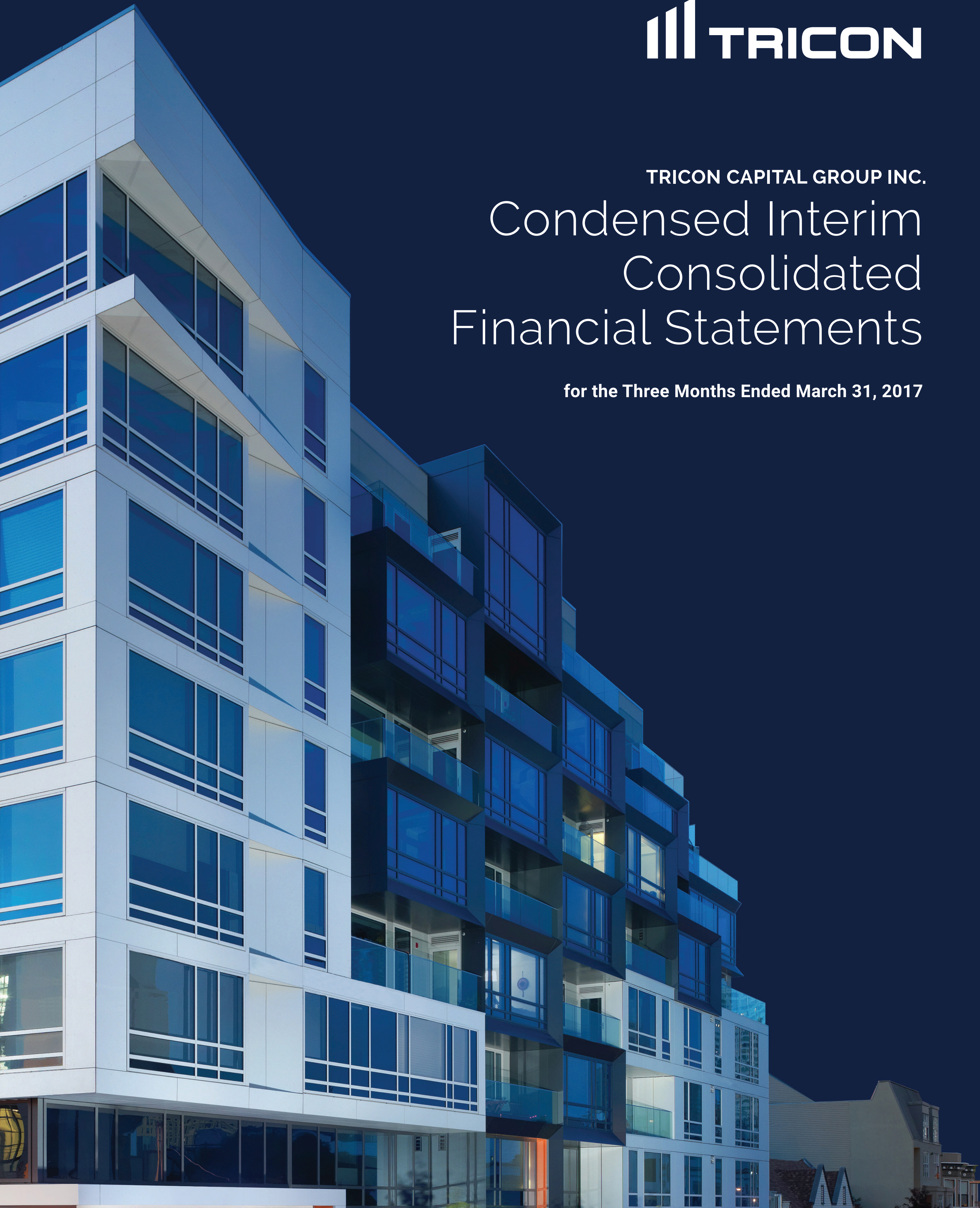
TRICON

TRICON CAPITAL GROUP INC.

Condensed Interim Consolidated Financial Statements

for the Three Months Ended March 31, 2017



Condensed Interim Consolidated Balance Sheets

Unaudited (in thousands of U.S. dollars)

	Notes	March 31, 2017	December 31, 2016
ASSETS			
Cash		$ 22,680	$ 17,780
Amounts receivable		18,801	16,892
Prepaid expenses and deposits	*3*	3,660	2,599
Cash held in escrow	*7*	148,310	–
Investments – Tricon Housing Partners	*4, 5*	297,512	301,787
Investments – Tricon American Homes	*4, 5*	525,090	479,938
Investments – Tricon Lifestyle Communities	*4, 5*	54,910	52,591
Investments – Tricon Luxury Residences	*4, 5*	73,607	62,410
Intangible assets	*11*	23,626	24,967
Deferred income tax assets	*10*	13,969	12,404
Other assets	*12*	1,345	1,376
Total assets		**$ 1,183,510**	**$ 972,744**
LIABILITIES			
Amounts payable and accrued liabilities	*8*	$ 10,965	$ 10,892
Dividends payable	*13*	5,524	5,459
Long-term incentive plan	*16*	12,509	13,359
Debt	*6*	56,216	168,857
Other liabilities	*7*	313,260	–
Deferred income tax liabilities	*10*	33,461	30,488
Derivative financial instruments	*9*	4,195	28
Total liabilities		**436,130**	**229,083**
Equity			
Share capital	*14*	569,552	567,677
Contributed surplus		15,682	15,835
Cumulative translation adjustment		19,316	18,711
Retained earnings		130,047	127,691
Total shareholders' equity		734,597	729,914
Non-controlling interest		12,783	13,747
Total equity		**747,380**	**743,661**
Total liabilities and equity		**$ 1,183,510**	**$ 972,744**

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

Approved by the Board of Directors

David Berman

Michael Knowlton

Condensed Interim Consolidated Statements of Comprehensive Income

Unaudited (in thousands of U.S. dollars, except per share amounts which are in U.S. dollars, unless otherwise indicated)

For the three months ended	Notes	March 31, 2017	March 31, 2016
Revenue			
Contractual fees	*18*	$ 5,408	$ 5,468
General partner distributions	*18*	333	305
Performance fees	*18*	3	–
		5,744	5,773
Investment income			
Investment income – Tricon Housing Partners	*17, 18*	5,668	6,401
Investment income – Tricon American Homes	*17, 18*	12,269	12,910
Investment income – Tricon Lifestyle Communities	*17, 18*	2,319	482
Investment income – Tricon Luxury Residences	*17, 18*	1,931	1,919
		22,187	21,712
		27,931	27,485
Expenses			
Compensation expense	*16*	5,212	4,739
General and administration expense		1,860	1,407
Interest expense		3,316	2,560
Net change in fair value of derivative financial instruments	*9*	4,167	(925)
Transaction costs		936	1,125
Amortization expense		1,401	1,570
Realized and unrealized foreign exchange loss		704	1,505
		17,596	11,981
Income before income taxes		**10,335**	**15,504**
Income tax expense – current	*10*	1,118	1,568
Income tax expense – deferred	*10*	1,462	1,079
Net income		**$ 7,755**	**$ 12,857**
Attributable to:			
Shareholders of Tricon		$ 7,871	$ 13,234
Non-controlling interest		(116)	(377)
Net income		**7,755**	**12,857**
Other comprehensive income (loss)			
Items that will be reclassified subsequently to net income			
Cumulative translation reserve		605	(1,489)
Comprehensive income for the period		**$ 8,360**	**$ 11,368**
Attributable to:			
Shareholders of Tricon		$ 8,476	$ 11,745
Non-controlling interest		(116)	(377)
Comprehensive income for the period		**$ 8,360**	**$ 11,368**
Basic earnings per share attributable to shareholders of Tricon		**$ 0.07**	**$ 0.12**
Diluted earnings per share attributable to shareholders of Tricon		**$ 0.07**	**$ 0.11**
Weighted average shares outstanding – basic	*15*	**113,535,527**	**112,379,331**
Weighted average shares outstanding – diluted	*15*	**115,914,567**	**122,715,437**

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

Condensed Interim Consolidated Statements of Changes in Equity

Unaudited (in thousands of U.S. dollars)

	Notes	Share capital	Contributed surplus	Cumulative translation adjustment	Retained earnings	Total shareholders' equity	Non-controlling interest	Total
Balance at January 1, 2017		**$ 567,677**	**$ 15,835**	**$ 18,711**	**$ 127,691**	**$ 729,914**	**$ 13,747**	**$ 743,661**
Net income (loss)		–	–	–	7,871	7,871	(116)	7,755
Cumulative translation reserve		–	–	605	–	605	–	605
Distributions to non-controlling interest		–	–	–	–	–	(848)	(848)
Dividends/Dividend reinvestment plan	*13*	1,362	–	–	(5,515)	(4,153)	–	(4,153)
Stock options	*16*	20	380	–	–	400	–	400
Deferred share units	*16*	493	(533)	–	–	(40)	–	(40)
Balance at March 31, 2017		**$ 569,552**	**$ 15,682**	**$ 19,316**	**$ 130,047**	**$ 734,597**	**$ 12,783**	**$ 747,380**
Balance at January 1, 2016		**$ 561,347**	**$ 9,812**	**$ 20,098**	**$ 90,813**	**$ 682,070**	**$ 15,932**	**$ 698,002**
Net income (loss)		–	–	–	13,234	13,234	(377)	12,857
Cumulative translation reserve		–	–	(1,489)	–	(1,489)	–	(1,489)
Dividends/Dividend reinvestment plan	*13*	940	–	–	(5,616)	(4,676)	–	(4,676)
Repurchase of common shares	*14*	(1,115)	–	–	(332)	(1,447)	–	(1,447)
Bought deal offering	*14*	1,362	–	–	–	1,362	–	1,362
Stock options	*16*	–	274	–	–	274	–	274
Deferred share units	*16*	711	(516)	–	–	195	–	195
Balance at March 31, 2016		**$ 563,245**	**$ 9,570**	**$ 18,609**	**$ 98,099**	**$ 689,523**	**$ 15,555**	**$ 705,078**

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

Condensed Interim Consolidated Statements of Cash Flows

Unaudited (in thousands of U.S. dollars)

For the three months ended	Notes	March 31, 2017	March 31, 2016
CASH PROVIDED BY (USED IN)			
Operating activities			
Net income		$ 7,755	$ 12,857
Adjustments for non-cash items			
Amortization expense	*11, 12*	1,401	1,570
Deferred income taxes	*10*	1,462	1,079
Long-term incentive plan	*16*	(607)	936
Annual incentive plan	*16*	2,438	910
Amortization of debenture discount and issuance costs	*6*	583	538
Accrued investment income – Tricon Housing Partners	*5, 17*	(5,668)	(6,401)
Accrued investment income – Tricon American Homes	*5, 17*	(12,269)	(12,910)
Accrued investment income – Tricon Lifestyle Communities	*5, 17*	(2,319)	(482)
Accrued investment income – Tricon Luxury Residences	*5, 17*	(1,931)	(1,919)
Net change in fair value of derivative financial instruments	*9*	4,167	(925)
Unrealized foreign exchange gain		(1,138)	(2,390)
Advances made to investments	*5*	(54,947)	(69,561)
Distributions received from investments	*5*	22,741	53,797
		(38,332)	(22,901)
Changes in non-cash working capital items	*21*	(2,897)	(5,020)
Net cash (used in) provided by operating activities		(41,229)	(27,921)
Investing activities			
Purchase of office equipment, furniture and leasehold improvements	*12*	(38)	(156)
Net cash (used in) provided by investing activities		(38)	(156)
Financing activities			
Issuance of common shares – net of issuance costs	*14*	–	248
Proceeds from (repayment of) revolving term credit facility – net of financing costs	*6*	(113,750)	56,750
Proceeds from other liabilities – net of financing costs	*7*	164,950	–
Dividends paid	*13*	(4,194)	(3,877)
Distributions to non-controlling interest		(848)	–
Net cash (used in) provided by financing activities		46,158	53,121
Effect of foreign exchange rate difference on cash		**9**	**(81)**
Change in cash during the period		**4,900**	**24,963**
Cash – beginning of period		**17,780**	**4,493**
Cash – end of period		**$ 22,680**	**$ 29,456**
Supplementary information			
Cash paid on			
Income taxes		**$ 2,228**	**$ 2,126**
Interest		**$ 3,209**	**$ 2,354**

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

1. Nature of business

Tricon Capital Group Inc. ("Tricon" or the "Company") is a principal investor and asset manager focused on the residential real estate industry in North America. In the principal investment portfolios, the Company primarily invests through Tricon Housing Partners, Tricon American Homes, Tricon Lifestyle Communities and Tricon Luxury Residences. In Private Funds and Advisory, the Company manages, on behalf of private investors, commingled funds, side-cars and separate investment accounts that invest in the development of real estate in North America and generate contractual fee income for the Company.

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 Toronto Stock Exchange (TSX) (symbol: TCN).

These condensed interim consolidated financial statements were approved for issue on May 9, 2017 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 and measurement

The condensed interim consolidated financial statements are prepared on a going-concern basis and have been presented in U.S. dollars, which is also the Company's functional currency. All financial information is presented in thousands of U.S. 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, 2016, 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, Tricon Lifestyle Communities and Tricon Luxury Residences 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 19). The Company believes this presentation is more relevant given the nature of the Company's operations, which do not have specifically identifiable operating cycles.

Accounting standards adopted in the current year

IAS 12 was amended to clarify the requirements for recognizing deferred income tax assets on unrealized losses, deferred income taxes where an asset is measured at fair value below the asset's tax base, and certain other aspects of accounting for deferred income tax assets. The amendment was adopted on January 1, 2017, without a significant impact on Tricon's balance sheet and statements of operations.

In January 2016, the IASB issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The amendment was adopted on January 1, 2017, without a significant impact on Tricon's balance sheet and statements of operations.

Accounting standards and interpretations issued but not yet adopted

IFRS 9, Financial Instruments ("IFRS 9"), was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in International Accounting Standard ("IAS") 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income ("OCI"). Where equity instruments are measured at fair value through OCI, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated OCI indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss are generally recorded in OCI.

IFRS 9 was amended in November 2013 to (i) include guidance on hedge accounting, and (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in OCI (without having to adopt the remainder of IFRS 9). IFRS 9 will be effective on January 1, 2018.

On May 28, 2014, the IASB issued the final revenue standard, IFRS 15 Revenue from Contracts with Customers, which will replace IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers, and SIC 31 Revenue – Barter Transactions Involving Advertising Services. Amendments to IFRS 15 were issued in April 2016 to clarify the guidance on identifying performance obligations, licenses of intellectual property and principal versus agent, and to provide additional practical expedients on transition. These amendments are effective for fiscal years beginning on or after January 1, 2018, and interim periods within that year.

On January 13, 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), which will replace IAS 17, Leases. IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15.

In June 2016, the IASB issued an amendment to IFRS 2, Share-Based Payments, addressing (i) certain issues to the accounting for cash-settled awards, and (ii) the accounting for equity-settled awards that include a "net settlement" feature in respect of employee withholding taxes. This amendment is effective for annual periods beginning on or after January 1, 2019.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the Company. The Company is currently reviewing new standards to assess the impact they may have upon adoption.

3. Prepaid expenses and deposits

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
Deposits for office building	$ 3,139	$ 2,155
Other prepaid expenses and deposits	521	444
Total prepaid expenses and deposits	**$ 3,660**	**$ 2,599**

4. Investments

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

Investments – Tricon American Homes ("TAH") are investments in operating entities which invest in U.S. single-family rental homes. The investments are managed through an integrated business platform managed by the operating entity, which is responsible for the acquisition, renovation and leasing of the homes.

On February 27, 2017, TAH announced that it had entered into an agreement to acquire Silver Bay Realty Trust Corp. ("Silver Bay"), a New York Stock Exchange-listed U.S. single-family rental Real Estate Investment Trust with 9,044 homes (as of December 31, 2016) and this previously announced acquisition was completed on May 9, 2017. This acquisition is a highly complementary portfolio to that of TAH given its focus on the Sun Belt and middle market demographic. The $21.50 per share all-cash transaction values Silver Bay at approximately $1,400,000 (before transaction costs), including an equity purchase price of approximately $820,000 and approximately $600,000 of in-place debt (net of cash on hand) that was concurrently refinanced (Note 7).

The Company contributed $320,500 to its investment in TAH to effect the acquisition of Silver Bay.

Investments – Tricon Lifestyle Communities ("TLC") are investments in U.S. manufactured housing communities that lease land to owners of prefabricated homes.

Investments – Tricon Luxury Residences ("TLR") are investments in Canadian and U.S. Class A multi-family rental developments.

The Company makes these investments via equity investments and loan advances. Advances made to investments are added to the carrying value when paid; distributions from investments are deducted from the carrying value when received. The following is a summary of the composition of the Company's investments:

	March 31, 2017			December 31, 2016		
(in thousands of U.S. dollars)	Internal debt instruments	Equity	Total investment	Internal debt instruments	Equity	Total investment
Investments – THP						
U.S. commingled funds	$ –	$ 126,932	$ 126,932	$ –	$ 137,004	$ 137,004
Canadian commingled funds	–	9,232	9,232	–	9,537	9,537
Separate accounts and side-cars	20,635	140,713	161,348	21,101	134,145	155,246
	20,635	276,877	297,512	21,101	280,686	301,787
Investments – TAH	–	525,090	525,090	–	479,938	479,938
Investments – TLC	–	54,910	54,910	–	52,591	52,591
Investments – TLR	–	73,607	73,607	–	62,410	62,410
Total	**$ 20,635**	**$ 930,484**	**$ 951,119**	**$ 21,101**	**$ 875,625**	**$ 896,726**

The underlying loan instruments within the Company's Tricon Housing Partners investments, if utilized, are denominated in U.S. dollars and bear interest at rates between 9.95% and 11.95%, compounded monthly.

Each investment vertical may utilize debt in order to finance normal business operations, with the debt secured by the underlying assets of the related investment. The Company has provided specific guarantees to the lenders of the TAH warehouse facility, the TLC mortgages and the TLR land and construction loans, on a non-recourse basis subject only to specific carved-out events in the case of the TAH and TLC guarantees.

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

(in thousands of dollars)

THP Investments	Currency	Tricon commitment	Advances	Unfunded commitment	Project fees	Cash distributions	Total distributions	Investments at fair value[2]
As at March 31, 2017[1]								
THP1 US[3,4]	USD	$ 226,775	$ 269,676	$ 10,975	$ –	$ 262,305	$ 262,305	$ 101,233
THP2 US	USD	25,000	19,804	5,196	–	22	22	25,699
THP US SP1 LP	USD	6,330	5,331	999	254	292	546	5,849
THP US SP2 LP	USD	5,760	4,905	855	–	115	115	4,790
Cross Creek Ranch	USD	14,400	12,484	1,916	5,848	12,600	18,448	7,390
Fulshear Farms	USD	5,000	3,255	1,745	669	–	669	3,269
Grand Central Park	USD	9,785	8,400	1,385	2,934	1,598	4,532	9,489
Trilogy at Verde River	USD	10,350	8,496	1,854	2,810	–	2,810	10,952
Viridian	USD	25,400	26,108	1,047	2,095	4,900	6,995	22,721
Trinity Falls	USD	91,750	73,865	17,885	394	–	394	79,017
Side-cars	USD	17,880	15,709	2,171	4,272	–	4,272	17,871
Total USD investments		**438,430**	**448,033**	**46,028**	**19,276**	**281,832**	**301,108**	**288,280**
THP3 Canada	CAD	20,000	11,898	8,102	–	2,368	2,368	9,232
Total CAD investments		**$ 20,000**	**$ 11,898**	**$ 8,102**	**$ –**	**$ 2,368**	**$ 2,368**	**$ 9,232**
Investments – THP								**$ 297,512**
As at December 31, 2016[1]								
THP1 US[3,4]	USD	$ 226,775	$ 269,676	$ 10,975	$ –	$ 248,834	$ 248,834	$ 111,744
THP2 US	USD	25,000	19,774	5,226	–	–	–	25,260
THP US SP1 LP	USD	6,330	5,298	1,032	155	–	155	5,839
Cross Creek Ranch	USD	14,400	12,484	1,916	5,724	11,808	17,532	8,364
Fulshear Farms	USD	5,000	3,255	1,745	650	–	650	3,269
Grand Central Park	USD	9,785	8,213	1,572	2,758	1,249	4,007	9,341
Trilogy at Verde River	USD	10,350	8,375	1,975	2,603	–	2,603	10,641
Viridian	USD	25,400	25,460	1,047	1,785	3,500	5,285	23,472
Trinity Falls	USD	91,750	73,865	17,885	209	–	209	77,195
Side-cars	USD	17,880	15,135	2,745	3,907	–	3,907	17,125
Total USD investments		**432,670**	**441,535**	**46,118**	**17,791**	**265,391**	**283,182**	**292,250**
THP3 Canada	CAD	20,000	11,898	8,102	–	2,368	2,368	9,537
Total CAD investments		**$ 20,000**	**$ 11,898**	**$ 8,102**	**$ –**	**$ 2,368**	**$ 2,368**	**$ 9,537**
Investments – THP								**$ 301,787**

(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, 2017 and December 31, 2016 are shown in thousands of U.S. dollars.

(3) $226,775 represents the Company's total fund commitment; the purchase price of the 68.4% interest was $260,500.

(4) The cumulative actual cash distributions received from THP1 US was reduced by $8,411 of withholding tax.

5. Fair value estimation

In the fair value hierarchy, the level in 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, 2017			December 31, 2016		
(in thousands of U.S. dollars)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Investments – THP						
U.S. commingled funds	$ –	$ –	$ 126,932	$ –	$ –	$ 137,004
Canadian commingled funds	–	–	9,232	–	–	9,537
Separate accounts and side-cars	–	–	161,348	–	–	155,246
	–	–	297,512	–	–	301,787
Investments – TAH	–	–	525,090	–	–	479,938
Investments – TLC	–	–	54,910	–	–	52,591
Investments – TLR	–	–	73,607	–	–	62,410
	$ –	**$ –**	**$ 951,119**	**$ –**	**$ –**	**$ 896,726**
Financial liabilities						
Derivative financial instruments (Note 9)	$ –	$ 4,195	$ –	$ –	$ 28	$ –

There have been no transfers between levels for the three months ended March 31, 2017.

Financial assets valuation methodologies

The Company's Valuation Committee is responsible for fair value measurements included in the financial statements, including Level 3 measurements. 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. The Valuation Committee consists of individuals who are knowledgeable and have experience in the fair value techniques for the investments held by the Company. The Valuation Committee decides on the appropriate valuation methodologies for new investments and contemplates changes in the valuation methodology for existing investments. Additionally, the Valuation Committee analyzes the movements in each investment's value, which involves assessing the validity of the inputs applied in the valuation. 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 those for 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	Range of inputs	Weighted average of inputs	Other inputs and key information
Debt investments	Net asset value, determined using discounted cash flow	a) Discount rate[1] b) Future cash flow[2]	10.0% – 12.0% 3 – 5 years	11.5% 4.0 years	Estimated probability of default
Equity investments Commingled funds	Net asset value, determined using discounted cash flow	a) Discount rate[1] b) Future cash flow[2]			Entitlement risk, sales risk and construction risk are taken into account in determining the discount rate.
THP1 US			12.5% – 20.0% 1 – 3 years	14.8% 2.7 years	**U.S. funds:** Lower of 20% and the expected return for the project, subsequently adjusted downward as development risk is mitigated over project life.
THP2 US			12.5% – 20.0% 1 – 7 years	16.1% 1.9 years	
THP3 Canada			8.0% – 18.0% 2 – 9 years	10.9% 3.9 years	**Canadian funds:** Discounted at contractual interest rate; may include contingent interest cash flows (received when developers' project returns exceed the underlying contractual interest) which is discounted using the same method as U.S. funds.
Separate accounts and side-cars	Waterfall distribution model	a) Discount rate[1] b) Future cash flow[2] c) Appraised value[3]	17.0% – 25.0% 2 – 21 years	N/A[3] 11.8 years	Entitlement risk, sales risk and construction risk are taken into account in determining the discount rate. Price per acre of land, timing of project funding requirements and distributions.

(1) Generally, an increase in future cash flow will result in an increase in the fair value of debt instruments and fund equity investments. An increase in the discount rate will result in a decrease in the fair value of 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.

(2) Estimating future cash flows involves modelling developers' cash flows to determine the quantum and timing of project funding requirements and cash distributions to the investment vehicle. Estimates of developers' cash flows are based on detailed quarterly and annual budgets and include estimates of construction and development costs, anticipated selling prices and absorption ratios for each project.

(3) On an annual basis, the Company obtains external valuations for its separate account equity and side-car investments. As at December 31, 2016, the external valuations for Tricon's interest in eight separate account equity and side-car investments totaled $51,112. The Company's investment team and finance team verify all major inputs to the valuation and review the results with the independent appraiser. The significant input within the appraised value is the value of land per acre. Management has assessed whether any market changes have occurred subsequent to the date of valuation and has determined that the value remained valid at March 31, 2017.

Sensitivity

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

		March 31, 2017		December 31, 2016	
(in thousands of dollars)	Currency	1% increase	1% decrease	1% increase	1% decrease
U.S. commingled funds	USD	$ (1,125)	$ 1,152	$ (1,342)	$ 1,377
Canadian commingled funds	CAD	(342)	356	(258)	269
Separate accounts and side-cars[1]	USD	(1,298)	1,339	(1,673)	1,724

(1) As at December 31, 2016, the Company obtained external valuations for its interest in eight separate account equity and side-car investments (excluding THP US SP1 and THP US SP2). Management has assessed whether any market changes have occurred subsequent to the date of valuation and has determined that the value remained valid at March 31, 2017. Hence, the sensitivity for separate account equity and side-car investments has not changed since December 31, 2016.

Investments – Tricon American Homes

All of the Company's investments in 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.

Home values typically do not change materially in the short term, and capital expenditures generally do not significantly impact values in the first three months after purchase. As a result, homes acquired in the current quarter are recorded at their purchase price plus the cost of capital expenditures, if applicable. Homes acquired prior to January 1, 2017 were valued at February 28, 2017. Management has assessed the impact of any market changes that have occurred subsequent to the date of valuation and has determined that values were valid at March 31, 2017.

During the quarter, the Broker Price Opinion ("BPO") valuation methodology was not used to determine the fair value of TAH's rental properties. The rental properties, including those previously valued by BPO, had their values updated 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. Twelve-month trailing HPI was used where the quarterly HPI change was determined by averaging the index movement over the past twelve months. The quarterly HPI change is then applied to the previously recorded fair value of the investment properties. The data used to fair value the rental properties is specific to the zip code in which the property is located.

In addition to the investment properties generating rental income, a small percentage of the investment properties are held for sale ("for sale homes"). These for sale homes were originally purchased as rental properties but subsequently selected for sale through the investee's active asset management process. All for sale homes are valued at the lower of carrying amount and fair value less cost to sell.

Securitization transactions

TAH is indebted in the amount of $347,000 under its first securitization loan ("TAH 2015-1") and $363,000 under its second securitization loan ("TAH 2016-1"). The securitization transactions involved the issuance and sale of single-family rental pass-through certificates that represent beneficial ownership interests in loans secured by a portion of TAH's portfolio of single-family properties. Interest only payments are required on the TAH 2015-1 loan at a weighted average interest rate of one-month LIBOR plus 196 basis points per annum, subject to a 3.955% cap on the LIBOR rate. The one-month LIBOR during the three months ended March 31, 2017 ranged from 0.77% to 0.79%. All outstanding principal and interest shall be paid in full prior to maturity on May 9, 2017, with three one-year extensions available at the borrower's option. On March 28, 2017, TAH exercised the one-year extension option of the TAH 2015-1 loan to May 9, 2018. Interest only payments are required on the TAH 2016-1 loan at a fixed weighted average interest rate of 3.59% per annum, and all outstanding principal and interest shall be paid in full prior to maturity on November 6, 2021.

Sensitivity

The TAH debt facility is subject to variable rates based on the one-month LIBOR plus 300 basis points, subject to a 25 basis point LIBOR floor. As of March 31, 2017, the rental partnerships and the Company as its sponsor are in compliance with the financial covenants and other undertakings outlined in the loan agreement. The one-month LIBOR during the three months ended March 31, 2017 ranged from 0.77% to 0.79%. If interest rates had been 50 basis points lower, with all other variables held constant, investment income in TAH for the three months ended March 31, 2017 would have been $82 (2016 – $117) higher. At March 31, 2017, if interest rates had been 50 basis points higher, with all other variables held constant, investment income in TAH for the three months ended March 31, 2017 would have been $82 (2016 – $324) lower. Investment income is more sensitive to interest rate increases than decreases because of the interest rate floor on borrowings.

As of March 31, 2017, the securitization borrower, TAH 2015-1 Borrower LLC, is in compliance with the covenants and other undertakings outlined in the loan agreement. If interest rates had been 50 basis points higher or lower, with all other variables held constant, investment income in TAH for the three months ended March 31, 2017 would have been $436 lower or higher (2016 – $475). As of March 31, 2017, the securitization borrower, TAH 2016-1 Borrower LLC, is also in compliance with the covenants and other undertakings outlined in the loan agreement. The interest payments are not sensitive to changes in interest rate because the interest rate on the loan is fixed.

If the prices of single-family rental homes held by the TAH limited partnerships were to increase or decrease by 1.% (December 31, 2016 – 1%), the impact on investments in TAH fair value at March 31, 2017 would be $12,379 and ($12,379), respectively (December 31, 2016 – $12,099 and ($12,099)).

The weighted average of the quarterly HPI change was 1.3%. If the change in the quarterly HPI increased or decreased by 0.5%, the impact on investments in TAH fair value at March 31, 2017 would be $5,828 and ($5,828), respectively (December 31, 2016 – $5,614 and ($5,614)).

Investments – Tricon Lifestyle Communities

The Company's investment in Tricon Lifestyle Communities is held through a wholly-owned subsidiary, Tricon Manufactured Housing Communities LLC, which carries 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 the 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.

Since all variables impacting fair value of the investment property, such as rental growth, expense inflation and the impact of future capital expenditures, generally do not change significantly in the first twelve months after acquisition, investments are recorded at cost for the first twelve months after acquisition. As a result, these properties are recorded at their purchase price plus the cost of capital expenditures. Key variables are monitored on a quarterly basis to determine if there may be a material change in fair value.

The Company fair values the TLC properties using a discounted cash flow methodology. The fair value is determined based on rental income from the current leases and assumptions about rental income from future leases, such as increases in rental rates and occupancy, less future cash outflows in respect of such leases and capital expenditures. Other factors included in the future cash flow estimate are the terminal value of the underlying property 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 within each market.

The Company also takes into account the carried interest payable to the general partner of the underlying limited partnership in determining the fair value of its investment. The carried interest amounts are based on waterfall distribution calculations specified in the limited partnership agreement 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 partnership would have obtained for similar financing. Deferred income taxes are based on the enacted tax rates for future years. Working capital of the limited partnership approximates fair value.

Sensitivity

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

TLC's fair value measurements of its investments are based on significant unobservable inputs, including discount rates and future cash flows. At March 31, 2017, an increase of 1% in the discount rate results in a decrease in fair value of ($6,190), and a decrease of 1% in the discount rate results in an increase in fair value of $5,051 (December 31, 2016 – $(3,557) and $2,475, respectively).

Investments – Tricon Luxury Residences

The Company's investment in TLR Canada is held through a wholly-owned subsidiary, Tricon Luxury Residences Co-Investment Inc. Its investment in TLR U.S. is held through a wholly-owned subsidiary, Tricon SLR US Multifamily LLC. Both subsidiaries carry their investments at fair value. The fair values of the investments in TLR are estimated based on the subsidiaries' proportionate share of the net assets of TLR limited partnerships. 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.

TLR Canada fair values its properties based on an external appraisal performed annually as of November 30 of each year. The fair value is determined based on active market prices (including, but not limited to, dollar value per square foot), adjusted (if necessary) for differences in the nature, location or condition of the asset, as well as assumptions about the recoverability of development costs. Management has assessed whether any significant market changes have occurred subsequent to the date of prior valuation and has determined that the value remained unchanged at March 31, 2017.

TLR U.S. fair values its properties using a discounted cash flow methodology. The fair value is determined based on assumptions about rental income from future leases, such as increases in rental rates and occupancy, less future cash outflows in respect of such leases and capital expenditures. Other factors included in the future cash flow estimate are the terminal value of the underlying property based on reliable estimates of the terminal year net operating income ("NOI"), supported by the assumptions of future leases, and market capitalization rates of comparable precedent transactions within each market.

Sensitivity

TLR U.S.' fair value measurements of its investments are based on significant unobservable inputs, including discount rates and future cash flows. An increase of 1% in the discount rate results in a decrease in fair value of ($1,214), and a decrease of 1% in the discount rate results in an increase in fair value of $1,254 (December 31, 2016 – ($1,272) and $1,316, respectively).

TLR Canada's income is largely based on the fair value of appraised assets held for development at year-end. As at March 31, 2017, an increase of 5% of the appraised value per square foot would result in an increase in fair value of $515, and a decrease of 5% of the appraised value would result in a decrease in fair value of ($515) (December 31, 2016 – $510 and $(510), respectively).

Continuity of investments

The following presents the changes in Level 3 instruments for the three months ended March 31, 2017 and December 31, 2016:

THP

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
Opening balance	$ 301,787	$ 303,782
Advances made to investments	6,498	88,562
Distributions received from investments	(16,441)	(118,107)
Investment income	5,668	27,550
Ending balance	**$ 297,512**	**$ 301,787**
Unrealized fair value gain included in net income on investments still held	5,668	27,550

TAH

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
Opening balance	$ 479,938	$ 426,030
Advances made to investments	39,183	98,378
Distributions received from investments	(6,300)	(94,551)
Investment income	12,269	50,081
Ending balance	**$ 525,090**	**$ 479,938**
Unrealized fair value gain included in net income on investments still held	12,269	50,081

TLC

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
Opening balance	$ 52,591	$ 19,153
Advances made to investments	–	28,330
Investment income	2,319	5,108
Ending balance	**$ 54,910**	**$ 52,591**
Unrealized fair value gain included in net income on investments still held	2,319	5,108

TLR

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
Opening balance	$ 62,410	$ 19,582
Advances made to investments	9,266	40,762
Investment income	1,931	2,066
Ending balance	**$ 73,607**	**$ 62,410**
Unrealized fair value gain included in net income on investments still held	1,931	2,066

Financial liabilities valuation methodologies

Derivative financial instruments relate to the conversion and redemption features of the convertible debentures and are valued using model calibration, as discussed in Note 9. 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, 2017	December 31, 2016
Risk-free rate[1]	1.25%	1.28%
Stock price[2]	C$10.92	C$9.46
Implied volatility[3]	26.36%	19.05%
Dividend yield[4]	2.40%	2.95%

(1) Risk-free rates were from the Canadian dollar 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 accrued liabilities (including interest payable), dividends payable, other liabilities and revolving term credit facility are measured at cost, since their carrying values are a reasonable approximation of fair value due to their short-term nature.

6. Debt

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
Revolving term credit facility	$ –	$ 113,750
2020 convertible debentures	56,216	55,107
Total debt	**$ 56,216**	**$ 168,857**

As at March 31, 2017, the outstanding balance of the revolving term credit facility was nil (December 31, 2016 – $113,750), as the drawn balance of $141,000 was repaid in March 2017 from the proceeds of the new debentures, which are classified as other liabilities (Note 7). During the three months ended March 31, 2017, the Company paid interest on debt in the amount of $3,209 (2016 – $2,354).

Revolving term credit facility

The Company has access to a $235,000 revolving term credit facility (the "Facility"). The Facility includes a syndicate of lenders comprised of Canadian and U.S. banks. The Facility may be further increased to $275,000 with the approval of the lenders. The Facility has a maturity date of June 30, 2019. The Company has provided a general security agreement creating a first priority security interest on the assets of the Company. On May 9, 2017, the size of the facility was increased from $235,000 to $365,000.

During the first quarter of 2017, the minimum balance drawn on the Facility was nil, and the maximum amount drawn was $141,000.

Advances under the Facility are available by way of Prime, USBR and LIBOR loans as well as Banker's Acceptances. The applicable margin on advances is determined in reference to the senior funded debt-to-EBITDA ratio and is added to the applicable loan reference rate as follows: Prime and USBR loans range from 250 to 275 basis points above the respective reference rate, and LIBOR loans and Banker's Acceptances range from 350 to 375 basis points above the respective reference rate. Standby fees ranging from 87.5 to 93.75 basis points of the unutilized portion of the total commitment are payable, with reference to the funded debt-to-EBITDA ratio, on a quarterly basis. The Facility total interest expense incurred for the three months ended March 31, 2017 amounted to $1,233 (2016 – $735). The weighted average interest rate during the quarter was 4.25%.

The Facility agreement requires the Company to maintain the following covenants: a senior funded debt-to-EBITDA ratio of 4.00:1 for each fiscal quarter ending after July 1, 2016 and prior to April 1, 2017, and 3.25:1 for each fiscal quarter ending thereafter; a minimum interest coverage ratio of 1.5:1; and a consolidated total funded debt-to-capital not to exceed 55%. The Company was in compliance with each of the covenants of the Facility.

Convertible debentures

The debt component of the convertible debentures (the "2020 convertible debentures") recognized on the consolidated balance sheets was calculated as follows:

(in thousands of dollars)	USD[1]	CAD
March 31, 2017		
Principal amount outstanding	$ 64,461	$ 85,731
Less: Transaction costs (net of amortization)	(1,473)	(1,959)
Liability component on initial recognition	62,988	83,772
Debentures discount (net of amortization)	(6,772)	(9,006)
2020 convertible debentures	**$ 56,216**	**$ 74,766**

(in thousands of dollars)	USD[1]	CAD
December 31, 2016		
Principal amount outstanding	$ 63,852	$ 85,731
Less: Transaction costs (net of amortization)	(1,590)	(2,134)
Liability component on initial recognition	62,262	83,597
Debentures discount (net of amortization)	(7,155)	(9,607)
2020 convertible debentures	**$ 55,107**	**$ 73,990**

(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. The fair value of the debt components of the 2020 convertible debentures is $72,356 (C$96,227) as of March 31, 2017 and $70,210 (C$94,267) as of December 31, 2016. The difference between the amortized cost and implied fair value is a result of the difference between the effective interest rate and the market interest rate for debt with similar terms.

The coupon/stated interest rates and effective interest rates are as follows:

(in thousands of U.S. dollars)	Coupon/stated interest rates	Effective interest rates	Maturity dates	Debt balance March 31, 2017	Debt balance December 31, 2016
Fixed Rate					
2020 convertible debentures	5.60%	6.46%	2020	$ 56,216	$ 55,107
Variable Rate					
Revolving term credit facility	LIBOR+350 bps	4.25%	2019	–	113,750
Total debt				**$ 56,216**	**$ 168,857**

The scheduled principal repayments and debt maturities are as follows:

(in thousands of U.S. dollars)	Revolving term credit facility	Convertible debentures	Total
2018	$ –	$ –	$ –
2019	–	–	–
2020	–	64,461	64,461
2021	–	–	–
2022	–	–	–
2023 and thereafter	–	–	–
	–	64,461	64,461
Transaction costs (net of amortization)			(1,473)
Debentures discount (net of amortization)			(6,772)
Total debt			**$ 56,216**

7. Other liabilities

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
2022 convertible debentures	$ 164,950	$ –
Subscription receipts and dividends payable	148,310	–
Total other liabilities	**$ 313,260**	**$ –**

2022 convertible debentures

On March 17, 2017, the Company completed the offering, on a bought deal basis, of $172,500 aggregate principal amount of 5.75% extendible convertible unsecured debentures (the "2022 convertible debentures"), including $22,500 aggregate principal amount of 2022 convertible debentures issued pursuant to the exercise of underwriters' over-allotment options. The net offering proceeds to the Company were $164,950 after transaction costs of $7,550. The 2022 convertible debentures were classified as a short-term other liability as at March 31, 2017, given that their initial maturity date fell within the twelve months of their issuance.

Upon the closing of the acquisition of Silver Bay on May 9, 2017, the 2022 convertible debentures became convertible to common shares of the Company in accordance with their terms, and their maturity date was extended to March 31, 2022. In accordance with IAS 39, the conversion and redemption features of the 2022 convertible debentures were measured separately from the 2022 convertible debentures, and these amounts will be classified to derivative financial instruments and debt, respectively.

The 2022 convertible debentures bear interest at 5.75% per annum, which is payable semi-annually in arrears in March and September, and are convertible into common shares of the Company at a conversion rate of 95.6023 common shares per $1,000 principal amount of 2022 convertible debentures (equivalent to a conversion price of approximately $10.46 per common share (equivalent to C$13.91 as of March 31, 2017)).

The 2022 convertible debentures may not be redeemed by the Company prior to March 31, 2020, except in the event of the satisfaction of certain conditions after a change of control has occurred. On or after March 31, 2020 and prior to March 31, 2021, the 2022 convertible debentures may be redeemed by the Company at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the U.S. dollar equivalent of the volume-weighted average trading price of the common shares on the TSX for the 20 consecutive trading days ending on the fifth trading day immediately preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after March 31, 2021 and prior to their final maturity date, the 2022 convertible debentures may be redeemed by the Company at a price equal to the principal amount thereof plus accrued and unpaid interest.

Subscription receipts and dividends payable

On March 17, 2017, the Company completed the offering, on a bought deal basis, of 20,326,250 subscription receipts (including 2,651,250 subscription receipts issued pursuant to the exercise of underwriters' over-allotment options) at a price of C$9.90 per subscription receipt for gross proceeds of $151,312 (C$201,230). The terms of the subscription receipts were summarized in detail in the Company's short form prospectus filed on March 10, 2017 and available on SEDAR at www.sedar.com. Upon the closing of the acquisition of Silver Bay on May 9, 2017, 20,326,250 common shares were delivered to holders of subscription receipts in satisfaction of their right to receive one common share per subscription receipt. As of May 9, 2017, no subscription receipts remain outstanding.

While outstanding, the subscription receipts were classified as short-term other liabilities. Prior to the completion of the acquisition of Silver Bay, the proceeds of the offering of subscription receipts were held in escrow and were recorded as cash held in escrow. As at March 31, 2017, subscription receipts recorded within other liabilities of $148,310 were comprised of gross proceeds of $151,312 offset by deferred issuance costs of $3,002. Dividend equivalent payments payable to holders of subscription receipts of record as of March 31, 2017 totaled $872 (C$1,160), and were included in other liabilities as dividends payable. These dividend equivalent payments were paid first out of any interest earned or other income generated on the escrowed offering proceeds and second out of those escrowed funds as partial refunds of the subscription receipt offering price.

Following the closing of the acquisition of Silver Bay, and the resulting issuance of common shares to holders of subscription receipts, the amount of the liability represented by the outstanding subscription receipts will be reclassified to share capital net of issuance costs and dividend equivalent payments.

8. Amounts payable and accrued liabilities

Amounts payable and accrued liabilities consist of amounts payable and accrued liabilities, income taxes payable, and interest payable, as follows:

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
Amounts payable and accrued liabilities	$ 10,330	$ 9,477
Income taxes payable	16	87
Interest payable	619	1,328
Total amounts payable and accrued liabilities	**$ 10,965**	**$ 10,892**

9. Derivative financial instruments

The conversion and redemption features 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 conversion and redemption components were valued using a binomial pricing model and then the valued amount was calibrated 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 Canadian dollar 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.

As at March 31, 2017, the fair value of the embedded derivative payable on the 2020 convertible debentures increased by $4,167 (C$5,542) (2016 – decrease of $925). The value of the conversion feature, which is reflected as an expense of the Company, increased largely because of an increase in the Company's share price on the TSX. There was nil impact from foreign exchange revaluation (2016 – increase of $259).

The assumed conversion of the debentures was anti-dilutive mainly due to the loss recognized on the derivative financial instruments in the three months ended March 31, 2017; as a result, the shares issuable on conversion were excluded from the weighted average diluted shares outstanding for the three months ended March 31, 2017. The comparative period in 2016 included the impact of the assumed conversion.

The value attributed to the derivative financial instruments is shown below:

(in thousands of dollars)	USD	CAD
March 31, 2017		
Derivative financial instruments – beginning of period	$ 28	$ 37
Fair value changes (based on market price)	4,167	5,542
Derivative financial instruments – end of period	**$ 4,195**	**$ 5,579**

(in thousands of dollars)	USD	CAD
December 31, 2016		
Derivative financial instruments – beginning of period	$ 8,376	$ 11,594
Fair value changes (based on market price)	(8,607)	(11,557)
Revaluation to period-end exchange rate	259	–
Derivative financial instruments – end of period	**$ 28**	**$ $37**

10. Income taxes

(in thousands of U.S. dollars) For the three months ended March 31	2017	2016
Income tax expense – current	$ 1,118	$ 1,568
Income tax expense – deferred	1,462	1,079
Income tax expense	**$ 2,580**	**$ 2,647**

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:

(in thousands of U.S. dollars)

For the three months ended March 31	2017	2016
Income before income taxes	$ 10,335	$ 15,504
Combined statutory federal and provincial income tax rate	26.50%	26.50%
Expected income tax expense	2,739	4,109
Foreign tax rate differential	224	63
Non-taxable gains on investments	(1,979)	(2,157)
Non-taxable (gains)/losses on derivative financial instruments	1,104	(245)
Other, including permanent differences	492	877
Income tax expense	**$ 2,580**	**$ 2,647**

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

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
Deferred income tax assets:		
Deferred income tax assets to be recovered after more than 12 months	$ 13,077	$ 11,152
Deferred income tax assets to be recovered within 12 months	892	1,252
Total deferred income tax assets	**$ 13,969**	**$ 12,404**
Deferred income tax liabilities:		
Deferred income tax liabilities reversing after more than 12 months	$ 33,405	$ 30,256
Deferred income tax liabilities reversing within 12 months	56	232
Total deferred income tax liabilities	**$ 33,461**	**$ 30,488**

The movement of the deferred income tax accounts was as follows:

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
Change in net deferred income tax liabilities:		
Net deferred income tax liabilities – beginning of period	$ 18,084	$ 9,318
Charge to the statement of comprehensive income	1,462	10,301
Credit directly to equity	–	(1,362)
Other	(54)	(173)
Net deferred income tax liabilities – end of period	**$ 19,492**	**$ 18,084**

The tax effects of the significant components of temporary differences giving rise to the Company's deferred income tax assets and liabilities were as follows:

(in thousands of U.S. dollars)	Long-term incentive plan accrual	Issuance costs	Net operating losses	Other	Total
Deferred income tax assets					
At December 31, 2016	$ 3,684	$ 1,640	$ 6,926	$ 154	$ 12,404
Addition/(reversal)	(310)	(231)	1,781	325	1,565
At March 31, 2017	**$ 3,374**	**$ 1,409**	**$ 8,707**	**$ 479**	**$ 13,969**

(in thousands of U.S. dollars)	Investments	Convertible debentures	Deferred placement fees	Other	Total
Deferred income tax liabilities					
At December 31, 2016	$ 29,538	$ 265	$ 685	$ –	$ 30,488
Addition/(reversal)	3,009	8	(44)	–	2,973
At March 31, 2017	**$ 32,547**	**$ 273**	**$ 641**	**$ –**	**$ 33,461**

The Company believes it will have sufficient future income to realize the deferred income tax assets.

11. Intangible assets

The intangible assets are comprised as follows:

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
Placement fees	$ 1,688	$ 1,805
Rights to performance fees	174	189
Customer relationship intangible	5,145	5,273
Contractual development fees	16,619	17,700
Total intangible assets	**$ 23,626**	**$ 24,967**

Intangible assets represent future management fees, development fees and commissions that Tricon expects to receive over the life of the projects that the Company manages. They are amortized by project over the estimated periods that the projects expect to collect these fees, which range from 2 to 13 years.

The customer relationship intangible from Johnson represents the management fees, development fees and commissions that Tricon expects to receive from future projects. These are based on future projects which are a result of Johnson's existing customer relationships, and as such are considered to be definite-life intangibles.

There were no impairments to placement fees and rights to performance fees for the three months ended March 31, 2017 and March 31, 2016.

12. Other assets

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
Office equipment	$ 892	$ 910
Leasehold improvements	234	247
Goodwill	219	219
Total other assets	**$ 1,345**	**$ 1,376**

There were no impairment charges for the three months ended March 31, 2017 and March 31, 2016.

13. Dividends

(in thousands of dollars, except per share amounts)				Dividend amount per share		Total dividend amount		Dividend reinvestment plan ("DRIP")	
Date of declaration	Record date	Payment date	Common shares outstanding	CAD	USD[1]	CAD	USD[1]	CAD	USD[2]
February 22, 2017	March 31, 2017	April 17, 2017	113,030,589	$ 0.065	$ 0.049	$ 7,347	$ 5,515	$ 1,246	$ 938
						$ 7,347	**$ 5,515**	**$ 1,246**	**$ 938**
March 8, 2016	March 31, 2016	April 15, 2016	112,069,541	$ 0.065	$ 0.050	$ 7,285	$ 5,616	$ 1,345	$ 1,046
May 11, 2016	June 30, 2016	July 15, 2016	112,239,181	0.065	0.050	7,296	5,608	1,753	1,351
August 10, 2016	September 30, 2016	October 15, 2016	112,567,194	0.065	0.050	7,317	5,578	1,612	1,223
November 9, 2016	December 31, 2016	January 13, 2017	112,754,769	0.065	0.048	7,329	5,455	1,789	1,362
						$ 29,227	**$ 22,257**	**$ 6,499**	**$ 4,982**

(1) Dividends are issued and paid in Canadian dollars. For reporting purposes, amounts recorded in equity are translated to U.S. dollars using the noon rate on the date of record. Amounts recorded in payables are translated to U.S. dollars using the closing rate.

(2) Dividends reinvested are translated to U.S. dollars using the noon rate on the date common shares are issued.

The Company has a Dividend Reinvestment Plan ("DRIP") under which eligible shareholders may elect to have their cash dividends automatically reinvested into additional common shares. These additional shares are issued from treasury (or purchased on the open market) at a discount, in the case of treasury issuances, of up to 5% of the Average Market Price, as defined under the DRIP, of the common shares as of the dividend payment date. If common shares are purchased in the open market, they are priced at the average weighted cost to the Company of the shares purchased.

Brokerage, commissions and service fees are not charged to shareholders for purchases or withdrawals of the Company's shares under the DRIP, and all DRIP administrative costs are assumed by the Company.

For the three months ended March 31, 2017, 193,559 common shares were issued under the DRIP (2016 – 172,844) for a total amount of $1,362 (2016 – $940).

Dividend equivalent payments payable to holders of subscription receipts of record as of March 31, 2017 totaled $872 (C$1,160), and were included in other liabilities as dividends payable (Note 7).

14. Share capital

The Company is authorized to issue an unlimited number of common shares. The common shares of the Company do not have par value.

As of March 31, 2017, the Company had 113,030,589 common shares outstanding (December 31, 2016 – 112,754,769).

	March 31, 2017			December 31, 2016		
		Share capital			Share capital	
(in thousands of dollars)	Number of shares issued	USD	CAD	Number of shares issued	USD	CAD
Beginning balance	112,754,769	$ 567,677	$ 685,589	112,037,851	$ 561,347	$ 677,277
Shares issued under DRIP[1]	193,559	1,362	1,789	728,239	4,560	6,075
Stock options exercised[2]	3,446	20	26	10,503	77	100
Shares issued for phantom units released from escrow	–	–	–	104,595	617	643
Normal course issuer bid (NCIB)	–	–	–	(244,520)	(1,113)	(1,538)
Deferred share units exercised[3]	78,815	493	646	118,101	827	1,129
Bought deal offering	–	–	–	–	1,362	1,903
Ending balance	**113,030,589**	**$ 569,552**	**$ 688,050**	**112,754,769**	**$ 567,677**	**$ 685,589**

(1) In the first quarter of 2017, 193,559 common shares were issued under the DRIP at an average price of $7.04 (C$9.24) per share.

(2) In the first quarter of 2017, a total of 3,446 shares were issued for stock options vested and exercised at an average price of $5.80 per share (C$7.54).

(3) In the first quarter of 2017, 78,815 deferred share units (DSUs) were vested and exercised at an average price of $6.26 (C$8.20).

On March 17, 2017, the Company completed the public offering, on a bought deal basis, of 20,326,250 subscription receipts at a price of C$9.90 per subscription receipt for gross proceeds of $151,312 (C$201,230). The subscription receipts were issued to finance TAH's acquisition of Silver Bay (Note 4 and Note 7). Each subscription receipt entitled the holder to receive one common share in exchange for each subscription receipt upon the acquisition closing.

15. Earnings per share

Basic

Basic earnings per share is calculated by dividing net income attributable to shareholders of Tricon by the sum of the weighted average number of shares outstanding and vested deferred share units during the quarter.

(in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)

For the three months ended March 31	2017	2016
Net income attributable to the shareholders of Tricon	$ 7,871	$ 13,234
Weighted average number of common shares outstanding	112,949,552	112,100,366
Adjustments for vested units	585,975	278,965
Weighted average number of common shares outstanding for basic earnings per share	113,535,527	112,379,331
Basic earnings per share	**$ 0.07**	**$ 0.12**

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares. The Company has three categories of potentially dilutive shares: stock options, deferred share units (Note 16) and the convertible debentures (Note 9). For the stock options and deferred share units, the number of dilutive shares is based on the number of shares that could have been acquired at fair value (determined using the market price of the Company's shares as of March 31, 2017) based on the monetary value awarded under the AIP and LTIP. For the convertible debentures, the number of dilutive shares is based on the number of common shares into which the elected amount would then be convertible. The number of shares calculated as described above is comparable to the number of shares that would have been issued assuming the vesting of the stock compensation arrangement and conversion of debentures.

Stock options and deferred share units

For the three months ended March 31, 2017, the Company's stock compensation plans resulted in 2,379,040 dilutive share units (2016 – 1,588,045) as the exercise price of the potential share units is below the average market share price of $7.79 (C$10.32) for the quarter.

Convertible debentures

For the three months ended March 31, 2017, the Company's 2020 convertible debentures are anti-dilutive (March 31, 2016 – dilutive), as debentures interest expense and the net change in fair value of derivative financial instruments, net of tax, would result in increased earnings per share upon conversion. Therefore, in computing the diluted weighted average shares outstanding and the associated earnings per share amount for the three months ended March 31, 2017, the impact of the 2020 convertible debentures was excluded as their effect was anti-dilutive. The impact of 20,326,250 subscription receipts outstanding during the quarter was also excluded as their conversion to common shares was contingent on the closing of the Silver Bay acquisition (Note 4).

(in thousands of U.S. dollars, except per share amounts which are in U.S. dollars)

For the three months ended March 31	2017	2016
Net income attributable to the shareholders of Tricon	$ 7,871	$ 13,234
Adjustment for convertible debenture interest expense – net of tax	–	1,073
Net change in fair value of financial instruments through profit or loss – net of tax	–	(680)
Adjusted net income attributable to the shareholders of Tricon	$ 7,871	$ 13,627
Weighted average number of common shares outstanding	113,535,527	112,379,331
Adjustments for stock compensation	2,379,040	1,588,045
Adjustments for convertible debentures	–	8,748,061
Weighted average number of common shares outstanding for diluted earnings per share	115,914,567	122,715,437
Diluted earnings per share	**$ 0.07**	**$ 0.11**

16. Compensation expense

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

(in thousands of U.S. dollars)

For the three months ended March 31	2017	2016
Salaries and benefits	$ 3,381	$ 2,744
Annual incentive plan ("AIP")	2,438	2,335
Long-term incentive plan ("LTIP")	(607)	(340)
Total compensation expense	**$ 5,212**	**$ 4,739**

For the three months ended March 31	2017		2016	
(in thousands of U.S. dollars)	AIP	LTIP	AIP	LTIP
Cash settled	$ 1,509	$ (971)	$ 1,425	$ (1,276)
Deferred share units ("DSUs")	938	536	928	564
Stock options	–	400	–	282
DRIP and revaluation loss (gain)	(9)	(572)	(18)	90
Total AIP and LTIP expenses	**$ 2,438**	**$ (607)**	**$ 2,335**	**$ (340)**

The changes to transactions of the various cash-settled and equity-settled arrangements during the quarter are detailed in the sections below.

Cash settled

AIP – For the three months ended March 31, 2017, the Company recognized $2,447 (2016 – $2,353) in relation to the AIP, of which approximately 60%, being $1,509, will be settled in cash in December 2017. The balance of the AIP accrual will be paid in DSUs, which will vest one year from the grant date.

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. Changes in LTIP are primarily caused by changes to fair values of fund assets, which result from timing and cash flow changes at the project level of each fund, and changing business conditions.

For the three months ended March 31, 2017, the Company reduced its accrual by $971 related to cash-settled LTIP (2016 – $1,276 accrual decrease), as a result of a reduction in expected performance fees from commingled funds (excluding THP1 US) and separate accounts/side-car 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.

Deferred share units ("DSUs")

AIP – For the three months ended March 31, 2017, the Company accrued $938 in AIP expense (2016 – $928), representing approximately 40% of the 2017 AIP entitlement, which will be granted in DSUs in December 2017, and will vest one year from the grant date.

LTIP – For the three months ended March 31, 2017, the Company accrued $536 in LTIP expense (2016 – $564) relating to investment income from THP1 US that was 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, 2017 is comprised of $128 relating to the current year entitlement and $408 relating to the prior year entitlement.

Stock option plan

During the three months ended March 31, 2017, no stock options were granted (2016 – nil), and the Company recorded $400 (2016 – $282) in relation to previously granted stock options.

The following table summarizes the movement in the stock option plan during the specified periods:

	For the three months ended March 31, 2017		For the year ended December 31, 2016	
	Number of options	Weighted average exercise price (CAD)	Number of options	Weighted average exercise price (CAD)
Opening balance – outstanding	4,346,835	$ 8.53	3,398,835	$ 8.42
Granted	–	–	995,000	8.85
Exercised	(22,334)	9.03	(42,000)	6.99
Forfeited	(7,000)	10.57	(5,000)	10.57
Ending balance – outstanding	**4,317,501**	**$ 8.53**	**4,346,835**	**$ 8.53**

		March 31, 2017		
Grant date	Expiration date	Options outstanding	Options exercisable	Exercise price on outstanding options (CAD)
May 19, 2010	May 19, 2020	586,000	586,000	$ 6.00
August 3, 2010	August 3, 2020	54,000	54,000	5.26
November 22, 2011	November 22, 2020	20,000	20,000	4.16
May 17, 2013	May 17, 2020	800,334	800,334	6.81
November 25, 2013	November 25, 2020	169,167	169,167	7.74
March 16, 2015	March 16, 2020	708,000	490,831	10.57
November 17, 2015	November 17, 2020	985,000	381,663	10.03
November 14, 2016	November 14, 2023	995,000	80,000	8.85
Total		**4,317,501**	**2,581,995**	**$ 8.53**

AIP liability is disclosed under the following balance sheets headings:

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
Amounts payable and accrued liabilities	$ 1,659	$ 529
Equity – contributed surplus	5,129	5,155
AIP – end of period	**$ 6,788**	**$ 5,684**

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

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
LTIP	$ 12,509	$ 13,359
Equity – contributed surplus	9,446	9,553
LTIP – end of period	**$ 21,955**	**$ 22,912**

17. Segmented information

The Company has five reportable segments, as follows: Private Funds and Advisory ("PF&A"); and Principal Investing in Tricon Housing Partners ("THP"), Tricon American Homes ("TAH"), Tricon Lifestyle Communities ("TLC"), and Tricon Luxury Residences ("TLR"). The reportable segments are business units offering different products and services, and are managed separately due to their distinct investment natures. These five reportable segments have been determined by the Company's chief operating decision makers.

In accordance with IFRS 8, Operating Segments, the Company discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. The Company evaluates segment performance based on the revenue and investment income of each investment vertical.

The corporate headquarters provides support functions in the areas of accounting, treasury, information technology, legal, and human resources, and therefore, it does not represent an operating segment. Such corporate expenses have been included below to provide a reconciliation to the overall results in accordance with IFRS 8.

The Company does not report balance sheet information by segment because that information is not used to evaluate the performance or allocate resources between segments.

(in thousands of U.S. dollars)

For the three months ended March 31, 2017	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 5,744	$ –	$ –	$ –	$ –	$ –	$ 5,744
Investment income	–	5,668	12,269	2,319	1,931	–	22,187
	5,744	5,668	12,269	2,319	1,931	–	27,931
Expenses	–	–	–	–	–	(12,879)	(12,879)
Interest expense	–	–	–	–	–	(3,316)	(3,316)
Amortization	–	–	–	–	–	(1,401)	(1,401)
Income tax expense	–	–	–	–	–	(2,580)	(2,580)
Net income							**$ 7,755**

(in thousands of U.S. dollars)

For the three months ended March 31, 2016	PF&A	THP	TAH	TLC	TLR	Corporate	Total
Revenue	$ 5,773	$ –	$ –	$ –	$ –	$ –	$ 5,773
Investment income	–	6,401	12,910	482	1,919	–	21,712
	5,773	6,401	12,910	482	1,919	–	27,485
Expenses	–	–	–	–	–	(7,851)	(7,851)
Interest expense	–	–	–	–	–	(2,560)	(2,560)
Amortization	–	–	–	–	–	(1,570)	(1,570)
Income tax expense	–	–	–	–	–	(2,647)	(2,647)
Net income							**$ 12,857**

18. Related party transactions and balances

The Company has a ten-year sub-lease commitment on the head office premises with Mandukwe Inc., a company owned and controlled by a current director and shareholder of Tricon. For the three months ended March 31, 2017, the Company paid $46 in rental payments to Mandukwe Inc., including realty taxes, maintenance, insurance, and utility costs (2016 – $11).

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.

(in thousands of U.S. dollars)

For the three months ended March 31	2017	2016
Contractual fees	$ 5,408	$ 5,468
General partner distributions	333	305
Performance fees	3	–
Total revenue	**$ 5,744**	**$ 5,773**
Investment income – Tricon Housing Partners	$ 5,668	$ 6,401
Investment income – Tricon American Homes	12,269	12,910
Investment income – Tricon Lifestyle Communities	2,319	482
Investment income – Tricon Luxury Residences	1,931	1,919
Total investment income	**$ 22,187**	**$ 21,712**

Balances arising from transactions with related parties

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

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
Receivables from related parties included in amounts receivable		
Contractual fees receivable from investment funds managed	$ 557	$ 320
Other receivables	5,299	5,043
Employee relocation housing loans[1]	779	782
Loan receivables from investment in associates and joint ventures	20,635	21,101
Long-term incentive plan	21,955	22,912
Annual incentive plan	6,788	5,684
Dividends payable to employees and associated corporations	307	302
Other payables to related parties included in amounts payable and accruals	6,822	6,705

(1) The employee relocation housing loans are non-interest bearing for a term of five years, maturing in 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, 2017 (December 31, 2016 – nil).

19. Financial risk management

Liquidity risk

Liquidity risk is the risk that an entity will have difficulty in meeting obligations associated with its financial liabilities as they fall due or can only do so on terms that are materially disadvantageous. Prudent liquidity risk management includes maintaining sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities. The Company uses long-term borrowings to finance its investment strategy for Tricon American Homes, Tricon Lifestyle Communities and Tricon Luxury Residences. Periodic cash flow forecasts are performed to ensure the Company has sufficient cash to meet operational and financing costs. Liquidity risk from the convertible debentures is mitigated by the Company's option, under the terms of the debentures, to settle the obligation with shares.

The maturity analysis of the Company's financial liabilities is as follows:

(in thousands of U.S. dollars) As at March 31, 2017	Demand and less than 1 year	From 1 to 3 years	From 3 to 5 years	Later than 5 years	Total
Liabilities					
Amounts payable and accrued liabilities	$ 10,965	$ –	$ –	$ –	$ 10,965
Dividends payable	5,524	–	–	–	5,524
Debentures payable	–	–	64,461	172,500	236,961
Derivative financial instruments	–	–	4,195	–	4,195
Total	**$ 16,489**	**$ –**	**$ 68,656**	**$ 172,500**	**$ 257,645**

(in thousands of U.S. dollars) As at December 31, 2016	Demand and less than 1 year	From 1 to 3 years	From 3 to 5 years	Later than 5 years	Total
Liabilities					
Amounts payable and accrued liabilities	$ 10,892	$ –	$ –	$ –	$ 10,892
Dividends payable	5,459	–	–	–	5,459
Revolving term credit facility	–	113,750	–	–	113,750
Debentures payable	–	–	63,852	–	63,852
Derivative financial instruments	–	–	28	–	28
Total	**$ 16,351**	**$ 113,750**	**$ 63,880**	**$ –**	**$ 193,981**

During 2017, the change in the Company's liquidity resulted in a working capital surplus of $28,652 (December 31, 2016 – surplus of $20,920). As of March 31, 2017, the outstanding credit facility was nil (December 31, 2016 – $113,750).

Upon the closing of the acquisition of Silver Bay on May 9, 2017, the maturity date of the 2022 convertible debentures was extended to March 31, 2022; the convertible debentures were measured separately from their conversion and redemption features and classified to long-term debt. Concurrently, 20,326,250 common shares were delivered to holders of subscription receipts in satisfaction of their right to receive one common share per subscription receipt, and the amount, net of issuance costs and dividend equivalent payments, was classified to share capital. Accordingly, cash held in escrow of $148,310 and other liabilities of $313,260 were excluded from working capital.

The details of the net current assets are shown below:

(in thousands of U.S. dollars)	March 31, 2017	December 31, 2016
Cash	$ 22,680	$ 17,780
Amounts receivable	18,801	16,892
Prepaid expenses and deposits	3,660	2,599
Current assets	45,141	37,271
Amounts payable and accrued liabilities	10,965	10,892
Dividends payable	5,524	5,459
Net current assets	**$ 28,652**	**$ 20,920**

During the three months ended March 31, 2017, the Company received distributions of $22,741 (2016 – $53,797) from its investments.

20. Capital management

The Company's objectives when managing capital are (i) to safeguard its ability to meet financial obligations and growth objectives, including future investments; (ii) to provide an appropriate return to its shareholders; and (iii) to maintain an optimal capital structure that allows multiple financing options, should a financing need arise. The Company's capital consists of debt, including bank debt, convertible debentures, demand credit facility, cash and shareholders' equity. In order to maintain or adjust the capital structure, the Company manages equity as capital and may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

As of March 31, 2017, the Company is in compliance with all financial covenants (Note 6).

21. Working capital changes

(in thousands of U.S. dollars)

For the three months ended March 31	2017	2016
Amounts receivable	$ (1,909)	$ (1,685)
Prepaid expenses and deposits	(1,061)	(478)
Amounts payable and accruals	73	(2,857)
	$ (2,897)	**$ (5,020)**

22. Subsequent events

On May 9, 2017, the Board of Directors of the Company declared a dividend of six and one half cents per share in Canadian dollars payable on July 14, 2017 to shareholders of record on June 30, 2017.

On May 9, 2017, TAH completed the previously announced acquisition of Silver Bay by way of an all-cash transaction valued at $21.50 per share of Silver Bay (Notes 4 and 7).

On May 9, 2017, the Company increased its corporate revolving credit facility to $365,000 and added three additional Canadian and U.S. banks to its syndicate of lenders.

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