

# Q2 GMP Capital Inc.

## 2009 Second Quarter Report



### Letter to Shareholders

Fellow Shareholders,

GMP benefited from a busy and productive second quarter 2009. Our financial results showed a marked improvement from first quarter 2009 as well as from the second quarter a year ago. World equity markets rebounded from the lows experienced in early March and staged a surprisingly strong and sustained rally with both the Dow Jones Industrial Average and the S&P/TSX Composite Index up over 40% since that time. Liquidity has also improved during the quarter. Stronger equity markets together with rising investor confidence created a favourable business environment for GMP this quarter. This led to a 47% increase in our investment banking revenue compared with the same period last year as numerous companies took advantage of renewed investor confidence in order to strengthen their balance sheets, following the global financial crisis in late 2008. During second quarter 2009, all of our business segments built on the capital market momentum experienced in the first quarter of 2009 resulting in broad-based increases in our results this quarter, providing further encouraging signs that the worst of the financial crisis may now be behind us.

In Capital Markets, revenue grew 17% to \$81.8 million compared with second quarter 2008. Our trading operations performed well maintaining their second place ranking in block trading volumes on the TSX having traded 1.4 billion shares in the quarter. Although these volumes remain below the 1.7 billion shares traded during the same period a year ago, they represent a substantial increase from the 1 billion shares we traded in first quarter 2009. Despite lower trading volumes year over year, we were able to prudently deploy capital as evidenced by a facilitation trading loss ratio of 3% in second quarter 2009.

As mentioned, we enjoyed a very successful quarter in investment banking with notable contributions from our underwriting activities. GMP Securities ranked first in Canada in value of common equity underwriting transactions completed during the second quarter, having led or co-led 26 deals raising total proceeds of \$2.4 billion. We acted on a notable structured product financing raising total proceeds of approximately \$433 million for Claymore Gold Bullion Trust. Results in principal activities continued to rebound with revenue of \$5.3 million recorded in second quarter 2009 in Capital Markets bringing our year-to-date revenue relating to principal activities in this segment to \$7.6 million. These returns largely represent a recovery of the mark-to-market losses experienced during the downswing in the latter half of 2008.

In Wealth Management, assets under administration closed the quarter at \$3.7 billion, up 9% from \$3.4 billion at the end of first quarter 2009. This increase was largely due to improving equity markets. A net loss of \$1.0 million in Wealth Management was largely a result of reduced interest income on client accounts due to the unusually low interest rate environment. We have noted in previous letters that we need to achieve scale in this business in order to drive consistent profitability. Subsequent to quarter end, we were pleased to announce that we entered into a definitive agreement with Richardson Partners Financial Limited ("RPFL") that will result in the combination of the wealth management businesses of GMP Private Client L.P. with RPFL.

**"GMP is well capitalized to take advantage of the ongoing displacement in our industry and build upon our favourable competitive position."**

We believe this exciting combination will create Canada's pre-eminent independent high-net-worth wealth management company with \$11 billion of assets under administration and 114 investment advisory teams. We expect to complete this combination in fourth quarter 2009 and look forward to working with our new partners to integrate the two businesses with a view to delivering sustained profitability.

In Alternative Investments, EdgeStone experienced another productive quarter despite the ongoing challenging private equity market. Their focus on optimizing the operations of their portfolio companies over the last year is beginning to bear fruit as they are experiencing improving performance across the bulk of their investee companies. In addition, they were successful in selling one of their portfolio companies in July 2009 providing their investors with a gross IRR of approximately 33% on that investment. GMP Investment Management also experienced a strong quarter with their domestic GMP Diversified Alpha Fund up 25.8% for the six months ended June 30, 2009, which compares favourably with their North American peer group over the same period. Strong revenue generation at both EdgeStone and GMP Investment Management combined with disciplined expense management drove profit to \$4.7 million in second quarter 2009, representing a 71% year-over-year increase.

Our year-to-date results give us reason for optimism. As the world financial markets recover from the depths of the financial crisis, our results evidence the resilience of our franchise and our ability to react quickly to challenging market conditions and to pursue opportunities as they arise. Our transaction with the Richardson Financial Group is not only transformative

for our wealth management business but their purchase of an approximate 12% interest in GMP Capital Inc., from treasury on the close of this transaction, will leave us well capitalized to take advantage of the ongoing displacement in our industry and build upon our favourable competitive position.

We remain convinced on the soundness of our business model and the strength of our human capital. Once again, I want to thank the talented people at GMP for their loyalty and resilience as we emerge stronger than ever from an extremely difficult period. It is because of these exceptional people that we remain optimistic about our future. As always, we look forward to updating you on our progress.



Kevin Sullivan  
Chief Executive Officer  
August 5, 2009

# Management's Discussion and Analysis

## About this Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") relates to the second quarter ended June 30, 2009, which reflects the three-month period from April 1, 2009 to June 30, 2009 ("second quarter 2009"), and the first half of fiscal 2009 ("first half 2009"), which reflects the six-month period from January 1, 2009 to June 30, 2009. This MD&A has been prepared with an effective date of August 5, 2009.

Unless the context otherwise requires, all references to "GMP" and the "Corporation" refer to GMP Capital Inc. and, as applicable, its predecessor, GMP Capital Trust (the "Fund"). All references to "we", "our", "us", "GMP" and "GMP Group" refer to GMP, together with its consolidated operations controlled by it and its predecessor.

All amounts are in Canadian dollars and are based on financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), unless otherwise specified herein. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of GMP Capital Inc. as at and for the three and

six months ended June 30, 2009 ("Second Quarter 2009 Financial Statements"), GMP's management's discussion and analysis for fiscal 2008 ("2008 Annual MD&A") and GMP's audited consolidated financial statements for the year ended December 31, 2008 ("2008 Annual Financial Statements"), all of which can be accessed on GMP's website at [gmppcapital.com](http://gmppcapital.com) and on the SEDAR website at [sedar.com](http://sedar.com). Certain comparative amounts have been reclassified to conform with the presentation adopted in the current period. Unless specifically stated otherwise, all references to "second quarter 2008" refer to the three-month period from April 1, 2008 to June 30, 2008, and all references to first half 2008 refer to the six-month period from January 1, 2008 to June 30, 2008. All references to "fiscal 2008" refer to the 12-month period from January 1, 2008 to December 31, 2008. Unless otherwise defined, all terms used herein are consistent with those terms as defined in the "About this Management's Discussion and Analysis" section in the 2008 Annual MD&A.

## Presentation of Financial Information and Non-GAAP Measures

Financial results, including related historical comparatives, contained in this MD&A have been prepared using the continuity of interests method of accounting. Accordingly, the financial results and related historical comparatives reflect GMP as a corporation subsequent to May 14, 2009, and as an income trust prior to the Conversion (as defined below).

Consistent with our management framework, we use certain non-GAAP measures to assess our financial performance. These measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP earnings measures should not be considered as alternatives to net income or comparable metrics determined in accordance with GAAP as indicators of GMP's performance, liquidity, cash flows and profitability.

GMP evaluates the performance of its consolidated operations using an annualized return on common equity ("ROE"). Our ROE calculations are based on net income

available to common shareholders divided by total average common shareholder equity for the period. Assets under administration ("AUA") is a non-GAAP measure of client assets that is used by management to assess the performance of our Wealth Management segment. AUA is the market value of client assets administered by GMP Private Client in respect of which GMP Private Client earns commissions or fees. Assets under management ("AUM") is a non-GAAP measure of client assets that is used by management to assess the performance of EdgeStone and GMP Investment Management. AUM for EdgeStone represents the amount of committed and/or invested capital managed through the EdgeStone Funds in respect of which EdgeStone earns management fee income or receives general partner distributions. AUM for GMP Investment Management represents the net asset value ("NAV") of the funds managed by GMP Investment Management in respect of which GMP Investment Management earns management fees and may also earn performance fees.

## Forward-Looking Statements

This document contains “forward-looking statements” (as defined under applicable securities laws). These statements include, but are not limited to, statements made in “Business Environment and Market Outlook – Business Environment;” “Business Environment and Market Outlook – Market Outlook;” “Second Quarter 2009 vs. Second Quarter 2008;” “Liquidity and Capital Resources;” and other statements concerning our 2009 objectives, our strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plans” or “continue”, or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

These statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those described in this document. GMP's primary business activities are both competitive and subject to various risks. These risks include market, credit, liquidity, operational and legal and regulatory risks and other risk factors including, without limitation, variations in the market value of securities, the volatility and liquidity of equity trading markets, the volume of new financings and mergers and acquisitions (“M&A”), competition in the marketplace for suitable investments, sustainability of fees, nature and type of portfolio company investments, ability to realize carried interest entitlements and dependence on key personnel. Other factors, such as general economic conditions, including exchange rate fluctuations, may also have an effect on GMP's results of

operations. Many of these risks and uncertainties can affect our actual results and could cause our actual results to differ materially from those expressed or implied in any forward-looking statement made by us or on our behalf. For a description of risks that could cause our actual results to materially differ from our current expectations, please see the “Risk Management” section in this MD&A and “Description of the Business – Risk Management” and “Risk Factors” in GMP's annual information form dated February 26, 2009. Material factors or assumptions that were applied to drawing a conclusion or making an estimate set out in the forward-looking information include: the uncertainty regarding the timing and the extent of recovery of global economic and capital market conditions, improving liquidity conditions and lower equity market volatility in connection with public offerings, merger and acquisition activities and securities trading; a rise in the market value of securities and certain commodity prices; continued weakness in the United States' economy leading to a decreased demand for Canadian exports to the United States; and a weak Canadian dollar relative to the United States dollar. Although forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this MD&A may be considered “financial outlook” for purposes of applicable securities laws, and as such the financial outlook may not be appropriate for purposes other than this MD&A.

Except as required by applicable law, management and the board of directors of GMP (the “Board of Directors”) undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

## Business Environment and Market Outlook

### Business Environment

The Canadian economic and capital markets environment have shown sequential quarterly improvement since the conditions experienced in late 2008. Business activity improved in second quarter 2009, fuelled by a strong rebound in equity financing activity among small-to-mid capitalization companies, improved liquidity conditions and a modest recovery in client trading volumes over the last four months. Activity in the resource sector, an area of traditional strength

for GMP, was particularly active in first half 2009, benefiting from a recent rise in certain commodity prices. Equity market volatility remains high by historical standards; however, has been steadily declining throughout second quarter 2009.

The benchmark S&P/TSX Composite Index as at June 30, 2009, closed at 10,374.91, down 28% compared with the same period a year ago; however, up 19% compared with first quarter 2009. According to FPinfomart, the number of common equity underwriting transactions completed in

Canada declined 36% compared with second quarter 2008. However, the value of these transactions increased 77% over the same period, with notable increases in value occurring in the mining and oil and gas sectors. According to TSX data, the number of initial public offerings ("IPO") was 21 in second quarter 2009, which was greater than the combined volume of the last two immediately preceding quarters. As at July 3, 2009, FPinfomart data also confirmed approximately 204 M&A transactions were announced in Canada in second quarter 2009, a decrease of 38% compared with the same period a year ago, while the total dollar value of these transactions increased 25% over the same period a year ago.

### Market Outlook

The strong spring rally in the equity markets extended into July, with the TSX up 4% month-to-date in July; however, the timing of a sustained recovery is still uncertain. Investor confidence remains tentative and global economies continue to show signs of contraction. These conditions will likely result in the continuation of slower and uncertain market conditions for the remainder of the year, although our optimism for the remainder of 2009 continues to rise. The pace of Canadian M&A will likely remain slow reflecting the uncertain global economic conditions while underwriting activity has shown some signs of improvement. Credit market conditions have also improved, which may help support an increased level of new private equity investment and greater exit opportunities.

## Conversion to a Corporation

On May 8, 2009, the Fund's unitholders overwhelmingly approved the plan of arrangement to convert the Fund from an income trust to a corporation (the "Conversion"). The Conversion was completed on May 15, 2009. Pursuant to the Conversion, holders of Fund units and holders of Exchangeable L.P. units, issued by GMP Holding Partnership, received one common share of the Corporation for each Fund unit and/or Exchangeable L.P. unit held. Holders of the Preferred Units of GMP Preferred received one Series A preferred share of the Corporation for each Preferred Unit held.

## Wealth Management Transaction Announced

On July 23, 2009, GMP and Richardson Partners Financial Limited ("RPFL"), a private wealth management firm controlled by Richardson Financial Group ("RFG"), a subsidiary of James Richardson & Sons, Limited ("JRSL"), jointly announced they have entered into a definitive agreement in respect of transactions that will result in the combination of their respective wealth management businesses of GMP Private Client and RPFL under the name Richardson GMP Limited ("Richardson GMP").

Richardson GMP will be created through a series of transactions. Upon completion of these transactions, both GMP and RFG each will own a 35% interest in Richardson GMP with the remaining 30% ownership interest held by Richardson GMP's investment advisors and management team.

Concurrently with the closing of the transactions, which is expected to occur in late October 2009, JRSL will subscribe for approximately 8.7 million common shares of GMP for aggregate proceeds to GMP of approximately \$86.0 million, which represents the volume-weighted average price of GMP's common shares for the 10 trading days prior to the announcement of the transaction. These shares, together with

common shares of GMP to be issued to RFG in connection with the creation of Richardson GMP, will represent approximately 9.1 million (or approximately 12.0%) of GMP's common shares outstanding, on a fully diluted basis, after completion of the transactions.

Concurrently with the completion of the transactions, further preferred share investments by GMP and JRSL in Richardson GMP are expected (and, going forward, further preferred share investment may be made jointly with JRSL as may be required) to ensure Richardson GMP is positioned to fund ongoing business needs and regulatory capital requirements.

Concurrently with the completion of the transactions, GMP and JRSL will also enter into an investor agreement providing for certain rights and restrictions in respect of the disposition of the common shares of GMP, board representation and participation in future financings as well as certain "standstill" provisions, including a covenant to support any change of control transaction that is supported by GMP's board of directors and a majority of GMP's shareholders (other than JRSL and its affiliates). JRSL will have the right,

through open market purchases, to increase its holdings in GMP to approximately 19.9% following completion of the transactions and, over a five-year period, to a maximum of approximately 27.4%.

GMP and JRSL have established a mechanism that, subject to certain conditions, will afford GMP a first right to offer to acquire all of the common shares of Richardson GMP that it

does not already own (the "Liquidity Event"). A Liquidity Event is triggered at the earlier of Richardson GMP attaining \$30 billion in AUA or on the five-year anniversary following the closing of the transactions.

Closing of the transactions is subject to a number of conditions, including receipt of all necessary corporate and regulatory approvals, including the TSX.

## Second Quarter and First Half 2009 Financial Highlights

### Selected Financial Information

(\$000, except per share/unit, headcount and % amounts)	Three months ended June 30			Six months ended June 30		
	2009	2008	% increase/ (decrease)	2009	2008	% increase/ (decrease)
Revenue	<b>100,824</b>	89,163	13	<b>168,267</b>	183,298	(8)
Expenses	<b>72,742</b>	69,994	4	<b>131,836</b>	142,134	(7)
Income before income taxes	<b>26,442</b>	16,807	57	<b>33,820</b>	38,958	(13)
Net income	<b>8,103</b>	15,747	(49)	<b>15,219</b>	36,733	(59)
Basic earnings per share/unit	<b>\$0.12</b>	\$0.25	(52)	<b>\$0.23</b>	\$0.57	(60)
Diluted earnings per share/unit	<b>\$0.11</b>	\$0.24	(54)	<b>\$0.22</b>	\$0.57	(61)
Cash dividends/distributions declared						
per common share/unit	<b>\$0.05</b>	\$0.42	(88)	<b>\$0.15</b>	\$0.84	(82)
Return on common equity <sup>a</sup>	<b>12.1%</b>	22.4%	n.m.	<b>12.7%</b>	25.8%	n.m.
Total assets	<b>1,037,235</b>	1,434,306	(28)	<b>1,037,235</b>	1,434,306	(28)
Total headcount (#) <sup>b</sup>	<b>431</b>	447	(4)	<b>431</b>	447	(4)

n.m. = not meaningful

a. Return on common equity is considered to be a non-GAAP measure. This measure does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers. This data should be read in conjunction with the "Presentation of Financial Information and Non-GAAP Measures" section in this MD&A.

b. Total headcount includes employees and partners of GMP.

### Second Quarter 2009 vs. Second Quarter 2008

Total revenue increased \$11.7 million or 13% compared with second quarter 2008 primarily due to stronger results in Capital Markets and Alternative Investments. Capital Markets revenue increased \$12.0 million compared with second quarter 2008 primarily due to stronger equity underwriting revenue and gains of \$5.3 million recorded in principal activities. Partly offsetting these increases in Capital Markets were lower sales and trading commissions and lower M&A revenue. Wealth Management revenue decreased \$2.2 million compared with second quarter 2008, a result of lower interest income due to tightening spreads and a decrease in investment management and fee-based revenue resulting from market depreciation in the value of managed assets, partly offset by higher commission revenue on stronger client trading activity. AUA has increased for two consecutive quarters, closing second quarter 2009 at \$3.7 billion; however AUA declined \$1.1 billion or 23% compared with second quarter 2008.

This year-over-year decrease is primarily due to market depreciation, which saw the TSX/S&P Composite Index drop 28% over the same comparative period. Alternative Investments revenue increased \$2.0 million compared with second quarter 2008 largely reflecting higher unrealized gains of \$1.9 million recorded this quarter relating to GMP's investment in the Alpha Domestic Fund and higher investment management fees earned by EdgeStone and GMP Investment Management. As at the date hereof, AUM at EdgeStone was approximately \$1.1 billion, and AUM at GMP Investment Management was approximately \$203.9 million.

Expenses were \$2.7 million higher compared with second quarter 2008 largely driven by higher variable compensation which rose \$3.9 million commensurate with increased revenue generation. Share-based compensation was also higher in second quarter 2009 and reflects a retention program implemented in the Capital Markets segment in third quarter 2008. Partly offsetting these increases were lower fixed salaries

and benefits expense reflecting 16 fewer professional and administrative staff in connection with the corporate restructuring implemented in fourth quarter 2008. Total employee compensation and benefits expense as a percentage of revenue was 50.9% in second quarter 2009 compared with 54.3% in the same period in 2008. This ratio has decreased for the last two consecutive quarters, as a result of improved revenue generation.

Non-compensation expenses remained relatively flat compared with second quarter 2008 as lower interest expense on client cash balances due to the lower interest rate environment and lower amortization expense offset higher selling, general and administrative costs. Selling, general and administrative costs were \$1.3 million higher compared with second quarter 2008 largely due to higher consulting expense related to a 12-month contractual obligation, which ended June 30, 2009, and professional fees accrued in connection with the Conversion. Partly offsetting these increases were lower business development expenses and lower general office costs largely due to cost savings initiatives implemented in fourth quarter 2008, which have resulted in lower discretionary spend on travel and business development and other office and technology expenditures.

GMP recorded an income tax expense of \$18.3 million in second quarter 2009, compared with \$1.1 million, representing an effective tax rate of 69.4% in second quarter 2009. Second quarter 2009 includes adjustments to the provision for income taxes to reflect the impact of the completion of the Conversion during the period. These adjustments include a \$7.7 million non-cash future income tax expense recorded in order to tax-effect intangible assets relating to the EdgeStone acquisition at a corporate rate of tax, and \$1.2 million in additional current tax expense accrued this quarter in connection with excess taxable income generated by the Fund in first quarter 2009, which is now subject to corporate tax as a result of the Conversion.

Net income was \$8.1 million in second quarter 2009 compared with \$15.7 million in second quarter 2008. Net income in second quarter 2008 includes a \$0.9 million non-cash goodwill impairment charge relating to the Capital Market operations in Geneva, Switzerland, which were closed in early 2009 as part of our strategy to support our European-based client relationships through our office based in London, England.

Earnings per (basic) share was \$0.12 in second quarter 2009 compared with \$0.25 per basic unit in the same period a year ago. ROE for second quarter 2009 was 12.1% compared with 22.4% in second quarter 2008.

#### **First Half 2009 vs. First Half 2008**

Total revenue decreased \$15.0 million or 8% compared with first half 2008 driven largely by lower commission revenue, weaker M&A revenue and lower interest income. These decreases were partly offset by stronger equity underwriting

revenue and higher returns from our principal activities. Capital Markets' revenue decreased \$13.1 million in first half 2009 compared with first half 2008 primarily due to lower sales and trading commission revenue as a result of a reduction in the number of trades executed on our clients' behalf and weaker M&A revenue. This decrease was partly offset by stronger results in our principal activities and higher equity underwriting volumes resulting from a substantial increase in the volume and value of deals in which we had a lead or co-lead position during second quarter 2009. Wealth Management's revenue decreased \$5.9 million compared with first half 2008 largely reflecting lower interest income due to tightening spreads and a decrease in investment management and fee-based revenue resulting from market depreciation of the value of client assets. Despite an unfavourable market environment, Wealth Management experienced a net inflow of client assets of \$142.7 million in first half 2009. Alternative Investments revenue increased \$4.6 million compared with first half 2008 as a result of higher unrealized gains of \$3.2 million arising from GMP's investment in the Alpha Domestic Fund and increased management fees arising from GMP Investment Management's management of the Alpha Master Fund.

Expenses decreased \$10.3 million or 7% compared with first half 2008 largely reflecting lower variable compensation of \$9.7 million, commensurate with business performance and lower fixed salaries and benefits expense, partly offset by higher share-based compensation. Total employee compensation and benefits expense as a percentage of revenue was 52.9% in first half 2009 compared with 54.2% in the same period a year ago. The current ratio is above the historical average and primarily reflects lower revenue generation in first half 2009.

Non-compensation expenses were flat compared with first half 2008 as increased selling, general and administrative costs were offset by lower interest expense on client cash balances. Selling, general and administrative costs increased \$3.2 million largely due to higher consulting fees related to a 12-month contractual obligation that ended on June 30, 2009, reorganization costs of \$0.9 million recognized in connection with the Conversion and higher communications cost resulting from investments made in branch infrastructure. Partly offsetting these increases were lower business development, lower donations and office expense.

The effective tax rate in first half 2009 was 55.0% compared with 5.6% in first half 2008. The effective tax rate in first half 2009 was largely affected by the previously mentioned tax items recorded during second quarter 2009.

Net income was \$15.2 million in first half 2009 compared with \$36.7 million in first half 2008. Earnings per share was \$0.23 in first half 2009 compared with \$0.57 per basic unit in first half 2008. Annualized ROE for first half 2009 was 12.7% compared with 25.8% in first half 2008.

## Results of Business Segments

The following section highlights the results of GMP Group's three business segments and the Corporate segment for second quarter and first half 2009 compared with second quarter and first half 2008. These segments are based upon the products and services provided and the type of customer served, and reflects the manner in which financial information is currently evaluated by management. For further details relating to segmented information see Note 17 to the Second Quarter 2009 Financial Statements.

### Capital Markets

The Capital Markets segment consists of the investment banking, including advisory services and underwriting services, equity research and sales and trading capabilities of the GMP Group.

The following table sets forth an overview of the financial results of the Capital Markets segment for second quarter and first half 2009 compared with second quarter and first half 2008.

(\$000, unless otherwise indicated)	Three months ended June 30			Six months ended June 30		
	2009	2008	% increase/ (decrease)	2009	2008	% increase/ (decrease)
<b>Revenue</b>	<b>81,837</b>	69,815	17	<b>132,854</b>	145,999	(9)
Investment banking	<b>53,617</b>	36,437	47	<b>81,807</b>	88,552	(8)
Commission income	<b>20,386</b>	28,948	(30)	<b>37,460</b>	52,958	(29)
Principal activities	<b>5,272</b>	(164)	n.m.	<b>7,640</b>	(5,377)	n.m.
Interest income	<b>1,434</b>	3,073	(53)	<b>2,749</b>	6,599	(58)
Other income	<b>1,128</b>	1,521	(26)	<b>3,198</b>	3,267	(2)
<b>Expenses</b>	<b>50,632</b>	46,728	8	<b>87,449</b>	96,294	(9)
Employee compensation and benefits	<b>39,244</b>	35,999	9	<b>65,924</b>	75,114	(12)
Selling, general and administrative	<b>10,310</b>	9,278	11	<b>19,551</b>	18,165	8
Interest	<b>539</b>	650	(17)	<b>872</b>	1,562	(44)
Amortization	<b>539</b>	801	(33)	<b>1,102</b>	1,453	(24)
<b>Operating earnings</b>	<b>31,205</b>	23,087	35	<b>45,405</b>	49,705	(9)
Total headcount (#)	<b>249</b>	263	(5)	<b>249</b>	263	(5)

n.m. = not meaningful

### Second Quarter 2009 vs. Second Quarter 2008

Total revenue increased \$12.0 million or 17% compared with second quarter 2008 primarily due to higher investment banking revenue and gains of \$5.3 million in principal activities. A return of investor appetite for IPOs and secondary offerings fuelled a strong rebound in equity financing activity

for mid-market companies during second quarter 2009. GMP Securities participated in 52 equity underwriting transactions this quarter, helping raise \$4.4 billion. Following a challenging end to fiscal 2008, investment banking revenues have grown for two consecutive quarters.

The following tables set forth investment banking revenue by sector and type of revenue generated.

*Revenue by Sector:*

(\$000)	Three months ended June 30			Six months ended June 30		
	2009	2008	% increase/ (decrease)	2009	2008	% increase/ (decrease)
Mining	29,162	25,520	14	44,431	60,352	(26)
Oil and gas	11,134	6,661	67	13,101	20,900	(37)
Non-bank financial services	8,341	636	100+	12,796	1,633	100+
Technology and healthcare	2,523	1,209	109	4,944	2,647	87
Industrials and special situations	2,047	2,411	(15)	6,125	2,979	106
Telecommunications, cable and media	410	-	n.m.	410	41	n.m.
<b>Investment Banking Revenue</b>	<b>53,617</b>	<b>36,437</b>	<b>47</b>	<b>81,807</b>	<b>88,552</b>	<b>(8)</b>

n.m. is not meaningful

*Revenue by Type:*

(\$000)	Three months ended June 30			Six months ended June 30		
	2009	2008	% increase/ (decrease)	2009	2008	% increase/ (decrease)
<b>Investment Banking Revenue</b>	<b>53,617</b>	<b>36,437</b>	<b>47</b>	<b>81,807</b>	<b>88,552</b>	<b>(8)</b>
Underwriting	49,447	25,415	95	70,073	59,031	19
M&A advisory	4,170	11,022	(62)	11,734	29,521	(60)

Investment banking revenue increased \$17.2 million or 47% compared with second quarter 2008 due to stronger equity underwriting activity, including a notable contribution by GMP Europe this quarter, partly offset by lower M&A advisory revenue. The resource sector, an area of strength for GMP Securities, was particularly active. According to FPinformart, for second quarter 2009 GMP Securities ranked first for the dollar value of common equity transactions completed in Canada.<sup>1</sup> In second quarter 2009, GMP Securities led or co-led 26 underwriting transactions completed in Canada with a total dollar value of \$2.4 billion, more than double the value GMP Securities completed during the same period a year ago.

This result compares favourably to a 77% increase in the value of common equity underwriting transactions completed in Canada for the industry as a whole over the same period.

M&A revenue decreased \$6.9 million compared with second quarter 2008 largely due to GMP Securities' involvement in a large transaction in the resource sector last year. GMP Securities acted as financial advisor on five M&A transactions announced in second quarter 2009 with an approximate value of US\$625 million.<sup>2</sup> According to

FPinformart, the volume of M&A transactions announced in Canada during second quarter 2009 decreased 38% compared with the same period a year ago.

Sales and trading commission revenue decreased \$8.6 million or 30% compared with second quarter 2008, and reflects an 18.5% drop in trading volumes executed by GMP Securities on behalf of our clients on the TSX compared with a 28.2% drop in total trading volume on the TSX for the industry. Facilitation trading losses were 3% of gross commissions generated in second quarter 2009 compared with 12% a year ago, largely due to improved liquidity conditions and rising equity market valuations. Management expects facilitation trading to return to more historical target loss levels of 20% of gross commissions generated over the upcoming quarters. During second quarter 2009, GMP Securities ranked second in block trading volume on the TSX, achieving a market share of 12.8% compared with a market share of 11.3% in second quarter 2008.<sup>3</sup>

Gains of \$5.3 million were recorded in principal activities in second quarter 2009 compared with a loss of \$0.2 million in the same period a year ago, largely due to \$3.5 million in unrealized gains recorded on net security positions held during second quarter 2009.

1. As at July 6, 2009. Based on Full Credit to Lead.

2. Source: Bloomberg as at July 6, 2009.

3. Source: CanadaEquity.com as at July 6, 2009.

The following table sets forth employee compensation and benefits expenses for the Capital Markets segment.

(\$000, unless otherwise noted)	Three months ended June 30			Six months ended June 30		
	2009	2008	% increase/ (decrease)	2009	2008	% increase/ (decrease)
Fixed salaries and benefits	4,178	5,474	(24)	8,526	10,511	(19)
Variable incentive-based compensation	31,684	27,863	14	50,415	59,275	(15)
Share/unit-based compensation	3,382	2,662	27	6,983	5,328	31
<b>Total Employee Compensation and Benefits</b>	<b>39,244</b>	<b>35,999</b>	<b>9</b>	<b>65,924</b>	<b>75,114</b>	<b>(12)</b>
<b>Ratio of Total Compensation and Benefits to Revenue</b>	<b>48.0%</b>	<b>51.6%</b>	<b>(7)</b>	<b>49.6%</b>	<b>51.4</b>	<b>(4)</b>

Total expenses increased \$3.9 million or 8% compared with second quarter 2008. Employee compensation and benefits expense increased \$3.2 million or 9% primarily due to higher variable compensation expense of \$3.8 million commensurate with increased revenue generation. Share-based compensation expense associated with a retention program introduced in third quarter 2008 also contributed to the increase. Partly offsetting this increase was lower fixed salaries and benefits, reflecting 14 fewer employees, mainly in the administration and support areas. Total employee compensation and benefits expense as a percentage of revenue was 48.0% in second quarter 2009 compared with 51.6% for the same period in 2008 largely reflecting improved revenue generation in second quarter 2009. Non-compensation expenses increased \$0.7 million largely reflecting higher consulting and professional fees, and higher transaction-related costs. Partly offsetting this increase were savings in connection with several cost savings initiatives announced late last year, which included lower travel and business development and reduced general office expenses. Interest expense and donations were also lower.

Capital Markets' operating earnings increased \$8.1 million compared with second quarter 2008, largely due to stronger revenue generation.

#### First Half 2009 vs. First Half 2008

Capital Markets revenue decreased \$13.1 million or 9% compared with first half 2008 driven by lower commission revenue from reduced trading volumes executed on behalf of our clients and lower M&A revenue. Interest revenue was also down. Partly offsetting these decreases were higher equity underwriting revenue and gains of \$7.6 million in principal activities compared with losses of \$5.4 million during the same period a year ago. Investment banking revenue decreased \$6.7 million or 8% compared with first half 2008 due primarily to lower M&A revenue, which declined \$17.8 million consistent with a sharply reduced pace of activity for the industry as a whole. Equity underwriting revenue increased \$11.0 million over the same period fuelled by strong activity in the mid-market segment during second quarter 2009.

Sales and trading commissions decreased \$15.5 million compared with first half 2008 despite lower facilitation losses in first half 2009 of 1% compared with losses of 22% in first half 2008 as a result of lower industry-wide trading volumes compared to the same period a year ago. GMP remains committed to its role as a key provider of liquidity to the Canadian mid-market.

Total expenses decreased \$8.8 million or 9% compared with first half 2008 largely reflecting lower employee compensation and benefits expense of \$9.2 million partly offset by moderately higher non-compensation expenses. Total employee compensation and benefits expense as a percentage of revenue was 49.6% in first half 2009 compared with 51.4% a year ago.

Non-compensation expenses increased \$0.3 million due primarily to higher consulting expense, previously mentioned, which is partly offset by lower business development expense and lower donations and office expense.

Capital Markets' income before income taxes and non-controlling interest decreased \$4.3 million compared with first half 2008 largely due to lower revenue generation.

#### Wealth Management

The Wealth Management segment consists of the full-service investment brokerage services of the GMP Group, which are conducted through GMP Private Client. GMP Private Client offers products and services to meet the needs of high-net-worth clients, including insurance and banking solutions developed through strategic partnerships.

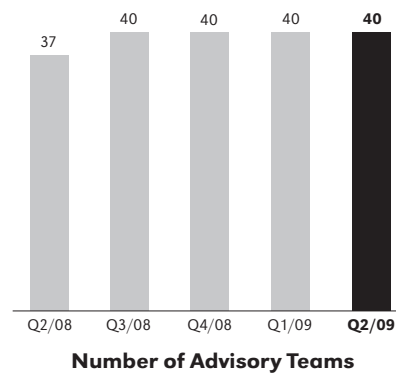
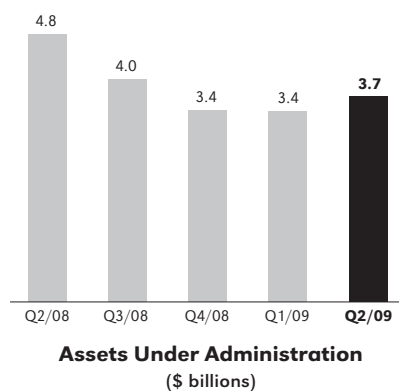
On July 23, 2009, GMP and RPFL jointly announced they entered into a definitive agreement in respect of transactions that will result in the combination of their respective wealth management businesses of GMP Private Client and RPFL under the name Richardson GMP. For further information, please refer to the "Wealth Management Transaction Announced" section of this MD&A.

The following table sets forth an overview of the financial results of the Wealth Management segment for second quarter and first half 2009 compared with second quarter and first half 2008.

(\$000, unless otherwise indicated)	Three months ended June 30			Six months ended June 30		
	2009	2008	% increase/ (decrease)	2009	2008	% increase/ (decrease)
<b>Revenue</b>	<b>11,069</b>	13,225	(16)	<b>20,755</b>	26,643	(22)
Commission income	<b>6,967</b>	6,424	8	<b>12,645</b>	12,758	(1)
Investment management and fee income	<b>3,656</b>	4,191	(13)	<b>6,720</b>	8,327	(19)
Interest income	<b>315</b>	2,435	(87)	<b>1,086</b>	5,267	(79)
Other income	<b>131</b>	175	(25)	<b>304</b>	291	4
<b>Expenses</b>	<b>12,025</b>	13,422	(10)	<b>23,546</b>	27,234	(14)
Employee compensation and benefits	<b>8,056</b>	8,109	(1)	<b>15,130</b>	16,452	(8)
Selling, general and administrative	<b>3,576</b>	3,769	(5)	<b>7,366</b>	7,151	3
Interest	<b>70</b>	1,172	(94)	<b>389</b>	2,762	(86)
Amortization	<b>323</b>	372	(13)	<b>661</b>	869	(24)
<b>Operating loss</b>	<b>(956)</b>	(197)	n.m.	<b>(2,791)</b>	(591)	n.m.
Total headcount (#)	<b>136</b>	136	-	<b>136</b>	136	-
Number of investment advisors (#)	<b>57</b>	55	4	<b>57</b>	55	4
Number of advisory teams (#)	<b>40</b>	37	8	<b>40</b>	37	8
AUA (\$ millions)	<b>3,683</b>	4,810	(23)	<b>3,683</b>	4,810	(23)

n.m. = not meaningful

The following charts present the five-quarter trend for both AUA and the number of advisory teams for the Wealth Management segment.



#### Second Quarter 2009 vs. Second Quarter 2008

Total revenue decreased \$2.2 million or 16% compared with second quarter 2008, largely driven by lower interest income on tightening spreads and lower investment management and fee-based revenue resulting from market depreciation. Partly offsetting the decrease was higher commission revenue arising from increased client trading activity. An increase in the supply of product originated by GMP Securities also contributed to an increase in commission revenue in Wealth Management.

Wealth Management closed second quarter 2009 with \$3.7 billion in AUA, down \$1.1 billion or 23% compared with the same period a year ago. Investment management and fee-based assets were \$1.0 billion at June 30, 2009, down

slightly from the \$1.1 billion recorded at the end of June last year. The majority of the decline in AUA was largely attributable to a decline in the market value of client securities under administration as a consequence of market depreciation over the comparable period. Wealth Management experienced a net inflow of client assets of \$83.5 million in second quarter 2009.

As investor confidence gradually returns to the markets so does our expectation for successful recruiting. The improvement in market conditions since first quarter 2009 contributed to a stronger advisor pipeline, including the initiation of conversations with select new recruits. GMP Private Client added one additional advisory team in July 2009, bringing the total advisory teams to 41 as at the date hereof.

The following table sets forth employee compensation and benefits expenses for the Wealth Management segment.

(\$000)	Three months ended June 30			Six months ended June 30		
	2009	2008	% increase/ (decrease)	2009	2008	% increase/ (decrease)
Fixed salaries and benefits	<b>1,547</b>	1,683	(8)	<b>3,181</b>	3,386	(6)
Variable incentive-based compensation	<b>5,652</b>	5,611	1	<b>10,254</b>	11,444	(10)
Share/unit-based compensation	<b>96</b>	105	(9)	<b>189</b>	229	(17)
Investment advisor transition assistance	<b>761</b>	710	7	<b>1,506</b>	1,393	8
<b>Total Employee Compensation and Benefits</b>	<b>8,056</b>	8,109	(1)	<b>15,130</b>	16,452	(8)

Total expenses decreased \$1.4 million or 10% compared with second quarter 2008. Total employee compensation and benefits expense remained relatively unchanged compared with second quarter 2008. Non-compensation expenses decreased \$1.3 million compared with second quarter 2008 primarily as a result of lower interest expense recorded on client cash balances as a result of the lower interest rate environment and lower business development and office expense. This decrease was partly offset by higher premises costs associated with the Montreal office and higher trading and communications-related costs associated with increased client volumes.

Wealth Management reported an operating loss of \$1.0 million in second quarter 2009 compared with an operating loss of \$0.2 million in the same period a year ago largely due to lower revenue generation.

#### First Half 2009 vs. First Half 2008

Wealth Management revenue decreased \$5.9 million or 22% compared with first half 2008. The decrease was largely driven by reduced interest income due to the lower interest rate environment and lower investment management and fee-based revenue.

Expenses decreased \$3.7 million compared with first half 2008 largely driven by lower non-compensation related expense and lower employee compensation and benefits expense. Non-compensation expense decreased \$2.4 million largely due to lower interest expense recorded on client cash balances. Partly offsetting the decrease was higher transaction-related expenses, continued investment in branch infrastructure and costs in support of growth in managed asset programs. Total employee compensation and benefits expense also decreased \$1.3 million largely due to lower variable compensation expense of \$1.2 million commensurate with lower revenue generation.

Wealth Management reported an operating loss of \$2.8 million in first half 2009 compared with an operating loss of \$0.6 million in first half 2008.

#### Alternative Investments

The Alternative Investments segment includes the operating business of EdgeStone and, beginning in April 2008, GMP Investment Management. The Alternative Investments segment provides investment management and advisory services and offers investment products primarily through private funds.

The following table sets forth an overview of the financial results of the Alternative Investments segment for second quarter and first half 2009 compared with second quarter and first half 2008.

(\$000, unless otherwise indicated)	Three months ended June 30			Six months ended June 30		
	2009	2008	% increase/ (decrease)	2009	2008	% increase/ (decrease)
<b>Revenue</b>	<b>9,267</b>	7,310	27	<b>17,509</b>	12,910	36
Investment management and fee income	<b>6,909</b>	6,404	8	<b>13,792</b>	11,910	16
Interest income	<b>1</b>	59	(98)	<b>20</b>	128	(84)
Principal activities	<b>2,749</b>	852	100+	<b>4,039</b>	852	100+
Other income	<b>(392)</b>	(5)	n.m.	<b>(342)</b>	20	n.m.
<b>Expenses</b>	<b>4,561</b>	4,552	-	<b>9,195</b>	8,908	3
Employee compensation and benefits	<b>3,070</b>	3,307	(7)	<b>6,215</b>	6,490	(4)
Selling, general and administrative	<b>1,409</b>	1,118	26	<b>2,806</b>	2,183	29
Interest	<b>22</b>	40	(45)	<b>53</b>	90	(41)
Amortization	<b>60</b>	87	(31)	<b>121</b>	145	(17)
<b>Operating earnings</b>	<b>4,706</b>	2,758	71	<b>8,314</b>	4,002	108
AUM (\$ millions)	<b>1,337</b>	1,348	(1)	<b>1,337</b>	1,348	(1)
Total headcount (#)	<b>46</b>	48	(4)	<b>46</b>	48	(4)

n.m. = not meaningful

#### Second Quarter 2009 vs. Second Quarter 2008

Total revenue increased \$2.0 million or 27% compared with second quarter 2008 largely reflecting a \$1.9 million increase in unrealized gains in principal activities, arising from GMP's investment in the Alpha Domestic Fund and higher investment management and fee revenue earned by GMP Investment Management and EdgeStone.

GMP Investment Management earns management fees on the Alpha Master Fund, which had AUM of \$203.9 million as at the date hereof. The Alpha Domestic Fund (Class F) return, net of management fees and other expenses, was 25.82% for the six months ended June 30, 2009, recovering the negative returns recorded during challenging market conditions in fiscal 2008.

EdgeStone earned management fee income and received general partner distributions based on total capital of \$1.1 billion as at June 30, 2009. During second quarter 2009,

credit market conditions showed tentative signs of recovery. A continued improvement in credit markets in the latter half of 2009 may support increased opportunities for new investments and realizations. While no new investments were made during second quarter 2009, the EdgeStone Funds made several follow-on investments during the quarter. Subsequent to second quarter 2009, EdgeStone's Equity Fund II sold one of its portfolio company investments, Trimaster Manufacturing, Inc., to GenNx 360 Capital Partners, a U.S.-based private equity firm. This successful realization resulted in carried interest and other revenue of \$2.6 million to be recognized by GMP in third quarter 2009. EdgeStone continues to make progress in successfully marketing Venture Fund III, which is currently expected to close in the second half of 2009.

The following table sets forth the employee compensation and benefits expenses for the Alternative Investments segment.

(\$000)	Three months ended June 30			Six months ended June 30		
	2009	2008	% increase/ (decrease)	2009	2008	% increase/ (decrease)
Fixed salaries and benefits	<b>2,210</b>	2,352	(6)	<b>4,562</b>	4,614	(1)
Variable incentive-based compensation	<b>741</b>	820	(10)	<b>1,336</b>	1,618	(17)
Share/unit-based compensation	<b>119</b>	135	(12)	<b>317</b>	258	23
<b>Total Employee Compensation and Benefits</b>	<b>3,070</b>	3,307	(7)	<b>6,215</b>	6,490	(4)

Expenses were flat compared with second quarter 2008 as moderately lower employee compensation and benefits expense was offset by higher selling, general and administrative costs in support of growth in GMP Investment Management.

Alternative Investments reported operating earnings of \$4.7 million in second quarter 2009 compared with \$2.8 million in second quarter 2008 primarily reflecting higher results from principal activities.

#### First Half 2009 vs. First Half 2008

Total revenue increased \$4.6 million or 36% for first half 2009 compared with first half 2008, largely attributable to an increase of \$3.2 million in unrealized gains arising from GMP's investment in the Alpha Domestic Fund, and incremental investment management and fee revenue earned by GMP Investment Management beginning in April 2008. Partly offsetting the increase were lower management fees earned on a lower level of invested capital in EdgeStone Funds.

Expenses increased \$0.3 million compared with first half 2008 primarily due to incremental investment in infrastructure associated with GMP Investment Management. Alternative Investments reported operating earnings of \$8.3 million for first half 2009 compared with \$4.0 million in first half 2008.

#### Corporate

The Corporate segment includes inter-segment eliminations between business segments and enterprise-wide items. Inter-segment eliminations in the business segments include ticket processing fees charged by the Capital Markets segment to the Wealth Management segment in support of GMP Securities' carrying broker responsibilities to GMP Private Client.

In the enterprise-wide activity, total employee compensation and benefits include the accrued compensation relating to the Chief Executive Officer and the President of GMP and other administrative support. Selling, general and administrative expenses include enterprise-wide expenses that have not been allocated to specific business segments. Amortization expense relates to the amortization of intangible assets incurred in connection with the acquisition of EdgeStone, while interest expense is largely attributable to financing costs associated with the Notes issued by GMP Holding Partnership, as described further in Note 16 to the 2008 Annual Financial Statements and in the "Liquidity and Capital Resources" section of this MD&A, and financing costs associated with the subordinated loan in GMP Securities. The following table sets forth an overview of the financial results of the Corporate segment for second quarter 2009 and second quarter 2008.

	Inter-segment		Enterprise-wide		Total Corporate	
	2009	2008	2009	2008	2009	2008
Three months ended June 30 (\$000)						
Revenue	<b>(1,323)</b>	(1,187)	<b>(26)</b>	-	<b>(1,349)</b>	(1,187)
Expenses	<b>(1,323)</b>	(1,187)	<b>6,847</b>	6,479	<b>5,524</b>	5,292
Employee compensation and benefits	-	-	<b>847</b>	994	<b>847</b>	994
Selling, general and administrative	<b>(1,323)</b>	(1,187)	<b>1,338</b>	1,000	<b>15</b>	(187)
Interest	-	-	<b>1,420</b>	1,250	<b>1,420</b>	1,250
Amortization	-	-	<b>3,242</b>	3,235	<b>3,242</b>	3,235
<b>Operating loss</b>	-	-	<b>(6,873)</b>	(6,479)	<b>(6,873)</b>	(6,479)

The following table sets forth an overview of the financial results of the Corporate segment for first half 2009 and first half 2008.

	Inter-segment		Enterprise-wide		Total Corporate	
	2009	2008	2009	2008	2009	2008
Six months ended June 30 (\$000)						
Revenue	<b>(2,567)</b>	(2,254)	<b>(284)</b>	-	<b>(2,851)</b>	(2,254)
Expenses	<b>(2,567)</b>	(2,254)	<b>14,213</b>	11,952	<b>11,646</b>	9,698
Employee compensation and benefits	-	-	<b>1,697</b>	1,225	<b>1,697</b>	1,225
Selling, general and administrative	<b>(2,567)</b>	(2,254)	<b>2,972</b>	1,639	<b>405</b>	(615)
Interest	-	-	<b>3,060</b>	2,618	<b>3,060</b>	2,618
Amortization	-	-	<b>6,484</b>	6,470	<b>6,484</b>	6,470
<b>Operating loss</b>	-	-	<b>(14,497)</b>	(11,952)	<b>(14,497)</b>	(11,952)

The following financial performance analysis relates to costs associated with enterprise-wide activity.

#### Second Quarter 2009 vs. Second Quarter 2008

Enterprise-wide expenses increased \$0.4 million or 6% largely due to \$0.4 million in professional fees recognized in connection with the Conversion and higher interest expense reflecting an increase in financing costs compared with second quarter 2008 for the Notes issued by GMP Holding Partnership and also the outstanding subordinated loan arranged by GMP Securities.

#### First Half 2009 vs. First Half 2008

Enterprise-wide expenses increased \$2.3 million or 19% largely due to higher non-compensation expense of \$1.8 million and higher employee compensation and benefits expense of \$0.5 million related to accrued compensation. Non-compensation expense increased \$1.8 million largely due to reorganization costs of \$0.9 million in connection with the Conversion and higher financing costs.

## Historical Quarterly Information

The following table sets forth selected quarterly financial information for the eight most recently completed fiscal quarters.

(\$000, except per share/unit amounts)	Fiscal 2009 <sup>1</sup>				Fiscal 2008 <sup>1</sup>		Fiscal 2007 <sup>1</sup>	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	<b>100,824</b>	67,443	33,845	74,799	89,163	94,135	101,477	130,382
Capital Markets	<b>81,837</b>	51,017	20,394	58,020	69,815	76,184	81,326	111,682
Wealth Management	<b>11,069</b>	9,686	10,950	11,998	13,225	13,418	14,886	13,376
Alternative Investments	<b>9,267</b>	8,242	3,390	5,858	7,310	5,600	6,257	6,193
Corporate	<b>(1,349)</b>	(1,502)	(889)	(1,077)	(1,187)	(1,067)	(992)	(869)
Income/(loss) before income taxes	<b>26,442</b>	7,378	(19,794)	6,357	16,807	22,151	26,472	43,030
Net income/(loss)	<b>8,103</b>	7,116	(17,500)	6,947	15,747	20,986	23,816	39,287
Basic earnings/(loss) per share/unit	<b>\$0.12</b>	\$0.12	(\$0.29)	\$0.11	\$0.25	\$0.33	\$0.38	\$0.62
Diluted earnings/(loss) per share/unit	<b>\$0.11</b>	\$0.11	(\$0.27)	\$0.11	\$0.24	\$0.32	\$0.37	\$0.61

<sup>1</sup> Comparative unit amounts reflect a one-for-one exchange of the Fund units and/or the Exchangeable L.P. units for one common share of the Corporation on May 15, 2009, pursuant to the Conversion.

#### Quarterly Earnings Trends and Analysis

GMP's revenue and operating results may fluctuate from period to period as a result of a combination of factors including economic, political and market conditions, which, in turn, affect the level of public offerings, M&A transactions, securities trading activity in the Canadian marketplace, competition in the marketplace for suitable investments, sustainability of fees, nature and type of portfolio company investments, ability to realize carried interest entitlements and dependence on key personnel, all of which ultimately impact GMP's revenue and operating results. Our quarterly results are modestly affected by seasonal factors. The months of July and August typically experience lower levels of capital markets activity, which may affect the results in the Capital Markets and Wealth Management segments. This section should be read in conjunction with "Risk Factors – Risks Related to the

Business – Significant Fluctuations in Results" in our annual information form dated February 26, 2009, and the "Risk Management" section in this MD&A.

Revenue has increased in the last two quarters following a solid spring performance in the equity markets. Prior to this period, revenue was adversely impacted by extremely challenging market conditions which commenced third quarter 2007 when market conditions showed the first clear signs of deterioration, resulting in generally weaker business activities across most businesses. Capital Markets has been the business segment benefiting the most from recent favourable market conditions. Equity financing activity was particularly strong in second quarter 2009, with GMP Securities recording its second best quarterly result for underwriting revenue of the last two years; however, the pace of M&A activity and client trading volumes remain slow in response to lingering

uncertainty regarding the timing of recovery in financial markets and economic conditions in general. Prior to the recent recovery in market conditions, Capital Markets revenues were negatively impacted by a slower pace for investment banking activity, reduced client trading activity and elevated facilitation trading losses. Wealth Management's performance continues to be impacted by a low interest rate environment and challenging equity market conditions, resulting in lower interest income, reduced fee-based revenue and lower client asset balances due to market depreciation. In second quarter 2008, GMP Investment Management launched its first fund, the Alpha Master Fund, resulting in a moderate increase in investment management fee income to GMP over the last four quarters. GMP's investment in the Alpha

Domestic Fund is marked-to-market adding some volatility to the segment's otherwise fairly stable revenue stream. Non-compensation expenses have generally increased over the eight most recently completed fiscal quarters in support of business volumes and activity, branch expansion and investment in infrastructure. During first quarter 2009, GMP began to realize the benefit from cost savings initiatives implemented in fourth quarter 2008. Variable compensation remains commensurate with business performance.

Net income before taxes increased for the last two consecutive quarters. Net income in second quarter 2009 included adjustments to the provision for income taxes to reflect the impact of the completion of the Conversion.

## Financial Condition

The following is a discussion of the more significant changes in consolidated balance sheet items from December 31, 2008 to June 30, 2009:

### Cash and Cash Equivalents

The cash and cash equivalents balance declined \$47.1 million compared with December 31, 2008. For further details relating to this decrease in cash and cash equivalents during fiscal 2009, refer to GMP's consolidated statement of cash flows in the Second Quarter 2009 Financial Statements.

### Trading Securities and Obligations Related to Securities Sold Short

Trading securities experienced an increase of \$32.1 million compared with December 31, 2008 while obligations related to securities sold short rose \$14.3 million compared with December 31, 2008. The outstanding balances associated with trading securities and obligations related to securities sold short may fluctuate significantly on a day-to-day basis based on client-driven and proprietary activities. The increases reflect an increase in client facilitation inventory levels due to increased client activity as a result of an improvement in market conditions during first half 2009. Inventory levels relating to principal activities remain flat compared with December 31, 2008, with certain securities experiencing price appreciation during first half 2009.

### Receivable from Clients and Payable to Clients

As at June 30, 2009, the receivable from clients was \$352.2 million (Dec/08 – \$234.5 million) and include loans receivable from clients of \$164.4 million (Dec/08 – \$139.0 million) and open security transactions of \$187.8 million (Dec/08 – \$95.5 million). Amounts payable to clients were \$455.2 million (Dec/08 – \$391.0 million) and include client deposits of \$323.3 million (Dec/08 –

\$300.0 million) and open security transactions of \$131.9 million (Q4/08 – \$91.0 million). The level of open security transactions pending settlement with clients may fluctuate significantly on a day-to-day basis and the balance represents the level of unsettled transactions with clients outstanding as at June 30, 2009. Loans receivable from clients increased during first half 2009 as GMP extended more credit to its clients to purchase securities as a result of the increase in security valuations that occurred over this time and the higher client activity levels experienced.

### Receivable from Brokers and Payable to Brokers

Receivable from brokers increased \$48.9 million compared with December 31, 2008, while payable to brokers increased \$35.5 million. Receivable from brokers and payable to brokers reflect the level of open securities transactions with brokers as at June 30, 2009.

### Non-Controlling Interest

GMP recorded a non-controlling interest of \$31.4 million as at December 31, 2008 in conjunction with the offering of Preferred Units. It was determined that the Fund was not the primary beneficiary of GMP Preferred and accordingly, did not consolidate this entity as at December 31, 2008. Pursuant to the Conversion, holders of Preferred Units exchanged their units for Series A preferred shares of GMP. Following the Conversion, GMP Preferred was recorded on GMP's consolidated balance sheet and the non-controlling interest of \$32.3 million was eliminated. In addition, the transaction steps of the Conversion resulted in the Corporation acquiring the remaining 13.13% ownership interest in its subsidiary, GMP Holding Partnership, for total non-cash consideration of \$38.1 million. The purchase resulted in the recognition of \$5.8 million in goodwill, which has been recorded on GMP's consolidated balance sheet.

### Shareholders' Equity

Shareholders' equity increased \$44.7 million compared with December 31, 2008, largely due to \$36.4 million in Series A preferred shares, net of \$1.7 million in issue costs, which were recorded pursuant to the Conversion as described previously.

## Liquidity and Capital Resources

GMP requires capital and liquidity to fund existing and future operations, future cash payments to securityholders and to meet regulatory requirements. Although market conditions have improved recently, capital and balance sheet strength remain a key priority for GMP. GMP's approach to the management of liquidity and capital resources has not changed materially from that described in the "Liquidity and Capital Resources" section in the 2008 Annual MD&A.

Concurrently, with the creation of Richardson GMP, which is expected to occur in late October 2009, pending receipt of all regulatory and corporate approvals, JRSL will subscribe for approximately 8.7 million common shares of GMP for aggregate cash proceeds to GMP of approximately \$86.0 million. GMP will apply approximately \$22.0 million of these cash proceeds to partially effect its 35% ownership in Richardson GMP. A further preferred share investment by GMP and JRSL in Richardson GMP is expected (and, going forward, further preferred share investments may be made jointly with JRSL as may be required) to ensure that Richardson GMP is positioned to fund ongoing business needs and regulatory capital requirements. For further information regarding the transaction, please refer to the "Wealth Management Transaction Announced" section of this MD&A. The remaining proceeds of the treasury issuance may be used by GMP to repay a portion of its outstanding debt and/or redeem a portion of its preferred share capital outstanding.

### Capital Resources

GMP's capital sources include common shares, preferred shares, retained earnings, contributed surplus, subordinated loans and long-term debt. For additional details, including the carrying amounts of GMP's capital resources outstanding as at June 30, 2009, please see Note 16 to the Second Quarter 2009 Financial Statements.

Subordinated loans are used to provide additional regulatory capital to support business activities in GMP Securities. There has been no change in the outstanding balance of \$17.5 million or the terms associated with subordinated loan with a Schedule I Canadian chartered bank during first half 2009, except for the rate of interest charged. During the period from January 1, 2009 to February 2, 2009, the loan bore interest at the prime rate plus 2%. The lender increased the annual interest rate to prime plus 4% effective

February 3, 2009. GMP Securities was in compliance with the following financial covenant pursuant to the subordinated loan as at June 30, 2009: the financial statement capital of GMP Securities less the amount of non-active assets and unsecured inter-day lines provided by the Canadian bank to the subordinated loan shall be at least 3:1.

Long-term debt consists of \$60 million in senior unsecured notes issued by GMP Holding Partnership (the "Notes"), which include a \$25.0 million note due on November 1, 2011, bearing interest of 7.308%, and a \$35.0 million note due November 1, 2013, bearing interest of 7.548%.

There has been no change to the terms of the Notes during second quarter 2009. As at June 30, 2009, GMP was in compliance with all financial covenants and other provisions associated with the Notes. Management is not aware of any restrictions on cash dividends arising from compliance with financial covenants operational as at June 30, 2009.

Management expects to continue to fund the interest costs associated with the subordinated loan and the Notes through cash generated by operations. For further details regarding the terms of the subordinated loan or the Notes, refer to the "Liquidity and Capital Resources" section in the 2008 Annual MD&A.

For information regarding GMP's outstanding common and preferred shares please refer to the "Outstanding Share Data and Dividends" section of this MD&A.

### Liquidity

GMP derives liquidity from its cash generated through operating activities, its debt facilities, its working capital and its credit facilities. There has been no change to GMP's credit facilities outstanding with Canadian banks of approximately \$300.0 million and a European bank of £13.0 million during first half 2009. As at June 30, 2009, \$15.0 million was outstanding under these facilities. GMP's credit facilities are used to facilitate day-to-day settlement and transactional requirements and do not represent a source of liquidity to GMP for its payment of dividends, or the funding of its business initiatives or productive capacity.

GMP holds its cash and cash equivalent balances with a number of financial institutions with high credit ratings. There has been no change to GMP's cash management practices during first half 2009. GMP's inventory of trading securities,

which results from its facilitation of trades for its institutional clients and its own proprietary holdings, is recorded at market value. As such, certain positions have experienced increases in value during first half 2009 as a result of rising equity markets. GMP's ability to manage market risk exposures may be limited by adverse changes in the liquidity of the security. GMP seeks to manage this risk by diversifying exposures and controlling position sizes.

Receivables and payables from brokers and dealers represent open transactions which, during second quarter 2009, have generally settled within the normal three-day settlement cycle and also include collateralized securities borrowed and/or loaned transactions that can be closed on demand within a few days. Client receivables are secured by readily marketable securities and are reviewed daily for impairment in value and collectability. Market conditions have improved recently resulting, in many cases, in an increase in the collateral values supporting outstanding client loan receivables.

Management believes GMP's cash generated from operations, debt facilities and working capital provides GMP with an appropriate level of cash for existing operating and regulatory purposes for the reasonably foreseeable future assuming no significant adverse changes in the markets in which the Corporation operates. If the capital market and business conditions were to experience significant contraction, GMP's ability to generate revenue, fund operations, satisfy its debt covenants, maintain dividends to its securityholders and pursue profitable growth may be adversely impacted.

#### **Normal Course Issuer Bid**

GMP has not purchased for cancellation any shares and/or units under its normal course issuer bid ("NCIB") in first half 2009. For further details regarding the NCIB, refer to the "Liquidity and Capital Resources" section in the 2008 Annual MD&A.

#### **Subsidiary Capital Requirements**

Certain of GMP's subsidiaries are subject to regulatory capital requirements designed to provide notice to the regulatory authorities of possible liquidity concerns. As at June 30, 2009, GMP's subsidiaries remain subject to regulatory capital requirements as described in the "Liquidity and Capital Resources" section in the 2008 Annual MD&A. As at June 30, 2009, GMP's subsidiaries were in compliance with all regulatory minimum capital requirements.

#### **Operating Activities**

Cash used in operating activities was \$37.7 million in second quarter 2009 compared with \$17.7 million in second quarter 2008. Excluding non-cash operating items, cash provided by operating activities was \$24.4 million for second quarter 2009 compared with \$24.6 million in second quarter 2008 primarily due to stronger earnings generation in the Capital Markets segment compared with second quarter 2008 resulting from recent improvement in capital market conditions.

#### **Financing Activities**

Financing activities consumed \$3.0 million of cash in first half 2009 compared with \$100.0 million in first half 2008 and primarily reflect cash distributions of \$9.6 million paid on Fund units and Exchangeable L.P. units during first half 2009 compared with cash distributions of \$95.4 million paid on Fund units and Exchangeable L.P. units in first half 2008. First half 2008 distributions include the payment of a \$0.65 per Fund unit special cash distribution in January 2008. GMP Securities repaid \$5.0 million of its subordinated loan during first half 2008 compared with an increase in short-term borrowings of \$8.1 million in first half 2009, largely to fund capital calls in the EdgeStone Funds until proceeds from permanent financings are received from investors.

#### **Investing Activities**

Investing activities consumed \$0.4 million of cash in first half 2009 compared with \$7.6 million in first half 2008. Investing activities during first half 2009 were moderate while investing activities in first half 2008 relate to the establishment of a new office in Montreal for GMP Securities, GMP Private Client and EdgeStone and the establishment of GMP Investment Management.

#### **Contractual Obligations**

In the normal course of business, GMP enters into contracts that give rise to commitments of future minimum payments that affect our liquidity. During first half 2009, there were no changes of a material nature in GMP's contractual obligations from those described in the "Liquidity and Capital Resources – Contractual Obligations" section of the 2008 Annual MD&A.

## Outstanding Share Data and Dividends

Pursuant to the Conversion, the following occurred:

- All outstanding Fund units and Exchangeable L.P. units were exchanged, on a one-for-one basis, for common shares of GMP;
- 6.154 million preferred limited partner units of GMP Preferred were exchanged, on a one-for-one basis, for Series A preferred shares of GMP, having substantially the same terms as the preferred limited partner units;
- 6.154 million warrants to acquire units of the Fund at a price of \$6.50 per unit became exercisable, on a one-for-one basis, for common shares of GMP, on substantially the same terms; and
- 2.425 million options to acquire units of the Fund were exchanged, on a one-for-one basis, for GMP common share options having the same exercise price, vesting period and expiration date as the original Fund options, and 2.015 million outstanding options to acquire units of the Fund were exchanged, on a 2.66-to-one basis, for 0.757 million GMP common share options having an exercise price of \$8.09, the closing price of the Fund units on the last trading day prior to the Conversion, a vesting period of four years and an expiration date of the seventh anniversary of the Conversion.

GMP also adopted two executive common share loan plans dated May 15, 2009, containing substantially the same terms and conditions as the executive unit loan plans. On August 5, 2009, the Board of Directors of GMP approved an increase in the interest rate on the Corporation's portion of these loans to prime, effective September 1, 2009. For further details refer to Note 5 to the Second Quarter 2009 Financial Statements.

### Dividends/Distributions Declared

	January 2009		February 2009		Three months ended June 30, 2009	
	Amount (\$000)	Per unit (\$)	Amount (\$000)	Per unit (\$)	Amount (\$000)	Per share (\$)
Fund units & Exchangeable L.P. units	3,203	0.05	3,203	0.05	–	–
Common shares	–	–	–	–	<b>3,203</b>	<b>0.05</b>
Preferred shares – Series A	–	–	–	–	<b>1,000</b>	<b>0.1625</b>

GMP's philosophy has always been to return excess capital back to its stakeholders. On February 26, 2009, the Board of Trustees approved the temporary suspension of monthly cash distributions following the Fund's February distribution, in conjunction with its decision to convert from an income trust to a corporation. Following the Conversion, the Board of Directors has adopted a dividend policy for fiscal 2009 with the intent to pay a quarterly dividend of \$0.05 per common

GMP is authorized to issue an unlimited number of common and preferred shares, with preferred shares issuable in series.

During second quarter 2009, prior to the Conversion, 0.172 million Exchangeable L.P. units valued at \$0.7 million were exchanged for 0.172 million Fund units valued at \$0.7 million. The final 1.206 million Exchangeable L.P. units held in escrow related to the EdgeStone acquisition were released from escrow at the time of Conversion. These units were originally scheduled to be released on June 4, 2009. As of the date hereof, GMP has no outstanding common shares subject to escrow conditions. GMP preferred shares held by designated officers of GMP and certain institutional investors are subject to certain transfer restrictions, the terms of which have not changed due to the Conversion.

(000)	Shares issued and outstanding as at June 30, 2009	
	#	\$
Common shares	64,061	205,533
Preferred shares – Series A	6,154	36,438

As of the date hereof, 64.061 million common shares and 6.154 million preferred shares were outstanding. As of August 5, 2009, 3.201 million options to acquire GMP common shares were outstanding. There have been no warrants exercised since their issuance and accordingly, 6.154 million warrants are currently outstanding.

share. The Board of Directors intends to review GMP's dividend policy periodically in the context of the firm's overall profitability, free cash flow, regulatory capital requirements and other business needs. Dividends declared on the common and preferred shares are designated as "eligible dividends" for purposes of the Income Tax Act (Canada) and any similar provincial and territorial legislation for 2009 and subsequent years, unless indicated otherwise.

## Off-Balance Sheet Arrangements

In the normal course of business, GMP engages in certain financial transactions that, under GAAP, are not recorded on the consolidated balance sheet. As at June 30, 2009, GMP's off-balance sheet transactions include VIEs and derivatives.

It was determined at the time of the Preferred Unit offering in December 2008, that GMP was not the primary beneficiary of GMP Preferred and, accordingly, did not consolidate GMP

Preferred as at December 31, 2008. Pursuant to the Conversion, holders of the Preferred Units exchanged their units for Series A preferred shares of GMP. As a result of the Conversion, GMP Preferred was recorded on GMP's consolidated balance sheet and non-controlling interest of \$32.3 million was eliminated.

At June 30, 2009, the Canadian equivalent notional amount of forward contracts outstanding was \$2.3 million (December 31, 2008 – \$23.7 million). Forward contracts outstanding at June 30, 2009, are as follows:

(000)	Notional amount (in source currency)	Average price \$	Maturity date(s)	Fair value \$
Sell USD / buy CAD	1,000	1.162	Sept. 30, 2009	(1)
Buy USD/ sell CAD	1,000	1.161	Sept. 30, 2009	2

There have been no other significant changes to off-balance sheet arrangements during second quarter 2009. Further details of our off-balance sheet arrangements are provided in "Off-Balance Sheet Arrangements" in the 2008 Annual MD&A.

## Related-Party Transactions

GMP's policies and procedures for related-party transactions and the nature of GMP's related-party transactions have not changed materially from December 31, 2008, as discussed in the "Related-Party Transactions" section of the 2008 Annual MD&A. For further details, refer to Note 11 to the 2008 Annual Financial Statements. Additional details on related-party transactions can be found in Note 8 to the Second Quarter 2009 Financial Statements.

## Financial Instruments

A significant portion of GMP Group's assets and liabilities are composed of financial instruments. GMP uses financial instruments in its trading and non-trading activities. There has been no significant change in GMP's use of financial instruments, or types of financial instruments employed in its trading and non-trading activities during first half 2009. See the "Financial Instruments" section of the 2008 Annual MD&A for further information. For significant assumptions made in determining the valuation of financial and other instruments, refer to the "Critical Accounting Policies and Estimates" section in the 2008 Annual MD&A.

Approximately \$94.8 million or 82% of GMP's trading securities are valued based on quoted market prices as at June 30, 2009. Pricing models are used to value our broker

warrants and these securities had a value of \$0.5 million as at June 30, 2009. Other appropriate methods are applied to trading securities designated as held-for-trading, which represent an investment in the Alpha Domestic Fund of \$19.8 million or 17% of trading securities as at June 30, 2009. The valuation of these securities is updated monthly and reflects the net asset value of the Alpha Domestic Fund, as determined by the third-party administrator of the fund. All securities sold short, which were \$20.7 million as at June 30, 2009, are valued based on quoted market prices. GMP had a valuation reserve of \$0.3 million relating to trading securities as at June 30, 2009, and had no valuation reserve in place as at December 31, 2008.

## Risk Management

Management believes that effective risk management is of primary importance to the success of GMP. We have risk management processes in place to monitor, evaluate and manage the principal risks we assume in conducting our activities. These risks include market, credit, liquidity, operational, legal and regulatory risk. GMP has not identified any material changes to the risk factors affecting our business and our approach to the management of risk has not changed significantly from that described in the "Risk Management" section of the 2008 Annual MD&A.

### Fair Value Risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. GMP incurs fair value risk through its trading positions, underwriting activities and portfolio of available-for-sale securities.

The following table includes GMP's significant financial instruments recorded on the unaudited interim consolidated balance sheet as at June 30, 2009, at fair value and demonstrates the sensitivity of GMP's net income and other comprehensive income to reasonable changes in fair value of those instruments.

#### *Fair value sensitivity analysis*

(000)	Carrying value \$	Effect of a 10% increase in fair value on net income \$	Effect of a 10% decrease in fair value on net income \$
Trading securities, net of obligations related to securities sold short	94,434	6,327	(6,327)
Available-for-sale securities <sup>1</sup>	7,182	n/a	(481)

<sup>1</sup> Available-for-sale securities do not have a quoted market price and are carried at cost, and, therefore, there is no impact on other comprehensive income resulting from any temporary fluctuation in the market price of the investment. An other-than-temporary decline in the value of the securities is recognized in net income, and the table indicates the impact on net income as a result of a 10% impairment of the securities.

### Interest Rate Risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. GMP incurs interest rate risk on its own cash and cash equivalent balances, on GMP's client cash balances, cash delivered or received in support of securities borrowing or lending activity and interest paid on its subordinated loan.

### Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. GMP segregates market risk into three categories: fair value risk, interest rate risk and currency risk. The level of market risk to which we are exposed varies primarily depending on market conditions, expectations of future price and yield movements and the composition of our security and cash holdings.

*Interest rate sensitivity analysis*

The table below provides the potential impact of an immediate and sustained 100 basis point ("bp") increase or decrease in interest rates on net income applied to the balances outstanding at June 30, 2009. This analysis assumes that all other variables remain constant.

(000)	Carrying value \$	Effect of a 100bp increase in market interest rates on net income \$	Effect of a 100bp decrease in market interest rates on net income \$
Cash and cash equivalents	213,307	1,429	(1,429)
Payable to clients, net	102,991	(690)	690
Securities lending and borrowing	89,500	600	(600)
Bank loans	32,453	(217)	217

**Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. GMP incurs currency risk primarily on its net investments in foreign subsidiaries, which include Griffiths McBurney Corp. and GMP Europe. GMP also incurs currency risk on financial instruments held by the operating partnerships of GMP denominated in currencies other than

their functional currency, which includes cash and cash equivalents, client cash balances and broker receivables and payables. The table below summarizes the effects on net income and other comprehensive income as a result of a 10% change in the value of the foreign currencies against the Canadian dollar where GMP has significant exposure. The analysis assumes all other variables remain constant.

*Currency risk sensitivity analysis*

(000)	Effect of a 10% strengthening in foreign exchange rates on net income \$	Effect of a 10% weakening in foreign exchange rates on net income \$	Effect of a 10% increase in foreign exchange rates on other comprehensive income \$	Effect of a 10% decrease in foreign exchange rates on other comprehensive income \$
Pound sterling	113	(113)	122	(122)
U.S. dollar	2,160	(2,160)	n/a	n/a
Australian dollar	18	(18)	n/a	n/a
Euro	1	(1)	n/a	n/a

**Credit Risk**

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. GMP is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations. The primary source of credit risk to GMP arises when GMP extends credit to clients to purchase securities by way of margin lending. Margin loans are due on demand and are collateralized by the financial instruments in the client's account.

It is GMP's policy to provide an allowance against all unsecured client loan receivable balances. During second quarter 2009, there was no provision for doubtful accounts recorded and the allowance for doubtful accounts as at June 30, 2009 was \$0.2 million (NIL as at December 31, 2008). Loans receivable from clients have increased \$25.4 million compared with December 31, 2008, as a result of GMP extending additional credit to clients to purchase securities during second quarter 2009. GMP continues to closely monitor these balances on an ongoing basis. There are no significant concentrations of credit risk within the Corporation as at June 30, 2009.

**Liquidity Risk**

Liquidity risk is the risk of having insufficient cash resources in a timely and cost-effective manner to meet financial obligations as they come due. GMP Group's liquidity could be impaired by an inability to access secured and/or unsecured debt markets, an inability to access funds from our subsidiaries, an inability to sell assets, including securities, or unforeseen outflows of cash.

GMP continues to operate in accordance with its operating procedures in managing liquidity risk. For further information, refer to the "Liquidity and Capital Resources" section in this MD&A.

**Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is embedded in all of our activities, including the practices and controls used to manage

other risks. Failure to manage operational risk can lead to failure in the management of other risks such as credit, market or regulatory risk.

There have been no material changes to GMP's operational risk profile during second quarter 2009.

**Legal and Regulatory Risk**

GMP has policies and processes in place to monitor and control other risks, including legal and regulatory risks. For additional details, refer to the "Risk Management – Legal and Regulatory Risk" section in the 2008 Annual MD&A.

GMP's subsidiaries in the normal course of business are involved in legal proceedings, including regulatory investigations. While there is inherent difficulty in predicting the outcome of such matters, based on current knowledge and consultation with legal counsel, we do not expect that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on GMP's consolidated financial position or results of operations.

**Risk Factors**

An investment in securities of GMP involves a number of risks in addition to those described under the "Forward-Looking Statements" and "Risk Management" sections of this MD&A. These risks and uncertainties are not the only ones facing GMP. In addition to other information contained or incorporated by reference in this MD&A, the "Risk Factors" section in our annual information form dated February 26, 2009,

should be given careful consideration. Additional risks and uncertainties not currently known to GMP, or that GMP currently considers immaterial, may also impair the operations of GMP. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of GMP, could be materially adversely affected.

**Critical Accounting Policies and Estimates**

The Second Quarter 2009 Financial Statements have been prepared in accordance with GAAP and are reported in Canadian dollars. All amounts in this MD&A have been derived from financial statements prepared in accordance with GAAP. GMP's significant accounting policies are disclosed in Note 1 to the Second Quarter 2009 Financial Statements and Note 2 to the 2008 Annual Financial Statements. Accounting

policies that require management's judgment and estimates are described in the "Critical Accounting Policies and Estimates" section of the 2008 Annual MD&A. Changes in accounting policies or estimates adopted in first half 2009 are described below and in Note 1 to the Second Quarter 2009 Financial Statements.

**Changes in Accounting Policies or Estimates****Goodwill and Intangible Assets**

Commencing January 1, 2009, GMP adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, *Goodwill and Intangible Assets*, which requires costs to be deferred only when they relate to an item that

meets the definition of an asset and, as a result, start-up costs must be expensed as they are incurred. The CICA's Emerging Issues Committee ("EIC") Abstract N.27, *Revenues and Expenditures During the Pre-operating Period*, is no longer applicable once Handbook Section 3064 was adopted.

As a result of adopting Handbook Section 3064, GMP reclassified \$1.0 million of application software from Equipment and leasehold improvements to Goodwill and other intangibles assets on its unaudited interim consolidated balance sheets (\$1.1 million at December 31, 2008). GMP also decreased opening retained earnings during the period to account for the adopted accounting policy change of Handbook Section 3064, resulting in a write-down of \$0.4 million in deferred pre-operating costs at December 31, 2008.

#### **Credit Risk and Fair Value of Financial Assets and Financial Liabilities**

In January 2009, the EIC issued Abstract No. 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* (EIC-173). EIC-173 requires an entity to take into account its own credit risk and that of the relevant counterparty(s) when determining the fair value of financial assets and financial liabilities, including derivative instruments. GMP adopted this EIC on January 1, 2009. The adoption of this new guidance has not had a material impact on our consolidated financial positions or results of operation.

## **Future Changes in Accounting Policies or Estimates**

#### **Financial Instruments – Disclosures**

The CICA's Accounting Standards Board ("AcSB") amended the CICA Handbook Section 3862, *Financial Instruments – Disclosures*, to enhance the disclosure requirements regarding fair value measurements and the liquidity risk of financial instruments. The amendments will be effective for the Corporation's fiscal year ending December 31, 2009. The Corporation is currently assessing the impact of the amendments on the consolidated financial statements.

#### **International Financial Reporting Standards**

The AcSB has confirmed that Canadian GAAP for publicly accountable enterprises will be converged with International Financial Reporting Standards (IFRS). The new standard

is effective for GMP beginning January 1, 2011, including comparative information for the year commencing January 1, 2010. GMP's IFRS transition plan to meet the requirements of IFRS remains on target.

At this time, the full impact on future financial position and results of operations is not reasonably determinable or estimable. As of the date hereof, GMP has completed the Diagnostic Phase of its IFRS transition plan and has identified the significant differences between IFRS and Canadian GAAP. Commencing in third quarter 2009, GMP intends to begin a detailed assessment of those findings, including the documentation of business and system issues that may be potentially impacted. During our transition, we will monitor ongoing changes to IFRS and adjust our transition plans accordingly.

## **Controls and Procedures**

#### **Disclosure Controls and Procedures**

As of June 30, 2009, management evaluated the effectiveness of our disclosure controls and procedures as defined under the Canadian Securities Administrators National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. This evaluation was performed under the supervision of, and with the participation of, GMP's Chief Executive Officer and Chief Financial Officer. Based on the evaluation conducted, the Chief Executive Officer and Chief Financial Officer concluded that GMP's disclosure controls and procedures were effective as of June 30, 2009.

#### **Internal Control over Financial Reporting**

To the knowledge of GMP's Chief Executive Officer and Chief Financial Officer, no changes were made in GMP's internal control over financial reporting during second quarter 2009 that have materially affected, or are reasonably likely to materially affect, GMP's internal control over financial reporting.

## **Additional Information**

Additional information relating to GMP is available at [gmpcapital.com](http://gmpcapital.com) and on SEDAR at [sedar.com](http://sedar.com), including GMP's annual information form dated February 26, 2009.

# Unaudited Interim Consolidated Financial Statements

## Unaudited Interim Consolidated Balance Sheet

As at (\$000)	June 30, 2009	December 31, 2008
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	213,307	260,359
Securities		
Trading (NOTE 2)	115,088	83,014
Available-for-sale	7,182	7,198
Receivable from		
Clients	352,179	234,463
Brokers	118,401	69,520
Other assets (NOTE 4)	95,951	78,320
<b>Total current assets</b>	<b>902,108</b>	<b>732,874</b>
Deferred costs	2,467	4,937
Equipment and leasehold improvements	18,330	19,593
Employee loans receivable (NOTES 6 AND 8)	10,681	11,221
Goodwill and other intangible assets (NOTE 9)	103,649	104,536
<b>Total assets</b>	<b>1,037,235</b>	<b>873,161</b>
<b>Liabilities and Shareholders'/Unitholders' Equity</b>		
<b>Current</b>		
Bank loans (NOTE 10)	32,453	24,334
Obligations related to securities sold short (NOTE 2)	20,654	6,309
Payable to		
Clients	455,170	390,962
Brokers	67,809	32,286
Issuers	38,837	42,701
Accounts payable and accrued liabilities	68,778	50,015
Dividends payable (NOTE 11)	4,203	3,203
Other liabilities (NOTE 12)	23,912	18,150
<b>Total current liabilities</b>	<b>711,816</b>	<b>567,960</b>
Long-term debt (NOTE 10)	59,724	59,673
Future income taxes	6,770	219
Agency fee obligation	-	414
<b>Total liabilities</b>	<b>778,310</b>	<b>628,266</b>
Non-controlling interest (NOTE 9)	2,831	33,498
<b>Shareholders'/Unitholders' equity</b>	<b>256,094</b>	<b>211,397</b>
<b>Total liabilities and shareholders'/unitholders' equity</b>	<b>1,037,235</b>	<b>873,161</b>

Commitments and contingencies (NOTE 15)

See accompanying notes, which are an integral part of these unaudited interim consolidated financial statements.

## Unaudited Interim Consolidated Statements of Income

(\$000, except per share/unit amounts)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
<b>Revenue</b>				
Investment banking	53,617	36,437	81,807	88,552
Commissions	27,353	35,372	50,105	65,716
Investment management and fee income	10,565	10,595	20,512	20,237
Principal activities	8,021	688	11,679	(4,525)
Interest	1,750	5,567	3,857	11,994
Other	(482)	504	307	1,324
	<b>100,824</b>	89,163	<b>168,267</b>	183,298
<b>Expenses</b>				
Employee compensation and benefits	51,217	48,409	88,966	99,281
Selling, general and administrative	15,310	13,978	30,128	26,884
Interest	2,051	3,112	4,374	7,032
Depreciation and amortization	4,164	4,495	8,368	8,937
	<b>72,742</b>	69,994	<b>131,836</b>	142,134
<b>Operating earnings</b>	<b>28,082</b>	19,169	<b>36,431</b>	41,164
Non-controlling interest	1,640	1,510	2,611	1,354
Goodwill impairment charge (NOTE 9)	—	852	—	852
Income before income taxes	<b>26,442</b>	16,807	<b>33,820</b>	38,958
Income taxes (recovery)				
Current	10,718	1,685	12,047	3,829
Future	7,621	(625)	6,554	(1,604)
	<b>18,339</b>	1,060	<b>18,601</b>	2,225
<b>Net income</b>	<b>8,103</b>	15,747	<b>15,219</b>	36,733
<b>Net income per share/unit</b> (NOTE 13)				
Basic	<b>\$0.12</b>	\$0.25	<b>\$0.23</b>	\$0.57
Diluted	<b>\$0.11</b>	\$0.24	<b>\$0.22</b>	\$0.57

See accompanying notes, which are an integral part of these unaudited interim consolidated financial statements.

## Unaudited Interim Consolidated Statements of Comprehensive Income

(\$000)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
<b>Net income</b>	<b>8,103</b>	15,747	<b>15,219</b>	36,733
Other comprehensive income (loss), net of tax:				
Foreign currency translation of self-sustaining operations	343	(216)	607	281
Other comprehensive income (loss)	343	(216)	607	281
<b>Total comprehensive income</b>	<b>8,446</b>	15,531	<b>15,826</b>	37,014

See accompanying notes, which are an integral part of these unaudited interim consolidated financial statements.

Unaudited Interim Consolidated Statement of Changes in Shareholders'/Unitholders' Equity

As at and for the six months ended June 30, 2009 (000)	Preferred shares #	Preferred shares \$	Common shares #	Common shares \$	Fund units #	Fund units \$	Exchangeable L.P. units #	Exchangeable L.P. units \$	Share/unit loan receivables \$	Contributed surplus \$	Accumulated other comprehensive income (loss) \$	Retained earnings \$	Shareholders'/Unitholders' equity \$
<b>Balance, December 31, 2008</b>					47,356	119,004	16,704	86,520	(25,019)	10,910	(1,379)	21,361	211,397
Foreign currency translation gain on self-sustaining operations	-	-	-	-	-	-	-	-	-	-	607	-	607
Issued under share option plan (NOTE 7)	-	-	1	9	-	-	-	-	-	-	-	-	9
Exchange of Exchangeable L.P. units into Fund units	-	-	-	-	592	2,491	(592)	(2,491)	-	-	-	-	-
Exchange of Exchangeable L.P. units into common shares	-	-	16,112	84,029	-	-	(16,112)	(84,029)	-	-	-	-	-
Exchange of Fund units into common shares	-	-	47,948	121,495	(47,948)	(121,495)	-	-	-	-	-	-	-
Exchange of Preferred L.P. units into preferred shares (NOTE 9)	6,154	38,093	-	-	-	-	-	-	-	-	-	-	38,093
Preferred share issue costs	-	(1,655)	-	-	-	-	-	-	-	(6)	-	-	(1,655)
Warrant issue costs	-	-	-	-	-	-	-	-	-	-	-	-	(6)
Share/unit-based compensation expense (NOTE 7)	-	-	-	-	-	-	-	-	-	2,336	-	-	2,336
Share/unit loan	-	-	-	-	-	-	-	-	520	-	-	183	703
incentive arrangements (NOTE 5)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash distributions declared - Fund units (NOTE 11)	-	-	-	-	-	-	-	-	-	-	-	(4,736)	(4,736)
Cash distributions declared - Exchangeable L.P. units (NOTE 11)	-	-	-	-	-	-	-	-	-	-	-	(1,670)	(1,670)
Common dividend declared (NOTE 11)	-	-	-	-	-	-	-	-	-	-	-	(3,203)	(3,203)
Preferred dividend declared (NOTE 11)	-	-	-	-	-	-	-	-	-	-	-	(1,000)	(1,000)
Net income	-	-	-	-	-	-	-	-	-	-	-	15,219	15,219
<b>Balance, June 30, 2009</b>	<b>6,154</b>	<b>36,438</b>	<b>64,061</b>	<b>205,533</b>	-	-	-	-	<b>(24,499)</b>	<b>13,240</b>	<b>(772)</b>	<b>26,154</b>	<b>256,094</b>

See accompanying notes, which are an integral part of these unaudited interim consolidated financial statements.

## Unaudited Interim Consolidated Statements of Cash Flows

(\$000)	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
<b>Operating Activities</b>				
Net income	8,103	15,747	15,219	36,733
Add (deduct) items not involving cash				
Depreciation and amortization	4,164	4,495	8,368	8,937
Amortization of agency fees and private placement costs	577	395	1,216	788
Amortization of lease inducements	(121)	(78)	(243)	(158)
Future income tax expense (recovery)	7,621	(625)	6,554	(1,604)
Share/unit-based compensation expense	1,148	1,236	2,336	2,495
Transition assistance and other loan amortization	989	1,028	1,958	1,757
Goodwill impairment charge	-	852	-	852
Non-controlling interest	1,640	1,510	2,611	1,354
Effect of foreign exchange on cash balances	274	63	(2,598)	528
	<b>24,395</b>	24,623	<b>35,421</b>	51,682
Net change in non-cash operating items (NOTE 18)	<b>(62,120)</b>	(42,272)	<b>(81,718)</b>	(90,813)
<b>Cash used in operating activities</b>	<b>(37,725)</b>	(17,649)	<b>(46,297)</b>	(39,131)
<b>Financing Activities</b>				
Proceeds from (repayment of) bank loans	12,496	(5,000)	8,119	(5,000)
Proceeds from issuance of common shares	9	24	9	546
Cash distributions paid on Fund units	-	(19,374)	(7,104)	(67,922)
Cash distributions paid on Exchangeable L.P. units	-	(7,529)	(2,505)	(27,450)
Decrease in non-controlling interest	(523)	-	(1,488)	(145)
Warrant issue costs	-	-	(6)	-
<b>Cash provided by (used in) financing activities</b>	<b>11,982</b>	(31,879)	<b>(2,975)</b>	(99,971)
<b>Investing Activities</b>				
Purchase of equipment and leasehold improvements	(118)	(3,789)	(359)	(7,033)
Purchase of application software	(17)	(106)	(19)	(295)
Pre-operating expenditures	-	(19)	-	(250)
<b>Cash used in investing activities</b>	<b>(135)</b>	(3,914)	<b>(378)</b>	(7,578)
Effect of foreign exchange on cash balances	(274)	(63)	2,598	(528)
<b>Net decrease in cash and cash equivalents</b>	<b>(26,152)</b>	(53,505)	<b>(47,052)</b>	(147,208)
Cash and cash equivalents, beginning of period	239,459	162,955	260,359	256,658
<b>Cash and cash equivalents, end of period</b>	<b>213,307</b>	109,450	<b>213,307</b>	109,450
<b>Supplemental cash flow information</b>				
Interest paid	3,198	4,692	4,248	6,930
Income taxes paid	1,195	2,005	2,864	6,834

See accompanying notes, which are an integral part of these unaudited interim consolidated financial statements.

# Notes to Unaudited Interim Consolidated Financial Statements

(\$000 and 000 shares/units, except per share/unit amounts)

GMP Capital Inc. (the “Corporation” or “GMP”) was incorporated under the laws of the Province of Ontario on March 16, 2009 for the purpose of participating in the plan of arrangement to convert GMP Capital Trust (the “Fund”) from an income trust to a corporation (the “Conversion”). On May 8, 2009, the Fund’s unitholders approved the plan of arrangement and the Conversion was completed on May 15, 2009.

## Note 1. Significant Accounting Policies

### Basis of presentation

These unaudited interim consolidated financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) and include the accounts of the Corporation and its subsidiaries. These unaudited interim consolidated financial statements have been prepared using the continuity of interest method of accounting for the assets, liabilities and operations of GMP and reflect GMP as a corporation subsequent to May 14, 2009 and as an income trust prior to the Conversion. These unaudited interim consolidated financial statements follow the same accounting principles and methods of application as those disclosed in Note 2 to the Corporation’s audited annual consolidated financial statements as at and for the year ended December 31, 2008 (“2008 Annual Financial Statements”). The Corporation’s unaudited interim consolidated financial statements do not include all disclosures required by GAAP for annual consolidated financial statements and, accordingly, should be read in conjunction with the 2008 Annual Financial Statements. All defined terms used herein are consistent with those terms as defined in the 2008 Annual Financial Statements, unless otherwise noted. Certain comparative amounts have been reclassified to conform to the current period’s presentation.

### Changes in accounting policies

#### Goodwill and Intangible Assets

The Canadian Institute of Chartered Accountants (“CICA”) issued a new accounting standard, Handbook Section 3064, *Goodwill and Intangible Assets*, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset, and as a result, start-up costs must be expensed as incurred. The new standard is effective for the Corporation beginning January 1, 2009. The CICA’s Emerging Issues Committee (“EIC”) Abstract No. 27, *Revenues and Expenditures During the Pre-operating Period*, is no longer applicable once Handbook Section 3064 was adopted. As a result of adopting Handbook Section 3064, the Corporation reclassified \$991 of application software from Equipment and leasehold improvements to Goodwill and other intangible assets on its unaudited interim consolidated balance sheet

(\$1,121 at December 31, 2008). The Corporation also decreased opening retained earnings during the period to account for the adopted accounting policy change of Handbook Section 3064, resulting in a write-down of \$438 in deferred pre-operating costs at December 31, 2008.

#### Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the EIC issued Abstract No. 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* (“EIC-173”). EIC-173 requires an entity to take into account its own credit risk and that of the relevant counterparty(ies) when determining the fair value of the financial assets and financial liabilities, including derivative instruments. EIC-173, which was effective for the Corporation on January 1, 2009, had no material impact on the Corporation’s unaudited interim consolidated balance sheet or unaudited interim consolidated statements of income.

#### Future accounting changes

##### Financial Instruments – Disclosures

The CICA’s Accounting Standards Board (“AcSB”) amended the CICA Handbook Section 3862, *Financial Instruments – Disclosures*, to enhance the disclosure requirements regarding fair value measurements and the liquidity risk of financial instruments. The amendments will be effective for the Corporation’s fiscal year ending December 31, 2009. The Corporation is currently assessing the impact of the amendments on the consolidated financial statements.

##### International Financial Reporting Standards

The AcSB has confirmed that Canadian GAAP for publicly accountable enterprises will be converged with International Financial Reporting Standards (“IFRS”). The new standards will be effective for the Corporation beginning January 1, 2011 and the Corporation will be required to provide information that conforms to IFRS for the comparative periods presented. The Corporation is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on the Corporation’s future financial position and results of operations cannot be reasonably determined or estimated.

## Note 2. Trading Securities and Obligations Related to Securities Sold Short

Trading securities and obligations related to securities sold short consist of the following:

As at,	June 30, 2009		December 31, 2008	
	Trading securities	Securities sold short	Trading securities	Securities sold short
Equity securities	87,170	14,672	61,446	2,076
Designated as held-for-trading	19,774	-	15,734	-
Corporate bonds and Government of Canada debt	7,618	5,982	5,834	4,233
Broker warrants	526	-	-	-
	<b>115,088</b>	<b>20,654</b>	83,014	6,309

Corporate bonds and Government of Canada debt maturities range from 2009 to 2108 and bear interest ranging from 3.0% to 13.0%.

### Valuation of securities

During the three and six months ended June 30, 2009, the Corporation recorded an unrealized gain on its \$20,000 investment in the Alpha Domestic Fund of \$2,749 and \$4,039, respectively. This unrealized gain is recorded in principal activities in the unaudited interim consolidated statements of income.

## Note 3. Securities Lending and Borrowing

Securities lending and borrowing consist of the following:

	Cash		Securities	
	Loaned or delivered as collateral	Borrowed or received as collateral	Loaned or delivered as collateral	Borrowed or received as collateral
As at June 30, 2009	91,500	2,000	1,590	87,569
As at December 31, 2008	25,632	1,670	1,408	24,955

## Note 4. Other Assets

Other assets consist of the following:

As at,	June 30, 2009	December 31, 2008
Funds deposited in trust	61,839	53,225
Accounts receivable	27,847	17,442
Prepaid expenses	3,313	3,080
Income taxes receivable	2,952	4,573
	<b>95,951</b>	78,320

## Note 5. Share Loan Plans

In connection with the Conversion, GMP Securities adopted an executive common share loan plan (the "GMP Securities Share Loan Plan") dated May 15, 2009 containing substantially the same terms and conditions as the GMP Securities amended and restated 2008 executive unit loan plan. Also, GMP Capital Inc. adopted an executive common share loan plan (the "GMP Capital Share Loan Plan") dated May 15, 2009 containing substantially the same terms and conditions as the GMP Capital Trust third amended and restated executive unit loan plan.

As at June 30, 2009, the value of common shares pledged by the executives to a Schedule I bank and/or the Corporation under the GMP Capital Share Loan Plan and the GMP Securities Share Loan Plan (collectively, the "Share Loan Plans") was \$29,982 (December 31, 2008 – \$15,494). As at June 30, 2009, there were no financial guarantees outstanding in relation to the obligations of any executives in the GMP Capital Share Loan Plan. Terms and conditions under which future advances will be made by the Schedule I bank under the GMP Capital Share Loan Plan include certain financial tests and negative covenants customary for transactions of this kind. As at June 30, 2009, the Corporation was in compliance with all

covenants and financial tests established in connection with the GMP Capital Share Loan Plan.

Included in accounts payable and accrued liabilities as at June 30, 2009 is a bonus accrual of \$9,380 (December 31, 2008 – \$4,226) in connection with the Corporation's obligation to pay cash bonuses, which will be allocated to the full or partial repayment of loans under the plans.

The bank and the Corporation earn interest at rates of prime to prime plus 0.5%. However, effective April 1, 2009, the interest rate on the Corporation's portion of the loans provided under the Share Loan Plans was temporarily reduced to 0.1%. On August 5, 2009, the Board of Directors of GMP approved an increase in the interest rate on the Corporation's portion of the loans to prime, effective September 1, 2009. As at June 30, 2009, amounts owing to the Corporation related to these loans were \$24,499 (December 31, 2008 – \$25,019) and are included in share/unit loan receivables in shareholders'/unitholders' equity. Interest earned by the Corporation for the six months ended June 30, 2009 related to these loans is \$183 and is recorded as an adjustment to retained earnings.

## Note 6. Investment Advisor Transition Assistance Program

During the three and six months ended June 30, 2009, the Corporation recorded \$761 and \$1,506, respectively (three and six months ended June 30, 2008 – \$710 and \$1,394, respectively) in compensation expense for transition assistance

provided to investment advisors, with a corresponding reduction to loans outstanding. As at June 30, 2009, the amount owing to GMP Private Client related to these loans was \$7,355 (December 31, 2008 – \$8,564) and is included in employee loans receivable.

## Note 7. Option Plans and Warrants

In connection with the Conversion, the Fund's unitholders approved the adoption of a common share option plan by the Corporation (the "Share Option Plan"). Under the Share Option Plan, the Corporation may grant options to acquire up to 10% of the issued and outstanding common shares to directors, officers, employees, partners and consultants of GMP or any of its affiliates. Following the Conversion, no further option-based awards will be granted under the New Plan and the Replacement Plan.

Pursuant to the Conversion, all Fund options and Fund incentive options of GMP Capital Trust outstanding on May 14, 2009 were exchanged for common share options of GMP Capital Inc. based on the following terms:

- i) Fund unit options with an exercise price greater than \$19.44 were eligible to be exchanged for common share options at a ratio of 2.66 Fund options to 1 common share option with an exercise price equal to the closing price of Fund units on the last trading day prior to the Conversion.

These common share options have an exercise price of \$8.09, a new four-year vesting period and an expiry date equal to the seventh anniversary of the Conversion date. This 2.66-to-1 option exchange resulted in a reduction in the number of options outstanding of 1,258. The revised terms and conditions of these common share options resulted in incremental fair value to the option holders of \$366 which the Corporation will recognize as share-based compensation expense over the new vesting period. The incremental fair value of these options was determined using the Black-Scholes option pricing model on the Conversion date.

- ii) Fund unit options with an exercise price of \$19.44 or less and option holders with Fund unit options with an exercise price greater than \$19.44 that chose not to participate in the 2.66-to-1 option exchange were exchanged at a ratio of 1 Fund option to 1 common share option with the same terms and conditions as the original Fund unit options.

Notes to Unaudited Interim Consolidated Financial Statements

(\$000 and 000 shares/units, except per share/unit amounts)

A summary of the status of the Corporation's common share option plan as at June 30, 2009 and the changes during the six months then ended is as follows:

**Unit option plans**

	New Plan		Replacement Plan	
	Fund unit options #	Weighted average exercise price \$	Fund unit options #	Weighted average exercise price \$
<b>Balance, December 31, 2008</b>	3,721	19.10	798	9.33
Forfeitures	(75)	20.34	(4)	15.03
<b>Balance, May 14, 2009</b>	<b>3,646</b>	<b>19.07</b>	<b>794</b>	<b>9.30</b>
Unit options exchanged pursuant to Conversion	<b>(3,646)</b>		<b>(794)</b>	
<b>Unit options outstanding subsequent to Conversion</b>	<b>-</b>		<b>-</b>	

**Share option plan**

	Common share options #	Weighted average exercise price \$
<b>Unit options exchanged pursuant to Conversion</b>	<b>4,440</b>	<b>17.32</b>
Common share options – 1:1 exchange	<b>2,425</b>	<b>12.79</b>
Common share options – 2.66:1 exchange	<b>757</b>	<b>8.09</b>
Common share options issued	<b>42</b>	<b>8.09</b>
Exercise of common share options	<b>(1)</b>	<b>5.50</b>
Forfeitures	<b>(12)</b>	<b>10.50</b>
<b>Balance, June 30, 2009</b>	<b>3,211</b>	<b>11.64</b>

Options outstanding and vested under the Share Option Plan as at June 30, 2009:

Range of exercise prices	Outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life (years)	Vested #
\$5.50 to \$7.85	<b>198</b>	<b>5.53</b>	<b>4.45</b>	<b>198</b>
\$8.09	<b>791</b>	<b>8.09</b>	<b>6.87</b>	<b>-</b>
\$8.65 to \$11.01	<b>499</b>	<b>9.80</b>	<b>5.33</b>	<b>499</b>
\$12.15	<b>960</b>	<b>12.15</b>	<b>9.12</b>	<b>-</b>
\$14.12 to \$17.50	<b>681</b>	<b>17.07</b>	<b>6.54</b>	<b>447</b>
\$18.45 to \$23.25	<b>82</b>	<b>20.57</b>	<b>7.45</b>	<b>27</b>
<b>Balance, June 30, 2009</b>	<b>3,211</b>			<b>1,171</b>

As at June 30, 2009, the number of outstanding options under the Share Option Plan as a percentage of common shares outstanding was 5.01% (December 31, 2008 – 7.05%).

#### Share/unit-based compensation expense and contributed surplus

During the three and six months ended June 30, 2009, the Corporation recorded \$1,148 and \$2,336, respectively (three and six months ended June 30, 2008 – \$1,236 and \$2,495, respectively) in share/unit-based compensation expense with a corresponding increase to contributed surplus. The weighted average fair value of options issued during the six months ended June 30, 2009 was \$2.74 per common share option (six months ended June 30, 2008 – \$4.76 per Fund unit option).

The Corporation follows the fair value method of accounting recommended by CICA Handbook Section 3870, *Stock-Based Compensation and Other Stock-Based Payments*. The weighted-average fair value of the options granted during the six months ended June 30, 2009 and 2008 was calculated

using the Black-Scholes option pricing model assuming the following weighted-average assumptions:

	2009	2008
Risk-free interest rate	1.83%	3.29%
Dividend/distribution yield <sup>a</sup>	2.47%	1.61%
Expected volatility	49.80%	27.73%
Expected option life (years)	4	5

<sup>a</sup> For valuation purposes, the weighted-average distribution yield for options granted prior to May 15, 2009 was reduced on a percentage basis by an equivalent amount of the anticipated distributions less a base distribution.

#### Warrants

Pursuant to the Conversion, 6,154 warrants to acquire units of the Fund at a price of \$6.50 per unit became exercisable, on a one-for-one basis, for common shares of GMP. As at June 30, 2009, 6,154 warrants to acquire common shares of GMP are outstanding.

## Note 8. Related-Party Transactions

The following balances arose from transactions with related parties:

As at,	June 30, 2009	December 31, 2008
<b>Current assets</b>		
Receivable from clients	65,057	43,200
Employee loans receivable	10,681	11,221
Trading securities	19,774	15,734
Available-for-sale securities	5,739	5,465
Other assets	14,436	9,298
<b>Current liabilities</b>		
Payable to clients	58,241	57,081
Other liabilities	5,965	6,208
<b>Shareholders'/Unitholders' equity</b>		
Share/unit loan receivables	24,499	25,019

The Corporation's policies and procedures for related-party transactions and the nature of the Corporation's related-party transactions have not changed materially from December 31, 2008. For further details, refer to Note 11 to the 2008 Annual Financial Statements.

## Note 9. Goodwill and Other Intangible Assets

On May 15, 2009, concurrent with the closing of the Conversion, the Corporation acquired the remaining 13.13% ownership interest in its subsidiary, GMP Holding Partnership, for total non-cash preferred share consideration of \$38,093. The purchase generated goodwill of \$5,838 which relates primarily to the Capital Markets business. In addition,

non-controlling interest of \$32,255 was eliminated in the unaudited interim consolidated balance sheet upon the consolidation of GMP Preferred.

During the three months ended June 30, 2008, the Fund recorded a non-cash goodwill impairment charge of \$852 related to the Fund's Geneva, Switzerland office.

## Note 10. Bank Loans and Long-Term Debt

GMP Securities has a \$17,500 subordinated loan facility outstanding with a Schedule I Canadian chartered bank at June 30, 2009 (December 31, 2008 – \$17,500). During the period from January 1, 2009 to February 2, 2009, the subordinated loan bore interest at the prime rate plus 2%. Effective February 3, 2009, the annual interest rate is prime plus 4%. GMP Securities was in compliance with the financial covenants associated with the subordinated loan as at June 30, 2009. There have been no significant changes

to the Corporation's credit facilities during the three months and six months ended June 30, 2009. As at June 30, 2009, the Corporation had \$14,953 outstanding under these credit facilities (December 31, 2008 – \$6,834).

As at June 30, 2009, the Corporation was in compliance with all financial covenants associated with the senior, unsecured notes issued by GMP Holding Partnership, as described in Note 16 to the 2008 Annual Financial Statements.

## Note 11. Dividends/Distributions

### Dividends

Subsequent to the Conversion, the Board of Directors adopted a dividend policy with expected quarterly dividend payments of \$0.05 per common share. On June 18, 2009, the Corporation declared a cash dividend of \$0.05 per common share, representing payment for the three months ended

June 30, 2009, payable on July 15, 2009, to common shareholders of record on June 30, 2009.

On June 30, 2009, the Corporation declared a cash dividend of \$0.1625 per preferred share, representing payment for the three months ended June 30, 2009, payable on July 20, 2009 to preferred shareholders of record on June 30, 2009.

### Distributions

Prior to the Conversion, the Fund made the following distributions to its holders of Fund units and Exchangeable L.P. units during 2009:

Record date	Payment date	Cash distribution per Fund and Exchangeable L.P. unit	Total distribution amount
January 30, 2009	February 20, 2009	\$0.05	\$3,203
February 27, 2009	March 20, 2009	\$0.05	\$3,203

**Note 12. Other Liabilities**

Other liabilities consist of the following:

As at,	<b>June 30, 2009</b>	December 31, 2008
Amounts payable to EdgeStone Funds and its investors	<b>6,634</b>	6,548
Deferred fee income	<b>4,929</b>	4,705
Income taxes payable	<b>7,979</b>	420
Deferred lease inducements	<b>3,388</b>	3,308
Other	<b>982</b>	3,169
	<b>23,912</b>	18,150

**Note 13. Net Income per Common Share/Unit**

Net income per common share/unit consists of the following for the three and six months ended June 30:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
Net income	<b>8,103</b>	15,747	<b>15,219</b>	36,733
Less: Dividends declared on Series A preferred shares	<b>(1,000)</b>	-	<b>(1,000)</b>	-
<b>Net income available to common shareholders</b>	<b>7,103</b>	15,747	<b>14,219</b>	36,733
<b>Weighted average number of shares/units outstanding</b>				
<b>Basic</b>				
Common shares/units	<b>64,060</b>	46,272	<b>64,060</b>	46,034
Exchangeable L.P. units	-	17,782	-	17,999
Common shares pledged on share purchase loans	<b>(2,929)</b>	-	<b>(2,972)</b>	-
	<b>61,131</b>	64,054	<b>61,088</b>	64,033
Dilutive effect of common share/unit options and Warrants	<b>1,753</b>	364	<b>901</b>	397
Dilutive effect of shares pledged on share purchase loans	<b>2,929</b>	-	<b>2,972</b>	-
<b>Diluted</b>	<b>65,813</b>	64,418	<b>64,961</b>	64,430
<b>Net income per common share/unit</b>				
Basic	<b>\$0.12</b>	\$0.25	<b>\$0.23</b>	\$0.57
Diluted	<b>\$0.11</b>	\$0.24	<b>\$0.22</b>	\$0.57

For the three and six months ended June 30, 2009, the calculation of diluted net income per share/unit excluded 2,162 and 2,980, respectively, weighted average options (December 31, 2008 – 2,895 weighted average options) outstanding having a weighted average exercise price of \$13.36 and \$10.76, respectively (December 31, 2008 – \$21.35) as the exercise price of these options was greater than the average market price of GMP's shares/units.

## Note 14. Capital Transactions

### Conversion

Pursuant to the Conversion, holders of Fund units and holders of Exchangeable L.P. units received one common share of the Corporation for each Fund unit and/or Exchangeable L.P. unit held. Holders of Preferred units of GMP Preferred received one Series A preferred share of the Corporation for each Preferred unit held.

### Normal course issuer bid ("NCIB")

During the three and six months ended June 30, 2009, GMP did not repurchase any units and/or shares under its NCIB, which expires on November 30, 2009.

## Note 15. Commitments and Contingencies

A full description of the commitments and contingencies outstanding as of December 31, 2008 can be found in Note 24 to the 2008 Annual Financial Statements. There have been no significant changes to these commitments and contingencies during the three and six months ended June 30, 2009.

## Note 16. Financial Instruments and Risk Management

Financial instruments have been classified on a basis consistent with the presentation in Note 19 to the 2008 Annual Financial Statements. The use of financial instruments may either introduce or mitigate exposures to market, credit and/or liquidity risk. Key measures as at June 30, 2009 are outlined in the "Risk Management" and "Off-Balance Sheet Arrangements" sections of GMP's management's discussion and analysis for the three and six months ended June 30, 2009.

### Capital management

The Corporation requires capital to fund existing and future operations, future dividends and regulatory capital requirements. The liquidity of the Corporation's main operating subsidiaries is continually evaluated, factoring in business requirements, market conditions and regulatory capital requirements. The Corporation's policy is to maintain sufficient and appropriate levels of capital through a variety of sources.

The Corporation's capital structure is comprised of share capital, contributed surplus and retained earnings, and is further complemented by subordinated loans and long-term

debt. The following table summarizes the Corporation's capital as at June 30, 2009:

Type of capital	Carrying amount
Common shares	205,533
Preferred shares	36,438
Contributed surplus	13,240
Retained earnings	26,154
Subordinated bank loans	17,500
Long-term debt	60,000
	<hr/> 358,865 <hr/>

Certain of the Corporation's subsidiaries are subject to regulatory capital requirements designed to provide notice to the regulatory authorities of possible liquidity concerns. Regulatory capital requirements fluctuate daily based on margin requirements in respect of outstanding trades, underwriting deal requirements and/or working capital requirements. Compliance with these requirements may require the Corporation to keep sufficient cash and other liquid assets on hand to maintain regulatory capital requirements rather than using these liquid assets in connection with its business or paying them out in the form of a cash dividend. At June 30, 2009, the Corporation's subsidiaries were in compliance with their local regulatory capital requirements.

## Note 17. Segmented Information

The following table presents selected financial results for the three business segments and the Corporate segment for the three and six months ended June 30, 2009 and 2008:

	Capital Markets		Wealth Management		Alternative Investments		Corporate		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Three months ended June 30,										
Revenue	<b>81,837</b>	69,815	<b>11,069</b>	13,225	<b>9,267</b>	7,310	<b>(1,349)</b>	(1,187)	<b>100,824</b>	89,163
Employee compensation and benefits	<b>39,244</b>	35,999	<b>8,056</b>	8,109	<b>3,070</b>	3,307	<b>847</b>	994	<b>51,217</b>	48,409
Selling, general and administrative	<b>10,310</b>	9,278	<b>3,576</b>	3,769	<b>1,409</b>	1,118	<b>15</b>	(187)	<b>15,310</b>	13,978
Interest	<b>539</b>	650	<b>70</b>	1,172	<b>22</b>	40	<b>1,420</b>	1,250	<b>2,051</b>	3,112
Depreciation and amortization	<b>539</b>	801	<b>323</b>	372	<b>60</b>	87	<b>3,242</b>	3,235	<b>4,164</b>	4,495
Operating earnings (loss)	<b>31,205</b>	23,087	<b>(956)</b>	(197)	<b>4,706</b>	2,758	<b>(6,873)</b>	(6,479)	<b>28,082</b>	19,169

	Capital Markets		Wealth Management		Alternative Investments		Corporate		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Six months ended June 30,										
Revenue	<b>132,854</b>	145,999	<b>20,755</b>	26,643	<b>17,509</b>	12,910	<b>(2,851)</b>	(2,254)	<b>168,267</b>	183,298
Employee compensation and benefits	<b>65,924</b>	75,114	<b>15,130</b>	16,452	<b>6,215</b>	6,490	<b>1,697</b>	1,225	<b>88,966</b>	99,281
Selling, general and administrative	<b>19,551</b>	18,165	<b>7,366</b>	7,151	<b>2,806</b>	2,183	<b>405</b>	(615)	<b>30,128</b>	26,884
Interest	<b>872</b>	1,562	<b>389</b>	2,762	<b>53</b>	90	<b>3,060</b>	2,618	<b>4,374</b>	7,032
Depreciation and amortization	<b>1,102</b>	1,453	<b>661</b>	869	<b>121</b>	145	<b>6,484</b>	6,470	<b>8,368</b>	8,937
Operating earnings (loss)	<b>45,405</b>	49,705	<b>(2,791)</b>	(591)	<b>8,314</b>	4,002	<b>(14,497)</b>	(11,952)	<b>36,431</b>	41,164

### Revenue by geographic location

For geographic reporting purposes, the Corporation's segments are grouped into Canada, the United States and Europe. Transactions are primarily recorded in the location that corresponds with the geographic location of the client. The following table presents the revenue of the Corporation by geographic location.

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Canada	<b>92,627</b>	75,569	<b>155,858</b>	159,366
United States	<b>2,259</b>	6,280	<b>5,251</b>	13,872
Europe	<b>5,938</b>	7,314	<b>7,158</b>	10,060
	<b>100,824</b>	89,163	<b>168,267</b>	183,298

**Note 18. Net Change in Non-Cash Operating Items**

The net change in non-cash operating items consists of the following for the three and six months ended June 30:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
Trading securities	<b>(22,016)</b>	111,688	<b>(32,074)</b>	32,354
Available-for-sale securities	<b>281</b>	347	<b>16</b>	309
Receivable from clients	<b>(72,892)</b>	(140,534)	<b>(117,716)</b>	(455,239)
Receivable from brokers	<b>(30,963)</b>	33,615	<b>(48,881)</b>	(25,152)
Employee loans receivable	<b>343</b>	(1,325)	<b>(715)</b>	(3,233)
Other assets	<b>(21,647)</b>	1,954	<b>(17,631)</b>	(30,587)
Deferred costs	<b>41</b>	15	<b>1,305</b>	10
Obligations related to securities sold short	<b>1,876</b>	(622)	<b>14,345</b>	1,630
Payable to clients	<b>1,414</b>	64,511	<b>64,208</b>	396,471
Payable to brokers	<b>47,968</b>	(54,019)	<b>35,523</b>	78,589
Payable to issuers	<b>10,808</b>	(47,691)	<b>(3,864)</b>	(12,256)
Accounts payable and accrued liabilities	<b>19,792</b>	(11,445)	<b>19,370</b>	9,683
Future income taxes	<b>(262)</b>	807	<b>(3)</b>	768
Agency fee obligation	-	(347)	<b>(414)</b>	(448)
Other liabilities	<b>3,137</b>	774	<b>4,813</b>	(83,712)
	<b>(62,120)</b>	(42,272)	<b>(81,718)</b>	(90,813)

**Note 19. Subsequent Event**

On July 23, 2009, the Corporation entered into a definitive agreement with Richardson Partners Financial Limited, a private wealth management firm controlled by Richardson Financial Group ("RFG"), a subsidiary of James Richardson & Sons, Limited ("JRSL"), in respect of transactions that will result in the combination of their respective wealth management businesses.

Following a series of expected transactions, the Corporation and RFG will each own a 35% interest in a new combined entity ("Richardson GMP"), with the balance being held by Richardson GMP's investment advisory and management teams.

Concurrently with the closing of the transaction, JRSL will subscribe for approximately 8,738 common shares of GMP for aggregate proceeds to GMP of approximately \$85,959, which represents the volume-weighted average price of the Corporation's common shares for the 10 trading days prior to the announcement of the transaction. These shares, together with common shares of GMP to be issued to RFG in connection with the creation of Richardson GMP, will represent 9,056 or approximately 12% of GMP's common shares outstanding, on a fully diluted basis, after the completion of the transactions.

Closing of the transaction is expected to occur in October 2009, pending receipt of all corporate and regulatory approvals.

# Shareholder Information

## Transfer Agent and Registrar

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Toll-Free: (800) 387-0825

To change share registration or address or to advise of duplicate mailings, please call CIBC Mellon Trust Company.

**Auditors:** Ernst & Young LLP

**Legal Counsel:** Goodmans LLP

**Listing:** Toronto Stock Exchange

**Symbol:** GMP

**CUSIP:** 380134106

**Fiscal Year End:** December 31

### **Operating Subsidiaries:**

EdgeStone Capital Partners, L.P.

GMP Investment Management L.P.

GMP Private Client L.P.

GMP Securities L.P.

GMP Securities Europe LLP

Griffiths McBurney Corp.

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