Tricon Capital Group Inc.

Condensed Interim Consolidated Financial Statements

(Unaudited) for the Three Months Ended March 31, 2015

Condensed Interim Consolidated Balance Sheets

Unaudited (in thousands of US dollars, except per share amounts)

	Notes	March 31, 2015	December 31, 2014	January 1, 2014
Assets				
Cash		$ 8,237	$ 4,940	$ 12,337
Amounts receivable		8,208	5,515	2,741
Prepaid expenses and deposits		3,067	1,183	391
Investments – Tricon Housing Partners	3,4	312,064	317,123	312,670
Investments – Tricon American Homes	3,4	374,708	344,170	269,888
Investments – Tricon Lifestyle Communities	3,4	4,207	4,246	–
Intangible assets	9	34,833	36,671	4,267
Deferred income tax assets	8	8,461	5,113	1,847
Other assets	10	863	763	445
Total assets		$ 754,648	$ 719,724	$ 604,586
Liabilities				
Amounts payable and accrued liabilities	6	$ 10,853	$ 18,322	$ 11,525
Dividends payable	11	4,284	4,665	5,093
Long-term incentive plan	13	17,253	17,854	11,331
Debt	5	155,625	140,262	100,737
Deferred income tax liabilities	8	19,370	12,667	2,210
Derivative financial instruments	7	70,701	35,976	44,155
Total liabilities		278,086	229,746	175,051
Equity				
Share capital	12	395,021	393,200	427,972
Contributed surplus		7,102	7,833	5,747
Accumulated other comprehensive income		19,259	17,631	(33)
Retained earnings		37,757	52,954	(4,151)
Total shareholders' equity		459,139	471,618	429,535
Non-controlling interest		17,423	18,360	–
Total equity		476,562	489,978	429,535
Total liabilities and equity		$ 754,648	$ 719,724	$ 604,586

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

Approved by the Board of Directors

David Berman   Michael Knowlton   Duff Scott

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

Unaudited (in thousands of US dollars, except per share amounts)

For the Three Months Ended	Notes	March 31, 2015	March 31, 2014
Revenue			
Contractual fees	15	$ 5,413	$ 2,826
General partner distributions	15	324	661
Performance fees	15	10	–
Interest income	15	15	16
		5,762	3,503
Investment income			
Investment income – Tricon Housing Partners	14,15	6,798	23,820
Investment income – Tricon American Homes	14,15	22,618	17,517
Investment income – Tricon Lifestyle Communities	14,15	(39)	–
		29,377	41,337
		35,139	44,840
Expenses			
Salaries and benefits expense		2,716	2,948
Annual incentive plan	13	1,263	1,128
Long-term incentive plan	13	1,636	4,687
Professional fees		512	479
Directors' fees		162	146
Formation costs		343	–
General and administration expense		657	586
Interest expense		3,559	3,239
Net change in fair value of derivative		37,891	(1,810)
Transaction costs		674	–
Amortization expense		1,880	233
Realized and unrealized foreign exchange (gain)		(10,658)	(156)
		40,635	11,480
Income (loss) before non-controlling interest income and taxes		**(5,496)**	**33,360**
Non-controlling interest change		40	–
Income (loss) before income taxes		**(5,456)**	**33,360**
Income tax expense	8	5,460	4,739
Net income (loss)		**$ (10,916)**	**$ 28,621**
Other comprehensive income			
Cumulative translation reserve		1,628	140
Comprehensive income for the period		**$ (9,288)**	**$ 28,761**
Basic income (loss) per share		**$ (0.12)**	**$ 0.32**
Diluted income (loss) per share		**$ (0.12)**	**$ 0.29**
Weighted Average Shares Outstanding – Basic		90,646,960	90,843,782
Weighted Average Shares Outstanding – Diluted	7	92,060,642	109,344,002

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

Condensed Interim Consolidated Statements of Changes in Equity

Unaudited (in thousands of US dollars, except per share amounts)

	Notes	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total Shareholders' Equity	Non-controlling Interest	Total Equity
Balance at January 1, 2014		$ 427,972	$ 5,747	$ (33)	$ (4,151)	$ 429,535	$ –	$ 429,535
Net income		–	–	–	28,621	28,621	–	28,621
Cumulative translation reserve		–	–	140	–	140	–	140
Dividends/Dividend reinvestment plan	11	762	–	–	(4,913)	(4,151)	–	(4,151)
Repurchase of common shares	12	(14)	–	–	–	(14)	–	(14)
Stock options	13	211	326	–	–	537	–	537
Phantom units	13	618	(622)	–	(39)	(43)	–	(43)
Paid-in capital	13	15	–	–	–	15	–	15
Deferred share units	13	–	1,195	–	–	1,195	–	1,195
Revaluation adjustment		(16,221)	(218)	–	578	(15,861)	–	(15,861)
Balance at March 31, 2014		413,343	6,428	107	20,096	439,974	–	439,974
Balance at January 1, 2015		$ 393,200	$ 7,833	$ 17,631	$ 52,954	$ 471,618	$ 18,360	$ 489,978
Net income (loss)		–	–	–	(10,916)	(10,916)	(40)	(10,956)
Cumulative translation reserve		–	–	1,628	–	1,628	–	1,628
Distributions to non-controlling interest		–	–	–	–	–	(897)	(897)
Dividends/Dividend reinvestment plan	11	632	–	–	(4,281)	(3,649)	–	(3,649)
Stock options	13	–	126	–	–	126	–	126
Phantom units	13	–	14	–	–	14	–	14
Deferred share units	13	1,189	(871)	–	–	318	–	318
Balance at March 31, 2015		$ 395,021	$ 7,102	$ 19,259	$ 37,757	$ 459,139	$ 17,423	$ 476,562

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

Condensed Interim Consolidated Statements of Cash Flows

Unaudited (in thousands of US dollars, except per share amounts)

For the Three Months Ended	Notes	March 31, 2015	March 31, 2014
Cash provided by (used in)			
Operating activities			
Net income (loss)		$ (10,916)	$ 28,621
Adjustments for non-cash items			
Non-controlling interest		40	–
Amortization of intangibles and fixed assets	9	1,880	223
Deferred share units plan expense	13	–	30
Deferred income taxes	8	3,355	3,282
Long-term incentive plan	13	1,488	4,648
Annual incentive plan	13	45	257
Amortization of debenture discount and issue costs		1,250	(2,157)
Accrued investment income – Tricon Housing Partners	14,15	(6,798)	(23,820)
Accrued investment income – Tricon American Homes	14,15	(22,618)	(17,517)
Accrued investment income – Tricon Lifestyle Communities	14,15	39	–
Net change in fair value of derivative	7	37,891	(1,810)
Unrealized foreign exchange (gain)		(9,846)	(249)
Distributions to non-controlling interest		(897)	–
Acquisitions of investments		(10,028)	(18,342)
Distributions received		12,571	9,863
		(2,544)	(16,971)
Changes in non-cash working capital items	17	(11,596)	(4,633)
		(14,140)	(21,604)
Investing activities			
Purchase of office equipment, furniture and leasehold improvements		(124)	(162)
Placement fees	9	(18)	–
		(142)	(162)
Financing activities			
Issuance (repurchase) of common shares	12	–	134
Equity issuance cost	12	–	(14)
Proceeds from borrowing (net of financing costs)	5	21,519	16,913
Dividends paid	11	(3,870)	(4,142)
		17,649	12,891
Foreign exchange gain (loss) on cash		(70)	97
Change in cash during the period		3,297	(8,778)
Cash – beginning of period		4,940	12,337
Cash – end of period		$ 8,237	$ 3,559
Supplementary information			
Income taxes paid		$ 3,430	$ 3,684

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

1. Nature of Business

Tricon Capital Group Inc. ("Tricon" or the "Company") is an asset manager and principal investor focused on the residential real estate industry in North America. In the Private Funds and Advisory business, the Company manages and originates investments through private commingled funds and separate investment accounts that participate in the development of real estate in North America, by providing equity-type financing to developers. In the Principal Investment business, the Company primarily invests through its Tricon Housing Partners (formerly "Land and Homebuilding"), Tricon American Homes (formerly "Single-Family Rental") and Tricon Lifestyle Communities (formerly "Manufactured Housing Communities") business lines.

Tricon was incorporated on June 16, 1997 under the Business Corporations Act (Ontario) and its head office is located at 1067 Yonge Street, Toronto, Ontario, M4W 2L2. The Company is domiciled in Canada. Tricon became a public company on May 20, 2010 and its common shares are listed on the TSX (symbol: TCN).

These condensed interim consolidated financial statements were approved for issue on May 11, 2015 by the Board of Directors of Tricon.

2. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies applied in the preparation of these condensed interim consolidated financial statements.

Basis of preparation

The condensed interim consolidated financial statements are prepared on a going-concern basis and have been presented in US dollars, which is also the Company's functional currency. All financial information has been rounded to the nearest thousand US dollars except where otherwise indicated.

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". They should be read in conjunction with the annual Audited Financial Statements for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost basis except for (i) investments in Tricon Housing Partners, Tricon American Homes and Tricon Lifestyle Communities and (ii) derivative financial instruments, which are recorded at fair value through profit or loss ("FVTPL").

The Company presents its consolidated balance sheet with its assets and liabilities in decreasing order of liquidity. The notes to the condensed interim consolidated financial statements provide information on the Company's current assets and current liabilities (Note 16). The Company believes this presentation is more relevant given the nature of the Company's operations, which do not have specifically identifiable operating cycles.

Changes in accounting policies and disclosures

Foreign currency translation

Functional and presentation currency

Effective January 1, 2015, Tricon changed the functional and presentation currency to US dollars given the increasing prevalence of US dollar-denominated activities of the Company over time. The change in functional currency from Canadian dollars to US dollars is accounted for prospectively from January 1, 2015. The exchange rate used to translate the balance sheet to reflect the change in functional currency on adoption is 1.16. Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment of the subsidiary (the functional currency). The condensed interim consolidated financial statements are presented in US dollars. Prior year comparable information is restated to reflect the change in presentation currency. The exchange rates used to translate the balance sheet to reflect the change in presentation currency as at January 1, 2014 and December 31, 2014 are 1.06 and 1.16, respectively, while the average exchange rates used to translate the statements of comprehensive income for the three-month periods ended March 31, 2015 and March 31, 2014 are 1.24 and 1.10, respectively. There were no changes to the measurement basis of the financial statement line items as a result of the change in presentation currency.

Foreign currency transactions (Canadian dollar) are translated into US dollars using exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars using the exchange rate in effect at the measurement date. Non-monetary assets and liabilities denominated in foreign currencies are translated into US dollars using the historical exchange rate or the exchange rate in effect at the measurement date for items recognized at FVTPL. Gains and losses arising from foreign exchange are included in the statement of comprehensive income (loss).

Subsidiaries

For subsidiaries that are required to be consolidated, the results and financial position of those subsidiaries with a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities are translated at the closing rate at the date of the balance sheet;
ii) income and expenses are translated at average exchange rates. The Company uses monthly average exchange rates due to the volume of transactions each month; and
iii) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

On disposal of a foreign operation (that is, a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation) all exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified from other comprehensive income to net income (loss).

The consolidated subsidiaries and their respective functional currencies are as follows:

Name	Functional currency
Tricon Holdings Canada Inc.	US dollar
Tricon Housing Partners US II (Canada) GP Ltd.	Canadian dollar
Tricon Capital GP Inc.	Canadian dollar
Tricon Housing Partners US II A Incentive LP	US dollar
Tricon Housing Partners US II B/C Incentive LP	US dollar
Tricon Holdings USA LLC	US dollar
Tricon USA Inc.	US dollar
Tri Continental Capital IV Ltd.	Canadian dollar
Tri Continental Capital VI Ltd.	Canadian dollar
Tricon Housing Partners Canada Ltd.	Canadian dollar
Tricon Housing Partners Canada II Ltd.	Canadian dollar
CCR Texas Agent Inc.	US dollar
Tricon JDC LLC	US dollar

3. Investments

Investments – Tricon Housing Partners ("THP") are co-investments in funds and separate accounts and side-car investments managed by the Company.

Investments – Tricon American Homes ("TAH") are investments in US single-family rental homes. The investments are managed through an integrated business platform responsible for the acquisition, renovation, and leasing of the homes.

Investments – Tricon Lifestyle Communities ("TLC") are investments in US manufactured housing communities that lease land to owners of pre-fabricated homes.

The Company makes these investments via loan advances and equity investments. The following is a summary of the composition of the Company's investments:

	March 31, 2015			December 31, 2014		
(in thousands of US dollars)	Internal debt instruments	Equity	Total investment	Internal debt instruments	Equity	Total investment
Investments – THP						
US funds	$ –	$ 266,795	$ 266,795	$ –	$ 271,903	$ 271,903
Canadian funds	–	10,225	10,225	–	11,165	11,165
Separate accounts and side-cars	14,718	20,326	35,044	13,862	20,193	34,055
	14,718	297,346	312,064	13,862	303,261	317,123
Investments – TAH	–	374,708	374,708	–	344,170	344,170
Investments – TLC	–	4,207	4,207	–	4,246	4,246
Total	**$ 14,718**	**$ 676,261**	**$ 690,979**	**$ 13,862**	**$ 651,677**	**$ 665,539**

The underlying loan instruments within the Company's Tricon Housing Partners investments are denominated in US dollars and bear interest at rates between 9.45% and 11.95%, compounded monthly.

The following tables summarize the balances in the investment funds that are managed by Tricon, presented in the functional currency of the fund:

Investments	Currency	Tricon commitment	Advances	Unfunded commitment	Distributions	Investment at fair value (2)
(in thousands of dollars)						
As at March 31, 2015 (1)						
THP1 US (3) (4)	US	$ 226,775	$ 272,970	$ 19,120	$ 84,259	$ 249,312
THP2 US	US	25,000	12,128	12,872	–	17,483
Cross Creek Ranch	US	14,400	12,484	1,916	12,165	9,368
Fulshear Farms	US	5,000	3,155	1,845	514	3,179
Grand Central Park	US	8,075	6,520	1,555	3,029	6,204
Tegavah	US	10,350	4,241	6,109	1,035	4,834
Vistancia West	US	4,950	2,972	1,978	1,057	3,461
Trilogy at Lake Norman	US	4,330	1,379	2,951	434	1,491
Arantine Hills	US	8,600	6,507	2,093	399	6,507
Total US Investments		**307,480**	**322,356**	**50,439**	**102,892**	**301,839**
THP3 Canada	CA	20,000	10,893	9,107	–	10,225
Total CA Investments		**20,000**	**10,893**	**9,107**	**–**	**10,225**
Investments – THP						**$ 312,064**
As at December 31, 2014 (1)						
THP1 US (3)	US	$ 226,775	$ 272,970	$ 19,120	$ 72,188	$ 255,439
THP2 US	US	25,000	11,388	13,612	–	16,464
Cross Creek Ranch	US	14,400	12,484	1,916	11,665	9,787
Fulshear Farms	US	5,000	3,155	1,845	514	3,179
Grand Central Park	US	8,075	6,520	1,555	3,029	6,124
Tegavah	US	10,350	4,092	6,258	1,035	4,325
Vistancia West	US	4,950	2,675	2,275	1,057	2,975
Trilogy at Lake Norman	US	4,330	1,135	3,195	434	1,158
Arantine Hills	US	8,600	6,507	2,093	399	6,507
Total US Investments		**307,480**	**320,926**	**51,869**	**90,321**	**305,958**
THP3 Canada	CA	20,000	10,893	9,107	–	11,165
Total CA Investments		**20,000**	**10,893**	**9,107**	**–**	**11,165**
Investments – THP						**$ 317,123**

(1) Commitment, unfunded commitment, advances and distributions are shown in Fund or Separate Account originating currency.
(2) Investments at fair value as of March 31, 2015 and December 31, 2014 are shown in US dollars.
(3) $226,775 represents the Company's total fund commitment; the purchase price of the 68.4% interest was $260,500.
(4) Actual cash distribution received from THP1 US was reduced by $717 of withholding tax.

The Company guarantees the credit facility of TAH on a non-recourse basis subject to specific carved-out events. This credit facility is secured by the single-family rental homes.

4. Fair Value Estimation

In the fair value hierarchy, the level within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of the input is assessed against the fair value measurement. Assessing the significance of a particular input to the fair value measurement requires judgment, considering factors specific to the asset or liability.

The following describes the categories within the fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – Inputs for the asset or liability that are not based on observable market data.

The following table provides information about financial assets and liabilities measured at fair value on the balance sheet and categorized by level according to the significance of the inputs used in making the measurements:

	March 31, 2015			December 31, 2014		
(in thousands of US dollars)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Investments – THP						
US funds	$ –	$ –	$ 266,795	$ –	$ –	$ 271,903
Canadian funds	–	–	10,225	–	–	11,165
Separate accounts and side-cars	–	–	35,044	–	–	34,055
	–	–	312,064	–	–	317,123
Investments – TAH	–	–	374,708	–	–	344,170
Investments – TLC	–	–	4,207	–	–	4,246
	$ –	**$ –**	**$ 690,979**	**$ –**	**$ –**	**$ 665,539**
Financial liabilities						
Derivative financial instruments (Note 7)	$ –	$ 70,701	$ –	$ –	$ 35,976	$ –

There have been no transfers between levels for the three months ended March 31, 2015 and for the year ended December 31, 2014.

Financial assets

Valuation methodologies

The Company's Valuation Committee is responsible for determining fair value measurements included in the financial statements, including Level 3 measurements, with the exception of the valuation of derivative financial instruments, which is performed by an independent valuation firm. The valuation processes and results are reviewed and approved by the Valuation Committee at least once every quarter, in line with the Company's quarterly reporting dates. Valuation results are discussed with the Audit Committee as part of its quarterly review of the Company's financial statements.

The Company used the following techniques to determine the fair value measurements included in the financial statements categorized in Level 3:

Investments – Tricon Housing Partners

Tricon establishes wholly-owned subsidiaries that invest in the limited partnerships as a limited partner. The investments are measured at fair value as determined by the Company's proportionate share of the fair value of each limited partnership's net assets at each measurement date. The fair values of each limited partnership's net assets are calculated by determining the fair values of the underlying projects using discounted cash flows, appraised values or share prices as reported on the appropriate stock exchange.

In addition to the investments in limited partnerships, the Company invests in separate accounts and side-car investments through limited partnership with other third parties. Tricon's ownership interests in these investments are held through the Company's wholly-owned subsidiaries. The investments are measured at fair value as determined by the waterfall distribution calculations specified in the relevant limited partnership agreement. The inputs into the waterfall distribution calculations include the fair value of the land and working capital held by the limited partnerships. The fair value of the land is based on appraisals prepared by an external third-party valuator or on internal valuations.

A side-car is a co-investment vehicle under common sponsorship with a Tricon fund. Tricon's ownership interests in the side-car are held through the Company's wholly-owned subsidiaries. The side-car generally participates in larger investment opportunities provided by the fund sponsor or general partner. The measurement and valuation methodologies for side-cars are the same as the limited partnership investments.

Quantitative information about fair value measurements of the investments uses the following significant unobservable inputs (Level 3):

Description	Valuation technique(s)	Significant unobservable input
Debt investments	Discounted cash flow	a) Discount rate [(1)] b) Future cash flow
Equity investments		
Commingled funds	Net asset value	a) Discount rate [(2)] b) Future cash flow c) Control premium/ discount, if any [(3)]
Separate accounts and side-cars	Waterfall distribution model	Appraised value [(4)]

(1) The range of discount rates in the discounted cash flow model was from 10% to 12%.

(2) The range of discount rates in the discounted cash flow model was from 10% to 20%. Generally, an increase in future cash flow will result in an increase to the fair value of debt investments and fund equity investments. An increase in the discount rate will result in a decrease in fair value of the debt instruments and fund equity investments. The same percentage change in the discount rate will result in a greater change in fair value than the same absolute percentage change in future cash flow.

(3) As at March 31, 2015, there were no equity investments with Control Premium/Discounts, and only the THP1 US Co-Investment had a Control Premium.

(4) The Company obtained external valuations for four separate account equity investments for December 31, 2014 totaling $11,518. The Company's investment team and finance team verified all major inputs to the valuation and reviewed the results with the independent valuator. For the remaining separate account investments totaling $8,675, the Company determined that the fair value approximates acquisition price since the properties were purchased close to year-end. The significant input within the appraised value is the value of land per acre.

Sensitivity

The effects on Investments – Tricon Housing Partners of a 1% change in the discount rates are as follows:

(in thousands of dollars)	Currency	March 31, 2015 1% increase	March 31, 2015 1% decrease	December 31, 2014 1% increase	December 31, 2014 1% decrease
US funds	US	$ (2,708)	$ 2,782	$ (2,543)	$ 2,611
Canadian funds	CA	(287)	299	(299)	312
Separate accounts and side-cars	US	(396)	411	(386)	401

Investments – Tricon American Homes

All of the Company's investments in Investments – TAH limited partnerships are held through a wholly-owned subsidiary, Tricon SF Home Rental Inc., and are recorded at fair value. The fair value of the Company's investment in Tricon SF Home Rental Inc. is calculated based on Tricon's proportionate share of each entity's fair value of net assets. The fair value of the net assets of the various entities is based on a sum-of-the-parts approach, where assets and liabilities are measured at fair value individually.

Under the assumption that home values do not change materially in the short term, and that the capital expenditures will not have a significant impact in the first three months of purchase, no valuation has been performed for homes purchased after December 31, 2014. As a result, these homes will be recorded at their purchase price plus the cost of capital expenditures, if applicable. The remaining homes were valued at February 28, 2015. Management has assessed whether any market changes have occurred subsequent to the date of valuation and has determined that values were valid at March 31, 2015.

During the quarter, the Broker Price Opinion ("BPO") valuation methodology was used to determine the fair value of 45% of our investment in homes held before January 1, 2015. The homes were valued by independent brokers who hold active real estate licenses and have market experience in the locations and segments of the homes valued. The brokers value each home based on recent comparable sales and active comparable listings in the area, assuming the homes were all renovated to an average standard in their respective areas. The BPO retrieves information on the comparable properties from the Multiple Listing Service ("MLS") public database.

The remaining investment properties that were not subject to BPO valuation in the quarter have been valued using the Home Price Indexes ("HPI") methodology. The HPI is calculated based on a repeat-sales model using large real estate information databases compiled from public records. Due to the lag in logging transaction information in the public database, the quarterly index change is based on two months historical data and one month forecast data. The change in the HPI for the current period is then applied to the previously recorded fair value of the investment properties.

In addition to the investment generating rental income, a small percentage of the inventory is held for resale. These are select properties purchased opportunistically specifically for the purpose of being renovated and sold within six months. All inventory homes are valued under the HPI method.

The Company also takes into account the unrealized and realized carried interest payable to local operating partners as general partners of some of the underlying limited partnerships in determining the fair value of its investment. The carried interest amounts are based on waterfall distribution calculations specified in the relevant limited partnership agreement with each local operator and may result in the payment of a performance fee to the general partner once limited partners receive their capital and preferred return. The fair value of external debt is based on a discounted cash flow model at a market rate that the limited partnerships would have obtained for similar financing. Deferred income taxes are based on the enacted tax rates for future years, with fair value determined by discounting to the reporting period. Working capital of the limited partnerships approximates fair value.

Sensitivity

Tricon American Homes' debt facility operates on a floating interest rate at the greater of (a) 4.1% or (b) 3-month LIBOR plus 3.6%. As a result, interest expense will only be impacted when the 3-month LIBOR increases above 0.5%. The 3-month LIBOR has remained at 0.3% during the first three months of 2015 (December 31, 2014 – 0.2%). At March 31, 2015, if interest rates had been 10 basis points lower or higher, with all other variables held constant, the interest rate would have remained at 4.1% as a result of the interest rate cap in place, and there would have been no change in investment income – Tricon American Homes for the first three months of 2015 or 2014.

If the prices of single-family rental homes held by the TAH limited partnerships were to increase or decrease by 1% (December 31, 2014 – 1%), the impact on Investments – Tricon American Homes fair value at March 31, 2015 would be $5,133 and ($5,133), respectively (December 31, 2014 – $4,270 and ($4,270)).

Investments – Tricon Lifestyle Communities

The Company's investment in Investments – Tricon Lifestyle Communities ("TLC") is held through wholly-owned subsidiaries that carry the investment at fair value. The fair value of the Company's investment is estimated based on the Company's proportionate share of the net assets of TLC limited partnership. The fair value of the net assets is based on a sum-of-the-parts approach, where assets and liabilities are measured at fair value individually.

The Company fair values the TLC assets using the discounted cash flow methodology. The fair value is determined based on, among other things, rental income from the current leases and assumptions about rental income from future leases such as increases in rental growth and occupancy, less future cash outflows in respect of such leases. Other factors included in the future cash flow estimate are the terminal value of the investment based on reliable estimates of the terminal year Net Operating Income ("NOI"), supported by the terms of existing leases and assumptions of future leases, and market capitalization rates of comparable precedent transactions near the balance sheet date.

Since all variables impacting fair value of the investment property, such as rental growth, expense inflation and the impact of capital expenditure, do not change significantly in the first 12 months after acquisition, the fair value is not materially different from the acquisition price of its underlying property. As at March 31, 2015, the fair value of TLC equals the acquisition price of its underlying property. Key variables are monitored on a quarterly basis to determine if there may be a material change in fair value.

Sensitivity

Since the rate of interest on borrowings made by Tricon Lifestyle Communities is fixed, investment income – Tricon Lifestyle Communities for the period would not change due to interest rate fluctuation.

Continuity of investments

The following presents the changes in Level 3 instruments for the periods ended March 31, 2015 and December 31, 2014:

(in thousands of US dollars)	March 31, 2015	December 31, 2014
Opening balance	$ 665,539	$ 582,558
Acquisitions	10,028	59,634
Distributions/sales	(12,571)	(68,407)
Investment income	29,377	142,623
Deferred tax adjustment for TAH and THP	–	2,758
Revaluation to period-end exchange rate	(1,394)	(53,627)
Ending balance	**$ 690,979**	**$ 665,539**

Investment income includes an unrealized gain of $18,282 resulting from fair value increases (December 31, 2014 – $28,762 resulting from foreign exchange movements and fair value increases in investments).

Financial liabilities

Valuation methodologies

Derivative financial instruments related to the conversion and redemption features of the debentures are valued using model calibration as discussed in Note 7. Inputs to the valuation model are determined from observable market data wherever possible, including prices available from exchanges and consensus pricing. Certain inputs may not be observable in the market directly, but can be determined from observable prices via model calibration procedures or estimated from historical data or other sources.

Quantitative information about fair value measurements using significant unobservable inputs (Level 2) is as follows:

	March 31, 2015		December 31, 2014	
	2017 Debenture	2020 Debenture	2017 Debenture	2020 Debenture
Risk-free rate (1)	0.91%	1.19%	1.52%	1.81%
Stock price (2)	C$11.2	C$11.2	C$8.72	C$8.72
Implied volatility (3)	39.13%	30.43%	29.96%	29.91%
Dividend yield (4)	2.07%	2.33%	2.72%	3.05%

(1) Risk-free rates were from the CAD swap curves matching the terms to maturity of the debentures.
(2) Closing price of the stock as of the valuation date.
(3) Implied volatility was computed from the trading volatility of the Company's stock.
(4) Dividend yields were from the forecast dividend yields matching the terms to maturity of the debentures.

Cash, amounts receivable, amounts payable and accruals, dividends payable, interest payable, bank debt and debentures payable are measured at amortized cost, since their carrying values are a reasonable approximation of fair value due to their short-term nature.

5. Debt

(in thousands of US dollars)	March 31, 2015	December 31, 2014
Revolving term credit facility	$ 68,800	$ 46,800
Convertible debentures	86,825	93,462
	$ 155,625	**$ 140,262**

Revolving term credit facility

On March 2, 2015, the Company increased the existing corporate revolving credit facility to $175 million from $105 million. The increased credit facility includes a syndicate of lenders comprised of Canadian and US banks. The credit facility may be further increased to $200 million with the approval of the lenders. The remaining key terms of the credit facility, including pricing and a maturity date of April 2018, remain unchanged. The Company has provided a general security agreement creating a first priority security interest on the assets of the Company.

During the three months ended March 31, 2015, the minimum balance drawn on the Credit Facility was $46,800, and the maximum amount drawn was $68,800.

The credit facility interest expense incurred in the three months ended March 31, 2015 was $696 (March 31, 2014 – $203). As at March 31, 2015, the outstanding balance of the credit facility was $68,800 and the Company was in compliance with the covenants of the Credit Facility.

Debentures payable

The balances of the debt components of the convertible debentures recognized on the consolidated balance sheet were calculated as follows:

	July 2012 Debenture		February 2013 Debenture		Total	
(in thousands of dollars)	USD[1]	CAD	USD[1]	CAD	USD[1]	CAD
March 31, 2015						
Face value outstanding	$ 40,797	$ 51,675	$ 67,897	$ 86,000	$ 108,694	$ 137,675
Less: Transaction costs (net of amortization)	(1,139)	(1,443)	(2,456)	(3,111)	(3,595)	(4,554)
Liability component on initial recognition	39,658	50,232	65,441	82,889	105,099	133,121
Debentures discount (net of amortization)	(7,585)	(9,607)	(10,689)	(13,538)	(18,274)	(23,145)
Debentures payable	**$ 32,073**	**$ 40,625**	**$ 54,752**	**$ 69,351**	**$ 86,825**	**$ 109,976**

	July 2012 Debenture		February 2013 Debenture		Total	
(in thousands of dollars)	USD[1]	CAD	USD[1]	CAD	USD[1]	CAD
December 31, 2014						
Face value outstanding	$ 44,544	$ 51,675	$ 74,132	$ 86,000	$ 118,676	$ 137,675
Less: Transaction costs (net of amortization)	(1,370)	(1,589)	(2,809)	(3,258)	(4,179)	(4,847)
Liability component on initial recognition	43,174	50,086	71,323	82,742	114,497	132,828
Debentures discount (net of amortization)	(8,942)	(10,374)	(12,093)	(14,029)	(21,035)	(24,403)
Debentures payable	**$ 34,232**	**$ 39,712**	**$ 59,230**	**$ 68,713**	**$ 93,462**	**$ 108,425**

(1) Balance translated at period-end exchange rate.

The above carrying values were recognized at amortized cost after discounting the future interest and principal payments using the effective interest rates. If the debt components of the debentures were recognized at fair value, then the balance appearing on the consolidated balance sheets would be $90,255 (C$114,317) as of March 31, 2015 and $111,383 (C$129,215) as of December 31, 2014. The difference between the amortized costs and implied fair value is a result of the effective interest rate versus market risk-free rate.

The face and weighted average interest rates are as follows:

				Debt balance	
(in thousands of US dollars)	Coupon interest rates	Effective interest rates	Maturity dates	March 31, 2015	December 31, 2014
Fixed Rate					
July 2012 Debentures	6.375%	7.66%	2017	$ 32,073	$ 34,232
February 2013 Debentures	5.60%	6.46%	2020	54,752	59,230
Total fixed-rate debt	5.88%	6.90%		86,825	93,462
Variable Rate					
Revolving Term Credit Facility	3.90%	3.90%	2018	68,800	46,800
Total debt	**5.00%**	**5.58%**		**$ 155,625**	**$ 140,262**

The scheduled principal repayments and debt maturities are as follows:

(in thousands of US dollars)	Revolving term credit facility	Convertible debentures	Total
2015	$ –	$ –	$ –
2016	–	–	–
2017	–	40,797	40,797
2018	68,800	–	68,800
2019	–	–	–
2020 and thereafter	–	67,897	67,897
	68,800	108,694	177,494
Transaction costs (net of amortization)			(3,595)
Debenture discounts (net of amortization)			(18,274)
			$ 155,625

6. Amounts Payable and Accrued Liabilities

Payables and accruals consist of amounts payable and accruals, income taxes payable, and interest payables as follows:

(in thousands of US dollars)	March 31, 2015	December 31, 2014
Accrued liabilities	$ 2,855	$ 5,567
Income taxes payable	7,538	10,485
Interest payable	460	2,270
Total	**$ 10,853**	**$ 18,322**

7. Derivative Financial Instruments

The conversion and redemption options available within both series of convertible debentures are reported at fair value on a quarterly basis. As at March 31, 2015, the fair value of the embedded derivative payable increased to $70,701 (C$89,552), primarily as a result of an increase in the price of the Company's stock in relation to the conversion price of the underlying debentures.

The conversion and redemption options of the convertible debentures are combined pursuant to IAS 39, "Financial Instruments: Recognition and Measurement", and are measured at fair value at each reporting period using model calibration. The fair value of the derivative financial instruments at March 31, 2015 was $70,701 (C$89,552) (December 31, 2014 – $35,976 (C$41,737)), resulting in a loss on the derivative financial instruments of $37,891 (March 31, 2014 – $1,810 gain) for the quarter. Refer to Note 4 – Fair Value Estimation for details of quantitative information used as inputs in measuring the fair value of the conversion and redemption options.

The conversion and redemption option components were valued using a binomial pricing model and then calibrated the valued amount to the traded price of the underlying debentures. The valuation model uses market-based inputs including the spot price of the underlying equity, implied volatility of the equity, risk-free rates from the CAD swap curves and dividend yields related to the equity.

The valuation of the conversion and redemption components assumes that the debentures are held to maturity.

The assumed conversion of the debentures was anti-dilutive due to the loss recognized on the derivative financial instruments; as a result, the shares issuable on conversion were excluded from the weighted average diluted shares outstanding for the quarter. The comparative quarter in 2014 included the impact of the assumed conversion.

The value attributed to each derivative financial instrument is shown below:

	July 2012 Debenture		February 2013 Debenture		Total	
(in thousands of dollars)	USD	CAD	USD	CAD	USD	CAD
March 31, 2015						
Derivative financial instruments – beginning of period	$ 22,789	$ 26,438	$ 13,187	$ 15,299	$ 35,976	$ 41,737
Fair value changes (based on market price)	19,001	23,977	18,890	23,838	37,891	47,815
Revaluation to period-end exchange rate	(1,987)	–	(1,179)	–	(3,166)	–
Derivative financial instruments – end of period	**$ 39,803**	**$ 50,415**	**$ 30,898**	**$ 39,137**	**$ 70,701**	**$ 89,552**

	July 2012 Debenture		February 2013 Debenture		Total	
(in thousands of dollars)	USD	CAD	USD	CAD	USD	CAD
December 31, 2014						
Derivative financial instruments – beginning of period	$ 28,559	$ 30,375	$ 15,597	$ 16,589	$ 44,156	$ 46,964
Fair value changes (based on market price)	(3,741)	(3,937)	(1,226)	(1,290)	(4,967)	(5,227)
Revaluation to period-end exchange rate	(2,029)	–	(1,184)	–	(3,213)	–
Derivative financial instruments – end of period	**$ 22,789**	**$ 26,438**	**$ 13,187**	**$ 15,299**	**$ 35,976**	**$ 41,737**

8. Income Taxes

For the Three Months Ended March 31,

(in thousands of US dollars)	2015	2014
Current income tax	$ 1,616	$ 1,457
Deferred income tax	3,844	3,282
Income tax expense	**$ 5,460**	**$ 4,739**

The tax on the Company's income before income taxes differs from the theoretical amount that would arise using the weighted average tax rate applicable to income of the consolidated entities as follows:

For the Three Months Ended March 31,

(in thousands of US dollars)	2015	2014
Income (loss) before non-controlling interest and income taxes	$ (5,496)	$ 33,360
Combined statutory federal and provincial income tax rate	26.50%	26.50%
Expected income tax expense (recovery)	(1,456)	8,840
Tax rate differential (foreign tax rates)	140	57
Tax effects of		
Permanent differences (1)	2,219	(3,960)
Change in effective tax rates	4,251	–
Other (2)	306	(198)
Income tax expense	**$ 5,460**	**$ 4,739**

(1) Permanent differences for 2015 are comprised of the following: (a) unrealized foreign exchange gains on conversion of consolidated subsidiaries that file income tax returns on a US dollar basis; and (b) the non-taxable portion of the unrealized gain recognized on the investment in Tricon American Homes.

(2) Other adjustments includes revaluation due to change of presentation currency.

The expected realization of deferred tax assets and deferred tax liabilities is as follows:

(in thousands of US dollars)	March 31, 2015	December 31, 2014
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	$ 8,461	$ 5,113
Total deferred tax assets	**$ 8,461**	**$ 5,113**
Deferred tax liabilities:		
Deferred tax liabilities reversing after more than 12 months	$ 19,370	$ 12,667
Total deferred tax liabilities	**$ 19,370**	**$ 12,667**

The movement of the deferred tax accounts was as follows:

(in thousands of US dollars)	March 31, 2015	December 31, 2014
Difference between deferred tax assets and deferred tax liabilities:		
Opening balance	$ (7,554)	$ (363)
Credit (charge) to the statement of comprehensive income	(3,844)	(4,484)
Other	489	(2,707)
Closing balance	**$ (10,909)**	**$ (7,554)**

Tricon believes it will have sufficient future revenue to realize the future tax assets.

9. Intangible Assets

There were no impairments to placement fees and rights to performance fees during the three months ended March 31, 2015.

The intangible assets are comprised as follows:

(in thousands of US dollars)	March 31, 2015	December 31, 2014
Placement fees	$ 2,992	$ 3,172
Rights to performance fees	297	313
Customer relationship intangible	6,174	6,688
Contractual development fees	25,370	26,498
	$ 34,833	**$ 36,671**

10. Other Assets

(in thousands of US dollars)	March 31, 2015	December 31, 2014
Office equipment	$ 285	$ 249
Leasehold improvements	359	295
Goodwill	219	219
	$ 863	**$ 763**

There were no impairment charges in the three months ended March 31, 2015 and March 31, 2014.

11. Dividends

(in thousands of dollars, except per share amounts)				Dividend amount per share		Total dividend amount	
Date of declaration	Record date	Payment date	Common shares outstanding	in C$	in US$ [1]	in C$	in US$ [1]
March 5, 2014	March 31, 2014	April 15, 2014	90,513,609	$ 0.06	$ 0.05	$ 5,431	$ 4,913
May 12, 2014	June 30, 2014	July 15, 2014	90,546,289	0.06	0.06	5,433	4,861
August 13, 2014	September 30, 2014	October 15, 2014	90,734,794	0.06	0.05	5,444	5,092
November 11, 2014	December 31, 2014	January 15, 2015	90,192,448	0.06	0.05	5,412	4,665
						$ 21,720	$ 19,531 [2]
March 10, 2015	March 31, 2015	April 15, 2015	90,431,078	$ 0.06	$ 0.05	$ 5,420	$ 4,281
						$ 5,420	$ 4,281 [3]

(1) Dividends were issued and paid in Canadian dollars. For reporting purposes, amounts are translated to USD using the noon rate on the date of record.

(2) 2014: Total of $19,531 (C$21,720) payment includes $17,168 (C$18,979) in cash and $2,363 (C$2,741) in DRIP.

(3) 2015: Total of $4,281 (C$5,420) payment includes $3,649 (C$4,620) in cash and $632 (C$800) in DRIP.

As of March 31, 2015, 91,947 common shares were issued under the Company's Dividend Reinvestment Plan ("DRIP") (2014 – 373,058) for a total amount of $632 (2014 – $2,363).

12. Share Capital

	March 31, 2015			December 31, 2014		
	Number of	Share capital		Number of	Share capital	
(in thousands of US dollars)	shares issued	in US$ [1]	in C$	shares issued	in US$ [1]	in C$
Beginning balance	90,192,448	$ 393,200	$ 456,148	90,276,953	$ 427,972	$ 455,191
Shares issued under DRIP [1]	91,947	632	800	373,058	2,363	2,741
Stock options exercised	–	–	–	84,276	509	591
Shares issued for phantom units vested	–	–	–	192,361	1,278	1,483
Normal course issuer bid (NCIB)	–	–	–	(734,200)	(3,326)	(3,858)
Deferred share units vested [2]	146,683	1,189	1,459	–	–	–
Revaluation to period-end exchange rate [3]	–	–	–	–	(35,596)	–
Ending balance	**90,431,078**	**$ 395,021**	**$ 458,407**	**90,192,448**	**$ 393,200**	**$ 456,148**

(1) On January 15, 2015, 91,947 common shares were issued under the DRIP at an average price of $6.87 (C$8.70) per share.

(2) On February 13, 2015, 146,683 deferred share units vested at an average price of $8.11 (C$9.95) per share.

(3) 2014 opening balance was revalued at period-end rate; 2015 opening balance was carried at historical rate and not revalued.

The Company can issue an unlimited number of common shares and an unlimited number of redeemable and retractable Class A, B and C shares. The common shares of the Company do not have par value.

As of March 31, 2015, the Company had 90,431,078 common shares outstanding (December 31, 2014 – 90,192,448).

13. Compensation Arrangements

The breakdown of the annual incentive plan ("AIP") and long-term incentive plan ("LTIP") related to various compensation arrangements is as follows:

For the Three Months Ended March 31,	2015		2014	
(in thousands of US dollars)	AIP	LTIP	AIP	LTIP
Cash accrual	$ 715	$ 684	$ 618	$ 3,509
Phantom units	–	236	98	335
Deferred share units ("DSUs")	477	561	412	361
Stock options	–	127	–	482
DSU DRIP	71	28	–	–
Total compensation expense	**$ 1,263**	**$ 1,636**	**$ 1,128**	**$ 4,687**

The changes to transactions of the various cash-settled and equity-settled arrangements during the three months ended March 31, 2015 are detailed in the sections below.

Cash settled

AIP – For the three months ended March 31, 2015, the Company accrued $1,192 in relation to the AIP of which 60%, being $715, will be paid in cash in February 2016 and the balance will be paid in DSUs which will vest one year from the grant date.

On February 13, 2015, the Company paid $1,218 in relation to the 2014 AIP.

LTIP – A liability for cash-settled LTIP awards is accrued based on expected performance fees that would be generated from the fair value of the assets within each fund or separate account but disbursed only when such performance fees are earned and recognized as revenue.

For the three months ended March 31, 2015, the Company accrued $684 in LTIP expense relating to expected performance fees from commingled funds (excluding THP1 US) and separate accounts/sidecar investments that will be paid over pre-established vesting periods specific to each commingled fund or separate account/side-car commencing on the anniversary date of the award.

Phantom unit plan ("PUP")

On August 13, 2013, as a result of the crystallization of performance fees from the acquisition of the Company's 68.4% interest in THP1 US limited partnership, 584,252 phantom units were granted on a fully vested basis and held in escrow to be released over three years on the anniversary date of the transaction. The Company estimated that 30% of the benefit value will be settled in cash to satisfy tax withholding requirements and accordingly, this cash-settled component is fair valued at each reporting period and resulted in $236 of expense for the three months ended March 31, 2015.

Deferred share units ("DSUs")

AIP – For the three months ended March 31, 2015, the Company accrued $477 in AIP expense representing 40% of the 2015 AIP entitlement which will be granted in DSUs in February 2016 and will vest one year later. On February 13, 2015, 179,772 DSUs were granted at $7.99 (C$9.95) per unit in settlement of the 2014 AIP entitlement. The fair value of the DSUs on the grant date was $1,436 (C$1,789) and they will vest on February 14, 2016.

LTIP – For the three months ended March 31, 2015, the Company accrued $561 in LTIP expense relating to investment income from THP1 US that will be paid in DSUs vesting equally over a five-year period commencing on the anniversary date of each grant. Compensation expense related to the grants is recognized on a graded vesting basis and for the three months ended March 31, 2015 is comprised of $249 relating to the current year entitlement and $312 relating to the prior year entitlement. On February 13, 2015, 404,904 DSUs were granted at $9.00 (C$11.20) per unit under the 2014 DSU plan and will vest equally from 2016 to 2020.

Stock option plan

During the three months ended March 31, 2015, 15,000 stock options expired and were cancelled. As of March 31, 2015, there were 2,808,000 stock options outstanding at an average exercise price per share of $6.76 (C$7.53).

On March 16, 2015, the Company granted 721,500 options at an exercise price of $8.28 (C$10.57).

AIP liability continuity

(in thousands of US dollars)	March 31, 2015	December 31, 2014
Opening balance – beginning of period	$ 4,282	$ 4,961
Award settlement		
Cash	(1,218)	(3,845)
DSU	(1,270)	–
Phantom units	–	(1,008)
Current period accrual		
Cash	715	2,765
DSU	477	1,843
DRIP and revaluation	110	138
Conversion to period-end exchange rate	(368)	(572)
Closing balance – end of period	**$ 2,728**	**$ 4,282**

AIP liability is shown included under the following balance sheet headings:

Balance sheets

(in thousands of US dollars)	March 31, 2015	December 31, 2014
Amounts payable and accruals	$ 1,459	$ 2,197
Equity – contributed surplus	1,269	2,085
Closing balance – end of period	**$ 2,728**	**$ 4,282**

LTIP liability continuity

(in thousands of US dollars)	March 31, 2015	December 31, 2014
Opening balance – beginning of period	$ 23,528	$ 16,123
Award settlement		
Cash	(148)	–
DSU	(694)	–
Phantom units	–	(1,119)
Current period accrual		
Cash	684	7,182
DSU	561	2,304
DRIP and revaluation	264	525
Stock options	127	498
Conversion to period-end exchange rate	(1,966)	(1,985)
Closing balance – end of period	**$ 22,356**	**$ 23,528**

LTIP liability is shown included under the following balance sheet headings:

Balance sheets

(in thousands of US dollars)	March 31, 2015	December 31, 2014
LTIP	$ 17,253	$ 17,854
Equity – contributed surplus	5,103	5,674
Closing balance – end of period	**$ 22,356**	**$ 23,528**

14. Segmented Information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer in making strategic decisions. The main segments of the Company are: Private Funds and Advisory; and Principal Investing in Tricon Housing Partners ("THP"), Tricon American Homes ("TAH") and Tricon Lifestyle Communities ("TLC"). The Company evaluates segment performance based on net income less interest expense, amortization, and income taxes and adjustments for certain unrealized and non-recurring items.

The segmented income statement information is as follows:

For the Three Months Ended March 31, 2015 (in thousands of US dollars)	Private Funds and Advisory	THP	TAH	TLC	Corporate	Total
Revenue	$ 5,752	$ –	$ –	$ –	$ 10	$ 5,762
Investment income	–	6,798	22,618	(39)	–	29,377
	5,752	6,798	22,618	(39)	10	35,139
Expenses	4,838	1,587	38,775	(6)	861	46,055
Net income (loss)	**$ 914**	**$ 5,211**	**$ (16,157)**	**$ (33)**	**$ (851)**	**$ (10,916)**

For the Three Months Ended March 31, 2014 (in thousands of US dollars)	Private Funds and Advisory	THP	TAH	TLC	Corporate	Total
Revenue	$ 3,503	$ –	$ –	$ –	$ –	$ 3,503
Investment income	–	23,820	17,517	–	–	41,337
	3,503	23,820	17,517	–	–	44,840
Expenses	5,737	5,459	5,179	–	(156)	16,219
Net income (loss)	**$ (2,234)**	**$ 18,361**	**$ 12,338**	**$ –**	**$ 156**	**$ 28,621**

The balance sheet segmented information is as follows:

March 31, 2015 (in thousands of US dollars)	Private Funds and Advisory	THP	TAH	TLC	Corporate	Total
United States	$ 35,226	$ 301,855	$ 374,708	$ 4,207	$ –	$ 715,996
Canada	17,989	10,668	–	–	9,995	38,652
Total assets	**$ 53,215**	**$ 312,523**	**$ 374,708**	**$ 4,207**	**$ 9,995**	**$ 754,648**
United States	$ 36,329	$ 13,484	$ 25,511	$ 38	$ –	$ 75,362
Canada	11,176	5,867	178,049	–	7,632	202,724
Total liabilities	**$ 47,505**	**$ 19,351**	**$ 203,560**	**$ 38**	**$ 7,632**	**$ 278,086**

December 31, 2014 (in thousands of US dollars)	Private Funds and Advisory	THP	TAH	TLC	Corporate	Total
United States	$ 36,998	$ 304,478	$ 344,168	$ 4,246	$ –	$ 689,890
Canada	11,525	14,928	–	–	3,381	29,834
Total assets	**$ 48,523**	**$ 319,406**	**$ 344,168**	**$ 4,246**	**$ 3,381**	**$ 719,724**
United States	$ 15,489	$ 17,264	$ 6,500	$ –	$ –	$ 39,253
Canada	26,608	7,083	138,950	–	17,852	190,493
Total liabilities	**$ 42,097**	**$ 24,347**	**$ 145,450**	**$ –**	**$ 17,852**	**$ 229,746**

15. Related Party Transactions and Balances

The Company has a 10-year sub-lease commitment on the head office premises with Mandukwe Inc., a company owned and controlled by a current director of Tricon. For the three months ended March 31, 2015, the Company paid $18 in rental payments to Mandukwe, including maintenance and utility costs (March 31, 2014 – $27).

Transactions with related parties

The following table summarizes revenue earned from related parties including consolidated subsidiaries. These are contractual arrangements from investment funds managed by the Company, of which the Company is the general partner of the investment. In addition, the table includes investment income from related entities fair valued by the Company.

For the Three Months Ended March 31, (in thousands of US dollars)	2015	2014
Contractual fees	$ 5,413	$ 2,826
General partner distributions	324	661
Performance fees	10	–
Interest income	15	16
Total revenue	**$ 5,762**	**$ 3,503**
Investment income – Tricon Housing Partners	$ 6,798	$ 23,820
Investment income – Tricon American Homes	22,618	17,517
Investment income – Tricon Lifestyle Communities	(39)	–
Total investment income	**$ 29,377**	**$ 41,337**

Balances arising from transactions with related parties

The items set out below are included on the various line items comprising the Company's financial statements.

(in thousands of US dollars)	March 31, 2015	December 31, 2014
Receivables from related parties included in amounts receivable		
Contractual fees receivable from investment funds managed	$ 569	$ 578
Other receivables	2,357	733
Employee relocation housing loans (1)	803	806
Loan receivables from investment in associates and joint ventures	13,653	13,861
Long-term incentive plan (current and non-current portion)	22,356	23,528
Annual incentive plan	2,728	4,282
Dividends payable to employees and associated corporations	390	355
Other payables to related parties included in amounts payable and accruals	464	215

(1) The employee relocation housing loans are non-interest bearing for a term of five years, maturing 2019.

Revenues and receivables from related parties relate to general partnership distributions and contractual and performance fees for services provided by the Company. The receivables are unsecured and non-interest bearing. There are no provisions recorded against receivables from related parties at March 31, 2015 (December 31, 2014 – $nil).

16. Financial Risk Management

The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These significant estimates should be read in conjunction with the Company's annual Audited Financial Statements as at December 31, 2014. There have been no changes in the risk management policies since the year end except as noted below.

Liquidity risk

During the three months ended March 31, 2015, there was a change in the Company's liquidity which resulted in a working capital deficit of $64,425 (December 31, 2014 – $58,149). As of March 31, 2015, the outstanding bank debt was $68,800 (December 31, 2014 – $46,800). The credit facility was used to finance investment activities during the period.

The details of the net current liabilities are shown below:

(in thousands of US dollars)	March 31, 2015	December 31, 2014
Cash	$ 8,237	$ 4,940
Amounts receivable	8,208	5,515
Prepaid expenses and deposits	3,067	1,183
Current assets	19,512	11,638
Amounts payable and accruals	10,853	18,322
Dividends payable	4,284	4,665
Net current assets (liabilities) before the undernoted	4,375	(11,349)
Bank debt	68,800	46,800
Net current liabilities	**$ 64,425**	**$ 58,149**

Management estimates that the Company will receive sufficient cash flow from the Tricon Housing Partners and Tricon American Homes businesses to enable repayment of the bank debt. During the three months ended March 31, 2015, the Company received distributions of $12,571 from these investments.

17. Working Capital

For the Three Months Ended March 31,

(in thousands of US dollars)	2015	2014
Amounts receivable	$ (2,693)	$ (582)
Prepaid expenses and deposits	(1,884)	(1,045)
Amounts payable and accruals	(2,712)	(3,531)
Interest payable	(1,810)	1,560
Income taxes payable	(2,497)	(1,035)
	$ (11,596)	**$ (4,633)**

18. Variability of Results

The nature of our business does not allow for consistent year-to-year revenue comparisons. Revenues earned from a fund are dependent upon where the fund is in its life cycle. At the beginning of the fund's life cycle, consistent contractual fees and general partner distributions are earned to the end of the investment period. Subsequent to the investment period, contractual fees and general partner distributions start to decline as investments are realized. Performance fees that are earned at the end of the life cycle can vary significantly depending on fund performance, resulting in volatile revenue streams. Similarly, the performance of the Company's investments carried at FVTPL may not be consistent from period to period.

19. Subsequent Events

On April 15, 2015, the Company's subsidiary, Tricon American Homes, purchased a portfolio of 1,385 single-family rental homes situated in Texas, North Carolina, and South Carolina for $149,848.

On April 15, 2015, recipients of dividends elected to receive 58,192 shares under the Dividend Reinvestment Plan ("DRIP") for a total amount of $516 (C$639).

On April 28, 2015, Tricon American Homes priced the offering of a single-family rental securitization transaction. The transaction involved the issuance and sale of six classes of single-family rental pass-through certificates that represent beneficial ownership interest in a loan secured by 3,505 of Tricon American Homes' single-family rental properties. The certificates were priced at a weighted average interest rate of LIBOR plus 196 basis points (compared to LIBOR plus 360 basis points on the original borrowing) and have a two-year term to maturity with three one-year extensions available at the Company's option. The Company expects to close the transaction on or around May 12, 2015 and receive gross proceeds of approximately $361 million upon closing the transaction. The anticipated proceeds represent approximately 70% of the value of the securitized portfolio and 81% of its all-in cost, and will be utilized to repay the existing debt on the underlying properties, with the balance being utilized to finance the continued growth of the TAH portfolio and other corporate purposes.

On May 11, 2015, Tricon Lifestyle Communities entered into closing escrow in respect of the acquisition of a manufactured housing community, Apache Junction Estate, in Phoenix, Arizona for $9.25 million.

On May 11, 2015, the Company declared a dividend of six cents per share in Canadian dollars payable on July 15, 2015 to shareholders of record on June 30, 2015, following approval from the Board of Directors.

TRICON

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