Gluskin Sheff

Second Quarter Results | 2010

three months ended December 31, 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 second quarter of Fiscal 2010 reflect the continued momentum we have experienced since the beginning of the 2009 calendar year. Quarter-over-quarter, total AUM increased by approximately $0.4 billion to approximately $5.35 billion as at December 2009. Approximately 40% of the increase was attributable to net additions and 60% to net investment performance. Average AUM for the quarter was approximately $5.2 billion as compared to approximately $4.7 billion for the quarter ended September 30, 2009, an increase of approximately $500 million. Accordingly, Base Management Fees for the quarter ended December 31, 2009 increased $1.2 million to $18.8 million from $17.6 million for the quarter ended September 30, 2009.

Base EBITDA (which excludes Performance Fees, Performance fee related bonuses, a sub-advisory fee that relates to performance fees, post-retirement obligations and non-cash expenses) for the quarter ended December 31, 2009, increased $0.2 million to $9.7 million from $9.5 million for the quarter ended September 30, 2009. Net Income was $21.6 million or $0.74 per common share for the three months ended December 31, 2009.

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 January 19, 2010 we announced that Patrick Keeley joined the Firm as Vice-President, Risk Management. Patrick brings to Gluskin Sheff more than 20 years of experience in the financial services industry both in Canada and the U.S. Patrick was most recently Co-President of RBC Phillips Hager & North Investment Counsel Inc., and prior to joining RBC, Patrick held senior positions at Bank of Montreal and Charles Schwab Canada. In 2006, he was named one of Canada's Top 40 Under 40. We are pleased to welcome Patrick to our expanding team of risk management professionals. Patrick's experience and expertise will further strengthen our ability to provide the highest level of service to our clients.

The Company also announced that Brad Dunkley, a Vice-President and one of the portfolio managers in its alternative investment space, left the Firm at the end of January to pursue other interests. Brad worked closely with Bill Webb, the Firm's Chief Investment Officer, and other members of our investment team to ensure a smooth transition. I'd like to thank Brad on behalf of the Firm for his contributions over the years and wish him well in his future endeavours.

Our team remains deep in talent and experience, and just as we have added David Rosenberg, Mark Wisniewski, Dean Smith, David Vankka and, most recently, Patrick Keeley to our senior ranks over the past year, we will continue to seek out and invest in the best talent in order to better serve our clients.

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
Co-Founder, Chairman & Chief Executive Officer
February 4, 2010

Management's Discussion and Analysis

This interim Management's Discussion and Analysis ("MD&A") for the three months ended December 31, 2009 is provided as of February 4, 2010. 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 December 31, 2009, the Audited Financial Statements for the years ending June 30, 2009 and 2008 and the related MD&A. 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 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 excluding Performance Fees, Performance Fee related bonuses, sub-advisory fees that relate to Performance Fees, post-retirement obligations 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 plus Performance Fees, Performance Fee related bonuses and sub-advisory fees related to Performance Fees.

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 sub-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.

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.

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, sub-advisory fees, office supplies and related overhead expenses), occupancy, and amortization of property and equipment.

SUMMARY OF THE THREE MONTHS AND SIX MONTHS ENDED DECEMBER 31, 2009

The highlights for the three months ended December 31, 2009 were:

- AUM increased by approximately $0.4 billion to approximately $5.35 billion at December 31, 2009 or 7% from September 30, 2009. Net Additions for the three months ended December 31, 2009 were $144 million and investment performance resulted in AUM increasing by $225 million.
- Base Management Fees for the three months ended December 31, 2009 increased year-over-year by $4.2 million or 28% to $18.8 million from $14.6 million.
- Performance Fees (before amounts due to sub-advisors) of approximately $44.2 million were earned on approximately $2.5 billion of AUM with a year end of December 31, 2009 versus Performance Fees of approximately $3.1 million earned on AUM of approximately $1.8 billion with a year end of December 31, 2008.
- Base EBITDA for the three months ended December 31, 2009 increased year-over-year by $2.8 million or 41% to $9.7 million from $6.9 million.
- Net income for the three months ended December 31, 2009 was $21.6 million, and represented earnings per share, basic and diluted, of $0.74 and $0.73, respectively. Net income for the three months ended December 31, 2008 was $5.1 million, and represented earnings per share, basic and diluted, of $0.18.

The highlights for the six months ended December 31, 2009 were:

- AUM increased by approximately $0.9 billion to approximately $5.35 billion at December 31, 2009 or 20% from June 30, 2009. Net Additions for the six months ended December 31, 2009 were $332 million and investment performance resulted in AUM increasing by $557 million.
- Base Management Fees for the six months ended December 31, 2009 increased year-over-year by $2.6 million or 8% to $36.3 million from $33.7 million.
- Performance Fees (before amounts due to sub-advisors) of approximately $45.2 million were earned on approximately $2.5 billion of AUM with a year end of December 31, 2009 versus Performance Fees of approximately $3.2 million earned on AUM of approximately $1.8 billion with a year end of December 31, 2008.
- Base EBITDA for the six months ended December 31, 2009 increased year-over-year by $2.1 million or 12% to $19.2 million from $17.1 million.
- Net income for the six months ended December 31, 2009 was $27.4 million, and represented earnings per share, basic and diluted, of $0.94 and $0.93, respectively. Net income for the six months ended December 31, 2008 was $11.3 million, and represented earnings per share, basic and diluted, of $0.39.

MARKET OUTLOOK AND BUSINESS ENVIRONMENT

North American equity markets continued to grind higher during the last quarter of 2009: the S&P/TSX Total Return Index and the S&P 500 Total Return Index (CAD) each gained roughly 4% over the quarter. Over the year, however, the Canadian equity market significantly outperformed the broad U.S. equity market, particularly on a currency adjusted basis, as the Canadian dollar appreciated around 16% during 2009. For the full year, the S&P/TSX gained 35.1%, while the S&P 500 gained 26.5% in U.S. dollars and 9.1% in Canadian dollars. We believe that the dominant focus in 2010 will be on capital preservation, income orientation and a consistent focus on reliable dividend growth and yield. The range of outcomes in the financial markets and the economy remains extremely wide. We believe there is a need to remain defensive, to minimize volatility and downside risks, and to focus on where the secular fundamentals are positive, such as in fixed-income and equity sectors that lever off the commodity sector.

In keeping with our cautious stance on equities, we are advocating relatively defensive asset mixes across asset classes for our clients. Within many of our equity portfolios, we hold cash balances that are at or above our historic averages. Our portfolios retain significant exposure to commodity-oriented companies, as we feel that the secular bull market in commodities will continue for a number of years. We also remain focused on current income and continue to own many equities and income trusts with attractive dividend and distribution yields, and continue to see good opportunities in credit markets.

GLUSKIN SHEFF + ASSOCIATES INC.
SUMMARY FINANCIAL INFORMATION[2]

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

	3 MONTHS ENDED DEC 31, 2009	3 MONTHS ENDED DEC 31, 2008	6 MONTHS ENDED DEC 31, 2009	6 MONTHS ENDED DEC 31, 2008	12 MONTHS ENDED JUNE 30, 2009
ASSETS UNDER MANAGEMENT					
Assets Under Management ($ in millions)	$ 5,350	$ 3,672	$ 5,350	$ 3,672	$ 4,461
BALANCE SHEET INFORMATION					
Total assets	$116,078	$66,209	$ 116,078	$66,209	$ 75,102
INCOME STATEMENT INFORMATION					
Revenue					
Base management fees	$ 18,777	$ 14,629	$ 36,335	$ 33,731	$ 63,821
Performance fees	44,234	3,147	45,246	3,189	5,722
Investment and other income (loss)	268	(143)	314	(1,115)	(513)
	63,279	17,633	81,895	35,805	69,030
Operating expenses	(19,784)	(6,536)	(26,684)	(12,619)	(24,801)
Provision for bonus pool	(10,661)	(2,353)	(13,180)	(4,937)	(9,496)
EBITDA	32,834	8,744	42,031	18,249	34,733
Amortization	(211)	(168)	(413)	(336)	(983)
Provision for income taxes	(11,043)	(3,434)	(14,256)	(6,567)	(12,513)
Net income	$ 21,580	$ 5,142	$ 27,362	$ 11,346	$ 21,237
Basic earnings per share	$ 0.74	$ 0.18	$ 0.94	$ 0.39	$ 0.73
Diluted earnings per share	$ 0.73	$ 0.18	$ 0.93	$ 0.39	$ 0.73
SELECTED ADJUSTED FINANCIAL INFORMATION					
EBITDA	$ 32,834	$ 8,744	$ 42,031	$ 18,249	$ 34,733
Provision for bonus pool	10,661	2,353	13,180	4,937	9,496
Sub-advisory fees on performance fees	3,271	10	3,686	11	126
Post-retirement obligations	8,572	—	8,572	—	—
Non-cash expenses[1]	1,035	623	1,866	1,404	3,098
EBITDA before compensation adjustment	56,373	11,730	69,335	24,601	47,453
Provision for base bonus pool	(2,468)	(1,723)	(4,868)	(4,299)	(8,377)
Performance fees	(44,234)	(3,147)	(45,246)	(3,189)	(5,722)
Base EBITDA	9,671	6,860	19,221	17,113	33,354
Performance fees	44,234	3,147	45,246	3,189	5,722
Sub-advisory fees on performance fees	(3,271)	(10)	(3,686)	(11)	(126)
Provision for performance fee related bonus pool	(8,193)	(630)	(8,312)	(638)	(1,119)
Adjusted EBITDA	$ 42,441	$ 9,367	$ 52,469	$ 19,653	$ 37,831

1. Non-cash expenses include stock options and share grants issued.
2. Certain of the comparative figures have been reclassified to conform with presentation adopted in the current period.

RESULTS OF OPERATIONS

Overall Performance

Total revenues for the three months ended December 31, 2009 increased year-over-year by $45.7 million or 259% to $63.3 million from $17.6 million.

Base Management Fees increased by $4.2 million or 28% to $18.8 million from $14.6 million as a result of higher average monthly AUM over the respective periods.

Investment and other income increased year-over-year by approximately $0.4 million to $0.3 million from a loss of $0.1 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 December 31, 2009 increased year-over-year by $21.6 million or 238% to $30.7 million from $9.1 million. The increase in operating expenses was primarily due to an increase in salaries and benefits of $17.4 million and general and administrative of $4.0 million. The increase in salaries and benefits was primarily attributable to the expense related to post-retirement obligations of $8.6 million, an increase in the provision for bonus pool of $8.3 million and an increase in stock compensation expense. The increase in general and administrative of $4.0 million resulted from increased sub-advisory fees on Performance Fees of $3.3 million, and consulting expenses.

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

Assets Under Management

Total AUM for the three months ended December 31, 2009 increased by approximately $0.4 billion or 7% to approximately $5.35 billion as at December 31, 2009, from $5.0 billion as at September 30, 2009. The increase is attributable to Net Additions and investment performance. Average AUM for the three months ended December 31, 2009 was approximately $5.2 billion as compared to approximately $3.8 billion for the three months ended December 31, 2008, an increase of $1.4 billion or 35%.

($ in millions)	3 MONTHS ENDED DEC 31, 2009	3 MONTHS ENDED DEC 31, 2008
AUM – Beginning of period	**$4,981**	$4,443
Net additions (withdrawals)	**144**	(90)
Market value appreciation (decline)	**225**	(681)
AUM – End of period	**$5,350**	$3,672

Total AUM for the six months ended December 31, 2009 increased by approximately $0.9 billion or 20% to approximately $5.35 billion as at December 31, 2009, from $4.5 billion as of June 30, 2009. The increase is attributable to Net

Additions and investment performance. Average AUM for the six months ended December 31, 2009 was approximately $4.9 billion as compared to approximately $4.5 billion for the six months ended December 31, 2008, an increase of $0.4 billion or 11%.

($ in millions)	6 months ended Dec 31, 2009	6 months ended Dec 31, 2008
AUM – Beginning of period	**$4,461**	$ 5,597
Net additions (withdrawals)	**332**	(162)
Market value appreciation (decline)	**557**	(1,763)
AUM – End of period	**$5,350**	$ 3,672

Revenues

Total revenues for the three months ended December 31, 2009 increased year-over-year by $45.7 million or 259% to $63.3 million from $17.6 million. Total revenues for the six months ended December 31, 2009 increased year-over-year by $46.1 million or 129% to $81.9 million from $35.8 million.

Base Management Fees for the three months ended December 31, 2009 increased year-over-year by $4.2 million or 28% to $18.8 million from $14.6 million. Average AUM increased approximately $1.4 billion or 35% over the same period. Base Management Fees for the six months ended December 31, 2009 increased year-over-year by $2.6 million or 8% to $36.3 million from $33.7 million, as average AUM increased approximately $0.4 billion or 11% over the same period.

The Base Management Fee Percentage for the three months ended December 31, 2009 decreased year-over-year to 1.43% from 1.52%. The Base Management Fee Percentage for the six months ended December 31, 2009 decreased year-over-year to 1.44% from 1.50%.

Performance Fee revenue, before amounts due to sub-advisors, for the three months ended December 31, 2009 was approximately $44.2 million, which represents an increase of approximately $41.1 million year-over-year. Performance Fees earned in the three months ended December 31, 2009 relate to $2.5 billion of AUM that have a December 31 performance year end.

Investment and other income for the three months ended December 31, 2009 increased year-over-year by $0.4 million to $0.3 million from a loss of $0.1 million. Investment and other income for the six months ended December 31, 2009 increased year-over-year by $1.4 million to $0.3 million from a loss of $1.1 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 December 31, 2009 increased year-over-year by $21.6 million or 238% to $30.7 million from $9.1 million. Total

operating expenses for the six months ended December 31, 2009 increased year-over-year by $22.4 million or 125% to $40.3 million from $17.9 million.

Salaries and benefits for the three months ended December 31, 2009 increased year-over-year by $17.4 million or 334% to $22.6 million from $5.2 million. Salaries and benefits for the six months ended December 31, 2009 increased year-over-year by $17.5 million or 165% to $28.1 million from $10.6 million. The increases in salaries and benefits resulted from the expense related to the post-retirement obligations, an increase in the provision for bonus pool and an increase in stock compensation expense.

During the quarter the Company set up post-retirement obligations as described in Note 7 of the financial statements. The expense and related liability recognized in the current quarter was $8.6 million.

Provision for bonus pool for the three months ended December 31, 2009 increased year-over-year by $8.3 million or 353% to $10.7 million from $2.4 million. Provision for bonus pool for the six months ended December 31, 2009 increased year-over-year by $8.3 million or 167% to $13.2 million from $4.9 million. The increase in provision for bonus pool related to the increase in both Base Management Fees and Performance Fees earned.

Our stock option plan is described in Note 11 of our December 31, 2009 unaudited interim 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 December 31, 2009 increased year-over-year by approximately $0.4 million or 66% to $1.0 million from $0.6 million. For the six months ended December 31, 2009 stock based compensation increased year-over-year by approximately $0.5 million or 33% to $1.9 million from $1.4 million. The increases were the result of additional stock options issued.

Business development expenses for the three and six months ended December 31, 2009 remained constant year-over-year at approximately $0.7 million and $1.3 million, respectively.

General and administrative expenses for the three months ended December 31, 2009 increased year-over-year by approximately $4.0 million or 153% to $6.7 million from $2.7 million. General and administrative expenses for the six months ended December 31, 2009 increased year-over-year by approximately $4.8 million or 100% to $9.5 million from $4.7 million. The increase in expense was primarily due to increased sub-advisory fees on Performance Fees and consulting expenses. Sub-advisory fees on Performance Fees for the three months ended December 31, 2009 increased year over-year by approximately $3.3 million. Sub-advisory fees on Performance Fees for the six months ended December 31, 2009 increased year over-year by approximately $3.7 million.

Occupancy expenses for the three and six months ended December 31, 2009 remained constant year-over-year at approximately $0.5 million and $0.9 million, respectively.

EBITDA, Base EBITDA, Adjusted EBITDA and Net Income

For the three months ended December 31, 2009, EBITDA increased year-over-year by $24.1 million or 276% to $32.8 million from $8.7 million. For the six months ended December 31, 2009 EBITDA increased year-over-year by $23.8 million or 130% to $42.0 million from $18.2 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 Performance Fees, Performance Fee related bonuses, sub-advisory fees that relate to Performance Fees, post-retirement obligations and other non-cash expenses for the three months ended December 31, 2009 increased year-over-year by $2.8 million or 41% to $9.7 million from $6.9 million. Base EBITDA for the six months ended December 31, 2009 increased year-over-year by $2.1 million or 12% to $19.2 million from $17.1 million. The increase in Base EBITDA was attributable to an increase in Base Management Fees which was partially offset by an increase in operating expenses.

Adjusted EBITDA for the three months ended December 31, 2009 increased year-over-year by $33.0 million or 353% to $42.4 million from $9.4 million. Adjusted EBITDA for the six months ended December 31, 2009 increased year-over-year by $32.8 million or 167% to $52.5 million from $19.7 million. The increase in Adjusted EBITDA was primarily attributable to the increase in both Performance Fees and Base Management Fees.

Income before provision for income taxes for the three months ended December 31, 2009 increased year-over-year by $24.0 million or 280% to $32.6 million from $8.6 million. Income before provision for income taxes for the six months ended December 31, 2009 increased year-over-year by $23.7 million or 132% to $41.6 million from $17.9 million.

Net income for the three months ended December 31, 2009 increased year-over-year by $16.5 million or 320% to $21.6 million from $5.1 million. Net income for the six months ended December 31, 2009 increased year-over-year by $16.1 million or 141% to $27.4 million from $11.3 million.

The Company's effective tax rate is approximately 34.3% (June 30, 2009 – 37.1%) 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 the post-retirement obligations and realized and unrealized losses on security holdings.

Accounts Receivable

The Company's accounts receivable as at December 31, 2009 and December 31, 2008 consisted primarily of amounts due to Base Management Fees and Performance Fees, 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 GAAP.

GLUSKIN SHEFF + ASSOCIATES INC.
SUMMARY FINANCIAL INFORMATION FOR THE LAST EIGHT QUARTERS[1]

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

	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	3 MONTHS ENDED DEC 31, 2009
ASSETS UNDER MANAGEMENT								
Assets Under Management ($ in millions)	$ 5,116	$ 5,597	$ 4,443	$ 3,672	$ 3,858	$ 4,461	$ 4,981	$ 5,350
INCOME STATEMENT INFORMATION								
Revenue								
Base management fees	$ 19,793	$20,882	$ 19,102	$14,629	$14,309	$ 15,781	$ 17,558	$ 18,777
Performance fees	—	6,680	42	3,147	11	2,522	1,012	44,234
Investment and other income (loss)	481	1,096	(972)	(143)	58	544	46	268
	$20,274	$28,658	$ 18,172	$17,633	$14,378	$18,847	$ 18,616	$63,279
Base EBITDA	11,735	13,857	10,253	6,860	7,397	8,844	9,550	9,671
Adjusted EBITDA	11,735	19,198	10,286	9,367	7,406	10,772	10,028	42,441
Net income	6,511	11,031	6,204	5,142	4,098	5,793	5,782	21,580
Basic earnings per share	$ 0.23	$ 0.38	$ 0.21	$ 0.18	$ 0.14	$ 0.20	$ 0.20	$ 0.74
Diluted earnings per share	$ 0.22	$ 0.38	$ 0.21	$ 0.18	$ 0.14	$ 0.20	$ 0.20	$ 0.73

1. Certain of the comparative figures have been reclassified to conform with presentation adopted in the current period.

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, reflect the trend in quarterly net income.

GLUSKIN SHEFF + ASSOCIATES INC.
SUMMARY OF PORTFOLIO AUM AND PERFORMANCE

For the period ended December 31, 2009
($ in millions)

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

	INCEPTION DATE	AUM $	1 YEAR %	3 YEAR %	5 YEAR %	10 YEAR %	SINCE INCEPTION %
Equity Investment Strategies[2]							
Growth	Jul/84	252	19.8%	-2.2%	5.4%	4.1%	11.5%
Value	Jan/91	503	44.3%	-6.5%	4.0%	15.4%	13.3%
U.S. Equity	Feb/86	13	4.0%	-3.6%	5.7%	1.3%	9.4%
Top 15	Jul/03	147	25.3%	-8.2%	3.2%	—	13.7%
RRSP	Jul/97	162	17.8%	-0.8%	6.1%	10.4%	11.2%
Premium Income	Jul/01	445	23.0%	5.1%	6.2%	—	15.0%
		1,522					
Alternative Investment Strategies[3]							
Multi-Strategy	Jan/09	579	10.5%	—	—	—	10.5%
Multi-Strategy Opportunities	Jan/09	407	16.1%	—	—	—	16.1%
Equity Long/Short[4]	Jul/04	47	24.9%	0.7%	7.5%	—	15.8%
Income Long/Short[4]	Jul/04	171	21.9%	8.8%	14.8%	—	20.0%
Other Long/Short funds	—	37					
		1,241					
Credit Alternative Investment Strategies							
Credit Arbitrage	Jan/09	874	21.0%	—	—	—	21.0%
Enhanced Credit Arbitrage	Dec/08	246	41.5%	—	—	—	30.4%
		1,120					
Fixed Income Investment Strategy							
Enhanced Bond	Dec/08	784	16.0%	—	—	—	15.0%
Institutional & Special Mandates[5]		683					
Assets Under Management		5,350					

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 and special mandates managed primarily in accordance with our Value model ($384 million), Premium Income model ($129 million), All-Canadian Growth model ($96 million), other institutional models ($43 million) and private client mandates managed primarily in accordance with a combination of our Value and Premium Income models ($31 million) (all numbers are approximate).*

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 December 31, 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 December 31, 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 December 31, 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.

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 fund new business initiatives and corporate development from its cash reserves. In the third quarter of Fiscal 2010, the Company will pay its regular dividend, which was declared on February 4, 2010, 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 December 31, 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 December 31, 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 GAAP. 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 11 of the Company's December 31, 2009 unaudited interim financial statements.

CHANGES IN ACCOUNTING POLICIES

As explained in Note 2 of the Company's December 31, 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.

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board 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 will continue to present its results for Fiscal 2011 using Canadian GAAP.

The Company commenced its IFRS Conversion Plan in 2009 and has established a formal project structure involving the audit committee, senior management and external advisors. Project progress reports have been provided to the Company's Audit Committee on a quarterly basis.

The Company's IFRS Conversion Plan consists of four phases

- **Component Diagnostic Phase** – a high level analysis of the major difference between Canadian GAAP and IFRS. The diagnostic indicated the areas that would most likely have significant impact on the Company.
- **Detailed Component Diagnostic Phase** – involved a deeper analysis of the differences that were identified in the Component Diagnostic.
- **Design Phase** – resulting in the design and development of detailed solutions to address differences identified during the Detailed Component Diagnostic Phase.
- **Implementation Phase** – Implementing all the required changes necessary for IFRS.

The Company has completed the Component Diagnostic and is in advanced stages of the Detailed Component Diagnostic.

Several IFRS standards are in the process of being amended by the International Accounting Standards Board ("IASB"). Amendments to existing standards are expected to continue until the transition date. The Company monitors the IASB's activities on an ongoing basis, giving consideration to any proposed changes, where applicable, in its assessment of differences between IFRS and Canadian GAAP. The areas that would most likely have an impact on the Company, based on existing IFRS as at December 31, 2009 are consolidation, property and equipment, employee stock options, income taxes and initial adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of International Accounting Reporting Standards ("IFRS 1"). Management is currently assessing the potential impact of these areas on the Company.

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 December 31, 2009 unaudited interim financial statements, financial instruments are subject to a number of specific risks. The Company's financial instruments include cash and short-term investments, accounts receivable, securities owned, accounts payable and accrued liabilities, dividends payable, securities sold short, and accrued bonuses whose carrying values approximate the relevant fair values due to their short-term nature. Included in

cash and short-term investments 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. 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 relatively very minimal, and the Company has sufficient cash and short-term investments 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 December 31, 2009. For further information, refer to Note 5 of the Company's December 31, 2009 unaudited interim financial statements.

SHARE CAPITAL

As at February 4, 2010, there has been no change to the capital structure of the Company from that disclosed in the unaudited interim financial statements dated December 31, 2009. The number of outstanding Subordinate Voting Shares has increased due to the conversion of Multiple Voting Shares and exercise of stock options. 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 2,440,000 of which 560,000 stock options are currently exercisable.

Subsequent to December 31, 2009, a Multiple Voting Shareholder converted 1,425,000 Multiple Voting Shares to Subordinate Voting Shares.

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 DECEMBER 31, 2009 (UNAUDITED)	AS AT JUNE 30, 2009 (AUDITED)
ASSETS		
Current assets		
Cash and short-term investments	$ 97,698	$ 53,857
Accounts receivable (note 5)	6,914	8,761
Securities owned at fair value (note 4)	6,212	4,218
Income taxes recoverable (note 9)	—	4,548
Future income taxes (note 9)	1,727	—
Prepaid expenses and other assets	299	551
	112,850	71,935
Property and equipment	3,228	3,167
Total assets	$116,078	$ 75,102
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	$ 7,074	$ 1,857
Income taxes payable (note 9)	4,900	—
Securities sold short at fair value (note 4)	429	342
Future income taxes (note 9)	—	427
Accrued bonuses	13,280	9,818
	25,683	12,444
Post-retirement obligations (note 7)	8,572	—
	34,255	12,444
SHAREHOLDERS' EQUITY		
Share capital (note 8)	7,879	7,423
Contributed surplus (note 8)	6,683	5,257
Retained earnings	67,261	49,978
	81,823	62,658
Total liabilities and shareholders' equity	$116,078	$ 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 DEC 31, 2009	3 MONTHS ENDED DEC 31, 2008	6 MONTHS ENDED DEC 31, 2009	6 MONTHS ENDED DEC 31, 2008
REVENUE				
Base management fees (note 5)	$ 18,777	$ 14,629	$ 36,335	$ 33,731
Performance fees (note 5)	44,234	3,147	45,246	3,189
Investment and other income (loss) (note 4)	268	(143)	314	(1,115)
	63,279	17,633	81,895	35,805
EXPENSES				
Salaries and benefits (notes 5, 7, 10 and 11)	22,626	5,210	28,143	10,631
Business development	669	595	1,329	1,294
General and administrative (note 12)	6,678	2,637	9,475	4,726
Occupancy	472	447	917	905
Amortization of property and equipment	211	168	413	336
	30,656	9,057	40,277	17,892
Income Before Provision for Income Taxes	$ 32,623	$ 8,576	$ 41,618	$ 17,913
Provision for (recovery of) income taxes (note 9)				
Current income taxes	13,241	3,528	16,410	6,927
Future income taxes	(2,198)	(94)	(2,154)	(360)
	11,043	3,434	14,256	6,567
Net income and comprehensive income for the period	21,580	5,142	27,362	11,346
Retained earnings – Beginning of period	49,336	45,458	49,978	50,643
	70,916	50,600	77,340	61,989
Dividends	(3,655)	(3,504)	(10,079)	(14,893)
Retained earnings – End of period	$ 67,261	$ 47,096	$ 67,261	$ 47,096
Basic earnings per share (note 13)	$ 0.74	$ 0.18	$ 0.94	$ 0.39
Diluted earnings per share (note 13)	$ 0.73	$ 0.18	$ 0.93	$ 0.39

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

CASH PROVIDED BY (USED IN)	3 MONTHS ENDED DEC 31, 2009	3 MONTHS ENDED DEC 31, 2008	6 MONTHS ENDED DEC 31, 2009	6 MONTHS ENDED DEC 31, 2008
OPERATING ACTIVITIES				
Net Income for the Period	$ 21,580	$ 5,142	$ 27,362	$ 11,346
Adjustments for				
Amortization of property and equipment	211	168	413	336
Net investment (gains) losses	(267)	483	(432)	1,988
Post-retirement obligations	8,572	—	8,572	—
Future income taxes	(2,198)	(94)	(2,154)	(360)
Stock based compensation	1,035	623	1,866	1,404
	28,933	6,322	35,627	14,714
Changes in non-cash working capital items				
Accounts receivable	1,917	4,296	1,847	13,769
Income taxes recoverable	4,950	(5)	4,548	(3,279)
Income taxes payable	4,900	—	4,900	—
Prepaid expenses and other assets	188	37	252	5
Accounts payable and accrued liabilities	5,715	(1,450)	5,217	(979)
Accrued bonuses	10,662	2,353	3,462	(11,592)
	57,265	**11,553**	**55,853**	**12,638**
INVESTING ACTIVITIES				
Sales (purchases) of securities sold short	61	(7)	61	(194)
(Purchases) sales of securities owned	(602)	162	(1,536)	622
Purchases of property and equipment	(239)	(267)	(474)	(758)
	(780)	**(112)**	**(1,949)**	**(330)**
FINANCING ACTIVITIES				
Dividends paid	(10,079)	(14,893)	(10,079)	(14,893)
Exercise of stock options	16	—	16	—
	(10,063)	**(14,893)**	**(10,063)**	**(14,893)**
Increase (decrease) in cash during the period	46,422	(3,452)	43,841	(2,585)
Cash – Beginning of period	51,276	55,080	53,857	54,213
Cash and short-term investments – End of period	**$ 97,698**	**$ 51,628**	**$ 97,698**	**$ 51,628**
CASH AND SHORT-TERM INVESTMENTS COMPRISES				
Cash	$ 92,735	$ 51,628	$ 92,735	$ 51,628
Short-term investments	4,963	—	4,963	—
	$ 97,698	**$ 51,628**	**$ 97,698**	**$ 51,628**
SUPPLEMENTARY INFORMATION				
Interest paid during the period	—	—	—	—
Income taxes paid during the period	3,500	3,662	7,000	10,336

Notes to Unaudited Interim Financial Statements

December 31, 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 and six months ended December 31, 2009 and December 31, 2008 with the Balance Sheets being as at December 31, 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 short-term investments, accounts receivable, accounts payable and accrued liabilities, dividends payable, 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 ended December 31, 2009 are $267 (December 31, 2008 – loss of $483) and for the six months ended December 31, 2009 are $432 (December 31, 2008 – loss of $1,988).

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

	3 months ended Dec 31, 2009	3 months ended Dec 31, 2008	6 months ended Dec 31, 2009	6 months ended Dec 31, 2008
Realized gain (loss) on securities owned and securities sold short	**$ 1**	$(676)	**$ 13**	$ (728)
Unrealized gain (loss) on securities owned and securities sold short	**266**	193	**419**	(1,260)
Interest and other income (loss)	**1**	340	**(118)**	873
	$268	$ (143)	**$ 314**	$ (1,115)

5. RELATED PARTY TRANSACTIONS

Included in the Company's total revenue for the three months ended December 31, 2009 are base management fees of $14,573 (December 31, 2008 – $9,643) and for the six months ended December 31, 2009 of $28,006 (December 31, 2008 – $21,067) 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. Included in the Company's salaries and benefits expense for the three months ended December 31, 2009 is a reimbursement of certain administrative expenses by the Company's pooled funds of $845 (December 31, 2008 – $494) and for the six months ended December 31, 2009 of $1,628 (December 31, 2008 – $1,059). All related party transactions are recorded at the exchange amount. Included in the Company's accounts receivable as at December 31, 2009 is $4,809 (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 December 31, 2009.

7. POST-RETIREMENT OBLIGATIONS

During the second quarter of Fiscal 2010, the Company reached an agreement with its Co-Founders, Messrs. Ira Gluskin and Gerald Sheff, that governs the terms of their arrangements with the Company following their departures from their current roles. Under this agreement, Messrs. Gluskin and Sheff will continue to be employed by the Company 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 being no later than January 1, 2015 for Mr. Gluskin and November 4, 2015 for Mr. Sheff, or on their death, and fixed annual payments to each of $250 plus certain employment benefits commencing at the end of their respective transition periods for the balance of their natural lives. Such compensation has been established at levels commensurate with the tenure and seniority of the Co-Founders and has been reviewed by the Company's Compensation, Nominating and Governance Committee and the Board's independent directors.

The post-retirement obligations to be provided to the Co-Founders represents in substance a defined benefit plan, for which the Co-Founders are immediately fully vested. Accordingly, the entire cost of these benefits has been recognized as an expense in the second quarter of Fiscal 2010. The Company expects to fund the

future retirement benefits to the Co-Founders out of operating cash flow as amounts become due and therefore has no current plans to pre-fund these benefits. The Co-Founders will not be required to contribute to the retirement plan.

The expense and related liability recognized in this quarter is $8,572 using a discount rate of 4.5% and an annual inflation assumption of 2.0% in respect of certain non fixed-rate benefits included in the transition agreement. This amount is included in salaries and benefits. Any future changes in estimates will result in amendments to the liability of the plan in the period in which the changes occur.

On January 15, 2010 the Company received an irrevocable letter of credit for $3 million with a Schedule I bank in support of its obligations under the retirement agreement.

Sensitivity Analysis

The following table presents the sensitivity analysis of certain assumptions on the post-retirement obligations and expense.

	CHANGE IN OBLIGATIONS AND EXPENSE
Impact of 1.0% change in the discount rate	$925
Impact of 1.0% change in consumer price index	$319

8. 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 December 31, 2009, there were 12,649,149 SVS and 16,588,000 MVS (December 31, 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.

Share Capital	3 months ended				6 months ended			
	Dec 31, 2009		Dec 31, 2008		Dec 31, 2009		Dec 31, 2008	
	Number of Shares (000s)	Stated Value	Number of Shares (000s)	Stated Value	Number of Shares (000s)	Stated Value	Number of Shares (000s)	Stated Value
Beginning of period								
Multiple Voting Shares	18,263		19,313		18,263		19,313	
Subordinate Voting Shares	10,939		9,889		10,939		9,889	
	29,202	$7,423	29,202	$4,967	29,202	$7,423	29,202	$4,967
Activity during the period								
Convert from Multiple Voting Shares	(1,675)		—		(1,675)		—	
Exercise of Stock Options	35	456	—		35	456	—	
Convert to Subordinate Voting Shares	1,675		—		1,675		—	
	35	$ 456	—	—	35	$ 456	—	—
End of the period								
Multiple Voting Shares	16,588		19,313		16,588		19,313	
Subordinate Voting Shares	12,649		9,889		12,649		9,889	
	29,237	$7,879	29,202	$4,967	29,237	$7,879	29,202	$4,967

Contributed Surplus	3 months ended Dec 31, 2009	3 months ended Dec 31, 2008	6 months ended Dec 31, 2009	6 months ended Dec 31, 2008
Balance – Beginning of period	$6,088	$ 5,431	$ 5,257	$4,650
Deferred share units	63	62	117	122
Amortization of stock options	972	359	1,749	878
Amortization of employee trust	—	202	—	404
Exercise of stock options	(440)	—	(440)	—
Balance – End of period	$6,683	$6,054	$6,683	$6,054

9. INCOME TAXES

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

	3 MONTHS ENDED DEC 31, 2009	3 MONTHS ENDED DEC 31, 2008
Income Taxes at statutory rate, 32.0% (2009 – 33.3%)	$10,394	$2,828
Increase (decrease) in income taxes resulting from		
Stock based compensation	327	205
Realized and unrealized capital (gain) loss on securities owned	(35)	1,015
Prior year's over provision	(157)	(267)
Other non-deductible items and changes in future tax rates	514	(347)
Income tax provision as reported, 33.9% (2009 – 40.0%)	$ 11,043	$3,434

	6 MONTHS ENDED DEC 31, 2009	6 MONTHS ENDED DEC 31, 2008
Income Taxes at statutory rate, 32.0% (2009 – 33.3%)	$ 13,317	$5,956
Increase (decrease) in income taxes resulting from		
Stock based compensation	597	467
Realized and unrealized capital (gain) loss on securities owned	(64)	748
Prior year's over provision	(157)	(267)
Other non-deductible items and changes in future tax rates	563	(337)
Income tax provision as reported, 34.3% (2009 – 38.7%)	$14,256	$6,567

The future income tax asset (liability) relates to the following:

	DEC 31, 2009	JUN 30, 2009
Unrealized investment income on securities owned and securities sold short	$ 58	$ 28
Property and equipment	(474)	(455)
Post-retirement obligations	2,143	—
Future income taxes	$1,727	$(427)

As at December 31, 2009, the Company has approximately $1,584 (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.

10. SALARIES AND BENEFITS

The Company accrues for bonuses to its employees.

Included in salaries and benefits expense for the three months ended December 31, 2009 are accrued bonuses of $10,661 (December 31, 2008 – $2,353) and for the six months ended December 31, 2009 of $13,180 (December 31, 2008 – $4,937).

11. 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 ended December 31, 2009 was $nil (December 31, 2008 – $202) and for the six months ended December 31, 2009 was $nil (December 31, 2008 – $404).

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 ended December 31, 2009 was $63 (December 31, 2008 – $62) and for the six months ended December 31, 2009 was $117 (December 31, 2008 – $122).

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 ended December 31, 2009, the Company issued 90,000 stock options to participants. The weighted-average fair value of the options granted during the three months ended December 31, 2009 was $7.96. The weighted-average fair value of the options granted has been estimated, using a Lattice option pricing model, based upon the following weighted-average assumptions: (i) risk-free rate of return of 3.08%; (ii) period until exercise of five years; (iii) expected share price volatility of 43.52%; (iv) expected dividend yield of 2.39%; 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 ended December 31, 2009 was $972 (December 31, 2008 – $359) and for the six months ended December 31, 2009 was $1,749 (December 31, 2008 – $878) using the graded vesting 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		6 months ended	
Employee trust	Dec 31, 2009 (000s)	Dec 31, 2008 (000s)	Dec 31, 2009 (000s)	Dec 31, 2008 (000s)
Balance – Beginning of period	—	131	—	131
Issued	—	—	—	—
Balance – End of period	—	131	—	131

	3 months ended		6 months ended	
Deferred share units	Dec 31, 2009 (000s)	Dec 31, 2008 (000s)	Dec 31, 2009 (000s)	Dec 31, 2008 (000s)
Balance – Beginning of period	**23**	9	**20**	5
Issued	**3**	6	**6**	10
Balance – End of period	**26**	15	**26**	15

	3 months ended				6 months ended			
	Dec 31, 2009		Dec 31, 2008		Dec 31, 2009		Dec 31, 2008	
Stock options	Options (000s)	Weighted average exercise price	Options (000s)	Weighted average exercise price	Options (000s)	Weighted average exercise price	Options (000s)	Weighted average exercise price
Balance – Beginning of period	**2,492**	**$18.09**	1,637	$17.75	**1,847**	**$ 17.23**	1,127	$18.73
Options granted	**90**	**20.93**	—	—	**735**	**20.60**	510	15.59
Options exercised	**(122)**	**15.52**	—	—	**(122)**	**15.52**	—	—
Options forfeited	**(20)**	**15.59**	—	—	**(20)**	**15.59**	—	—
Balance – End of period	**2,440**	**$ 18.34**	1,637	$17.75	**2,440**	**$ 18.34**	1,637	$17.75

	December 31, 2009				
	Options Outstanding			Options Exercisable	
Range of exercise prices	Number outstanding (000s)	Weighted average remaining contractual years	Weighted average exercise price	Number exercisable (000s)	Weighted average exercise price
$10.00 – $17.99	1,440	4.90	$ 15.32	454	$ 15.53
$18.00 – $25.99	735	7.14	20.60	—	—
$26.00 – $33.99	265	4.76	28.50	106	28.50
	2,440	5.56	$ 18.34	560	$ 17.55

	June 30, 2009				
	Options Outstanding			Options Exercisable	
Range of exercise prices	Number outstanding (000s)	Weighted average remaining contractual years	Weighted average exercise price	Number exercisable (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

12. GENERAL AND ADMINISTRATIVE

Included in the Company's general and administrative expense for the three months ended December 31, 2009 are sub-advisory fees of $3,684 (December 31, 2008 – $774) and the six months ended December 31, 2009 of $4,649 (December 31, 2008 – $1,504).

13. 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 average number of shares outstanding during the period 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.

14. RISK MANAGEMENT

The Company's financial instruments include cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, dividends payable, 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 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.

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 December 31, 2009, investments in securities owned and securities sold short managed by the Company, amounted to $6,212 or 5.4% of total assets and $429 or 0.4% 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 provision for income taxes by approximately $249; 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 provision for income taxes by approximately $17; 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. As at December 31, 2009, the Company was subject to interest rate risk through some of its securities owned and short-term investments amounting to $7,240. As at December 31, 2009, had the market interest rate changed by 1%, with all other variables held constant, the increase or decrease, respectively, in net income before provision for income taxes would have amounted to approximately $102.

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 December 31, 2009, investments in securities owned and securities sold short managed by the Company that were denominated in U.S. dollars, amounted to $1,987 and $429, respectively. Furthermore, a total of $(494) of cash and $125 of accounts receivable were denominated in U.S. dollars. As at December 31, 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 provision for income taxes would have amounted to approximately $39.

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.

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

PAUL BEESTON
Audit Committee

DONALD CARTY
Compensation, Nominating and Governance Committee

JEREMY FREEDMAN
Deputy Chief Executive Officer
Gluskin Sheff

IRA GLUSKIN
Co-Founder & Vice-Chairman
Gluskin Sheff

WILFRED GOBERT
Audit Committee

GERALD SHEFF
Co-Founder, Chairman & 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
Co-Founder, Chairman & Chief Executive Officer

IRA GLUSKIN
Co-Founder & Vice-Chairman

JEREMY FREEDMAN
Deputy Chief Executive Officer

WILLIAM WEBB
Executive Vice-President & Chief Investment Officer

VALERIE BARKER
Chief Financial Officer & Secretary

BRIAN GINSLER
Chief Operating Officer

DAVID ROSENBERG
Chief Economist & Strategist

JAMES SIMMONDS
Chief Compliance Officer

SILVIA CHEUNG
Vice-President, Investment Accounting

RENO GIANCOLA
Vice-President & Portfolio Manager

JEFF HALES
Vice-President & Portfolio Manager

PATRICK KEELEY
Vice-President, Risk Management

KAI LAM
Vice-President & Portfolio Manager

BRUCE LEBOFF
Vice-President, Risk Management

JEANNINE LICHONG
Vice-President & Portfolio Manager

JAMES MEADOWS
Controller

JEFF MOODY
Vice-President, Risk Management

SARAH NIXON-SUGGITT
Vice-President, Human Resources

DEAN SMITH
Vice-President & Associate Portfolio Manager

TIM STINSON
Vice-President, Risk Management

DAVID VANKKA
Vice-President, Risk Management

MARK WISNIEWSKI
Vice-President & Associate Portfolio Manager

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