chief Executive Officer

WILLIAM WEBB
Deputy Chief Investment Officer

VALERIE BARKER
Chief Financial Officer and Secretary

BRIAN GINSLER
Chief Operating Officer

DAVID ROSENBERG
Chief Economist and Strategist

JAMES SIMMONDS
Chief Compliance Officer

SILVIA CHEUNG
Vice-President, Investment Accounting

BRAD DUNKLEY
Vice-President and Portfolio Manager

KAI LAM
Vice-President and Portfolio Manager

BRUCE LEBOFF
Vice-President, Risk Management

JEANNINE LICHONG
Vice-President and Portfolio Manager

RON LLOYD
Vice-President, Business Development

JAMES MEADOWS
Controller

JEFF MOODY
Vice-President, Risk Management

DEAN SMITH
Vice-President and Associate Portfolio Manager

TIM STINSON
Vice-President, Risk Management

MARK WISNIEWSKI
Vice-President and Associate Portfolio Manager

Gluskin Sheff + Associates Inc.
Brookfield Place, 181 Bay Street, Suite 4600
Toronto, Canada M5J 2T3
TELEPHONE 416.681.6000
TOLL FREE 1.866.681.6001
FAX 416.681.6060
www.gluskinsheff.com