MANAGEMENT'S DISCUSSION AND ANALYSIS

This interim Management's Discussion and Analysis ("MD&A") for the third quarter ended March 31, 2009 is provided as of May 7, 2009. It should be read in conjunction with the unaudited financial statements, including the notes thereto, of Gluskin Sheff + Associates Inc. for the quarter ending March 31, 2009, the Audited Financial Statements for the 12-month period ending June 30, 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 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.

NON-GAAP FINANCIAL MEASURES

We measure our business using a number of performance indicators that are not measurements in accordance with 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.

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

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

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

"Average AUM" is the simple average of the AUM for the period. Each month's average is the simple average of the beginning and ending AUM in each month.

"Base Management Fee percentage" is calculated as the Base Management Fee for the period as a percentage of Average AUM.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "believe," "anticipate," "estimate," "plan," "expect," "intend," "may," "project," "will," "would," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risk and uncertainties. Many factors could cause our actual results, performance or achievements to be materially different from any future 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.

SUMMARY OF THE THREE MONTHS ENDING MARCH 31, 2009

The highlights for the three month period ending March 31, 2009 were:

- Increase in AUM at March 31, 2009 versus December 31, 2008 of approximately $0.2 billion to $3.9 billion and a decrease of approximately $1.2 billion at March 31, 2009 versus March 31, 2008.
- Base Management Fees for the quarter ended March 31, 2009 of approximately $14.3 million, a decrease of $5.5 million in comparison to the quarter ended March 31, 2008.
- Base EBITDA of $7.4 million for the quarter ended March 31, 2009, a decrease of approximately $4.3 million compared to the quarter ended March 31, 2008.

OVERVIEW OF GLUSKIN SHEFF + ASSOCIATES INC.

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

Our revenues are derived mainly from Base Management Fees, calculated as a percentage of Assets Under Management, 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 private pooled fund vehicles. The Company may also earn investment income or incur losses on its cash balances and its investments, which include seeded portfolios.

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

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

MARKET OUTLOOK AND BUSINESS ENVIRONMENT

Notwithstanding considerable efforts on the part of governments and central banks around the world, the first two months of 2009 saw continuing declines in equity markets – surpassing the market lows set in November 2008. March enjoyed a rally that erased most of the losses occurring over the first two months of the year. By the end of March, the Canadian equity markets were down 2.0%, while the U.S. market was off 7.8% (in Canadian dollars). These numbers masked the wild ride over the quarter.

This heightened volatility is likely to persist until the global battle is decided between the deflationary forces of recession, overcapacity and a dysfunctional banking system, on the one hand, and the unprecedented monetary and fiscal stimulus efforts being made by all major governments, on the other. No one knows how or when this struggle will be resolved. While this is not an easy environment to invest in, we believe that we are well positioned to deal with such an environment.

Throughout the quarter we maintained defensive positions in our portfolios through higher than typical cash positions, and diversified portfolio holdings across more non-cyclical sectors. In the face of negative markets, a number of our "long-only" equity portfolios posted positive first quarter results, as did our alternative Multi-Strategy Funds and our recently launched fixed income and credit arbitrage funds. The recent launch of our fixed income and credit arbitrage funds demonstrates our continuing commitment to having a wider range of attractive and appropriate investment strategies for these dynamic times. Our outlook and positioning remains cautious and defensive across: equity, alternative and fixed income strategies.

The Company's Base Management and Performance Fees have been negatively impacted by the downturn in the capital markets. In the wake of these continuing challenging markets, we remain focused on managing our cost structure but not at the expense of meeting the needs of our clients and our long term growth strategy. Some expenses vary directly with AUM and have decreased accordingly. In addition, we have implemented several cost cutting initiatives, including the reduction of senior management salaries. Although we continue to face ongoing challenging market and economic conditions, we believe that a continued focus on the successful execution of our key business strategies will enhance the long term value of our Firm. In this regard, we recently announced that David Rosenberg, one of North America's leading economists, will be joining Gluskin Sheff as Chief Economist and Strategist later this month. We believe that this will be a valuable marriage of our long-term track record of successfully identifying undervalued individual securities with David's ability to analyze and foresee global trends and opportunities. With the recent addition of our credit team and new products, aligned with our existing alternative and equity strategies, we believe that we continue to have a competitive advantage in the marketplace. We are pleased with the continuing confidence that our clients have shown in us and are committed to work to earn the privilege of managing an increasing share of their portfolios as well as obtain their client referrals.

Looking ahead, the volatility of the markets is expected to remain high and the signs of stabilization and recovery appear to be both mixed and slow in coming. We believe that the Firm is well positioned to sustain such volatility and capitalize on opportunities when market conditions ultimately improve.

SUMMARY FINANCIAL INFORMATION

($ in thousands, except per share amounts and Assets Under Management)

	3 Months Ending Mar 31, 2009	3 Months Ending Mar 31, 2008	9 Months Ending Mar 31, 2009	9 Months Ending Mar 31, 2008	12 Months Ending Jun 30, 2008
ASSETS UNDER MANAGEMENT					
ASSETS UNDER MANAGEMENT ($ in millions)	**$ 3,858**	**$ 5,116**	**$ 3,858**	**$ 5,116**	**$ 5,597**
BALANCE SHEET INFORMATION					
TOTAL ASSETS	**$ 69,377**	**$ 68,665**	**$ 69,377**	**$ 68,665**	**$ 81,854**
INCOME STATEMENT INFORMATION					
REVENUE					
• **Base Management Fees**	$ 14,309	$ 19,793	$ 48,040	$ 61,641	$ 82,523
• **Performance Fees**	11	-	3,200	13,164	19,844
• **Investment and Other Income (Loss)**	58	481	(1,057)	2,292	3,388
TOTAL REVENUE	**$ 14,378**	**$ 20,274**	**$ 50,183**	**$ 77,097**	**$ 105,755**
OPERATING EXPENSES	**(5,639)**	**(6,934)**	**(18,258)**	**(19,329)**	**(24,969)**
DISCRETIONARY BONUSES	**(1,854)**	**(2,895)**	**(6,791)**	**(12,050)**	**(16,851)**
EBITDA	**6,885**	**10,445**	**25,134**	**45,718**	**63,935**
AMORTIZATION	(168)	(51)	(504)	(153)	(394)
INTEREST EXPENSE	-	-	-	-	-
PROVISION FOR TAXES	(2,619)	(3,883)	(9,186)	(17,344)	(24,290)
NET INCOME	**$ 4,098**	**$ 6,511**	**$ 15,444**	**$ 28,221**	**$ 39,251**
BASIC EARNINGS PER SHARE	**$ 0.14**	**$ 0.23**	**$ 0.53**	**$ 0.98**	**$ 1.36**
DILUTED EARNINGS PER SHARE	**$ 0.14**	**$ 0.22**	**$ 0.53**	**$ 0.96**	**$ 1.34**
SELECTED ADJUSTED FINANCIAL INFORMATION					
EBITDA	**$ 6,885**	**$ 10,445**	**$ 25,134**	**$ 45,718**	**$ 63,935**
DISCRETIONARY BONUS COMPENSATION	1,854	2,895	6,791	12,050	16,851
NON-CASH EXPENSES [1]	521	1,290	1,925	3,122	4,101
EBITDA BEFORE COMPENSATION ADJUSTMENT	**9,260**	**14,630**	**33,850**	**60,890**	**84,887**
DISCRETIONARY BASE BONUS POOL	(1,852)	(2,895)	(6,151)	(9,420)	(12,882)
PERFORMANCE FEES	(11)	-	(3,200)	(13,164)	(19,844)
BASE EBITDA	**7,397**	**11,735**	**24,499**	**38,306**	**52,161**
PERFORMANCE FEES	11	-	3,200	13,164	19,844
PERFORMANCE FEE-RELATED BONUS POOL	(2)	-	(640)	(2,630)	(3,969)
ADJUSTED EBITDA	**$ 7,406**	**$ 11,735**	**$ 27,059**	**$ 48,840**	**$ 68,036**

1. Includes all non-cash expenses related to stock based compensation for the period.

RESULTS OF OPERATIONS

Overall Performance

Total revenues for the third quarter of fiscal 2009 decreased year over year by $5.9 million or 29% to $14.4 million from $20.3 million. The decrease in revenues is due to the decrease in Base Management Fees to $14.3 million from $19.8 million, as a result of lower average levels of AUM throughout the quarter. Investment and Other Income decreased by approximately $0.4 million year over year resulting from the decrease in realized and unrealized gains on seeded investment strategies.

Total Operating Expenses decreased by approximately $2.2 million year over year due primarily to the decrease in Salaries and Benefits expenses of $1.9 million, resulting from a lower bonus pool and senior management salary reductions, and a slight decrease of $0.6 million in General and Administrative expenses.

Cash flow continued to be positive within the Company.

Assets Under Management (AUM)

Total AUM decreased by approximately $1.2 billion or 25% as at March 31, 2009 to approximately $3.9 billion compared to March 31, 2008 AUM of $5.1 billion. Of this $1.2 billion decrease in AUM, approximately $1.3 billion is primarily attributable to investment performance partially offset by $0.1 billion of net additions. Total AUM increased by approximately $0.2 billion or 5% to approximately $3.9 billion as at March 31, 2009, from $3.7 billion as at December 31, 2008. This increase is primarily attributable to net additions.

Average AUM for the three months ended March 31, 2009 was approximately $3.7 billion as compared to approximately $5.2 billion for the three months ended March 31, 2008, a decrease of $1.5 billion or 29%. Average AUM for the nine months ended March 31, 2009 was approximately $4.2 billion as compared to approximately $5.4 billion for the nine months ended March 31, 2008, a decrease of $1.2 billion or 21%.

Revenues

Total revenues decreased by approximately $5.9 million or 29% for the quarter ended March 31, 2009 to $14.4 million compared to total revenues for the quarter ended March 31, 2008 of $20.3 million. For the nine month period ended March 31, 2009 total revenues decreased by approximately $26.9 million or 35% to $50.2 million compared to total revenues for the same period in fiscal 2008 of $77.1 million.

Base Management Fees decreased by approximately $5.5 million or 28% to $14.3 million for the three month period ended March 31, 2009 compared to $19.8 million for the three month period ended March 31, 2008. For the nine month period ended March 31, 2009 Base Management Fees decreased by approximately $13.6 million or 22% to $48.0 million compared to the same period in fiscal 2008 of $61.6 million. Base Management fees are recognized on an accrual basis and recorded on a gross basis. These decreases relate to decreases in AUM.

Base Management Fee percentage increased from 1.51% to 1.53% for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. Base Management Fee percentage decreased from 1.53% to 1.52% for the nine months ended March 31, 2009 as compared to the nine months ended March 31, 2008.

Investment and Other Income decreased by approximately $0.4 million, with income of approximately $0.1 million for the three month period ended March 31, 2009 as compared to income of $0.5 million for the three month period ended March 31, 2008. For the nine month period ended March 31, 2009 Investment and Other Income decreased by approximately $3.3 million, resulting in a loss of $1.0 million compared to income of approximately $2.3 million for the same period in fiscal 2008. These decreases were primarily due to the performance of seeded investments.

Expenses

Total expenses incurred, including non-cash expenses such as deferred compensation plans and amortization, were approximately $7.7 million for the three month period ended March 31, 2009 compared to approximately $9.9 million for the three month period ended March 31, 2008. Salaries and Benefits decreased by approximately $1.9 million year-over-year and General and Administrative expenses decreased by approximately $0.6 million year-over-year, offset by slight increases of approximately $0.1 million in each of Business Development and Amortization of Property and Equipment.

Salaries and Benefits costs were approximately $4.1 million for the three month period ended March 31, 2009 compared to approximately $6.0 million for the same period in the prior year. For the nine month period ended March 31, 2009, the Salaries and Benefits costs decreased by $5.9 million to $14.8 million compared to the same period in fiscal 2008 of $20.6 million. The decrease in salaries and benefits resulted from a decrease in the Employee Bonus Pool accrual primarily due to the decrease in Base Management Fees and Performance Fees year over year as well a reduction in Senior Management salaries.

Our share incentive plan is described in note 10 to our 2008 Audited Financial Statements. During the third quarter of fiscal 2009, we recognized stock based compensation expenses of approximately $0.5 million on awards of Stock Options and Employee Trust shares for employees and Stock Options and Deferred Share Units for directors. For the nine months ended March 31, 2009 we recognized stock based compensation expenses of approximately $1.9 million.

General and Administrative expenses decreased by approximately $0.6 million to $2.2 million for the three month period ended March 31, 2009 compared to the three month period ended March 31, 2008. For the nine month period ended March 31, 2009, General and Administrative expenses decreased by approximately $0.9 million to $6.9 million compared to the same period in fiscal 2008 reflecting the cost initiatives undertaken.

In the quarter, Business Development expense includes a non-cash charge of $0.4 million reflecting a donation of artwork to the Art Gallery of Ontario which was pursuant to a long standing prior agreement of the Firm. This charge offsets the cost savings initiatives that were achieved within the Business Development category during the quarter. Occupancy expenses were relatively flat for the three month period ended March 31, 2009 compared to the same period in fiscal 2008. For the nine month period ended March 31, 2009, Occupancy expenses increased by approximately $0.2 million to $1.4 million compared to the same period in fiscal 2008. This increase reflects the costs of sub-leasing additional space in Brookfield Place.

Amortization of Property and Equipment expenses increased by approximately $0.1 million for the three month period ended March 31, 2009 compared to the same period in the prior year. The increase was due primarily to amortization of capitalized system development costs incurred in connection with the development of new system architecture.

EBITDA, Base EBITDA, Adjusted EBITDA, and Net Income

For the quarter ended March 31, 2009, the Company's EBITDA totaled approximately $6.9 million compared to approximately $10.4 million for the quarter ended March 31, 2008. For the nine month period ended March 31, 2009 EBITDA totaled approximately $25.1 million compared to approximately $45.7 million for the nine month period ended March 31, 2008. These are set out in the table of Summary Financial Information which reconciles EBITDA to Net Income. Base EBITDA, which has been adjusted to eliminate the effect of non-cash expenditures as well as Performance Fees, was approximately $7.4 million for the quarter ended March 31, 2009 compared to approximately $11.7 for the quarter ended March 31, 2008. For the nine month period ended March 31, 2009 Base EBITDA was approximately $24.5 million compared to approximately $38.3 million for the nine month period ended March 31, 2008.

Adjusted EBITDA was approximately $7.4 million for the quarter ended March 31, 2009 compared to the approximately $11.7 million for the quarter ended March 31, 2008. For the nine month period ended March 31, 2009 Adjusted EBITDA was approximately $27.1 million compared to approximately $48.8 million for the nine month period ended March 31, 2008.

Income before taxes was approximately $6.7 million for the quarter ended March 31, 2009 compared to approximately $10.4 million for the quarter ended March 31, 2008. For the nine month period ended March 31, 2009, Income before taxes was approximately $24.6 million compared to approximately $45.6 million for the nine month period ending March 31, 2008. Net Income for the third quarter ended March 31, 2009 was approximately $4.1 million, while Net Income for the quarter ended March 31, 2008 was approximately $6.5 million. Net Income for the nine month period ended March 31, 2009 was $15.4 million compared to $28.2 million for the same period in fiscal 2008.

The Company's effective tax rate is approximately 37.3% (March 31, 2008 – 38.0%) and is impacted by the non-deductibility for tax purposes of expenses associated with Stock Options, Deferred Share Units and the Employee Trust, along with the tax treatment of realized and unrealized losses on security holdings.

Accounts Receivable

The Company's accounts receivable as at March 31, 2009 and June 30, 2008 consisted primarily of Base Management Fees and Performance Fees associated with our investment products which were received subsequent to period end.

SUMMARY OF QUARTERLY RESULTS

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

SUMMARY FINANCIAL INFORMATION
($ in thousands, except per share amounts)

	3 Months Ending Jun 30, 2007	3 Months Ending Sep 30, 2007	3 Months Ending Dec 31, 2007	3 Months Ending Mar 31, 2008	3 Months Ending Jun 30, 2008	3 Months Ending Sep 30, 2008	3 Months Ending Dec 31, 2008	3 Months Ending Mar 31, 2009
ASSETS UNDER MANAGEMENT								
ASSETS UNDER MANAGEMENT ($ in millions)	$ 5,400	$ 5,466	$ 5,600	$ 5,116	$ 5,597	$ 4,443	$ 3,672	$ 3,858
INCOME STATEMENT INFORMATION								
REVENUE								
• Base Management Fees	$ 19,443	$ 20,281	$ 21,567	$ 19,793	$ 20,882	$ 19,102	$ 14,629	$ 14,309
• Performance Fees	101,528	284	12,880	-	6,680	42	3,147	11
• Investment and Other Income (Loss)	455	925	886	481	1,096	(972)	(143)	58
TOTAL REVENUE	$ 121,426	$ 21,490	$ 35,333	$ 20,274	$ 28,658	$ 18,172	$ 17,633	$ 14,378
BASE EBITDA	11,720	13,186	13,486	11,735	13,856	10,252	6,850	7,397
ADJUSTED EBITDA	92,958	13,413	23,793	11,735	19,197	10,286	9,367	7,406
NET INCOME	57,698	7,641	14,068	6,511	11,029	6,204	5,142	4,098
BASIC EARNINGS PER SHARE	$ 2.00	$ 0.26	$ 0.49	$ 0.23	$ 0.38	$ 0.21	$ 0.18	$ 0.14
DILUTED EARNINGS PER SHARE	$ 1.99	$ 0.26	$ 0.48	$ 0.22	$ 0.38	$ 0.21	$ 0.18	$ 0.14

As evidenced by the above chart, the Firm experienced a strong period of AUM growth in the five quarters ended June 30, 2008 followed by three quarters of the most tumultuous and challenging capital markets in many years. The result was an investment performance decrease in AUM of approximately $1.8 billion or 32% from their high on December 31, 2007. During this same period the TSX declined by approximately 34%. The main driver of Base EBITDA is the level of Base Management Fees earned on AUM.

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.

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

CHANGES IN INTERNAL CONTROL AND FINANCIAL REPORTING

During the third quarter of fiscal 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 anticipated in the coming year other than continued system development costs. Gluskin Sheff has been incurring capital expenditures primarily for computer hardware and software. In light of the current economic climate, the pace of certain capital projects has been slowed down; however, the initiatives are still ongoing.

Gluskin Sheff's current liabilities are in the normal course of the Company's operations and are payable within one year. Payment will be funded from cash flow from operations. Gluskin Sheff has no debt. Aside from funding normal working capital requirements, Gluskin Sheff expects to use its cash reserves to fund new business initiatives, and corporate development. In the fourth quarter, the Company will pay its Regular Dividend, which was declared on May 7, 2009 from cash earnings.

The Company has no off-balance sheet financial arrangements and no material contractual obligations other than those described in the Company's Audited Financial Statements as at June 30, 2008.

Gluskin Sheff's policies and procedures related to the management of capital are described in Note 7 to the unaudited interim financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies underlying the financial statements is presented in Note 1 to the Company's 2008 Audited Annual Financial Statements. Accounting policies are an integral part of our financial statements, which are prepared in accordance with Canadian generally accepted accounting principles. Understanding these policies is a key factor in understanding our reported results of operations and financial position. Certain critical accounting policies require us to make estimates and assumptions that affect the amount of assets, liabilities, revenues and expenses reported in the financial statements. Due to their nature, estimates involve judgments based on available information. Therefore, actual results or amounts could differ from estimates and the difference could have a material impact on the financial statements. Management has made the following critical accounting estimate:

Stock Based Compensation

The Company introduced a share option and a deferred share unit plan for employees and directors in May 2006 and September 2006. 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 to the Company's June 30, 2008 Audited Annual Financial Statements.

CHANGES IN ACCOUNTING POLICIES

As explained in note 3 to the unaudited interim financial statements at March 31, 2009, the Company adopted three new accounting standards that became effective for Gluskin Sheff on July 1, 2008. Changes in disclosure and presentation were made in the Company's financial statements and in this MD&A in connection with the adoption of these standards, but there was no effect on net income or shareholders' equity.

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

DEFINITION OF RISKS

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

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

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

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

Currency risk – The risk that the fair value or future cash flows associated with a financial instrument will fluctuate because of changes in foreign market 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

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

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

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

- *Credit risk* and *liquidity risk* related to the collection of accounts receivable and the balance due from related parties is considered to be low due to:
  - The short-term nature of these items;
  - 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 for its investment management services in Canadian dollars.

Securities Holdings

Financial instruments also include securities holdings, which are carried at their fair value. The Company has seeded a number of new portfolio models, some of which the Company expects to introduce into the line-up of portfolio offerings for the benefit of the Company's clients. The Company has classified these securities as "held-for-trading" for accounting purposes. The realized and unrealized gains and losses on the securities holdings are included in Investment and Other Income in the financial statements. The fair value of securities owned and the securities sold short as at March 31, 2009 are approximately $1.5 million and $0.2 million, respectively.

Investments in securities, as outlined in note 5 to the interim financial statements, involve indirect exposure through the securities to interest rate risk, foreign currency risk, credit risk, market risk and other price risk normally associated with investments of this nature. While management monitors the amount of the investments and their performance given the foregoing risk factors, exposure to indirect risks associated with these securities is unavoidable given that the investment in these securities are strategic investments consistent with Gluskin Sheff's investment management operations.

The maximum loss that the Company can 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 upon entering into the short sale transaction whereas the amount of the potential loss is unlimited. The market values of securities owned and sold short vary daily based on general market conditions and matters specific to the issuers of the securities.

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 a 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 error 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'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 quarter ended March 31, 2009. For further information, refer to the notes to the Audited Financial Statements dated June 30, 2008.

SHARE CAPITAL

As at May 7, 2009, there has been no change to the capital structure of the Company or the number of outstanding common shares from that disclosed in the Audited Financial Statements dated June 30, 2008. 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 1,557,000 of which 381,000 stock options are currently exercisable.

As of May 7, 2009, the Company did not purchase any Subordinate Voting Shares pursuant to the NCIB which was announced on April 7, 2008 by the Company and expired on April 9, 2009.

OTHER INFORMATION

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