

Third Quarter Results | 2010  
THREE MONTHS ENDED MARCH 31, 2010

“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 third quarter of fiscal 2010 reflect the continuing commitment to our shareholders to elevate our business and deliver strong absolute returns and highly personalized client service. Quarter-over-quarter, total AUM increased by approximately \$0.2 billion to approximately \$5.6 billion as at March 31, 2010. Approximately 38% of the increase was attributable to net additions whereas approximately 62% was attributable to net investment performance. Average AUM for the quarter was approximately \$5.4 billion as compared to approximately \$5.2 billion for the quarter ended December 31, 2009, an increase of approximately \$200 million. Accordingly, Base Management Fees for the quarter ended March 31, 2010 increased \$0.6 million to \$19.4 million from \$18.8 million for the quarter ended December 31, 2009.

Base EBITDA (which excludes Performance Fees, Performance fee related bonuses, sub-advisory fees that relate to performance fees, post-retirement obligations and non-cash expenses) for the quarter ended March 31, 2010, increased \$0.4 million to \$10.1 million from \$9.7 million for the quarter ended December 31, 2009. Net Income was \$5.2 million or \$0.18 per common share for the three months ended March 31, 2010.

The Company remains in a strong financial position and we plan to continue to use this to our advantage, to seek out new clients, to attract new talent, and to pursue other opportunities as they present themselves.

Change has been a constant for our industry over the past several years. The changes and enhancements we have made, and will continue to make, are all intended to achieve our primary objective: providing strong, risk-adjusted returns and outstanding service to our clients over the long term.



GERALD SHEFF

*Co-Founder, Chairman & Chief Executive Officer*  
May 6, 2010

# *Management's Discussion and Analysis*

This interim Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2010 is provided as of May 6, 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 March 31, 2010, the Audited Financial Statements for the years ended 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**

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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

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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 that relate 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**

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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, and in 2010 a significant charge for post-retirement obligations, 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 NINE MONTHS ENDED MARCH 31, 2010

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The highlights for the three months ended March 31, 2010 were:

- AUM increased by approximately \$0.2 billion to approximately \$5.6 billion at March 31, 2010 or 4% from December 31, 2009. Net Additions for the three months ended March 31, 2010 were \$87 million and investment performance resulted in AUM increasing by \$141 million.
- Base Management Fees for the three months ended March 31, 2010 increased year-over-year by \$5.1 million or 35% to \$19.4 million from \$14.3 million.
- Base EBITDA for the three months ended March 31, 2010 increased year-over-year by \$2.7 million or 36% to \$10.1 million from \$7.4 million.
- Net income for the three months ended March 31, 2010 was \$5.2 million, and represented earnings per share, basic and diluted, of \$0.18 and \$0.17, respectively. Net income for the three months ended March 31, 2009 was \$4.1 million, and represented earnings per share, basic and diluted, of \$0.14.

The highlights for the nine months ended March 31, 2010 were:

- AUM increased by approximately \$1.1 billion to approximately \$5.6 billion at March 31, 2010 or 25% from June 30, 2009. Net Additions for the nine months ended March 31, 2010 were \$419 million and investment performance resulted in AUM increasing by \$698 million.
- Base Management Fees for the nine months ended March 31, 2010 increased year-over-year by \$7.7 million or 16% to \$55.7 million from \$48.0 million.
- Base EBITDA for the nine months ended March 31, 2010 increased year-over-year by \$4.8 million or 19% to \$29.3 million from \$24.5 million.
- Net income for the nine months ended March 31, 2010 was \$32.6 million, and represented earnings per share, basic and diluted, of \$1.12 and \$1.10, respectively. Net income for the nine months ended March 31, 2009 was \$15.4 million, and represented earnings per share, basic and diluted, of \$0.53.

## MARKET OUTLOOK AND BUSINESS ENVIRONMENT

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North American equity markets continued to climb during the first quarter of 2010 with the S&P/TSX Total Return Index and the S&P 500 Total Return Index (CAD) rising 3.1% and 1.9%, respectively, over the quarter. The price of oil rose by approximately 3.3% and the price of copper rose by about 5.7% during the quarter while the Canadian dollar almost reached parity with the U.S. dollar, rising by 3.5% to US\$0.9844.

Global capital markets have been showing early signs of economic recovery, but the sentiment is that the prospect of further volatility continues to exist.



We continue to respond to the needs of our clients and again experienced an increase in our AUM this quarter, attributable to both net additions and net investment performance.

We have several initiatives currently underway that will enhance the Gluskin Sheff brand, further develop the business of the Company and continue to provide shareholder return and value:

#### *Hiring of top talent*

We continue to add to our talented pool of both Risk Management & Client Service and Investment professionals. These additions to our Risk Management & Client Service team will assist in the growth of AUM by building relationships with new clients and enhancing our relationships with existing clients.

Furthermore, additions to our Investment team will provide us with the ability to introduce new investment products in response to changing investor needs, further diversify our product offerings to clients and to continue to add research capacity as we strive for superior investment returns.

#### *Expansion of operations*

Establishing an office in Calgary has allowed us to concentrate on the significant growth opportunities in the Western Canadian market. At the same time, it has allowed Gluskin Sheff to increase brand recognition through prospecting, community presence, targeted events and advertising.

#### *Advancing technology*

In an effort to streamline operations and provide greater efficiencies with respect to our fund accounting, we have engaged an experienced service provider in trust accounting, fund accounting, and unitholder recordkeeping. We continue to enhance our existing operational platforms to provide efficient and effective operations which are scalable and have capacity for our anticipated growth.

#### *Employee incentive plan – aligning interests*

In an effort to retain key employees while at the same time continuing to strengthen the alignment of interests with shareholders, the Company has engaged specialized consultants and is currently reviewing its compensation and incentive plans in order to ensure our employees are appropriately rewarded for building our business. It is expected that the implementation of these incentive plans will take effect at the beginning of Fiscal 2011.

**GLUSKIN SHEFF + ASSOCIATES INC.**  
**SUMMARY FINANCIAL INFORMATION<sup>2</sup>**

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

	3 MONTHS ENDED MAR 31, 2010	3 MONTHS ENDED MAR 31, 2009	9 MONTHS ENDED MAR 31, 2010	9 MONTHS ENDED MAR 31, 2009	12 MONTHS ENDED JUN 30, 2009
<b>ASSETS UNDER MANAGEMENT</b>					
<i>Assets Under Management (\$ in millions)</i>	<u>\$ 5,578</u>	<u>\$ 3,858</u>	<u>\$ 5,578</u>	<u>\$ 3,858</u>	<u>\$ 4,461</u>
<b>BALANCE SHEET INFORMATION</b>					
<i>Total assets</i>	<u>\$114,892</u>	<u>\$69,377</u>	<u>\$114,892</u>	<u>\$ 69,377</u>	<u>\$ 75,102</u>
<b>INCOME STATEMENT INFORMATION</b>					
Revenue					
Base management fees	\$ 19,366	\$14,309	\$ 55,701	\$48,040	\$ 63,821
Performance fees	79	11	45,325	3,200	5,722
Investment and other income (loss)	121	58	435	(1,057)	(513)
	<u>19,566</u>	<u>14,378</u>	<u>101,461</u>	<u>50,183</u>	<u>69,030</u>
<b>Operating expenses</b>	<u>(8,330)</u>	<u>(5,639)</u>	<u>(35,014)</u>	<u>(18,258)</u>	<u>(24,801)</u>
<b>Provision for bonus pool</b>	<u>(2,481)</u>	<u>(1,854)</u>	<u>(15,661)</u>	<u>(6,791)</u>	<u>(9,496)</u>
<b>EBITDA</b>	<u>8,755</u>	<u>6,885</u>	<u>50,786</u>	<u>25,134</u>	<u>34,733</u>
Amortization	(240)	(168)	(653)	(504)	(983)
Provision for income taxes	<u>(3,276)</u>	<u>(2,619)</u>	<u>(17,532)</u>	<u>(9,186)</u>	<u>(12,513)</u>
<b>Net income</b>	<u>5,239</u>	<u>\$ 4,098</u>	<u>\$ 32,601</u>	<u>\$ 15,444</u>	<u>\$ 21,237</u>
<b>Basic earnings per share</b>	<u>\$ 0.18</u>	<u>\$ 0.14</u>	<u>\$ 1.12</u>	<u>\$ 0.53</u>	<u>\$ 0.73</u>
<b>Diluted earnings per share</b>	<u>\$ 0.17</u>	<u>\$ 0.14</u>	<u>\$ 1.10</u>	<u>\$ 0.53</u>	<u>\$ 0.73</u>
<b>SELECTED ADJUSTED FINANCIAL INFORMATION</b>					
<b>EBITDA</b>	\$ 8,755	\$ 6,885	\$ 50,786	\$ 25,134	\$ 34,733
Provision for bonus pool	2,481	1,854	15,661	6,791	9,496
Sub-advisor's share of performance fees	4	—	3,690	11	126
Post-retirement obligations	95	—	8,667	—	—
Non-cash expenses <sup>1</sup>	<u>1,276</u>	<u>521</u>	<u>3,142</u>	<u>1,925</u>	<u>3,098</u>
<b>EBITDA before compensation adjustment</b>	<u>12,611</u>	<u>9,260</u>	<u>81,946</u>	<u>33,861</u>	<u>47,453</u>
Provision for base bonus pool	(2,466)	(1,852)	(7,334)	(6,151)	(8,377)
Performance fees	<u>(79)</u>	<u>(11)</u>	<u>(45,325)</u>	<u>(3,200)</u>	<u>(5,722)</u>
<i>Base EBITDA</i>	<u>10,066</u>	<u>7,397</u>	<u>29,287</u>	<u>24,510</u>	<u>33,354</u>
Performance fees	79	11	45,325	3,200	5,722
Sub-advisor's share of performance fees	(4)	—	(3,690)	(11)	(126)
Provision for performance fee related bonus pool	<u>(15)</u>	<u>(2)</u>	<u>(8,327)</u>	<u>(640)</u>	<u>(1,119)</u>
<i>Adjusted EBITDA</i>	<u>\$ 10,126</u>	<u>\$ 7,406</u>	<u>\$ 62,595</u>	<u>\$ 27,059</u>	<u>\$ 37,831</u>

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

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### *Overall Performance*

Total revenues for the three months ended March 31, 2010 increased year-over-year by \$5.2 million or 36% to \$19.6 million from \$14.4 million.

Base Management Fees increased by \$5.1 million or 35% to \$19.4 million from \$14.3 million as a result of higher average monthly AUM over the respective periods.

Investment and other income for the three months ended March 31, 2010 remained constant year-over-year at approximately \$0.1 million.

Total operating expenses for the three months ended March 31, 2010 increased year-over-year by \$3.4 million or 44% to \$11.1 million from \$7.7 million. The increase in operating expenses was primarily due to an increase in salaries and benefits of \$2.2 million and general and administrative of \$1.2 million. The increase in salaries and benefits was primarily attributable to the increase in base salaries of \$0.9 million, an increase in the provision for bonus pool of \$0.6 million and an increase in stock compensation expense of \$0.7 million. The increase in general and administrative of \$1.2 million resulted from an increase in consulting expenses associated with operational developments currently underway.

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

### *Assets Under Management*

Total AUM for the three months ended March 31, 2010 increased by approximately \$0.2 billion or 4% to approximately \$5.6 billion as at March 31, 2010, from \$5.4 billion as at December 31, 2009. The increase is attributable to Net Additions and investment performance. Average AUM for the three months ended March 31, 2010 was approximately \$5.4 billion as compared to approximately \$3.7 billion for the three months ended March 31, 2009, an increase of \$1.7 billion or 44%.

<i>(\$ in millions)</i>	3 MONTHS ENDED MAR 31, 2010	3 MONTHS ENDED MAR 31, 2009
AUM – Beginning of period	\$5,350	\$3,672
Net additions	87	241
Market value appreciation (decline)	141	(55)
AUM – End of period	\$5,578	\$3,858

Total AUM for the nine months ended March 31, 2010 increased by approximately \$1.1 billion or 25% to approximately \$5.6 billion as at March 31, 2010, from \$4.5 billion as of June 30, 2009. The increase is attributable to Net Additions and Investment Performance. Average AUM for the nine months ended March 31,

2010 was approximately \$5.1 billion as compared to approximately \$4.2 billion for the nine months ended March 31, 2009, an increase of \$0.9 billion or 21%.

<i>(\$ in millions)</i>	9 MONTHS ENDED MAR 31, 2010	9 MONTHS ENDED MAR 31, 2009
AUM – Beginning of period	\$4,461	\$ 5,597
Net additions	419	80
Market value appreciation (decline)	698	(1,819)
AUM – End of period	\$ 5,578	\$ 3,858

### *Revenues*

Total revenues for the three months ended March 31, 2010 increased year-over-year by \$5.2 million or 36% to \$19.6 million from \$14.4 million. Total revenues for the nine months ended March 31, 2010 increased year-over-year by \$51.3 million or 102% to \$101.5 million from \$50.2 million.

Base Management Fees for the three months ended March 31, 2010 increased year-over-year by \$5.1 million or 35% to \$19.4 million from \$14.3 million. Average AUM increased approximately \$1.7 billion or 44% over the same period. Base Management Fees for the nine months ended March 31, 2010 increased year-over-year by \$7.7 million or 16% to \$55.7 million from \$48.0 million, as average AUM increased approximately \$0.9 billion or 21% over the same period.

The Base Management Fee Percentage for the three months ended March 31, 2010 decreased year-over-year to 1.44% from 1.55%. The Base Management Fee Percentage for the nine months ended March 31, 2010 decreased year-over-year to 1.44% from 1.51%.

Investment and other income for the three months ended March 31, 2010 remained constant year-over-year at approximately \$0.1 million. Investment and other income for the nine months ended March 31, 2010 increased year-over-year by \$1.5 million to \$0.4 million from a loss of \$1.1 million. This increase was the result of an increase in realized and unrealized gains on securities owned and securities sold short by approximately \$2.5 million which was offset by a decrease in interest and other income of approximately \$1.0 million.

### *Expenses*

Total operating expenses for the three months ended March 31, 2010 increased year-over-year by \$3.4 million or 44% to \$11.1 million from \$7.7 million. Total operating expenses for the nine months ended March 31, 2010 increased year-over-year by \$25.6 million or 101% to \$51.2 million from \$25.6 million.

Salaries and benefits for the three months ended March 31, 2010 increased year-over-year by \$2.2 million or 52% to \$6.3 million from \$4.1 million. Salaries and benefits for the nine months ended March 31, 2010 increased year-over-year by \$19.6 million or 133% to \$34.4 million from \$14.8 million. The increase in salaries

and benefits resulted from increases in base salaries, the provision for bonus pool and an increase in stock compensation expense. During the second fiscal quarter the Company set up post-retirement obligations as described in Note 7 of the financial statements. The expense and related liability recognized in that quarter was \$8.6 million. The increase in expense and related liability recognized in this fiscal quarter was \$0.1 million.

Provision for Bonus Pool for the three months ended March 31, 2010 increased year-over-year by \$0.6 million or 34% to \$2.5 million from \$1.9 million. Provision for Bonus Pool for the nine months ended March 31, 2010 increased year-over-year by \$8.9 million or 131% to \$15.7 million from \$6.8 million. The increase in Provision for Bonus Pool related to the increase in both Adjusted Base EBITDA and Performance Fees earned.

Our stock option plan is described in Note 11 of our March 31, 2010 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 March 31, 2010 increased year-over-year by approximately \$0.8 million or 145% to \$1.3 million from \$0.5 million. For the nine months ended March 31, 2010 stock based compensation increased year-over-year by approximately \$1.2 million or 63% to \$3.1 million from \$1.9 million. The increases were the result of additional stock options issued. Also, since the amortization of the employee trust was completed in May 2009, there was no such expense in fiscal 2010.

Business development expenses for the three and nine months ended March 31, 2010 remained constant year-over-year at approximately \$0.7 million and \$2.0 million, respectively.

General and administrative expenses for the three months ended March 31, 2010 increased year-over-year by approximately \$1.2 million or 54% to \$3.4 million from \$2.2 million. The increase in expense was primarily due to an increase in consulting expenses. General and administrative expenses for the nine months ended March 31, 2010 increased year-over-year by approximately \$6.0 million or 86% to \$12.9 million from \$6.9 million. The increase in expense was primarily due to increased sub-advisor's share of performance fees and consulting expenses. Sub-advisor's share of performance fees for the nine months ended March 31, 2010 increased year over-year by approximately \$3.7 million.

Occupancy expenses for the three and nine months ended March 31, 2010 remained constant year-over-year at approximately \$0.5 million and \$1.4 million, respectively.

#### *EBITDA, Base EBITDA, Adjusted EBITDA and Net Income*

For the three months ended March 31, 2010, EBITDA increased year-over-year by \$1.9 million or 27% to \$8.8 million from \$6.9 million. For the nine months ended March 31, 2010 EBITDA increased year-over-year by \$25.7 million or 102% to

\$50.8 million from \$25.1 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 March 31, 2010 increased year-over-year by \$2.7 million or 36% to \$10.1 million from \$7.4 million. Base EBITDA for the nine months ended March 31, 2010 increased year-over-year by \$4.8 million or 19% to \$29.3 million from \$24.5 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 March 31, 2010 increased year-over-year by \$2.7 million or 37% to \$10.1 million from \$7.4 million. Adjusted EBITDA for the nine months ended March 31, 2010 increased year-over-year by \$35.5 million or 131% to \$62.6 million from \$27.1 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 March 31, 2010 increased year-over-year by \$1.8 million or 27% to \$8.5 million from \$6.7 million. Income before provision for income taxes for the nine months ended March 31, 2010 increased year-over-year by \$25.5 million or 104% to \$50.1 million from \$24.6 million.

Net income for the three months ended March 31, 2010 increased year-over-year by \$1.1 million or 28% to \$5.2 million from \$4.1 million. Net income for the nine months ended March 31, 2010 increased year-over-year by \$17.2 million or 111% to \$32.6 million from \$15.4 million.

The Company's effective tax rate is approximately 35.0% (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 gains (losses) on security holdings.

#### *Accounts Receivable*

The Company's accounts receivable as at March 31, 2010 and March 31, 2009 consisted primarily of amounts attributable 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' (*\$ in thousands, except per share amounts and assets under management*)

	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	3 MONTHS ENDED MAR 31, 2010
<b>ASSETS UNDER MANAGEMENT</b>								
<b>Assets Under Management</b> ( <i>\$ in millions</i> )	<u>\$ 5,597</u>	<u>\$ 4,443</u>	<u>\$ 3,672</u>	<u>\$ 3,858</u>	<u>\$ 4,461</u>	<u>\$ 4,981</u>	<u>\$ 5,350</u>	<u>\$ 5,578</u>
<b>INCOME STATEMENT INFORMATION</b>								
Revenue								
Base management fees	\$20,882	\$19,102	\$14,629	\$14,309	\$ 15,781	\$ 17,558	\$ 18,777	19,366
Performance fees	6,680	42	3,147	11	2,522	1,012	44,234	79
Investment and other income (loss)	<u>1,096</u>	<u>(972)</u>	<u>(143)</u>	<u>58</u>	<u>544</u>	<u>46</u>	<u>268</u>	<u>121</u>
	<u>\$28,658</u>	<u>\$18,172</u>	<u>\$17,633</u>	<u>\$14,378</u>	<u>\$18,847</u>	<u>\$18,616</u>	<u>\$63,279</u>	<u>19,566</u>
<b>Base EBITDA</b>	13,857	10,253	6,860	7,397	8,844	9,550	9,671	10,066
<b>Adjusted EBITDA</b>	19,198	10,286	9,367	7,406	10,772	10,028	42,441	10,126
<b>Net income</b>	11,031	6,204	5,142	4,098	5,793	5,782	21,580	5,239
<b>Basic earnings per share</b>	\$ 0.38	\$ 0.21	\$ 0.18	\$ 0.14	\$ 0.20	\$ 0.20	\$ 0.74	\$ 0.18
<b>Diluted earnings per share</b>	\$ 0.38	\$ 0.21	\$ 0.18	\$ 0.14	\$ 0.20	\$ 0.20	\$ 0.73	\$ 0.17

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 March 31, 2010*

*(\$ in millions)*

*Annualized Rates of Return<sup>1</sup> (net of all fees paid and accrued)*

	INCEPTION DATE	AUM \$	1 YEAR %	3 YEAR %	5 YEAR %	10 YEAR %	SINCE INCEPTION %
<b>Equity Investment Strategies<sup>2</sup></b>							
Growth	JUL/84	230	19.4	-4.2	4.6	3.4	11.4
Value	JAN/91	503	55.8	-5.9	3.9	15.4	13.6
U.S. Equity	FEB/86	19	6.8	-4.4	3.7	0.6	9.4
Top 15	JUL/03	118	24.9	-9.7	1.7	—	13.3
RRSP	JUL/97	151	19.3	-3.1	4.9	9.0	11.0
Premium Income	JUL/01	528	29.2	4.4	6.6	—	15.0
		<u>1,549</u>					
<b>Alternative Investment Strategies<sup>3</sup></b>							
Multi-Strategy	JAN/09	640	7.6	—	—	—	8.3
Multi-Strategy Opportunities	JAN/09	418	12.3	—	—	—	12.3
Equity Long/Short <sup>4</sup>	JUL/04	47	25.2	0.1	4.0	—	15.3
Income Long/Short <sup>4</sup>	JUL/04	188	21.0	8.2	14.9	—	19.5
Other Long/Short funds	—	40					
		<u>1,333</u>					
<b>Credit Alternative Investment Strategies</b>							
Credit Arbitrage	JAN/09	944	21.0	—	—	—	18.5
Enhanced Credit Arbitrage	DEC/08	246	34.1	—	—	—	25.8
		<u>1,190</u>					
<b>Fixed Income Investment Strategy</b>							
Enhanced Bond	DEC/08	823	14.4	—	—	—	13.4
<b>Institutional &amp; Special Mandates<sup>5</sup></b>							
		<u>683</u>					
<b>Assets Under Management</b>		<u><u>5,578</u></u>					

### 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 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 (\$399 million), Premium Income model (\$111 million), All-Canadian Growth model (\$95 million), other institutional models (\$59 million) and private client mandates managed primarily in accordance with a combination of our Value and Premium Income models (\$19 million) (all numbers are approximate).



## CONTROLS AND PROCEDURES

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### *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 March 31, 2010 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 with respect to those systems and procedures which management has determined to be effective.

As at March 31, 2010 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.

### *Operational Matters*

In this fiscal quarter, the Company began working with a service provider to provide operational support services for its Funds, including unitholder recordkeeping and fund accounting. Transition to the service provider's platform commenced in February 2010 with the conversion of the unitholder records and is expected to be completed in the new fiscal year with the transfer of the recordkeeping function.

## CHANGES IN INTERNAL CONTROL AND FINANCIAL REPORTING

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During the three months ended March 31, 2010, there were no changes to policies, procedures, and processes that comprise the system of internal controls over financial reporting that may have affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## LIQUIDITY AND CAPITAL RESOURCES

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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, and a potential relocation of operations. 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 through cash provided by operating activities. 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.

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 March 31, 2010 unaudited interim financial statements.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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A summary of significant accounting policies underlying the financial statements is presented in Note 1 of the Company's March 31, 2010 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 March 31, 2010 unaudited interim financial statements.

## CHANGES IN ACCOUNTING POLICIES

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As explained in Note 2 of the Company's March 31, 2010 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 the Detailed Component Diagnostic Phases.

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 March 31, 2010 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). Management is currently assessing the potential impact of these areas on the Company.

## DEFINITION OF RISKS

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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

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As explained in Note 3 of the Company's March 31, 2010 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, 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 have exposure to credit and interest rate risks. 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 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;
- 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

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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, consider new risks to the business and 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**

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There were no changes to the nature and extent of related party transactions entered into by the Company in the three months ended March 31, 2010. For further information, refer to Note 5 of the Company's March 31, 2010 unaudited interim financial statements.

## **SHARE CAPITAL**

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As at May 6, 2010, there has been no change to the capital structure of the Company from that disclosed in the unaudited interim financial statements dated March 31, 2010. 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 2,420,000 of which 540,000 stock options are currently exercisable.

## **OTHER INFORMATION**

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Additional information relating to Gluskin Sheff + Associates Inc. is also available on SEDAR at [www.sedar.com](http://www.sedar.com).

**GLUSKIN SHEFF + ASSOCIATES INC.**  
**INTERIM BALANCE SHEETS**

*(\$ in thousands)*

	AS AT MARCH 31, 2010 (UNAUDITED)	AS AT JUNE 30, 2009 (AUDITED)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and short-term investments	\$ 94,529	\$ 53,857
Accounts receivable (note 5)	7,883	8,761
Securities owned at fair value (note 4)	6,482	4,218
Income taxes recoverable (note 9)	—	4,548
Future income taxes (note 9)	1,623	—
Prepaid expenses and other assets	<u>511</u>	<u>551</u>
	<b>111,028</b>	<b>71,935</b>
Property and equipment	<u>3,864</u>	<u>3,167</u>
<b>Total assets</b>	<b><u>\$114,892</u></b>	<b><u>\$ 75,102</u></b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 3,062	\$ 1,857
Income taxes payable (note 9)	2,307	—
Securities sold short at fair value (note 4)	413	342
Future income taxes (note 9)	—	427
Accrued bonuses	<u>15,761</u>	<u>9,818</u>
	<b>21,543</b>	<b>12,444</b>
Post-retirement obligations (note 7)	<u>8,667</u>	<u>—</u>
	<b><u>30,210</u></b>	<b><u>12,444</u></b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 8)	7,953	7,423
Contributed surplus (note 8)	7,884	5,257
Retained earnings	<u>68,845</u>	<u>49,978</u>
	<b><u>84,682</u></b>	<b><u>62,658</u></b>
<b>Total liabilities and shareholders' equity</b>	<b><u>\$114,892</u></b>	<b><u>\$ 75,102</u></b>

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 MAR 31, 2010	3 MONTHS ENDED MAR 31, 2009	9 MONTHS ENDED MAR 31, 2010	9 MONTHS ENDED MAR 31, 2009
<b>REVENUE</b>				
Base management fees (note 5)	\$19,366	\$ 14,309	\$ 55,701	\$ 48,040
Performance fees (note 5)	79	11	45,325	3,200
Investment and other income (loss) (note 4)	<u>121</u>	<u>58</u>	<u>435</u>	<u>(1,057)</u>
	<u>19,566</u>	<u>14,378</u>	<u>101,461</u>	<u>50,183</u>
<b>EXPENSES</b>				
Salaries and benefits (notes 5, 7, 10 and 11)	6,275	4,126	34,418	14,757
Business development	658	702	1,987	1,996
General and administrative (note 12)	3,391	2,205	12,866	6,931
Occupancy	487	460	1,404	1,365
Amortization of property and equipment	<u>240</u>	<u>168</u>	<u>653</u>	<u>504</u>
	<u>11,051</u>	<u>7,661</u>	<u>51,238</u>	<u>25,553</u>
<b>Income Before Provision for</b>				
<b>Income Taxes</b>	\$ 8,515	\$ 6,717	\$ 50,133	\$ 24,630
Provision for (recovery of)				
income taxes (note 9)				
Current income taxes	3,173	2,286	19,583	9,213
Future income taxes	<u>103</u>	<u>333</u>	<u>(2,051)</u>	<u>(27)</u>
	<u>3,276</u>	<u>2,619</u>	<u>17,532</u>	<u>9,186</u>
<b>Net income and comprehensive income</b>				
<b>for the period</b>	5,239	4,098	32,601	15,444
<b>Retained earnings – Beginning of period</b>	<u>67,261</u>	<u>47,096</u>	<u>49,978</u>	<u>50,643</u>
	72,500	51,194	82,579	66,087
Dividends	<u>(3,655)</u>	<u>(3,504)</u>	<u>(13,734)</u>	<u>(18,397)</u>
<b>Retained earnings – End of period</b>	<u>\$68,845</u>	<u>\$ 47,690</u>	<u>\$ 68,845</u>	<u>\$ 47,690</u>
<b>Basic earnings per share (note 13)</b>	\$ 0.18	\$ 0.14	\$ 1.12	\$ 0.53
<b>Diluted earnings per share (note 13)</b>	\$ 0.17	\$ 0.14	\$ 1.10	\$ 0.53

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

**GLUSKIN SHEFF + ASSOCIATES INC.**  
**INTERIM STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

*(\$ in thousands)*

	3 MONTHS ENDED MAR 31, 2010	3 MONTHS ENDED MAR 31, 2009	9 MONTHS ENDED MAR 31, 2010	9 MONTHS ENDED MAR 31, 2009
<b>CASH PROVIDED BY (USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Net Income for the Period	\$ 5,239	\$ 4,098	\$ 32,601	\$ 15,444
Adjustments for				
Amortization of property and equipment	240	168	653	504
Loss on disposition of property and equipment	—	383	—	383
Net investment (gains) losses	(96)	11	(528)	1,999
Post-retirement obligations	95	—	8,667	—
Future income taxes	104	333	(2,050)	(27)
Stock based compensation	1,275	521	3,141	1,925
	<u>6,857</u>	<u>5,514</u>	<u>42,484</u>	<u>20,228</u>
Changes in non-cash working capital items				
Accounts receivable	(969)	(1,534)	878	12,235
Income taxes recoverable	—	(771)	4,548	(4,050)
Income taxes payable	(2,593)	—	2,307	—
Prepaid expenses and other assets	(212)	197	40	202
Accounts payable and accrued liabilities	(4,012)	583	1,205	(396)
Accrued bonuses	2,481	1,854	5,943	(9,738)
	<u>1,552</u>	<u>5,843</u>	<u>57,405</u>	<u>18,481</u>
<b>INVESTING ACTIVITIES</b>				
Sales (purchases) of securities sold short	—	(666)	61	(860)
(Purchases) sales of securities owned	(190)	183	(1,726)	805
Purchases of property and equipment	(876)	(346)	(1,350)	(1,104)
	<u>(1,066)</u>	<u>(829)</u>	<u>(3,015)</u>	<u>(1,159)</u>
<b>FINANCING ACTIVITIES</b>				
Payment of deferred shared units	—	(35)	—	(35)
Dividends paid	(3,655)	(3,504)	(13,734)	(18,397)
Exercise of stock options	—	—	16	—
	<u>(3,655)</u>	<u>(3,539)</u>	<u>(13,718)</u>	<u>(18,432)</u>
Increase (decrease) in cash during the period	(3,169)	1,475	40,672	(1,110)
<b>Cash and short-term investments – Beginning of period</b>	<u>97,698</u>	<u>51,628</u>	<u>53,857</u>	<u>54,213</u>
<b>Cash and short-term investments – End of period</b>	<u>\$94,529</u>	<u>\$53,103</u>	<u>\$94,529</u>	<u>\$ 53,103</u>
<b>CASH AND SHORT-TERM INVESTMENTS COMPRISES</b>				
Cash	\$ 11,487	\$53,103	\$ 11,487	\$ 53,103
Short-term investments	<u>83,042</u>	<u>—</u>	<u>83,042</u>	<u>—</u>
	<u>\$94,529</u>	<u>\$53,103</u>	<u>\$94,529</u>	<u>\$ 53,103</u>
<b>SUPPLEMENTARY INFORMATION</b>				
Interest paid during the period	—	—	—	—
Income taxes paid during the period	5,767	3,109	12,767	13,445

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

# Notes to Unaudited Interim Financial Statements

March 31, 2010 and 2009

*(\$ in thousands, except per share amounts)*

## **NATURE OF BUSINESS AND ORGANIZATION**

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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 nine months ended March 31, 2010 and March 31, 2009 with the Balance Sheets being as at March 31, 2010 and June 30, 2009.

## **1. BASIS OF PRESENTATION**

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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**

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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**

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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**

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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 March 31, 2010 are \$96 (March 31, 2009 – loss of \$11) and for the nine months ended March 31, 2010 are \$528 (March 31, 2009 – loss of \$1,999).

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

	3 MONTHS ENDED MAR 31, 2010	3 MONTHS ENDED MAR 31, 2009	9 MONTHS ENDED MAR 31, 2010	9 MONTHS ENDED MAR 31, 2009
Realized gain (loss) on securities owned and securities sold short	\$ 96	\$(273)	\$109	\$(1,001)
Unrealized gain (loss) on securities owned and securities sold short	—	262	419	(998)
Interest and other income (loss)	25	69	(93)	942
	<b>\$121</b>	<b>\$ 58</b>	<b>\$ 435</b>	<b>\$(1,057)</b>

## 5. RELATED PARTY TRANSACTIONS

Included in the Company's total revenue for the three months ended March 31, 2010 are Base Management Fees of \$15,184 (March 31, 2009 – \$10,143) and for the nine months ended March 31, 2010 of \$43,190 (March 31, 2009 – \$31,210) 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 March 31, 2010 is a reimbursement of certain administrative expenses by the Company's pooled funds of \$901 (March 31, 2009 – \$506) and for the nine months ended March 31, 2010 of \$2,529 (March 31, 2009 – \$1,565). All related party transactions are recorded at the exchange amount. Included in the Company's accounts receivable as at March 31, 2010 is \$4,812 (June 30, 2009 – \$3,914) owing from the Company's pooled funds.

## 6. CAPITAL MANAGEMENT

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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 March 31, 2010.

## 7. POST-RETIREMENT OBLIGATIONS

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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 the second quarter of fiscal 2010 was \$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. The increase in expense and related liability recognized in this fiscal quarter was \$95. 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 March 31, 2010, there were 15,329,180 SVS and 13,913,000 MVS (March 31, 2009 – 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

##### Beginning of period

	3 MONTHS ENDED				9 MONTHS ENDED			
	MAR 31, 2010		MAR 31, 2009		MAR 31, 2010		MAR 31, 2009	
	NUMBER	STATED	NUMBER	STATED	NUMBER	STATED	NUMBER	STATED
	OF	VALUE	OF	VALUE	OF	VALUE	OF	VALUE
	SHARES		SHARES		SHARES		SHARES	
	(000s)		(000s)		(000s)		(000s)	
Multiple Voting Shares	16,588		19,313		18,263		19,313	
Subordinate Voting Shares	12,649		9,889		10,939		9,889	
	<u>29,237</u>	<u>\$7,879</u>	<u>29,202</u>	<u>\$4,967</u>	<u>29,202</u>	<u>\$7,423</u>	<u>29,202</u>	<u>\$4,967</u>

##### Activity during the period

Convert from Multiple Voting Shares	(2,675)		—		(4,350)		—	
Settlement of DSUs	—	—	—	27	—	—	—	27
Exercise of Stock Options	5	74	—	—	40	530	—	—
Convert to Subordinate Voting Shares	2,675		—		4,350		—	
	<u>5</u>	<u>\$ 74</u>	<u>—</u>	<u>\$ 27</u>	<u>40</u>	<u>\$ 530</u>	<u>—</u>	<u>\$ 27</u>

##### End of the period

Multiple Voting Shares	13,913		19,313		13,913		19,313	
Subordinate Voting Shares	15,329		9,889		15,329		9,889	
	<u>29,242</u>	<u>\$7,953</u>	<u>29,202</u>	<u>\$4,994</u>	<u>29,242</u>	<u>\$7,953</u>	<u>29,202</u>	<u>\$4,994</u>

#### Contributed Surplus

	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2010	MAR 31, 2009	MAR 31, 2010	MAR 31, 2009
Balance – Beginning of period	\$6,683	\$6,054	\$ 5,257	\$4,650
Deferred share units	267	44	384	166
Amortization of stock options	1,008	359	2,757	1,237
Amortization of employee trust	—	202	—	606
Settlement of deferred share units	—	(62)	—	(62)
Forfeited stock options	—	(84)	—	(84)
Exercise of stock options	(74)	—	(514)	—
<b>Balance – End of period</b>	<u>\$7,884</u>	<u>\$ 6,513</u>	<u>\$7,884</u>	<u>\$ 6,513</u>



## 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 MAR 31, 2010	3 MONTHS ENDED MAR 31, 2009
Income Taxes at statutory rate, 32.0% (2009 – 33.3%)	\$ 2,726	\$2,233
Increase (decrease) in income taxes resulting from		
Stock based compensation	408	173
Realized and unrealized capital loss on securities owned	2	164
Donation of cultural property	—	(330)
Other non-deductible items and changes in future tax rates	<u>140</u>	<u>379</u>
Income tax provision as reported, 38.5% (2009 – 39.0%)	<u>\$3,276</u>	<u>\$2,619</u>

	9 MONTHS ENDED MAR 31, 2010	9 MONTHS ENDED MAR 31, 2009
Income Taxes at statutory rate, 32.0% (2009 – 33.3%)	\$16,043	\$8,189
Increase (decrease) in income taxes resulting from		
Stock based compensation	1,005	640
Realized and unrealized capital (gain) loss on securities owned	(62)	912
Donation of cultural property	—	(330)
Prior year's over-provision	(157)	(268)
Other non-deductible items and changes in future tax rates	<u>703</u>	<u>43</u>
Income tax provision as reported, 35.0% (2009 – 37.3%)	<u>\$ 17,532</u>	<u>\$9,186</u>

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

	MAR 31, 2010	JUN 30, 2009
Unrealized investment income on securities owned and securities sold short	\$ 51	\$ 28
Property and equipment	(595)	(455)
Post-retirement obligations	<u>2,167</u>	<u>—</u>
Future income taxes	<u>\$1,623</u>	<u>\$(427)</u>

As at March 31, 2010, the Company has approximately \$1,488 (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 March 31, 2010 are accrued bonuses of \$2,481 (March 31, 2009 – \$1,854) and for the nine months ended March 31, 2010 of \$15,661 (March 31, 2009 – \$6,791).

## 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 March 31, 2010 was \$nil (March 31, 2009 – \$202) and for the nine months ended March 31, 2010 was \$nil (March 31, 2009 – \$606).

#### *Deferred share units*

The Company's DSU plan represents notional units granted to the Company's Board of Directors in order to enhance the Company's ability to attract and retain talented individuals to serve as independent members 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. Members of the Company's Board of Directors are required to take 50% of their annual retainers and other fees in the form of DSUs. The number of DSUs received is determined by the market value of the Company's SVS on each director's fee payment date. DSUs allocated under this plan are adjusted to reflect dividends and changes in the market value of SVS and the value of DSUs are marked-to-market each quarter end. DSUs cannot be redeemed for cash or SVS (purchased on the open market) until the holder is no longer a director of the Company.

The expense related to outstanding DSUs that has been included in the salaries and benefits expense during the three months ended March 31, 2010 was \$267 (March 31, 2009 – \$44) and for the nine months ended March 31, 2010 was \$384 (March 31, 2009 – \$165).

#### *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 approved 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.

The expense related to stock options outstanding that has been included in the salaries and benefits expense during the three months ended March 31, 2010 was \$1,008 (March 31, 2009 – \$275) and for the nine months ended March 31, 2010 was

\$2,757 (March 31, 2009 – \$1,153) 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.

EMPLOYEE TRUST	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2010 (000s)	MAR 31, 2009 (000s)	MAR 31, 2010 (000s)	MAR 31, 2009 (000s)
Balance – Beginning of period	—	131	—	131
Issued	—	—	—	—
<b>Balance – End of period</b>	<u>—</u>	<u>131</u>	<u>—</u>	<u>131</u>

DEFERRED SHARE UNITS	3 MONTHS ENDED		9 MONTHS ENDED	
	MAR 31, 2010 (000s)	MAR 31, 2009 (000s)	MAR 31, 2010 (000s)	MAR 31, 2009 (000s)
Balance – Beginning of period	26	9	20	5
Issued	3	10	9	14
Settled	—	(4)	—	(4)
<b>Balance – End of period</b>	<u>29</u>	<u>15</u>	<u>29</u>	<u>15</u>

STOCK OPTIONS	3 MONTHS ENDED				9 MONTHS ENDED			
	MAR 31, 2010		MAR 31, 2009		MAR 31, 2010		MAR 31, 2009	
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	2,440	\$18.34	1,637	\$17.75	1,847	\$ 17.23	1,127	\$18.73
Options granted	—	—	—	—	735	20.60	510	15.59
Options exercised	(20)	15.53	—	—	(142)	15.52	—	—
Options forfeited	—	—	(80)	—	(20)	15.59	(80)	17.92
<b>Balance – End of period</b>	<u>2,420</u>	<u>\$18.37</u>	<u>1,557</u>	<u>\$17.75</u>	<u>2,420</u>	<u>\$ 18.37</u>	<u>1,557</u>	<u>\$17.75</u>

RANGE OF EXERCISE PRICES	MARCH 31, 2009				
	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING (000s)	WEIGHTED	WEIGHTED	NUMBER	WEIGHTED
		AVERAGE REMAINING CONTRACTUAL YEARS			AVERAGE EXERCISE PRICE
\$10.00 – \$17.99	1,420	4.66	\$ 15.32	434	\$ 15.52
\$18.00 – \$25.99	735	6.89	20.60	—	—
\$26.00 – \$33.99	265	4.52	28.50	106	28.50
	<u>2,420</u>	5.32	\$ 18.37	<u>540</u>	\$18.07

RANGE OF EXERCISE PRICES	JUNE 30, 2009				
	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING (000s)	WEIGHTED	WEIGHTED	NUMBER	WEIGHTED
		AVERAGE REMAINING CONTRACTUAL YEARS			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
	<u>1,847</u>	5.33	\$ 17.23	<u>371</u>	\$ 17.37

## 12. GENERAL AND ADMINISTRATIVE

Included in the Company's general and administrative expense for the three months ended March 31, 2010 are sub-advisory fees of \$335 (March 31, 2009 – \$694) and the nine months ended March 31, 2010 of \$4,984 (March 31, 2009 – \$2,198).

## 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

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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 March 31, 2010, investments in securities owned and securities sold short managed by the Company, amounted to \$6,482 or 5.6% (June 30, 2009 – \$4,218 or 5.6%) of total

assets and \$413 or 0.4% (June 30, 2009 – \$342 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 provision for income taxes by approximately \$259 (June 30, 2009 – \$169); 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 constant, this would have decreased net income before provision for income taxes by approximately \$17 (June 30, 2009 – \$14); 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 March 31, 2010, the Company was subject to interest rate risk through some of its securities owned and short-term investments amounting to \$85,464. As at March 31, 2010, 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 \$246. As at March 31, 2010 and June 30, 2009, the Company's exposure to interest rate risk was 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. As at March 31, 2010, certain investments in securities owned and securities sold short managed by the Company that were denominated in U.S. dollars. Investments in securities owned that were denominated in U.S. dollars amounted to \$1,756 (June 30, 2009 – \$2,076) whereas investments in securities sold short amounted to \$413 (June 30, 2009 – \$342). Furthermore, a total of \$(555) (June 30, 2009 – \$1,952) of cash and \$156 (June 30, 2009 – \$105) of accounts receivable were denominated in U.S. dollars. As at March 31, 2010, 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 \$38 (June 30, 2009 – \$152).

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

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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*

**GERALD SHEFF**

*Co-Founder, Chairman &  
Chief Executive Officer  
Gluskin Sheff*

**DONALD CARTY**

*Compensation, Nominating and  
Governance Committee*

**HERBERT SOLWAY**

*Chairman of the Compensation,  
Nominating and  
Governance Committee*

**JEREMY FREEDMAN**

*Deputy Chief Executive Officer  
Gluskin Sheff*

**PIERRE-ANDRE THEMENS**

*Audit Committee*

**IRA GLUSKIN**

*Co-Founder & Vice-Chairman  
Gluskin Sheff*

**PAMELA D. WALLIN**

*Compensation, Nominating and  
Governance Committee*

**WILFRED GOBERT**

*Audit Committee*

**ROBERT S. WEISS**

*Chairman of the Audit Committee*

# Officers

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*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

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## MARK WISNIEWSKI

*Vice-President & Associate Portfolio Manager*

## GEORGE YOUNG

*Vice-President & Associate Portfolio Manager\**

\* Subject to regulatory approval









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