



GMP CAPITAL INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Year Ended December 31, 2009

ABOUT THIS MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") relates to the year ended December 31, 2009, which reflects the 12-month period from January 1, 2009 to December 31, 2009. This MD&A has been prepared with an effective date of March 1, 2010. 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 audited annual consolidated financial statements for the year ended December 31, 2009 ("2009 Annual Financial Statements"), which can be accessed on GMP's website at gmpcapital.com and on the SEDAR website at sedar.com. Certain comparative amounts have been reclassified to conform to the presentation adopted in the current period.

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 the "Conversion" refer to the conversion of GMP Capital Trust from an income trust into GMP Capital Inc., a corporate entity, on May 15, 2009. All references to "we", "our", "us", and "GMP Group" refer to the Corporation or the Fund, as applicable, together with the operations controlled and consolidated by them. All references to "shareholders" refer to holders of common shares of GMP. All references to "unitholders" refer collectively to holders of trust units of the Fund ("Fund units") and holders of Class B limited partner units ("Exchangeable L.P. units") issued by Griffiths McBurney L.P. ("GMP Holding Partnership"). All references to "GMP Preferred" refer to GMP Preferred L.P. All references to "management" refer to the directors, officers and other senior officers of GMP, unless otherwise stated. All references to "Operating Partnerships" refer to GMP Securities L.P. ("GMP Securities"), EdgeStone Capital Partners, L.P. ("EdgeStone"), GMP Securities Europe LLP ("GMP Europe") and GMP Investment Management L.P. ("GMP Investment Management"). All references to "Richardson GMP" refer to Richardson GMP Limited, a full-service wealth management firm in which GMP has a non-controlling ownership interest. EdgeStone manages the assets of its investors and clients through a group of limited partnerships referred to herein as the "EdgeStone Funds". GMP Investment Management manages the assets of its investors and clients primarily through a group of private funds designed to provide exposure to the return of the GMP Diversified Alpha Master Fund, Ltd., (referred to herein as the "Alpha Master Fund"). GMP Holding Partnership has an investment in the GMP Diversified Alpha Fund (the "Alpha Domestic Fund") which provides exposure to the return of the Alpha Master Fund. GMP Investment Management also manages the Genesis Partners Fund LP (the "Genesis Fund"). Unless specifically stated otherwise, all references to "fiscal 2009" refer to the 12-month period from January 1, 2009 to December 31, 2009 and "fiscal 2008" refers to the 12-month period from January 1, 2008 to December 31, 2008. "Fiscal 2007" refers to the 12-month period from January 1, 2007, to December 31, 2007. All references to "fourth quarter 2009" refer to the three-month period from October 1, 2009 to December 31, 2009, and all references to "fourth quarter 2008" refer to the three-month period from October 1, 2008 to December 31, 2008.

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. The formation of Richardson GMP resulted in the deconsolidation of GMP Private Client L.P.'s ("GMP Private Client") assets and liabilities from GMP's results beginning on November 12, 2009, as GMP has concluded that, under GAAP, it ceased to have the ability to exert control over these net assets. GMP's 35.3% interest in Richardson GMP has been recorded as an equity-accounted investment following the Transaction (as defined under "Our Progress in 2009—Wealth Management Transaction Completed" in this MD&A). GMP's share of Richardson GMP results have been reported in our consolidated statements of income in other revenue from November 12, 2009 to December 31, 2009. Prior to November 12, 2009, GMP Private Client's operating revenues and expenses

have been consolidated with GMP's results, with outside ownership interest accounted for as a non controlling interest. GMP's carrying value of Richardson GMP is adjusted by our share of earnings or losses of Richardson GMP and by any dilution in ownership.

Consistent with our management framework, we use certain non-GAAP measures to assess our financial performance. These measures do not have any standardized 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.

The GMP Group 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 the GMP Group's Wealth Management segment (as defined herein). AUA is the market value of client assets administered by Richardson GMP in respect of which Richardson GMP 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 Canadian securities laws. These statements include, but are not limited to, statements made in "Business Environment and Market Outlook - Business Environment in 2009", "Business Environment and Market Outlook - Market Outlook", "Business Environment and Market Outlook - Strategic Priorities and 2010 Focus", "Results of Business Segments - Capital Markets - 2010 Outlook", "Results of Business Segments - Wealth Management - 2010 Outlook", "Results of Business Segments - Alternative Investments - 2010 Outlook", "Liquidity and Capital Resources" and other statements concerning our 2010 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 additional 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 "Risk Factors" in GMP's annual information form dated March 1, 2010. Material factors or

assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include: recent positive economic indicators of an improved pace of economic and business activity, improving liquidity and credit market conditions, lower equity market volatility, increased investor confidence and rising equity market valuations in connection with the level of public offerings, M&A activities and securities trading, a low interest rate environment, positive signs of economic stabilization in the United States and emerging markets resulting in increased demand for Canadian exports, and a strengthening 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 a “financial outlook” for purposes of applicable Canadian securities laws, and as such the financial outlook may not be appropriate for purposes other than this MD&A. The forward-looking statements contained in this MD&A are made as of the date of this MD&A, and should not be relied upon as representing GMP’s views as of any date subsequent to the date of 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.

OVERVIEW AND VISION

Overview

GMP is a leading independent investment dealer in Canada serving corporate, institutional and individual clients in three integrated business segments: Capital Markets, Wealth Management and Alternative Investments. Through offices located in Toronto, Calgary, Montreal and London, England, GMP specializes in the Canadian mid-market. GMP offers a wide range of products and services to satisfy the capital market needs of its clients. Drawing from expertise across the GMP Group, GMP’s goal is to deliver innovative products and solutions, independent advice and best-in-class execution capabilities to our corporate, institutional and high-net-worth clients. The Capital Markets segment serves corporate and institutional clients in Canada, Europe and the United States, and consists of investment banking services, including advisory and underwriting services, equity research, and sales and trading capabilities of the GMP Group conducted through GMP Securities, Griffiths McBurney Corp. and GMP Europe. The Wealth Management segment consisted of the operations of GMP Private Client up to November 11, 2009, and on and after November 12, 2009, refer to GMP’s non-controlling ownership interest in Richardson GMP, a full-service wealth management firm which was formed through the combination of the wealth management businesses of James Richardson and Sons, Limited (“JRSL”) and GMP upon completion of the Transaction. The Alternative Investments segment provides investment management and advisory services and offers alternative investment products primarily through private funds managed by EdgeStone and GMP Investment Management to both high-net-worth individuals and institutional investors.

Our Vision

Management’s vision is to build Canada’s pre-eminent independent financial services firm by continuing to build on a trusted brand and proven expertise in the Canadian capital markets.

Our Commitment to Clients

At GMP, the interests of our clients always come first. We are committed to accompanying our clients each step of the way as they grow from visionary entrepreneur to high-net-worth individual. We continue to earn our reputation as a firm of choice among institutional and corporate clients in the Canadian mid-market. We will continue to build a diversified group of complementary businesses focused on delivering value to our clients and shareholders.

BUSINESS ENVIRONMENT AND MARKET OUTLOOK

Business Environment in 2009

Fiscal 2009 provided a relatively positive market environment for business activity particularly during the latter half of the year as the level of uncertainty relating to the business environment and financial markets began to decline. Following a slow start to the year, global equity markets began to improve in March 2009, with major North American indices posting gains in excess of 50% since that time relative to December 31, 2009. The financial markets benefited from a low interest rate environment, significantly improved liquidity conditions, lower equity market volatility, rising investor confidence and increasing demand for Canadian resources from recovering emerging markets. In addition, co-ordinated efforts by central banks and governments to stimulate economic growth appear to have had their desired effect with early positive signs that the North American and global economy are transitioning from recession to recovery.

The benchmark S&P/TSX Composite Index closed at 11,746.11 as at December 31, 2009, up 31% relative to December 31, 2008, and up nearly 55% from the level experienced in March 2009. According to FPinfomart, the number of common equity underwriting transactions completed in Canada in fiscal 2009 increased 12% compared with fiscal 2008, and the value of these transactions increased 29% over the same period. FPinfomart data also confirms that in fiscal 2009, approximately 859 M&A transactions were announced in Canada, a decrease of 25% compared with fiscal 2008.

In fiscal 2009, GMP benefited from fairly robust equity underwriting activity, improved client trading volumes combined with lower trading facilitation losses and higher security valuations. The competitive landscape in Canada experienced a transformation over the last 18 months, which presented significant opportunities for firms like GMP, with a strong balance sheet and capital position, to build new partnerships and strengthen existing relationships. The competition in the Canadian mid-market segment has been steadily increasing, with some of our larger competitors dedicating greater resources to this segment, while others have acquired smaller boutiques with mid-market capabilities.

Our Progress in 2009

Conversion to a Corporation

On May 8, 2009, the Fund's unitholders approved the plan of arrangement to convert the Fund from an income trust to a corporation, which was completed on May 15, 2009. 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 limited partnership units of GMP Preferred received one Series A preferred share of the Corporation for each preferred limited partnership unit held.

Wealth Management Transaction Completed

On November 12, 2009, GMP and JRSL completed the combination of their respective wealth management businesses, consisting of GMP Private Client and Richardson Partners Financial Limited ("RPFL") (the "Transaction"), to form Richardson GMP.

As of the date hereof, GMP and JRSL each own a 35.3% interest in Richardson GMP with the remaining 29.4% ownership interest held by Richardson GMP's investment advisors and management team.

The following table sets forth the calculation of GMP's common share investment in Richardson GMP on November 12, 2009.

	\$000s
Subsidiary equity contributed ¹	10,485
Cash consideration, net of adjustment ²	15,419
Issuance of 35,191 common shares of GMP ³	262
Transaction costs	1,669
Total common share investment	27,835

- 1 The subsidiary equity contributed reflects both the closing date net book value of GMP's investment in GMP Private Client and a dilution gain based on the difference between the fair value of GMP's 64.7% ownership interest in GMP Private Client prior to the Transaction less the fair value of GMP's 35.3% retained interest in the underlying GMP Private Client business following the Transaction.
- 2 A subsidiary entity of GMP subscribed for 7.322 million Class B common shares of Richardson GMP for \$23.9 million in cash consideration. A negative valuation adjustment of \$8.5 million has been recorded to reflect the fair value of Richardson GMP's net assets on the date the transaction was completed.
- 3 GMP purchased 105,896 Class A common shares of Richardson GMP from Richardson Financial Group Limited ("RFGL") in consideration for GMP common shares issued from treasury.

In addition, in order to give effect to the Transaction, GMP Private Client and certain affiliates completed a series of reorganization transactions (the "GMP PC Conversion") immediately prior to the Transaction, which included the conversion of GMP Private Client from a limited partnership into a corporation ("GMP Corp.") and the redemption of a portion of the preferred limited partner units of GMP Private Client held by Griffiths McBurney Canada Corp. ("GMCC") in exchange for shares in GMP Corp. In connection with the GMP PC Conversion, GMCC advanced \$7.6 million in funds to investment advisors and certain other individuals employed by GMP Corp. (the "Borrowers") to subscribe for additional common shares of GMP Corp., which were subsequently exchanged for shares of Richardson GMP in accordance with the terms of the Transaction. For further information regarding these loans please refer to the "Financial Condition - Employee and Other Loans Receivable" section of this MD&A.

Concurrently, on November 12, 2009 the following occurred:

- RFGL, a subsidiary of JRSL, and certain RPFL employees subscribed for 7.8 million and 1.0 million common shares of GMP, respectively, for aggregate cash proceeds to GMP of \$87.0 million;
- Hartley T. Richardson, President and Chief Executive Officer of JRSL, and H. Sanford Riley, President and Chief Executive Officer of RFGL, joined the Board of Directors of GMP; and
- GMP, JRSL and RFGL entered into an investor agreement (the "Investor Agreement") providing for certain rights and restrictions in respect of the common shares of GMP, board representation and participation in future financings as well as certain "standstill" provisions. For further information regarding the Investor Agreement, please refer to the "Outstanding Share Data and Dividends - Treasury Issuance of Common Shares" section of this MD&A.

In addition, on November 12, 2009, a subsidiary entity of GMP and JRSL provided further contributions of capital in the form of preferred shares to fund the repayment of RPFL's pre-existing debt and to establish a prudent level of regulatory capital for Richardson GMP as follows:

- GMP subscribed for \$17.9 million in Class A Preference Shares of Richardson GMP, which were subsequently redeemed by Richardson GMP on December 21, 2009, when debt financing from a Schedule I Canadian chartered bank was finalized; and
- GMP and JRSL each subscribed for \$15.5 million in Class B Preference Shares of Richardson GMP.

In connection with the Transaction, Richardson GMP came to own all of the outstanding securities of GMP Insurance Inc., a registered insurance broker, which was established in fiscal 2007 by GMP Private Client and two direct and indirect subsidiaries of RFGL, Richardson Partners Insurance Services Inc. and Richardson Partners Insurance Services (Quebec) Inc., each a registered insurance broker.

2009 Business Highlights

Capital Markets

GMP Securities maintained its position as one of the leaders in the Canadian capital markets. In fiscal 2009, GMP Securities:

- ranked second in Canada for block trading volumes on the Toronto Stock Exchange (“TSX”), achieving an 11.2% market share¹;
- participated in 191 underwriting transactions completed in Canada helping raise approximately \$22.5 billion on behalf of clients, leading or co-leading 76 of these transactions;²
- ranked fourth among Canadian investment dealers in the dollar value of common equity underwriting transactions completed for which we were lead or co-lead²; and
- ranked third among Canadian investment dealers in the dollar value of structured product underwriting transactions completed.³

Capital Markets also grew its business capabilities by:

- expanding its global energy franchise with the addition of key personnel and capabilities in Europe; and
- continuing to build on existing strength in investment banking and research by adding several key new hires in Canada.

Wealth Management

The Wealth Management segment had several notable highlights in fiscal 2009, including:

- as previously mentioned, the successful completion of a transformational transaction for GMP which resulted in the creation of Richardson GMP, one of Canada’s pre-eminent independent wealth management firms;
- the exponential growth of GMP’s strategy, through the footprint of Richardson GMP (in which GMP holds a 35.3% non-controlling stake), which completed the year with AUA of \$12.2 billion and 114 advisory teams located in 17 cities across Canada;
- Richardson GMP’s continued success in integration efforts, including the consolidation of all carrying broker responsibilities with GMP Securities effective January 1, 2010, and responsible

¹ Source: CanadaEquity.com as at February 2, 2010.

² Source: FPIInformat as at February 2, 2010. Based on Full Credit to Lead

³ Source: FPIInformat as at February 2, 2010

and prudent investment in training and infrastructure to make the transition for the advisors and their clients as seamless as possible; and

- Richardson GMP's finalization of a restructuring plan designed to improve efficiencies, enhance profitability and strengthen its client-facing operations. Richardson GMP will continue to execute the plan throughout fiscal 2010. The plan includes rationalization of office space, systems and staffing levels and the adoption of a single set of operational, client and employee policies.

Alternative Investments

In fiscal 2009, EdgeStone:

- realized \$2.6 million in carried interest and other revenue from the disposition of one of its portfolio companies (Trimaster Manufacturing Inc.);
- continued to focus on optimizing the revenue generating capabilities, operating costs and capital structures of its portfolio companies to better position them to take advantage of potential opportunities in 2010;
- continued fund raising for Venture Fund III; and
- earned management fees or received general partner distributions on total capital of \$1.0 billion as at December 31, 2009.

In fiscal 2009, GMP Investment Management:

- increased AUM in the Alpha Master Fund by \$96.7 million, ending the year with AUM of \$254.0 million;
- launched two new classes of units relating to the Alpha Domestic Fund, Class A-I and Class F-I, and closed the existing Class A and Class F units to new investors. The new classes of units retain the same structure as the original Class A and Class F units; however, the minimum initial investment amount was changed and the lock-up period for redemption has been removed;
- generated a return of 39.26% in 2009 for the Alpha Domestic Fund (Class F), net of management fees and other expenses, outperforming the Scotia Capital Canadian Hedge Fund Equal Weighted Index by 13%; and
- subsequent to year end, grew its professional staff with the addition of two senior members to its management team.

Market Outlook

We anticipate that capital markets and the business environment will continue to stabilize throughout 2010 and we believe that the pace of recovery in Canada will improve. We expect the recovery in the United States to be more modest with improvements seen in the labour, housing and financial markets. We expect a more gradual recovery in global economies, with the pace of growth in advanced economies such as the United Kingdom to be slower than that of emerging economies. We also expect uncertainty as global financial institutions continue to deleverage their balance sheets and face increased regulation. Looking ahead, we remain cautiously optimistic and believe that market conditions in 2010 may be more favourable for many of the activities in which GMP engages.

Strategic Priorities and 2010 Focus

We believe an ongoing focus on the successful execution of our business strategies will enhance the diversity of our earnings over the long term. The continued collaboration among our businesses in delivering value to our clients has never been more important.

GMP's strategic priorities have remained fairly consistent with the original vision established at the time of the initial public offering of GMP Capital Corp., the predecessor to the Fund and GMP, in 2003. These priorities include:

1. continuing to invest in core relationships to enhance our brand as a leading independent investment dealer in Canada;
2. continuing to seek out and deliver money-making ideas to our diverse client base;
3. growing the GMP brand outside of Canada by expanding into new products and geographies and strengthening American and European-based relationships;
4. continuing to diversify our franchise by growing our AUA/AUM businesses and those businesses in which we hold a significant equity interest; and
5. reinforcing our reputation as an innovator in the capital markets.

In 2010, we remain focused on the following business initiatives:

1. effective execution by Richardson GMP of its integration and restructuring efforts to improve profitability and further enhance its service level and product offering to clients;
2. leveraging internal partnerships to enhance idea generation capabilities and to optimize the client referral process;
3. commitment to explore ongoing strategic opportunities and relationships that may arise;
4. expansion of our global energy franchise by growing and leveraging the success of GMP Europe; and
5. managing our cost structure and continuing to use our balance sheet efficiently.

SELECTED FINANCIAL INFORMATION

(\$000, except per share/unit, headcount and % amounts)	Fiscal 2009	Fiscal 2008	Fiscal 2007
Revenue	344,628	291,942	473,902
Expenses	268,405	261,200	308,475
Income before income taxes	72,474	25,520	163,491
Net income	43,135	26,178	146,139
Basic earnings per share/unit	\$0.64	\$0.43	\$2.32
Diluted earnings per share/unit	\$0.59	\$0.41	\$2.28
Cash dividends/distributions declared per common share/unit	\$0.20	\$1.338	\$1.53
Cash dividends declared per preferred share	\$0.464	N/A	N/A
Return on equity ¹	17.3%	9.8%	48.9%
Total assets	1,148,505	873,161	1,098,869
Total long-term financial liabilities	59,781	59,673	60,000
Total headcount (#) ²	321	423	420

1. 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.
2. Fiscal 2009 total headcount includes employees and partners of the GMP Group (excluding Richardson GMP employees). Fiscal 2008 and fiscal 2007 total headcount includes the employees of GMP Private Client, a predecessor of Richardson GMP.

Fiscal 2009 vs. Fiscal 2008

Total revenue in fiscal 2009 increased \$52.7 million or 18% compared with fiscal 2008 reflecting stronger revenue in the Capital Markets and Alternative Investments segments. Revenue in Capital Markets increased \$45.2 million in fiscal 2009 compared with fiscal 2008. This increase was primarily due to gains recorded in our principal activities, an increase in equity underwriting revenue and lower client facilitation trading losses, which benefited from improved liquidity conditions and reduced equity market volatility. Partly offsetting these increases were lower M&A and commission revenues reflecting lower market activity. Alternative Investments revenue increased \$18.3 million compared with fiscal 2008 primarily due to unrealized gains arising from the recovery in market value of GMP Holding Partnership's investment in the Alpha Domestic Fund and performance fees earned by GMP Investment Management based on the investment performance of the Alpha Master Fund. Also contributing to the increase was \$2.6 million in carried interest and other fee revenue recognized by EdgeStone in fiscal 2009 as a result of the disposition by EdgeStone's Equity Fund II of one of its portfolio company investments. The Wealth Management segment results include the consolidated results of GMP Private Client up to November 11, 2009, and include GMP's share of Richardson GMP's results from November 12, 2009 to December 31, 2009 reported in other revenue. Wealth Management's revenue decreased \$12.2 million in fiscal 2009 compared with last year primarily reflecting lower interest income due to the continued low interest rate environment experienced in 2009, lower investment management and fee income and a loss recorded by GMP on its share of Richardson GMP's results which were negatively affected by integration costs incurred following completion of the Transaction.

Expenses in fiscal 2009 increased \$7.2 million or 3% compared with fiscal 2008 primarily due to higher employee compensation and benefits expense, which increased \$9.8 million, due mainly to higher variable compensation of \$15.2 million. Higher share-based compensation costs of \$0.9 million, primarily associated with the implementation of a new retention program in the Capital Markets

segment during third quarter 2008, also contributed to the increase. These increases were partly offset by lower fixed salaries and benefits expense due to fewer professional and administrative staff, primarily in Capital Markets, as a consequence of the corporate restructuring implemented in fourth quarter 2008.

Non-compensation expenses in fiscal 2009 decreased \$2.6 million compared with fiscal 2008 driven by lower interest expense of \$3.8 million recorded largely on client cash balances and lower amortization expense of \$1.6 million. These decreases were partly offset by an increase in selling, general and administration expense of \$2.7 million largely driven by higher transaction-related expenses, higher professional fees, which include \$1.0 million recognized in connection with the Conversion, and incremental costs associated with the expansion of GMP Europe and GMP Investment Management. In addition, fiscal 2009 expenses also include a \$1.3 million expense recognized in the period relating to certain soft dollar obligations. Partly offsetting these increases were lower discretionary spending on travel and business development and other office and technology expenditures largely due to cost saving initiatives implemented in fourth quarter 2008 and lower premises costs as fiscal 2008 included \$0.7 million in lease termination costs which arose as a result of the launch of our Montreal office in May 2008.

Non-controlling interest expense was \$7.0 million in fiscal 2009 compared with a non-controlling interest recovery of \$0.2 million recorded in fiscal 2008. Fiscal 2009 amounts primarily include income attributable to partners of GMP Investment Management as a result of performance fees earned and income attributable to partners of GMP Europe, representing operating income generated by GMP Europe. Fiscal 2009 also includes amounts attributable to GMP Preferred, a financing vehicle established by GMP in conjunction with the offering of preferred security units in December 2008, for the period during fiscal 2009 that GMP Preferred was not consolidated by GMP.

GMP recognized a non-operating gain of \$3.3 million in fiscal 2009 compared with \$5.2 million in fiscal 2008. Fiscal 2009 amounts rose as a result of several transactions which occurred to create Richardson GMP and include a dilution gain of \$11.8 million recognized as a result of the dilution of GMP's ownership interest in GMP Private Client from 64.7% to 35.3%. In addition, a negative valuation adjustment of \$8.5 million was recorded following GMP's subscription for additional shares of Richardson GMP to reflect the fair value of Richardson GMP's net assets on the date the transaction was completed. Fiscal 2008 amounts relate to a \$5.2 million dilution gain recorded following the transactions which occurred in conjunction with the offering of the preferred security units in December 2008. The net proceeds from the issuance of preferred security units were used by GMP Preferred to subscribe for Class A units of GMP Holding Partnership and GMP Holding Partnership, in turn, applied these funds to enhance GMP's liquidity position and for general corporate purposes. The issuance of Class A units by GMP Holding Partnership to GMP Preferred diluted GMP's ownership interest in GMP Holding Partnership from 100% to 86.87%. GMP Preferred, at the time, was a variable interest entity ("VIE"), which was not consolidated by GMP. GMP therefore recognized a dilution gain on the sale of its 13.13% equity interest in GMP Holding Partnership to GMP Preferred. Net income in fiscal 2008 was also affected by \$10.7 million in non-cash goodwill impairment charges recorded relating to EdgeStone of \$9.8 million and GMP's Capital Markets' operations in Geneva, Switzerland of \$0.9 million.

GMP recorded an income tax expense of \$29.3 million in fiscal 2009, representing an effective income tax rate of 40.5% compared with an income tax recovery of \$0.7 million in fiscal 2008. Fiscal 2009 includes certain adjustments to the provision for income taxes to reflect the impact of the completion of the Conversion during fiscal 2009. These adjustments included a \$7.7 million non-cash future tax expense recognized in order to establish the future tax obligation relating to the intangible assets recorded in connection with the EdgeStone acquisition. The effective rate reflects the mix of taxable income earned by GMP's operating businesses and its investments. The income tax recovery in fiscal 2008 primarily reflects proportionately higher fixed interest costs incurred by GMCC and lower taxable income generated by GMP Securities.

Net income was \$43.1 million (\$0.64 per basic share) in 2009 compared with \$26.2 million (\$0.43 per basic unit) in fiscal 2008. ROE for 2009 was 17.3% compared with 9.8% in fiscal 2008.

Fiscal 2008 vs. Fiscal 2007

Total revenue in fiscal 2008 decreased \$182.0 million or 38% compared with fiscal 2007 reflecting revenue declines across all of our reporting segments. The impact of the credit crisis, which unfolded throughout fiscal 2008, tested not only GMP, but all financial services industry participants. GMP's financial performance clearly indicates that our businesses were not immune to the impacts the credit crisis has had on the broader markets. Revenue in Capital Markets fell \$175.1 million in fiscal 2008 compared with fiscal 2007. This decline was primarily due to lower equity underwriting revenue, lower commission revenue and higher-than-normal client facilitation trading losses, and losses recorded in our principal activities, which in fiscal 2007 included \$13.0 million in realized gains arising from the sale of our shares of Montreal Exchange Inc. Also contributing to the decrease was lower M&A activity. Wealth Management's revenue decreased \$3.7 million in fiscal 2008 compared with fiscal 2007 largely reflecting weaker commission revenue and lower interest income on tightening spreads. Despite challenging market conditions in fiscal 2008, the Wealth Management segment managed to grow its fee-based revenue by \$2.4 million or 18% compared with fiscal 2007. Alternative Investments revenue decreased \$2.6 million compared with fiscal 2007 as a result of unrealized losses on GMP Holding Partnership's investment in the Alpha Domestic Fund, and lower management fee income arising from lower levels of invested capital in the EdgeStone Funds. This decline in revenue was partly offset by management fees arising from GMP Investment Management's management of the Alpha Master Fund, which launched on April 2, 2008. Other revenue was \$6.6 million in fiscal 2008 compared with a loss of \$0.3 million in fiscal 2007. This increase is primarily driven by foreign exchange gains across all of our business segments, primarily on cash balances and security positions denominated in United States dollars.

Expenses decreased \$47.3 million or 15% compared with fiscal 2007 primarily due to lower employee compensation and benefits expense which declined \$52.3 million, due mainly to lower variable compensation of \$61.8 million. These declines were partly offset by an increase in fixed salaries and benefits expense due to higher staffing levels as a result of the launch of GMP Investment Management and the expansion of GMP Private Client and GMP Europe. Incremental Fund unit-based compensation costs of \$3.4 million relating to greater employee participation and the implementation of a new retention program during third quarter 2008 also contributed to the increase.

Non-compensation expenses increased \$5.0 million largely due to \$3.2 million in expenses recognized in connection with a consulting service agreement entered into with a former officer of GMP. Higher communications and premises expense in connection with investments in branch infrastructure, incremental costs associated with the expansion of GMP Europe and GMP Investment Management and higher professional fees also contributed to the increase. Non-compensation expenses also include \$0.7 million in lease termination costs which arose as a result of the launch of our new Montreal office in May 2008. Partly offsetting the increase in non-compensation expenses were lower client interest expense and lower charitable donations expense.

Net income was also affected by the following non-taxable items in fiscal 2008:

- \$10.7 million in non-cash goodwill impairment charges recorded relating to EdgeStone and GMP's Capital Markets' operations in Geneva, Switzerland; and a
- \$5.2 million dilution gain recorded following the transactions, completed in conjunction with the offering of preferred security units by GMP Preferred on December 18, 2008.

GMP recorded an income tax recovery of \$0.7 million in fiscal 2008 compared with an income tax expense of \$17.4 million, representing an effective income tax rate of 10.6% in fiscal 2007. The income tax recovery in fiscal 2008 primarily reflects proportionately higher fixed interest costs incurred by GMCC and lower taxable income generated by GMP Securities compared with fiscal 2007. The effective

tax rate in fiscal 2008 also reflects a lower statutory Canadian corporate income tax rate. Effective January 1, 2008, the combined federal and provincial statutory corporate income tax rates decreased by 2.59%. Fiscal 2007 included a \$3.1 million non-cash future income tax expense recognized upon the enactment of new tax legislation applicable to publicly traded income trusts by the Government of Canada in June 2007.

Net income was \$26.2 million (\$0.43 per basic unit) in fiscal 2008 compared with \$146.1 million (\$2.32 per basic unit) in fiscal 2007. ROE for fiscal 2008 was 9.8% compared with 48.9% in fiscal 2007.

RESULTS OF BUSINESS SEGMENTS

The following section highlights the results of the GMP Group's three business segments and the Corporate segment for fiscal 2009 and fiscal 2008. These segments are based upon the products and services provided and the type of customer served, and reflect the manner in which financial information is currently evaluated by management. For further details relating to segmented information see Note 28 to the 2009 Annual Financial Statements.

Capital Markets

The Capital Markets segment serves corporate and institutional clients in Canada, Europe and the United States, with a focus on the following target industry sectors: mining, oil and gas, industrials and special situations, technology and healthcare, non-bank financial services and telecommunications, cable and media.

The Capital Markets segment:

- reaffirmed a leadership position as a lead common equity underwriter and a top equity block trader in Canada in 2009;
- has complemented and diversified its product offering with a notable presence in structured product financings in 2009;
- is committed to differentiating its research by seeking to identify emerging trends in the economy and initiating coverage on those companies which are aligned with those emerging trends, in an effort to deliver unique and dynamic investment opportunities to our clients;
- is expanding its global energy strategy by combining the strengths and expertise of GMP Securities with GMP Europe in order to focus on key oil regions around the world; and
- is expanding its European capabilities and profitability, across sales and trading, research and investment banking, with the addition of several senior members, and a steady increase in distribution of Canadian mid-market securities, particularly resource-based stocks, to an expanding European institutional client base.

The following table sets forth an overview of the financial results of the Capital Markets segment.

	Fiscal 2009	Fiscal 2008
(\$000, except as otherwise noted)		
Revenue	269,645	224,413
Investment banking	162,283	144,421
Commissions	71,762	83,599
Principal activities	24,058	(23,694)
Interest	5,829	11,886
Other	5,713	8,201
Expenses	178,039	172,042
Employee compensation and benefits	134,902	127,427
Selling, general and administrative	39,043	39,291
Interest	1,958	2,415
Amortization	2,136	2,909
Operating earnings	91,606	52,371
Total headcount (#)	275	244

Fiscal 2009 vs. Fiscal 2008

Capital Markets' revenue increased \$45.2 million or 20% in fiscal 2009 compared with fiscal 2008, driven by gains recorded in principal activities and higher equity underwriting revenue which were partly offset by lower M&A activity, lower sales and trading commissions and lower interest income reflecting the low interest rate environment. Other revenue decreased \$2.5 million in fiscal 2009 compared with fiscal 2008 due to lower foreign exchange gains on cash balances and security positions denominated in United States dollars.

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

Revenue by Industry Sector:

(\$000)	Fiscal 2009	Fiscal 2008
Mining	85,342	85,565
Oil and gas	36,753	42,201
Industrials and special situations	14,280	3,909
Technology and healthcare	8,874	4,377
Non-bank financial services	14,901	8,300
Telecommunications, cable and media	2,133	69
Total Investment Banking Revenue	162,283	144,421

Revenue by Type:

(\$000)	Fiscal 2009	Fiscal 2008
Investment Banking Revenue	162,283	144,421
Underwriting	140,660	101,162
M&A advisory	21,623	43,259

Investment banking revenue increased \$17.9 million or 12% in fiscal 2009 compared with fiscal 2008 primarily due to higher equity underwriting revenue which increased \$39.5 million. Notable growth in GMP Europe also contributed to the increase. An increase in the number of initial public offerings, secondary offerings and stable and rising equity markets contributed to an increase in equity financing activity for mid-market companies during fiscal 2009, with a notable increase in activity in the non-resource sectors. GMP Securities participated in 191 underwriting transactions completed in fiscal 2009, helping raise \$22.5 billion on behalf of clients. According to FPinfomart, GMP Securities ranked fourth in the dollar value of common equity transactions completed in Canada in fiscal 2009.⁴ In fiscal 2009, GMP Securities led or co-led 76 underwriting transactions completed in Canada with a total dollar value of \$6.1 billion, an increase in value of 30% compared with fiscal 2008. This result compares favourably to a 12% increase in the value of common equity underwriting transactions completed in Canada for the industry as a whole over the same period. In fiscal 2009, M&A advisory revenue decreased \$21.6 million or 50% compared with fiscal 2008. GMP Securities acted as financial advisor on 19 M&A transactions announced in fiscal 2009 with an approximate value of US\$2.1 billion.⁵

Sales and trading commissions in fiscal 2009 decreased \$11.8 million or 14% compared with fiscal 2008 resulting from a reduction in the trading volumes executed by GMP Securities on behalf of its clients. Management has revised the calculation of its facilitation loss ratio in fourth quarter 2009 to include commission revenues, net of foreign exchange gains and losses, relating to GMP Europe. This change in measurement reflects the growing global focus of our execution capabilities and the increase in cross-border trading volumes experienced. This change has not had a significant impact on our facilitation ratio but, we believe, it provides a more meaningful measure of our performance. Facilitation losses, under this revised basis of measurement were 8% in fiscal 2009 compared with 25% in fiscal 2008, largely due to less volatile equity markets and higher levels of liquidity. While overall TSX trading volumes decreased by 25% in 2009 compared with last year,⁵ the TSX trading volumes transacted by GMP Securities decreased by 22% over the same period,⁶ largely reflecting a moderate rebound in trading by market participants in Canadian mid-market capitalization stocks in fiscal 2009. During fiscal 2009, GMP Securities ranked second in block trading volume on the TSX, achieving a market share of 11.2% compared with a market share of 10.7% in fiscal 2008.⁶

Gains of \$24.1 million were recorded in principal activities in fiscal 2009 compared with a loss of \$23.7 million in 2008. Fiscal 2009 revenue included \$15.5 million in unrealized net gains on security positions held during fiscal 2009.

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

(\$000, except as otherwise noted)	Fiscal 2009	Fiscal 2008
Fixed salaries and benefits	17,493	21,884
Variable incentive-based compensation	103,954	93,099
Share/unit-based compensation	13,455	12,444
Total Employee Compensation and Benefits	134,902	127,427
Ratio of Total Compensation and Benefits to Revenue¹	50.0%	56.8%

1. Unrealized gains and/or losses relating to certain principal activities are not included in the determination of variable compensation.

⁴ As at February 2, 2010. Based on Full Credit to Lead.

⁵ Source: Bloomberg as at February 2, 2010.

⁶ Source: *CanadaEquity.com* as at February 2, 2009.

Total expenses increased \$6.0 million or 3% in fiscal 2009 compared with fiscal 2008 largely due to an increase of \$7.5 million in employee compensation and benefits expense which included an increase in variable compensation expense of \$10.9 million, commensurate with increased revenue generation, and higher share-based compensation of \$1.0 million resulting from the implementation of a new retention program in third quarter 2008. These increases were partly offset by a decrease in fixed salaries and benefits expense of \$4.4 million, reflecting a reduction in administrative and support staffing levels and a 10% fixed salary reduction implemented for senior staff in connection with the corporate restructuring in fourth quarter 2008. As a result of improvements in market conditions and GMP's financial performance, GMP re-instated salaries on November 1, 2009 for individuals affected by the salary reduction. Total employee compensation and benefits expense as a percentage of revenue was 50.0% in fiscal 2009 compared with 56.8% for the prior year.

Non-compensation expenses decreased \$1.5 million due to lower amortization, lower interest expense and reductions in selling, general and administrative costs. Selling, general and administration costs decreased \$0.2 million primarily due to savings achieved in connection with initiatives implemented in late fiscal 2008, including lower spending on discretionary travel, business development costs and other technology expenditures. These savings were partly offset by higher transaction-related costs and a one-time \$1.3 million charge recognized in the period relating to certain soft dollar obligations. Fiscal 2008 included \$0.7 million in lease termination costs relating to our Montreal premises.

Capital Markets' operating earnings increased \$39.2 million or 75% in fiscal 2009 compared with fiscal 2008, largely driven by the higher results in principal activities which generated gains in fiscal 2009 compared with losses last year, higher revenue generation arising from the rebound in equity underwriting activity in fiscal 2009 and disciplined expense management.

2010 Outlook

The capital markets and economic environment are expected to continue to improve in both Canada and the United States in 2010. The Capital Markets segment could benefit from a more robust level of underwriting and M&A activity as business confidence grows, credit market conditions improve and price valuations across multiple asset classes continue to increase.

Wealth Management

Wealth Management consisted of the operations of GMP Private Client up to November 11, 2009. Following the creation of Richardson GMP on November 12, 2009, GMP's 35.3% non-controlling ownership interest in Richardson GMP has been recorded as an equity-accounted investment.

Richardson GMP is a full-service wealth management firm, combining tradition and innovation to offer Canadian families and entrepreneurs access to innovative wealth management and investment services delivered by an experienced team of independent investment professionals.

The following table sets forth an overview of the financial results for the Wealth Management segment. Fiscal 2009 includes the consolidated financial results of GMP Private Client from January 1, 2009 to November 11, 2009 and GMP's share of Richardson GMP's operating results, reported in other revenue, for the period from November 12, 2009 to December 31, 2009. Financial results for fiscal 2008 are those of GMP Private Client, reported on a consolidated basis.

(\$000, except as otherwise noted)	Fiscal 2009	Fiscal 2008
Revenue	37,398	49,591
Commissions	24,077	23,705
Investment management and fee income	12,473	16,214
Interest	1,683	8,611
Other	(835)	1,061
Expenses	42,564	52,585
Employee compensation and benefits	27,911	31,900
Selling, general and administrative	13,073	14,727
Interest	426	4,415
Amortization	1,154	1,543
Operating deficit	(5,166)	(2,994)
Total headcount (#)		136
Number of investment advisors		56
Number of advisory teams		40
AUA (\$ millions) ¹		3,420

1. AUA 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 of this MD&A.

Fiscal 2009 vs. Fiscal 2008

Wealth Management revenue decreased \$12.2 million or 25% in fiscal 2009 compared with fiscal 2008 primarily due to lower interest income resulting from the low interest rate environment and a \$1.5 million loss recorded by GMP in other revenue relating to its 35.3% share of Richardson GMP's results. For further information regarding Richardson GMP's financial results, please refer to the "Supplemental Financial Information: Richardson GMP" below. Investment management and fee-based revenue was impacted by continued weak market conditions in early 2009 and is lower, in part, due to the revised reporting presentation following the Transaction. Commission revenue increased compared with fiscal 2008 as a result of increased client trading activity experienced in the latter half of fiscal 2009.

Fiscal 2009 expenses reflect the expenses of GMP Private Client for the period from January 1, 2009, to November 11, 2009. Fiscal 2008 expenses include a full 12 months of expenses for GMP Private Client. The following table sets forth employee compensation and benefits expenses for the Wealth Management segment.

(\$000)	Fiscal 2009	Fiscal 2008
Fixed salaries and benefits	5,411	6,808
Variable incentive-based compensation	19,494	21,696
Share/unit-based compensation	321	429
Investment advisor transition assistance	2,685	2,967
Total Employee Compensation and Benefits	27,911	31,900

In fiscal 2009, expenses decreased \$10.0 million compared with fiscal 2008. Employee compensation and benefits, selling, general and administrative expenses and amortization expense are lower compared with fiscal 2008 largely due to the revised presentation of financial results following the Transaction. Interest expense recorded on client cash balances in fiscal 2009 is lower primarily due to the low interest rate environment experienced throughout 2009. Selling, general and administrative expenses in fiscal 2009 include \$0.2 million in integration related costs incurred by GMP Private Client prior to completion of the Transaction.

Wealth Management reported an operating deficit of \$5.2 million in fiscal 2009 compared with an operating deficit of \$3.0 million in fiscal 2008 largely reflecting the challenging market environment in fiscal 2009 and integration costs incurred relating to the Transaction.

Supplemental Financial Information: Richardson GMP

The following table sets forth an overview of the financial results of Richardson GMP for the period from November 12, 2009 to December 31, 2009 (100% basis). GMP's 35.3% interest in Richardson GMP's financial results for the period shown has been recorded as an equity-accounted investment in other revenue in GMP's Wealth Management segment results.

(\$000, except as otherwise noted)	Fiscal 2009
Revenue	18,074
Commissions	7,797
Investment management and fee income	9,200
Interest	860
Other	217
Expenses	21,986
Employee compensation and benefits	12,884
Non-compensation related expense	9,102
Operating deficit	(3,912)
Cumulative Preferred Share Dividends	(428)
Net loss attributable to Common Shareholders	(4,340)
Total headcount (#)	475
Number of investment advisors	174
Number of advisory teams	114
AUA (\$ millions) ¹	12,173

1. AUA 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 of this MD&A.

Richardson GMP expenses for the period November 12, 2009 to December 31, 2009 include post-merger integration costs of \$1.3 million. These costs include certain consulting fees, technology costs and other general expenses incurred in integration efforts which were not directly related to the merger itself and, as such, were not capitalized as acquisition costs in connection with the Transaction.

2010 Outlook

Further market improvement and increasing investor confidence are expected in 2010. We believe this will generate greater investment opportunities and result in higher asset valuations for clients of Richardson GMP. We expect organic growth in Richardson GMP's fee-based revenue as the number of investment advisors certified as portfolio managers continues to increase. Richardson GMP's growth strategy remains focused on selectively recruiting investment advisors in key geographic markets that meet its long-term vision.

Richardson GMP will continue to prudently invest in its technology platform to achieve its objective of industry leading tools and resources for its investment advisory teams. Richardson GMP will also focus its efforts on cost and performance improvement opportunities as part of its post-merger integration efforts. In addition, Richardson GMP is committed to offering best-in-class products and portfolio construction and wealth planning solutions, which include its Estate and Wealth Planning Group. This multi-disciplinary group of professionals have the necessary technical expertise to work in partnership with the investment advisors to provide effective and customized solutions for clients.

Alternative Investments

The Alternative Investments segment provides investment management and advisory services and offers alternative investment products primarily through private funds managed by EdgeStone and GMP Investment Management. EdgeStone is a leading private equity firm that provides capital, strategic direction, business and financial advice to mid-market and early stage companies. The establishment of GMP Investment Management has allowed GMP to expand its capabilities and product offerings to high-net-worth individuals and institutional investors. GMP Investment Management launched its first fund, the Alpha Master Fund, in early 2008, which seeks to generate superior risk-adjusted investment returns over the long term by utilizing an integrated multi-strategy approach consisting of diversified investments. GMP Investment Management also manages certain managed accounts and in December 2009, established the Genesis Fund, which was formally launched in February 2010.

The following table sets forth the financial results for the Alternative Investments segment.

(\$000, except as otherwise noted)	Fiscal 2009	Fiscal 2008
Revenue	40,498	22,158
Investment management and fee income	26,242	24,682
Interest	32	230
Principal activities	6,157	(4,266)
Other	8,067	1,512
Expenses	19,722	18,406
Employee compensation and benefits	13,578	13,196
Selling, general and administrative	5,839	4,726
Interest	65	166
Amortization	240	318
Operating earnings	20,776	3,752
AUM (\$ millions) ¹	1,279.2	1,290.8
Total headcount (#)	46	44

1. AUM 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.

Fiscal 2009 vs. Fiscal 2008

Total revenue increased \$18.3 million or 83% in fiscal 2009 compared with fiscal 2008, largely due to \$6.2 million in unrealized gains recorded in principal activities in fiscal 2009, compared with unrealized losses of \$4.3 million in fiscal 2008, relating to the recovery in market value of GMP Holding Partnership's investment in the Alpha Domestic Fund over the period. In addition, GMP Investment Management earned a \$6.5 million performance fee in 2009 based on the investment performance of the Alpha Master Fund, which achieved an inception-to-date return of 13.47% as at December 31, 2009. Higher carried interest and other revenue of \$2.6 million recognized by EdgeStone in fiscal 2009 as a result of the disposition by EdgeStone's Equity Fund II of one of its portfolio company investments, Trimaster Manufacturing, Inc. also contributed to the increase. Incremental fee revenue earned by GMP Investment Management, which launched its first fund in April 2008, was also recorded in 2009. As at the date hereof, GMP Investment Management has AUM of \$302.7 million across its various funds.

The Alpha Master Fund had AUM of \$254.0 million at December 31, 2009. The Alpha Domestic Fund (Class F) return, net of management fees and other expenses, was 39.26% for fiscal 2009, outperforming the Scotia Capital Canadian Hedge Fund Equal Weighted Index by 13%. The Alpha Domestic Fund launched three new classes of units, Class A-I and Class F-I on November 1, 2009, and Class A-II on January 2, 2010. The existing Class A and Class F units are now closed to new investors. The new classes of units retain the same structure as the original Class A and Class F units and continue to provide investors with exposure to the return, in Canadian dollars, of the Alpha Master Fund; however, the minimum initial investment amounts were changed and the lock-up period for redemption has been removed. EdgeStone earned management fee income and received general partner distributions based on total capital of \$1.0 billion as at December 31, 2009.

EdgeStone received the approval of its limited partners to terminate the commitment period of the EdgeStone Capital Energy Fund partnerships (the "Energy Fund") effective December 31, 2009. No further capital calls will be made in respect of any future investments or follow-on investments. The decision was made due to the lack of investment activity in the Energy Fund since its first closing in December 2007. In addition, EdgeStone agreed to waive all future capital calls with respect to management distributions and arranged for the Energy Fund to return all fees and expenses, including management distributions, paid by limited partners during fiscal 2009. EdgeStone incurred a charge of \$0.8 million in fiscal 2009 relating to the fee reimbursements which it recorded as a reduction in investment management and fee income of \$0.6 million with the remaining amount recorded as an administrative expense. In connection with the termination of the commitment period of the Energy Fund, GMP recorded an impairment charge of \$0.5 million in other revenue relating to its investment in the EdgeStone Capital Energy Fund-I, L.P. (the "Energy-I Fund") to reflect a reduction in the value of its investment in the fund which management has determined to be other-than-temporary.

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

(\$000)	Fiscal 2009	Fiscal 2008
Fixed salaries and benefits	8,847	9,370
Variable incentive-based compensation	4,160	3,283
Share/unit-based compensation	571	543
Total Employee Compensation and Benefits	13,578	13,196

In fiscal 2009, expenses increased \$1.3 million compared with fiscal 2008 primarily due to higher variable compensation of \$0.9 million commensurate with revenue generation, and higher selling, general and administrative expenses recorded in both EdgeStone and GMP Investment Management. The increase in selling, general and administrative expense was driven by a higher translated value of certain administrative expenses denominated in United States dollars relating to the management of EdgeStone's Equity Fund III, expenses incurred in connection with the early termination of the commitment period of the Energy Fund and continued growth in GMP Investment Management.

Alternative Investments reported operating earnings of \$20.8 million for fiscal 2009 compared with \$3.8 million in fiscal 2008.

2010 Outlook

A continued improvement in credit market conditions and rising business confidence may result in an increased flow of businesses seeking private equity capital in 2010. EdgeStone remains optimistic about the prospects for acquiring new portfolio companies at attractive valuations. EdgeStone also believes that an anticipated increase in the pace of IPO and M&A activity may result in an increased ability to exit investments in 2010. EdgeStone continues to make progress in marketing Venture Fund III, which is targeted for closing in early 2010.

GMP Investment Management remains focused on the management and growth of the Alpha Master Fund, which will be closed to new investments when AUM reaches \$500 million, and also on developing and leveraging internal relationships to expand product offerings to the GMP Group's clients. GMP Investment Management established the Genesis Fund in December 2009 with the formal launch of the fund occurring in February 2010; the fund's assets under management are \$9.9 million as of the date hereof. The Genesis Fund is a speculative fund which seeks to provide opportunities to generate attractive returns over the long term. GMP Investment Management is targeting further offerings with different risk profiles, aimed at both high net-worth-individuals and institutional investors.

Corporate

The Corporate segment includes inter-segment eliminations between business segments and enterprise-wide items. Beginning in fiscal 2009, the segment also includes the impact of consolidating VIEs where GMP has determined it is the primary beneficiary. Inter-segment eliminations amongst the business segments include, up to November 11, 2009, ticket processing fees charged by the Capital Markets segment to GMP Private Client in support of GMP Securities' carrying broker responsibilities.

Commencing November 12, 2009, enterprise-wide items include third party revenue received in relation to carrying broker and other administrative support services provided by GMP Securities to Richardson GMP. Additionally, related employee compensation and benefits and clearing and execution costs associated with providing such services to Richardson GMP are included in this segment as enterprise-wide expenses. In the enterprise-wide items, total employee compensation and benefits also include the accrued compensation relating to GMP's Chief Executive Officer and GMP's President. Selling, general and administrative expenses also include enterprise-wide expenses which 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 represents financing costs associated with the Notes (as defined under the "Liquidity and Capital Resources—Capital Resources" section of this MD&A) issued by GMP Holding Partnership, as described further in Note 17 to the 2009 Annual Financial Statements as well as financing costs associated with the subordinated loan in GMP Securities as described in the "Liquidity and Capital Resources—Capital Resources" section of this MD&A.

The following table sets forth the financial results for the Corporate segment.

	Inter-segment		Enterprise-wide		Total Corporate	
	Fiscal 2009	Fiscal 2008	Fiscal 2009	Fiscal 2008	Fiscal 2009	Fiscal 2008
(\$000)						
Revenue	(4,580)	(4,657)	1,667	437	(2,913)	(4,220)
Expenses	(4,580)	(4,657)	32,660	22,824	28,080	18,167
Employee compensation and benefits	-	-	7,716	1,756	7,716	1,756
Selling, general and administrative	(4,580)	(4,657)	6,373	2,928	1,793	(1,729)
Interest	-	-	5,904	5,128	5,904	5,128
Amortization	-	-	12,667	13,012	12,667	13,012
Operating deficit	-	-	(30,993)	(22,387)	(30,993)	(22,387)

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

Fiscal 2009 vs. Fiscal 2008

During fiscal 2009, management determined that GMP is the primary beneficiary of the Energy-I Fund, and as such is required to consolidate the Energy-I Fund. As at December 31, 2009, the Energy-I Fund had assets of \$5.3 million. The consolidation of the Energy-I Fund in fiscal 2009 has resulted in incremental expenses of \$1.0 million to GMP, with a net loss attributable to minority interest holders of the Energy-I Fund of \$0.5 million.

The operating deficit for fiscal 2009 was \$31.0 million compared with \$22.4 million in the prior year. Enterprise-wide revenue includes \$1.4 million in revenue received in support of carrying broker and other administrative support services provided to Richardson GMP for the period from November 12, 2009 to December 31, 2009.

Enterprise-wide expenses increased \$9.8 million in fiscal 2009 largely due to higher employee compensation and benefits expense which rose \$6.0 million compared with fiscal 2008 driven by an increase in variable compensation paid to the Chief Executive Officer and President of GMP of \$3.1 million compared with the prior year, a special bonus of \$1.2 million paid to GMP staff to recognize their efforts in the successful completion of the Richardson GMP transaction and incremental compensation costs relating to the provision of carrying broker services to Richardson GMP.

Selling, general and administrative expenses were \$3.4 million higher in fiscal 2009 compared with fiscal 2008, reflecting the clearing and execution costs associated with carrying broker services provided to Richardson GMP, professional fees of \$1.0 million incurred in connection with the Conversion and expenses of the Energy-I Fund recorded upon consolidation of the fund. Interest expense reflects increased financing costs due to an increase in interest rates charged on the Notes (as defined under the "Liquidity and Capital Resources – Capital Resources" section in this MD&A) issued by GMP Holding Partnership and also the outstanding subordinated loan arranged by GMP Securities.

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 ¹				Fiscal 2008 ¹			
	Q4 ²	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	104,880	71,481	100,824	67,443	33,845	74,799	89,163	94,135
Capital Markets	85,525	51,266	81,837	51,017	20,394	58,020	69,815	76,184
Wealth Management	5,557	11,086	11,069	9,686	10,950	11,998	13,225	13,418
Alternative Investments	12,553	10,436	9,267	8,242	3,390	5,858	7,310	5,600
Corporate	1,245	(1,307)	(1,349)	(1,502)	(889)	(1,077)	(1,187)	(1,067)
Income/(loss) before income taxes	26,614	12,040	26,442	7,378	(19,794)	6,357	16,807	22,151
Net income/loss	19,503	8,413	8,103	7,116	(17,500)	6,947	15,747	20,986
Basic earnings/(loss) per share/unit	\$0.28	\$0.12	\$0.12	\$0.12	(\$0.29)	\$0.11	\$0.25	\$0.33
Diluted earnings (loss) per share/unit	\$0.25	\$0.11	\$0.11	\$0.11	(\$0.27)	\$0.11	\$0.24	\$0.33

- 1 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.
- 2 Wealth Management revenue represents the revenue generated by GMP Private Client for the period from January 1, 2008 to November 11, 2009, and represents GMP's equity-accounted investment in Richardson GMP from November 12, 2009 to December 31, 2009.

Quarterly Earnings Trends and Analysis

The GMP Group'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 Associated with the Securities Business Generally - Significant Fluctuations in Results" in our annual information form dated March 1, 2010 and the "Risk Management" section of this MD&A.

GMP's quarterly earnings performance has been rising over the last four quarters benefitting from steadily improving capital market and economic conditions following the extremely unfavourable environment experienced in late 2008. Business activity in fourth quarter 2009 is reflective of a strong rebound in investment banking activity in the Canadian mid-market, the traditional area of strength for GMP.

Capital Markets has been the business segment benefitting the most from continued signs of improvement in market conditions during the last four quarters as the pace of equity underwriting transactions and trading activity continue to rebound from historical lows experienced in late fiscal 2008. A notable increase in asset valuations, improved liquidity conditions and price stabilization across multiple asset classes have contributed to the recovery in the valuation of securities held relating to our principal activities. The Capital Markets segment also continues to benefit from revenue growth in our European operations. Prior to the start of the recovery in market conditions in early 2009, Capital

Markets revenue was adversely affected by a slower pace for investment banking activity, reduced client trading activity and elevated facilitation trading losses. Wealth Management's performance during fiscal 2008 and first quarter 2009 was negatively impacted by the difficult equity market conditions, resulting in lower commission based revenue, although investment management and fee-based revenues continued to grow over this period. Wealth Management results showed gradual improvement starting in second quarter 2009 with improving equity market conditions, growing levels of AUA and increased client trading activity. A low interest rate environment continues to adversely affect Wealth Management's interest revenue. On November 12, 2009, GMP and JRSL combined their respective wealth management businesses to create Richardson GMP. Following the Transaction, GMP's share of Richardson GMP's financial results is reported on a net basis in other revenue in the Wealth Management segment. GMP recorded a \$1.5 million loss on its share of Richardson GMP results for the period from November 12, 2009 to December 31, 2009, which were negatively affected by integration costs incurred following the Transaction. 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 over the last seven quarters. GMP Holding Partnership's investment in the Alpha Domestic Fund is marked-to-market adding some volatility to the segment's otherwise stable revenue stream. Over the last four quarters, Alternative Investments has benefitted from a recovery in the market value of GMP's investment in the Alpha Domestic Fund and higher investment management and fee revenue earned by GMP Investment Management on higher levels of AUM. In fourth quarter 2009, GMP Investment Management recognized a performance fee of \$6.5 million relating to the performance of the Alpha Master Fund in fiscal 2009.

Non-compensation expenses have generally increased over the eight most recently completed fiscal quarters in support of improving business volumes and activity. Variable compensation remains commensurate with business performance. Non-compensation expense levels in fiscal 2009 continue to benefit from the cost savings initiatives implemented by GMP during the second half of 2008, resulting in lower levels of technology costs, travel and other discretionary expenses.

In fourth quarter 2008, GMP recorded a \$9.8 million non-cash goodwill impairment charge in the Corporate segment relating to its acquisition of EdgeStone and a \$5.2 million non-cash dilution gain which occurred as a result of transactions undertaken in conjunction with the issuance of preferred security units by GMP Preferred. In fourth quarter 2009, GMP recorded a \$3.3 million non-operating gain in connection with the creation of Richardson GMP. Non-controlling interest expense in fourth quarter 2009 included income attributable to partners of GMP Investment Management, as a result of performance fees earned in the quarter.

Net income has been increasing over the last four 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.

Fourth Quarter 2009 Highlights

Fourth quarter 2009 revenue increased \$71.0 million or 210% from the revenues recorded in the challenging fourth quarter a year ago primarily due to significantly improved results in the Capital Markets and Alternative Investments segments.

Capital Markets revenue increased \$65.1 million or 319% compared with fourth quarter 2008, largely due to a significant increase in investment banking revenue and improved results in principal activities. Higher sales and trading commission revenue also contributed to the increase. Investment banking revenue reflected the solid rebound in underwriting activity in Canada compared with the low levels experienced last year. Fourth quarter 2009 equity underwriting revenue of \$45.0 million was more than triple the revenue reported last year. M&A revenue increased \$4.1 million compared with fourth quarter 2008. During fourth quarter 2009, GMP Securities led or co-led 21 common equity underwriting transactions, up 163% from fourth quarter 2008. Capital Markets recorded gains of \$13.3 million in its principal activities in fourth quarter 2009 compared with losses of \$9.5 million during the same period a year ago. Commission revenue increased \$9.5 million or 114% compared with the same period last year largely due a 22% increase in the volume of trades executed by GMP Securities as it profitably recaptured lost market share in the quarter. During fourth quarter 2009, GMP Securities ranked second

in block trading volume on the TSX, achieving a market share of 12.0% compared with a market share of 8.2% in fourth quarter 2008.⁷ Facilitation trading losses, as a percentage of gross commission revenue, were 14% in fourth quarter 2009, down significantly from 53% last year.

In Alternative Investments, revenue increased \$9.2 million largely due to performance fees recognized in the period and improved results in principal activities. GMP Investment Management earned a \$6.5 million performance fee in fourth quarter 2009 based on the investment performance of the Alpha Master Fund during fiscal 2009. GMP recorded unrealized gains of \$0.9 million in principal activities arising from GMP Holding Partnership's investment in the Alpha Domestic Fund compared with unrealized losses of \$3.9 million in fourth quarter 2008. In fourth quarter 2009, EdgeStone received approval of its limited partners to terminate the commitment period of the Energy Fund effective December 31, 2009. In addition, EdgeStone arranged for the Energy Fund to return all fees and expenses paid by limited partners during fiscal 2009. EdgeStone incurred a charge of \$0.8 million in fourth quarter 2009 relating to the fee reimbursements, which it recorded as a reduction in investment management and fee income of \$0.6 million with the remaining amount recorded as an administrative expense. In connection with these transactions, GMP recorded an impairment charge of \$0.5 million in other revenue in fourth quarter 2009 relating to its investment in the Energy-I Fund.

Wealth Management's results include the consolidated results of GMP Private Client up to November 11, 2009 and include GMP's share of Richardson GMP's net results from November 12, 2009 to December 31, 2009 reported in other revenue. As a result, the comparability of revenues and expenses in the Wealth Management segment for fourth quarter 2009 versus fourth quarter 2008 is limited. As such, the financial performance of Wealth Management for fourth quarter 2009 versus fourth quarter 2008 will be examined based on net operating results generated by the Wealth Management segment for the periods examined.

Wealth Management reported an operating deficit of \$1.3 million in fourth quarter 2009 compared with an operating deficit of \$1.7 million in the same period last year. Fourth quarter 2008 results were severely negatively impacted by reduced client transaction volumes primarily reflecting the challenging financial markets at that time. Fourth quarter 2009 reflects improvements in operating results which have benefitted from the more favourable market conditions experienced compared with the prior period. Fourth quarter 2009 includes a \$1.5 million loss recorded by GMP in other revenue relating to its 35.3% share of Richardson GMP's results, which were negatively impacted by \$1.3 million in post-merger integration costs recognized following the Transaction, which include certain consulting fees, technology costs and other general expenses.

Expenses for GMP increased \$26.9 million or 53% compared with fourth quarter 2008 driven by an increase in employee compensation and benefits expenses of \$26.1 million which included an increase in variable compensation of \$28.5 million. Fixed salaries and benefits decreased \$1.0 million largely to a \$0.8 million restructuring charge recorded in fourth quarter 2008 associated with staff reductions announced in the quarter. Share-based compensation was also lower by \$1.0 million compared with fourth quarter 2008.

Non-compensation related expenses increased \$0.8 million largely reflecting higher selling, general and administrative expense, partly offset by lower interest expense relating to client balances, and lower amortization expense. Selling, general and administrative expenses increased \$1.9 million largely due to a \$1.3 million expense recognized in the period relating to certain soft dollar obligations. Also contributing to this increase was higher travel and business development expense, higher transaction-related costs on higher volumes and higher donations expense. These increases were partly offset by lower consulting fees.

⁷ Source: *CanadaEquity.com* as at February 2, 2010.

In fourth quarter 2009, GMP recorded a \$3.3 million non-operating gain in connection with the creation of Richardson GMP. In fourth quarter 2008, GMP recorded a \$9.8 million non-cash impairment charge relating to goodwill recorded in connection with its acquisition of EdgeStone and a \$5.2 million non-cash dilution gain which occurred as a result of transactions undertaken in conjunction with the issuance of preferred security units by GMP Preferred on December 18, 2008.

Non-controlling interest expense was \$4.2 million in fourth quarter 2009 compared with a recovery of \$1.4 million in fourth quarter 2008. Fourth quarter 2009 included income attributable to partners of GMP Investment Management and GMP Europe relating to performance fees and operating income earned respectively, while fourth quarter 2008 reflects amounts recoverable from GMP Preferred.

GMP recorded net income of \$19.5 million (\$0.28 per basic share) in fourth quarter 2009 compared with a net loss of \$17.5 million (\$0.29 per basic unit) in fourth quarter 2008. For fourth quarter 2009, GMP reported a ROE of 26.9% compared with negative ROE of 29.6% in fourth quarter 2008.

FINANCIAL CONDITION

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

Cash and Cash Equivalents

The cash and cash equivalents balance declined \$18.3 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 2009 Annual Financial Statements.

Available-for-Sale Securities

Available-for-sale securities experienced an increase of \$21.7 million compared with December 31, 2008 due primarily to \$21.2 million in preference share investments in Richardson GMP during fiscal 2009. GMP's preference share holdings in Richardson GMP at December 31, 2009 include \$5.0 million in Class A Preference Shares, \$15.5 million in Class B Preference Shares and \$0.7 million in Special Preference Shares. The Class A and Class B Preference Shares are non-voting, entitled to receive preferential, cumulative cash dividends at an annual rate of prime plus 4%, when declared, and are redeemable at the option of Richardson GMP at par, plus any accrued but unpaid dividends. The Special Preference Shares are non-voting, are not entitled to receive dividends and are mandatorily redeemable by Richardson GMP from time to time, using proceeds received from the exercise of Class D options of Richardson GMP.

Equity-Accounted Investment

The equity-accounted investment of \$26.3 million as at December 31, 2009 represents GMP's common equity interest in Richardson GMP. GMP's investment in Richardson GMP was recorded at \$27.8 million on November 12, 2009. For further information regarding the calculation of GMP's common share investment on the close of the Transaction, please refer to the "Our Progress in 2009—Wealth Management Transaction Completed" section of this MD&A. The carrying value of our investment is adjusted by our share of returns of Richardson GMP. For the period from November 12, 2009 to December 31, 2009, GMP's share of Richardson GMP's net loss was \$1.5 million. As at December 31, 2009, GMP had a 35.3% ownership interest in Richardson GMP.

Receivable from Clients and Payable to Clients

As at December 31, 2009, the receivable from clients was \$410.8 million (December 31, 2008 - \$234.5 million) and includes loans receivable from clients of \$224.6 million (December 31, 2008 - \$139.0 million) and open security transactions of \$186.2 million (December 31, 2008 - \$95.5 million). Amounts payable to clients were \$435.6 million (December 31, 2008 - \$391.0 million) and include client deposits of \$344.2 million (December 31, 2008 - \$300.0 million) and open security transactions of \$91.4 million (December 31, 2008 - \$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 December 31, 2009. Loans receivable from clients arise where GMP extends credit to a client to purchase securities. Loans receivable from clients increased during fiscal 2009, as GMP extended more credit to its clients to purchase securities as a result of the increase in the value of securities which has occurred over this time and the higher client activity levels experienced. For further details regarding GMP's management of margin loans, refer to the "Risk Management - Credit Risk" section of this MD&A.

Receivable from Brokers and Payable to Brokers

As at December 31, 2009, the receivable from brokers increased \$30.6 million compared with December 31, 2008, while the payable to brokers decreased \$5.0 million. The receivable from brokers and the payable to brokers reflect the level of open securities transactions with brokers as at December 31, 2009.

Other Assets

As at December 31, 2009, other assets increased \$43.6 million compared with December 31, 2008 reflecting an increase in overall business activity compared with the same period a year ago. Other assets as at December 31, 2009 reflect an increase in funds deposited in trust relating to registered retirement savings plans and similar accounts, an increase in investment banking fees receivable, performance fees receivable from the Alpha Master Fund and an increase in receivables from EdgeStone Fund investors relating to capital calls. Short term funding for capital calls in EdgeStone Funds is often arranged and provided by EdgeStone directly until permanent funds are received from investors. Additionally, other assets include a \$5.0 million subordinated loan extended by GMP on December 30, 2009 to Richardson GMP to provide additional regulatory capital to support business activities in Richardson GMP. The loan is unsecured, bears interest at a rate of prime plus 4%, and is repayable upon demand, subject to the prior approval of the Investment Industry Regulatory Organization of Canada ("IIROC").

Employee and Other Loans Receivable

As at December 31, 2009, the employee and other loans receivable decreased \$1.8 million compared with December 31, 2008. Loans associated with GMP Private Client's investment advisor transition assistance program of \$7.2 million were de-consolidated following the completion of the transactions creating Richardson GMP. Immediately prior to the close of the Transaction, GMP advanced \$7.6 million in funds to investment advisors and certain other individuals employed by GMP Private Client (the "Borrowers") to subscribe for additional common shares which were subsequently exchanged for shares of Richardson GMP in accordance with the terms of the Transaction. The funds advanced represent 100% of the purchase price of the shares. The loans bear interest at a variable rate, currently set at prime plus 4%. Dividends received by the Borrowers on their Richardson GMP shares (net of any tax liability) will be applied directly to the payment of interest and principal. Where certain restrictions on shareholdings apply, dividends received will be applied at a repayment rate of 100% and, in all other circumstances, 50% of dividends received will be directed to repayment. The Borrower is required to repay the remaining loan balance to GMP on the earlier of the seventh anniversary of grant, the date they cease to be an employee or when they cease to hold all of their shares. Reductions in loan balances were recorded in fiscal 2009 relating to EdgeStone's co-investment program, loans made to partners of GMP Europe and other employee loans.

Payable to Issuers

As at December 31, 2009, the payable to issuers increased \$75.2 million compared with December 31, 2008 and reflects the level of commitments to issuers relating to underwriting proceeds outstanding as at December 31, 2009.

Other Liabilities

As at December 31, 2009, the other liabilities increased \$37.0 million compared with December 31, 2008 due primarily to an increase in income taxes payable following the Conversion in May 2009. Also contributing to the increase were amounts payable to Richardson GMP and amounts payable to the investors in the EdgeStone Funds. The EdgeStone amounts relate to realized sale proceeds on investments that will be distributed to investors once certain conditions have been met and will vary with the activities of the underlying EdgeStone Funds.

Non-Controlling Interest

As at December 31, 2009, the non-controlling interest decreased \$24.3 million compared with December 31, 2008. GMP recorded a non-controlling interest of \$31.4 million as at December 31, 2008 in conjunction with the offering of preferred security units by GMP Preferred on December 18, 2008. At the time of the offering, management determined that GMP was not the primary beneficiary of GMP Preferred, and accordingly, did not consolidate this entity as at December 31, 2008. GMP recorded the Class A units issued at the time of the offering by GMP Holding Partnership to GMP Preferred as a non-controlling interest. Following the Conversion, GMP Preferred was recorded on GMP's consolidated balance sheet and the non-controlling interest of \$32.3 million was eliminated. This decline was partially offset by increases in income attributable to partners of GMP Investment Management, as a result of performance fees earned and income attributable to partners of GMP Europe, representing operating income generated by GMP Europe.

Shareholders' Equity

Shareholders' equity increased \$114.1 million compared with December 31, 2008, largely due to the issuance of 8.841 million common shares of GMP to RFGI and certain RPFL employees for \$87.0 million in cash consideration, concurrent with the creation of Richardson GMP. In addition, pursuant to the Conversion, the Series A preferred shares of GMP were recorded on GMP's balance sheet as described above. All Series A preferred shares of GMP were subsequently redeemed for cash by GMP on December 18, 2009. For further information regarding the common share issuance and the preferred share redemption, please refer to the "Outstanding Share Data and Dividends" section of this MD&A. Also contributing to the increase was net income generated by GMP in excess of dividends and distributions declared in fiscal 2009 of \$27.0 million, contributed surplus associated with share/unit-based compensation expense of \$4.4 million and a \$3.1 million reduction in share loan receivables due to repayments of share loans by employees in fiscal 2009.

LIQUIDITY AND CAPITAL RESOURCES

GMP requires capital and liquidity to fund existing and future operations, future cash payments to our shareholders and regulatory requirements. Although market conditions continue to show signs of improvement, capital and balance sheet strength remain a key priority for GMP.

GMP's policy is to maintain sufficient and appropriate levels of capital and liquidity through a variety of sources under normal market conditions and through periods of financial stress.

Capital Resources

GMP's capital sources include common shares, retained earnings, contributed surplus, subordinated loans and long-term debt.

The following table summarizes GMP's capital resources as at December 31, 2009:

Capital Resources	
(\$000)	Carrying Amount
Share capital	292,663
Retained earnings	41,143
Contributed surplus	15,285
Subordinated loans	17,500
Long-term debt	59,781
Total	426,372

Subordinated loans are used to provide additional regulatory capital to support business activities in GMP Securities. The outstanding loan, provided by a Schedule I Canadian chartered bank, is unsecured and is repayable on demand, subject to the prior approval of the IIROC. On February 3, 2009, the lender increased the annual interest rate by 200 basis points to prime plus 4%. During fiscal 2009, there was no change to the outstanding balance, terms or covenants associated with the subordinated loan. GMP Securities was in compliance with the following financial covenant pursuant to the subordinated loan as at December 31, 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 \$25.0 million principal amount of notes due on November 1, 2011, bearing a current rate of interest of 7.308%, and \$35.0 million principal amount of notes due November 1, 2013, bearing a current rate of interest of 7.548%. The Notes are governed by a trust indenture originally made as of November 1, 2006 between GMP Holding Partnership and CIBC Mellon Trust Company as amended and restated effective as of October 1, 2008 and as amended by a supplemental indenture dated as of December 31, 2009. The net proceeds of the Notes were used to repay a subordinated loan facility secured by GMP Securities to finance a portion of the acquisition of EdgeStone and for general corporate purposes. The Notes are redeemable, at any time in whole or in part, at the option of GMP Holding Partnership, subject to customary prepayment provisions. At any time when GMP Holding Partnership is not in default of any provisions related to the Notes, GMP Holding Partnership is entitled to purchase the Notes for cancellation in the market or by tender or private contract. Upon the occurrence of a change in control event, GMP Holding Partnership will be required to offer to purchase the Notes. The Notes contain customary covenants and provisions that could trigger an event of default. In the event of default, lenders have the option to demand immediate repayment of all obligations. The terms of the Notes include negative covenants customary for transactions of this kind and also include financial tests as follows:

1. Leverage Ratio - GMP's total debt (including guarantees and off-balance sheet instruments) must not exceed 2.5 times EBITDA for the four previous fiscal quarters.
2. Interest Coverage Ratio - GMP's EBITDA must be at least five times greater than GMP's total interest expense ("Total Interest Expense").

GMP received unanimous approval from the holders of the Notes to amend the definitions associated with the financial covenants effective fourth quarter 2008. In consideration of the amendments, GMP and the holders of the Notes agreed to an increase in the interest rate on the Notes of 150 basis points per annum, effective October 1, 2008; restrictions on certain indebtedness in fiscal 2009; and limits on repurchases of shares by GMP while the Notes remain outstanding. While any of the Notes remain outstanding, GMP is not permitted to purchase shares of GMP for consideration exceeding \$4.0 million, in the aggregate, in any period commencing on December 1 and ending on November 30 of the immediately succeeding calendar year. There was no change to the outstanding balance, terms or covenants associated with the Notes during fiscal 2009. As at December 31, 2009, GMP was in compliance with all financial covenants. Management is not aware of any restrictions on cash dividends arising from compliance with financial covenants operational as at December 31, 2009.

Management expects to continue to fund the interest costs associated with the subordinated loan and the Notes through cash generated by operations. For information regarding GMP's outstanding common 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.

Certain of GMP's subsidiaries have credit facilities outstanding with Canadian banks and a European bank of approximately \$474.0 million, in aggregate, as at December 31, 2009. These facilities consist of call loans, daylight overdraft facilities, demand facilities, letters of credit and foreign exchange facilities. GMP Securities and GMP Europe use credit to facilitate the day-to-day securities settlement process primarily for client transactions and these facilities are collateralized by either unpaid client securities and/or securities owned. EdgeStone engages in short-term borrowing to fund capital calls in EdgeStone Funds until proceeds from permanent financings are received from investors. As at December 31, 2009, \$17.1 million was outstanding under these facilities. GMP's authorized credit limits increased by approximately \$151.0 million compared with the prior year reflecting higher utilization due to higher transactional volumes compared with fiscal 2008. GMP's credit facilities do not represent a source of liquidity to GMP for its payment of dividends, or 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. All cash and cash equivalent balances are short-term, highly liquid investments that are readily convertible to known amounts of cash with remaining maturities of three months or less. There was no change to GMP's cash management practices during fiscal 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 fiscal 2009 as a result of rising equity markets. Receivables and payables from brokers and dealers represent open transactions which generally settle 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 on an ongoing basis for impairment in value and collectability.

Management believes GMP's cash generation 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 GMP 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 shareholders and pursue profitable growth may be adversely impacted.

Normal Course Issuer Bid

The Toronto Stock Exchange ("TSX") and the Board of Directors have approved the renewal of GMP's normal course issuer bid ("NCIB"), which expired on November 30, 2009. The NCIB allows purchase for cancellation up to 5,487,009 common shares, representing 10% of the public float of 54,870,091 common shares on March 1, 2010, from time to time over the next 12 months, subject to contractual restrictions that we have agreed to with the holders of the Notes, as described in the "Liquidity and Capital Resources - Capital Resources" section of this MD&A. GMP had 72,991,581 common shares outstanding as at March 1, 2010. Purchases may commence on March 4, 2010 and will conclude on the earlier of the date on which purchases under the NCIB have been completed and March 3, 2011.

Daily repurchases will be limited to 34,781 common shares, excluding block purchase exceptions. The daily repurchase limit represents 25% of the average daily trading volume of 139,123 common shares for the six month period prior to the date of the NCIB filing. All purchases will be made in accordance with TSX requirements and the price that GMP will pay for any common shares acquired will be the prevailing market price of common shares at the time of acquisition. The actual number of common shares that may be purchased and the timing of any such purchases will be determined at GMP's discretion, subject to the

limitations referred to above. All purchases will be effected by GMP Securities through the facilities of the TSX and will be funded from GMP's working capital. GMP continues to believe that, depending on the trading price of its shares and other factors, the purchase and cancellation of some of the Corporation's common shares is a worthwhile investment and in the best interests of GMP and its shareholders. GMP did not purchase for cancellation any of its common shares under its previous NCIB and has not otherwise purchased any of its common shares in the past 12 months.

Shareholders may obtain a copy of the filed notice without charge by contacting GMP's Chief Financial Officer by telephone at (416) 367-8600 or toll-free at 1-888-301-3244 or by e-mail at investorrelations@gmpcapital.com.

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. GMP Securities is a registered dealer subject to regulation primarily by IIROC. Sources of financial statement capital for IIROC regulatory capital purposes include unitholders' equity of GMP Securities in addition to subordinated loans arranged by GMP Securities. Griffiths McBurney Corp. is registered as a broker dealer in the United States and is subject to regulation primarily by the Financial Industry Regulatory Authority. GMP Europe is authorized and regulated by the Financial Services Authority in the United Kingdom and is a member of the London Stock Exchange. GMP Investment Management is a Portfolio Manager and Exempt Market Dealer and is subject to regulation by the Ontario Securities Commission.

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 GMP 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. As at December 31, 2009, GMP's subsidiaries were in compliance with all regulatory minimum capital requirements.

Operating Activities

Cash used in operating activities was \$10.5 million in fiscal 2009 compared with cash provided by operating activities of \$104.4 million in fiscal 2008. Excluding non-cash operating items, cash provided by operations was \$79.3 million for fiscal 2009 compared with \$53.4 million in fiscal 2008 primarily due to stronger earnings generation in the Capital Markets and Alternative Investment segments in fiscal 2009 compared with fiscal 2008.

Financing Activities

Financing activities provided \$35.7 million of cash in fiscal 2009 compared with cash consumed in financing activities of \$95.0 million in fiscal 2008. The issuance of common shares by GMP to RFGL and certain employees of RPFL, concurrent with the creation of Richardson GMP provided \$87.0 million in cash. The redemption of all outstanding Series A preferred shares on December 18, 2009 used \$44.0 million in cash. Fiscal 2009 also reflects cash distributions of \$9.6 million paid on Fund units and Exchangeable L.P. units and cash dividends paid on common shares and Series A preferred shares of \$9.7 million compared with cash distributions of \$133.1 million paid on Fund units and Exchangeable L.P. units in fiscal 2008. Bank loan increases in fiscal 2009 relate to amounts borrowed to fund capital calls in the EdgeStone Funds until proceeds from permanent financings were received from investors. Issuance of Class A units by GMP Holding Partnership in conjunction with the preferred security unit offering by GMP Preferred contributed \$38.1 million in fiscal 2008. The warrants issued in conjunction with the preferred security unit offering by GMP Preferred generated proceeds of \$1.9 million in fiscal 2008.

Investing Activities

Investing activities consumed \$45.6 million of cash in fiscal 2009 compared with \$8.0 million in fiscal 2008. Investing activities in fiscal 2009 included investments made in Richardson GMP in connection with the creation of Richardson GMP as follows: \$23.9 million in Class B common shares and \$15.5 million in Class B preference shares. A subordinated loan of \$5.0 million was also provided on December 30, 2009 by GMP to Richardson GMP. Investing activities in fiscal 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, the GMP Group enters into contracts that give rise to commitments of future minimum payments that affect our liquidity. The table below provides a summary of our future contractual funding commitments. Management expects to fund these commitments through a combination of cash generated by operations, additional borrowings and/or equity issuances.

(\$000)	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating leases ^a	\$23,296	\$4,314	\$6,988	\$6,178	\$5,816
Long-term debt ^b	74,222	4,469	32,111	37,642	-
Investment commitments ^c	2,600	2,600	-	-	-
Other ^d	966	966	-	-	-
Total contractual obligations	\$101,084	\$12,349	\$39,099	\$43,820	\$5,816

- Our obligations under operating leases reflect lease arrangements entered into by GMP Securities, EdgeStone and GMP Europe. Operating leases include \$7.2 million in total commitments that have been subleased by GMP Securities to Richardson GMP. The subleases have been entered into for a portion of the head lease premises for the balance of the term of the head lease at rental rates and terms consistent with the head lease.
- Long-term debt obligations relate to the Notes issued by GMP Holding Partnership. Amounts are reported as at their contractual maturity dates and include related interest.
- Represents investment commitments made by GMP Holding Partnership in funds managed by EdgeStone. Since the timing of future investment commitments in the EdgeStone Funds is non-specific and callable by EdgeStone, obligations have been included in the category of "less than one year".
- Includes commitments provided by EdgeStone in connection with its co-investment program and commitments provided by GMP, in connection with the EdgeStone acquisition, for a retention program established for key employees of EdgeStone.

Pursuant to the Richardson GMP shareholders agreement, in the event Richardson GMP requires additional capital to fund ongoing capital expenditures, ongoing operating expenses or general contingencies, Richardson GMP has the ability to require RFGL and GMP, or in each case, an affiliate thereof, to contribute additional Class B preferred share capital to Richardson GMP (each a "Capital Call"). The maximum aggregate annual amount of such Capital Calls is \$10.0 million in respect of fiscal 2010, to be funded jointly by RFGL and GMP. Thereafter, Capital Call amounts will be based on the annual budgeted cash requirements for the relevant fiscal year, provided that RFGL and GMP may at any time mutually agree that the maximum Capital Call amounts shall not apply in respect of one or more Capital Calls.

A full description of the commitments outstanding as of December 31, 2009 can be found in Note 22 to the 2009 Annual Financial Statements.

OUTSTANDING SHARE DATA AND DIVIDENDS

GMP is authorized to issue an unlimited number of common, an unlimited number of preferred shares, issuable in series, and up to 6,923,050 Series A preferred shares.

Prior to the Conversion, 0.592 million Exchangeable L.P. units valued at \$2.5 million were exchanged for 0.592 million Fund units valued at \$2.5 million pursuant to the exchange agreement governing the exchange of Exchangeable L.P. units for Fund units. The remaining 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.

Conversion

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 partnership 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 partnership units of GMP Preferred;
- 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;
- 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; and

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 of the Fund. On April 1, 2009, the interest rate on GMP's portion of the loans was temporarily reduced to 0.1%. On August 5, 2009, the Board of Directors of GMP approved an increase in the interest rate on that proportion of the loans advanced by the Corporation under the plans to prime, effective September 1, 2009. For further details refer to Note 11 to the 2009 Annual Financial Statements.

Preferred Shares

On December 18, 2008, the Fund completed a preferred security unit offering, privately placing 6,153,900 preferred security units which raised gross proceeds of \$40.0 million. Each preferred security unit consisted of one \$6.50 par value 10% cumulative perpetual non-voting preferred limited partnership unit of GMP Preferred and one warrant to purchase one Fund unit at an exercise price of \$6.50 prior to the fifth anniversary of closing. The gross proceeds, which reflected \$1.9 million in warrant subscriptions and \$38.1 million in preferred limited partnership unit subscriptions, were used to enhance GMP's liquidity position and for general corporate purposes. Issue costs associated with the preferred security unit offering were \$1.7 million.

On December 18, 2009, GMP redeemed all of its Series A preferred shares outstanding at a price of \$7.15 per share (representing a prescribed premium of 10% to the designated capital of each share) and a further sum of \$0.139 per share (representing all accrued and unpaid dividends up to but not including the redemption date), resulting in a total redemption price of \$7.289 per share. A charge of \$7.6 million was recorded in retained earnings as a result of the redemption.

Treasury Issuance of Common Shares

On November 12, 2009, concurrent with the creation of Richardson GMP, GMP issued 7.845 million and 0.996 million common shares, respectively, to RFGL and certain employees of RPFL pursuant to their \$87.0 million investment in GMP. In addition, GMP issued 35,191 common shares to RFGL in connection with the creation of Richardson GMP on November 12, 2009, which were valued at \$0.3 million. Costs, net of taxes, associated with these common share issuances were \$0.6 million.

In connection with the completion of these transactions, GMP, JRSL and RFGL have entered into an Investor Agreement. Pursuant to the Investor Agreement, JRSL may nominate a certain number of individuals to the Board of Directors depending on the number of common shares held by JRSL, subject to JRSL holding a minimum number of outstanding common shares of GMP. JRSL has pre-emptive rights to participate in future financings to maintain its percentage ownership in GMP. The Investor Agreement also includes "standstill" provisions, including a covenant not to vote against any change of control transaction that is supported by the Board of Directors and a majority of GMP's shareholders (other than JRSL and its affiliates). JRSL and its subsidiaries have the right, through open market purchases, to increase their holdings in GMP to 19.9% in the first year following the Transaction, with permitted increases over a five-year period, to a maximum of 27.4%. The Investor Agreement also contains customary representations and warranties, confidentiality, non-solicitation and non-competition clauses.

The following table sets forth certain information with respect to common shares of the Corporation that are subject to escrow and contractual restrictions on transfer:

Class	Number of Securities Held in Escrow (000's)
Common shares ⁽¹⁾	7,880
Common shares ⁽²⁾	996

Notes:

1. Pursuant to the terms of the Investor Agreement, JRSL and its subsidiaries are restricted from selling any of the common shares arising from the Transaction until the earlier of a change of control transaction involving GMP and the closing of the sale of Richardson GMP pursuant to a liquidity event, as defined in the Richardson GMP shareholders agreement.
2. Concurrent with the creation of Richardson GMP, GMP issued common shares to certain employees of RPFL. These securities were deposited with and are held by CIBC Mellon Trust Company (the "Escrow Agent") pursuant to the terms of an escrow agreement made as of November 12, 2009 between JRSL, RFGL, GMP and the Escrow Agent. Under the terms of such agreement, these common shares shall be held in escrow until the earlier of a change of control transaction involving GMP and the closing of the sale of Richardson GMP pursuant to a liquidity event, as defined in the Richardson GMP shareholders agreement.

Shares issued and outstanding as at December 31, 2009		
(000)	#	\$
Common shares	72,992	292,663
Total	72,992	292,663

As of the date hereof, 72.992 million common shares are currently outstanding. As of March 1, 2010, 4.137 million options to acquire GMP common shares are outstanding.

During fiscal 2009, 10,000 warrants were exercised for 10,000 common shares of GMP and as of the date hereof 6.144 million warrants remain outstanding, which entitle the holder to purchase one GMP common share at a price of \$6.50 until December 18, 2013, subject to certain adjustments described in GMP's annual information form available on SEDAR at sedar.com. Any unexercised Warrants will expire and become null and void at 5:00 p.m. (Toronto time) on December 18, 2013.

Dividends/Distributions Declared

GMP's philosophy has always been to return excess capital back to its stakeholders. On February 26, 2009, the Board of Trustees of the Fund approved the temporary suspension of monthly cash distributions following the Fund's February distribution of \$0.05 per Fund unit, in conjunction with its decision to convert from an income trust to a corporation.

Following the Conversion, the Board of Directors adopted a dividend policy with the intent to pay a quarterly dividend of \$0.05 per common 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. The Board of Directors approved the following common share dividends relating to fiscal 2009:

Common Share Dividends Declared			
Three Months Ended	Record Date	Payment Date	Per Share Amount (\$)
June 30, 2009	June 30, 2009	July 15, 2009	0.05
September 30, 2009	November 16, 2009	November 25, 2009	0.05
December 31, 2009	March 10, 2010	March 19, 2010	0.05

The Board of Directors approved quarterly cash dividends of \$0.1625 per Series A preferred share payable to preferred shareholders of record on June 30, 2009 and September 30, 2009 and paid on the 20th of the month following the record date. In addition, the Board of Directors approved the payment of accrued and unpaid dividends of \$0.139 per Series A preferred share upon the redemption of all outstanding Series A preferred shares on December 18, 2009.

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 unless indicated otherwise.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, the GMP Group engages in certain financial transactions that, under GAAP, are not recorded on the consolidated balance sheet. As at December 31, 2009, the GMP Group's off-balance sheet transactions include VIEs and derivatives.

The EdgeStone Funds are a series of privately controlled funds, which management has determined are VIEs. With the exception of the Energy-I Fund, management has concluded that the GMP Group is not the primary beneficiary of these VIEs and does not consolidate the EdgeStone Funds. Management has determined that GMP is the primary beneficiary of the Energy-I Fund, which resulted in the consolidation of the Energy-I Fund in fiscal 2009. The Energy-I Fund has a total asset value of \$5.3 million as at December 31, 2009. The fair value of GMP Holding Partnership's investment in the Energy-I Fund represents 51.7% of the net asset value of the Energy-I Fund as at December 31, 2009.

GMP Investment Management is the investment advisor and manager of the Alpha Master Fund and the Genesis Fund. GMP Investment Management and certain other subsidiaries of GMP serve in the capacity of manager and/or investment advisor and perform the management functions associated with certain private funds (the "Alpha Feeder Funds") designed to provide exposure to the return of the Alpha Master Fund. Management has concluded that GMP is not the primary beneficiary of the Alpha Master Fund, the Alpha Feeder Funds or the Genesis Fund and, is therefore, not required to consolidate these entities.

At the time of the preferred security unit offering by GMP Preferred in December 2008, it was determined that GMP was not the primary beneficiary of GMP Preferred and, accordingly, did not consolidate this entity at December 31, 2008. Pursuant to the Conversion, GMP Preferred was recorded on GMP's consolidated balance sheet.

For further information regarding VIEs, see Note 6 to the 2009 Annual Financial Statements and "Critical Accounting Policies and Estimates - Variable Interest Entities" section of this MD&A.

Forward foreign exchange contracts are entered into by GMP primarily to manage foreign exchange risk on pending securities settlements in currencies other than the Canadian dollar. In addition, GMP has entered into forward contracts during fiscal 2009 with clients of Richardson GMP to facilitate their foreign exchange needs. GMP has managed these exposures through offsetting forward contracts entered into with Schedule I banks. At December 31, 2009, the Canadian equivalent notional value of outstanding forward foreign exchange contracts was \$19.5 million and the fair value of these contracts was less than \$0.1 million. No other derivatives entered into by the GMP Group were outstanding as at December 31, 2009. For details on our foreign exchange derivative contracts, see Note 27 to the 2009 Annual Financial Statements.

GMP has provided various guarantees to support the ongoing operations of GMP Europe which include a guarantee relating to lease obligations, a guarantee to a European bank in connection with credit facilities and a guarantee in favour of a United States bank in support of obligations arising from a clearing and custodial agreement. The credit facilities and clearing and custodial obligations are further collateralized by the financial instruments underlying the transactions undertaken by GMP Europe on behalf of its clients.

RELATED-PARTY TRANSACTIONS

Related-party transactions include security trades executed for employees, partners, officers and directors of GMP on either a cash or margin basis. Commission income on such transactions, in the aggregate, is not material in relation to our overall operations. Amounts loaned are limited by margin requirements of the IIROC and interest on margin loans is based on terms and conditions applicable to all clients. Related-party transactions also include loans associated with the executive common share loan plans, loans provided to certain investment advisors and management of Richardson GMP in connection with the creation of Richardson GMP, loans relating to EdgeStone's co-investment program, forgivable loans made to the limited partners in connection with the establishment of GMP Europe, and other employee loans. As well, related-party transactions include amounts due to or due from the

EdgeStone Funds, the Alpha Master Fund, the Alpha Feeder Funds and Richardson GMP and investments made by GMP in funds managed by GMP Investment Management and EdgeStone or in preferred share investments in Richardson GMP. For further details, see Note 13 to the 2009 Annual Financial Statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The 2009 Annual 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. The GMP Group's significant accounting policies are disclosed in Note 2 to the 2009 Annual Financial Statements. Certain of these policies require the use of estimates or assumptions that in some cases may relate to matters that are inherently uncertain. Changes in these estimates or assumptions could have a significant impact on GMP's consolidated financial statements. Accounting policies that require management's judgement and estimates are discussed below.

Fair Value of Financial Instruments

All financial assets and financial liabilities are measured at values that are representative of or approximate fair value. Financial assets include, but are not limited to, cash and cash equivalents, securities, loans and derivatives, while financial liabilities include obligations related to securities sold short, derivatives and subordinated and long-term debt. CICA Section 3862, *Financial Instruments - Disclosures*, establishes a three level hierarchy for disclosure of financial instruments based on the transparency of the inputs used to measure the fair value of the financial instruments. For further information regarding the fair value disclosure of GMP's financial instruments in accordance with the standard, please refer to Note 27 to the 2009 Annual Financial Statements.

Trading Securities

Financial instruments classified as trading are measured at fair value with changes in the fair values recognized in net income. A financial instrument can be designated as held for trading on its initial recognition even if it was not acquired for the purpose of selling it in the near term, if it meets certain criteria. The GMP Group's trading securities include equity and debt securities, broker warrants, GMP Holding Partnership's investment in the Alpha Domestic Fund and certain privately held securities. The majority of the GMP Group's trading securities and obligations related to securities sold short comprise or relate to actively traded equity securities, which are carried at fair value based on quoted market prices in an active market. A provision is made in situations where management believes there is the potential that the amount realized on sale will be less than the estimated fair value due to insufficient liquidity over the medium term or when the estimated value does not reflect the true value under certain distressed market conditions. Valuation reserves may also be applied if the securities are subject to certain escrow conditions. Pricing models are used to value our broker warrants. Certain privately held securities, which have been designated as held for trading, are reported at their fair value, which at the time of acquisition is based on cost and for ongoing measurement purposes is estimated on the basis of pricing models or other appropriate methods. The valuation of the Alpha Domestic Fund is updated monthly and reflects the net asset value of the fund, as determined by the third-party administrator of the Alpha Domestic Fund.

Imprecision in estimating valuation provisions can affect the amount of revenue or loss recorded for a particular security position. Management believes our estimates of fair value are reasonable given its process for obtaining external market prices, consistent application of its approach from period to period and the validation of estimates through actual settlement of transactions.

Approximately \$66.1 million or 66.3% of GMP's trading securities were valued based on quoted market prices as at December 31, 2009. Pricing models or inputs other than quoted prices are used to value our broker warrants, fixed income securities, our investment in the Domestic Alpha Fund and certain privately held securities, and these securities had a value of \$33.6 million or 33.7% of GMP's trading

securities as at December 31, 2009. As at December 31, 2009, \$8.5 million or 91.0% of securities sold short were valued based on quoted market prices. GMP had a \$0.8 million valuation reserve relating to trading securities in place as at December 31, 2009 and GMP had no valuation reserves relating to trading securities in place as at December 31, 2008.

Available-For-Sale Securities

The GMP Group's available-for-sale securities include private equity investments in the EdgeStone Funds, preferred share investments in Richardson GMP and other privately held securities. Available-for-sale securities are measured at fair value with unrealized gains and losses recognized in other comprehensive income, net of tax, until sold at which time the unrealized gains and/or losses are recognized in net income. Investments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. When the fair value of any of our available-for-sale securities declines below its carrying value, management is required to assess whether the decline is other than temporary in nature. In making this assessment, management considers the type of investment, the length of time and extent to which the fair value has been below the carrying value, the financial condition of the issuer or investee company and our ability and intent to hold the investment to allow for any anticipated recovery.

Equity Accounted Investment

The GMP Group's equity accounted investment is comprised of GMP's common share investment in Richardson GMP which has been initially recorded based on the fair value of consideration paid by GMP to acquire its ownership interest on November 12, 2009. The carrying value of our investment is adjusted by GMP's share of earnings or losses in Richardson GMP and by any dilution or increase in GMP's ownership. We may recognize a fair value adjustment against the carrying value of our equity accounted investment if the fair value falls below its carrying value and we determine that the decrease in fair value is other-than-temporary in nature. The determination of whether or not other-than-temporary impairment exists is a matter of judgement and management applies many of the same criteria that it applies to the determination of other-than-temporary impairment in the value of its available-for-sale securities.

Income Taxes

Management uses judgement in the estimation of current and future income taxes associated with the corporate subsidiaries of GMP. This process involves estimating actual current tax exposure together with assessing temporary differences that result from different treatment of items for tax and accounting purposes. In determining these estimates, management is required to interpret tax legislation as well as make assumptions about the expected timing and rates at which temporary differences relating to future tax assets and liabilities will reverse. If these interpretations differ from those of the taxation officials or if the anticipated timing of reversals does not occur, the provision for income taxes could increase or decrease in future periods.

Valuation of Common Share Options and Warrants

A Black-Scholes option pricing model is used by GMP to value its common share options and its Warrants. Stock-based compensation expense is estimated based on the value of the option on its grant date and is recognized as a cost over the vesting period of the option. The fair value of the Warrants issued by GMP on December 18, 2008 was determined on their issue date.

The valuation model utilizes multiple observable market inputs including interest rates, common share prices and dividend amounts; however, the model requires judgement and assumptions to be applied in determining certain inputs including expected volatility and expected option life. Management reviews all inputs on each grant date of common share options to ensure consistency and reasonableness.

Goodwill and Other Intangible Assets

As a result of the EdgeStone acquisition, the GMP Group has acquired goodwill and other intangible assets. Goodwill is not amortized, but is instead subject to, at least annually, or whenever a potential impairment may arise as a result of an event or change in circumstances, an assessment for impairment to ensure that the fair value of the reporting unit to which the goodwill is attributed to is greater than or equal to its carrying value. In determining fair value, management uses valuation models that consider such factors as projected earnings, price-to-earnings multiples and discount rates. Management must apply judgement in the selection of the approach to determining fair value and any necessary assumptions. These judgements may affect the fair value and any resulting impairment write-down. Management must also exercise judgement in identifying, valuing and determining the useful life of intangible assets acquired. Other intangible assets are amortized over their estimated useful lives and tested for impairment periodically or whenever a potential impairment may arise as a result of an event or change in circumstances.

As at December 31, 2009, goodwill and other intangible assets were \$97.7 million. Our impairment assessment in fiscal 2009 indicated that there was no impairment of goodwill or intangible assets. Management believes that the assumptions and estimates used were reasonable and supportable in the existing environment. Our 2008 goodwill impairment tests indicated that the fair value of the EdgeStone reporting unit and the Capital Markets' Geneva, Switzerland operations were less than their respective carrying values. Accordingly, goodwill impairment charges totalling \$10.7 million were recorded in fiscal 2008. Further information regarding GMP's goodwill and intangible assets are included in Note 12 to the 2009 Annual Financial Statements.

Variable Interest Entities

A VIE is defined as an entity which either does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of equity at risk lack the characteristics of a controlling financial interest. The primary beneficiary is the entity that is exposed to a majority of the VIE's expected losses or is entitled to a majority of the VIE's expected residual gains, or both. For those VIEs where the GMP Group is the primary beneficiary, these VIEs are consolidated with the GMP Group's financial condition and results of operations. The applicable accounting guidance requires the GMP Group to perform a qualitative and/or quantitative analysis of each entity to determine whether such entity is a VIE and whether the GMP Group, through any of its subsidiaries, is the primary beneficiary.

GMP Investment Management is the investment advisor and manager of the Alpha Master Fund and the Genesis Fund. GMP Investment Management and certain other subsidiaries of GMP serve in the capacity of manager and/or investment advisor and perform the management functions associated with certain private funds (the "Alpha Feeder Funds") designed to provide exposure to the return of the Alpha Master Fund. The Alpha Master Fund, the Alpha Feeder Funds and the Genesis Fund meet the definition of a VIE. EdgeStone is the manager of the EdgeStone Funds, a group of privately controlled funds. The EdgeStone Funds meet the definition of VIEs as defined above. The assessment of whether the EdgeStone Funds require consolidation in GMP's results requires that management make assumptions regarding future performance of assets held by the EdgeStone Funds, taking into account estimates of credit risk, estimates of the fair value of assets, timing of cash flows and other significant factors. GMP Preferred was established for the purpose of raising capital through private placements of preferred limited partnership units. GMP did not consolidate this entity as at December 31, 2008 since management had determined that GMP Preferred was a VIE and that GMP was not the primary beneficiary because it was not exposed to the majority of the expected losses and did not have significant variable interests in the entity. Pursuant to the Conversion, GMP Preferred was recorded on GMP's consolidated balance sheet. Further information on GMP's involvement with VIEs can be found in the "Off-Balance Sheet Arrangements" section in this MD&A and in Note 6 to the 2009 Annual Financial Statements.

Contingent Liabilities

GMP's subsidiaries are involved in a number of legal proceedings, including regulatory investigations, in the ordinary course of business. Contingent litigation loss provisions are recorded by GMP when it is probable that GMP will incur a loss and the amount of the loss can be reasonably estimated. Management and GMP's external experts are involved in assessing likelihood and in estimating any amounts involved. 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.

Allowance for Credit Losses

Credit risk arises when the GMP Group extends credit to its clients, or clients of its introducing broker, Richardson GMP, 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. The GMP Group faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and the GMP Group is unable to recover sufficient value from the collateral held. GMP establishes an allowance for credit losses based on management's estimate of probable unrecoverable amounts. GMP general policy is to provide an allowance against all unsecured client loan receivable balances. Judgement is required as to the timing of establishing an allowance for credit losses and the amount of the required specific allowance. During fiscal 2009, GMP recorded a provision for doubtful accounts of \$0.2 million (NIL as at December 31, 2008).

FINANCIAL INSTRUMENTS

A significant portion of the GMP Group's assets and liabilities are composed of financial instruments. GMP uses financial instruments for both trading and non-trading activities. GMP typically engages in trading activities which include the purchase and sale of securities in the course of facilitating client trades and, less frequently, taking principal trading positions with the objective of earning a profit. Non-trading activities generally include the business of investing in equity securities, hedging foreign exchange risk through the use of derivatives and entering into forward contracts with clients to facilitate their foreign exchange needs and entering into offsetting forward contracts with a Schedule I bank to mitigate GMP's exposure. The use of financial instruments may either introduce or mitigate exposures to market, credit and/or liquidity risks. See the "Risk Management" section in this MD&A for details on how these risks are managed. For significant assumptions made in determining the valuation of financial and other instruments, refer to the "Critical Accounting Policies and Estimates" section of this MD&A.

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 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 CICA's Emerging Issues Committee ("EIC") Abstract N.27, *Revenues and Expenditures During the Pre-operating Period* became inapplicable once Handbook Section 3064 was adopted. The adoption of these standards did not have a material impact on GMP's financial position and results of operations.

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(ies) when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173, which was effective for GMP on January 1, 2009, had no material impact on GMP's financial position or results of operation.

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 standard also requires disclosure of a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of measurement date. The amendments were adopted for GMP's fiscal year ending December 31, 2009. For further information on GMP's financial instruments' disclosures please refer to Note 27 in the 2009 Annual Financial Statements.

FUTURE CHANGES IN ACCOUNTING POLICIES OR ESTIMATES

Business Combinations, Consolidated Financial Statements, and Non-controlling Interests

In January 2009, the CICA issued three new accounting standards: Handbook Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*. Section 1582 provides clarification as to what an acquirer must measure when it obtains control of a business, the basis of valuation and the date at which the valuation should be determined. This new standard will be applicable for acquisitions we complete on or after January 1, 2011 although adoption in 2010 is permitted to facilitate the transition to International Financial Reporting Standards ("IFRS") in 2011. Section 1601 establishes standards for preparing consolidated financial statements after the acquisition date; Section 1602 establishes standards for the accounting and presentation of non-controlling interest. These new standards must be adopted concurrently with Section 1582.

International Financial Reporting Standards

The AcSB has confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS. The new standard will be effective for GMP beginning January 1, 2011, and GMP will be required to provide information that conforms to IFRS for the comparative periods presented.

GMP has set up a project and governance structure for conversion to IFRS and is implementing the conversion project in five phases: diagnostic; design and planning; solution development; implementation; and post-implementation review.

Phase One: Diagnostic involves the identification of key impacts to: financial reporting; the business, including impacts on capital requirements and debt covenants; and, systems. Upon phase one completion, key differences between Canadian GAAP and IFRS should be identified.

Phase Two: Design and Planning involves the approval of accounting policy selections and impact assessments. Business and system issues that are impacted by accounting policy selection must be identified. A project plan is to be developed that includes milestones, activities and tasks, resourcing requirements and a project timeline.

Phase Three: Solution Development involves the development of solutions relating to expected impacts of implementation including: financial reporting, transition issues, training requirements, systems and process changes and internal and external communications.

Phase Four: Implementation involves the approval of recommended accounting policy changes by GMP's Audit Committee and the execution of changes to information systems and business processes. This phase will culminate in the collection of financial information necessary to compile IFRS-compliant

financial statements; embedding of IFRS in business processes; and, audit committee approval of IFRS-compliant financial statements.

Phase Five: Post Implementation Review involves the review of post implementation support, including new policies and procedures and the monitoring of IFRS changes.

The diagnostic and design and planning phases were completed in the first half of 2009. The solution development and implementation stages are in progress concurrently and are expected to continue through fiscal 2010. The post-implementation review will commence on completion of the implementation stage. To date, the project is progressing according to plan.

Preliminary findings, progress to date and next steps

The following section presents our findings thus far on the impact of adoption of IFRS on accounting policies, internal controls including disclosure controls, financial reporting expertise, business activities, and information systems. These findings reflect the results of work undertaken during the diagnostic and design and planning phases during 2009 and highlight those areas we believe to be most significant to GMP; however, the conversion project is still in process and this assessment is subject to change. This section also summarizes the current status of convergence activities and planned next steps for each impacted area.

Accounting policies

Set out below are key areas of accounting differences that have been assessed as potentially having the highest impact on GMP's accounting policies and financial reporting as a result of adoption of IFRS. This discussion is not intended to be a comprehensive discussion of all identified differences and this assessment is subject to further changes, as discussed previously. GMP's current accounting policies are disclosed in Note 2 to the 2009 Annual Financial Statements.

Basis of consolidation

Under Canadian GAAP, the determination of whether to consolidate an entity is based on two frameworks: the VIE model and the voting control model. Entities determined to be VIEs where GMP is not considered to be the primary beneficiary are not required to be consolidated under Canadian GAAP.

Under IAS 27, *Consolidated and Separate Financial Statements* ("IAS 27") the determination of whether to consolidate an entity is based on whether GMP has control. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when a parent owns, either directly or indirectly through its subsidiaries, more than half of the voting power of an entity or when the parent owns half or less of the voting power but has a legal or contractual right to control or de-facto control. We are currently undertaking an assessment of the impact of IAS 27 on the consolidated financial statements with a particular focus on the Alpha Master Fund, the Alpha Feeder Funds, the Genesis Fund, and the EdgeStone Funds which are not currently consolidated under Canadian GAAP. Also, unlike Canadian GAAP, IFRS does not exempt investment companies from consolidation of their underlying investments and this may result in the consolidation of certain investee companies of the EdgeStone Funds.

The International Accounting Standards Board ("IASB") has an ongoing project to revisit the principles and application guidance of IAS 27 and is expected to release a revised consolidation standard in 2010. The outcome of this project may have a significant impact on GMP's consolidation conclusions under IAS 27. We are closely monitoring developments in this area.

Financial instruments

IAS 39, *Financial Instruments* ("IAS 39") and GMP's current accounting policies under Canadian GAAP are largely aligned; however, IAS 39 requires that available-for-sale equity instruments which do not have a quoted active market price be measured at fair value using a measurement technique unless

fair value cannot be reliably measured. Under Canadian GAAP, GMP carries such investments at cost.

Impairment of assets

IAS 36, Impairment of Assets ("IAS 36") uses a one-step impairment recognition model. A write-down is recognized if the recoverable amount of the cash generating unit, determined as the higher of the estimated fair value less costs to sell or value in use (discounted cash-flow value), is less than the carrying value. Intangible assets, to the extent they do not generate largely independent cash inflows, and goodwill are aggregated within or allocated to cash generating units for impairment testing purposes.

Canadian GAAP mandates distinct impairment models for goodwill and definite life intangible assets. Goodwill impairment testing is a two step process. Goodwill is first allocated to reporting units. If the fair value of the reporting unit exceeds its carrying value including goodwill, no further testing is performed. If the fair value of the reporting unit is less than its carrying value, the second step is performed to compare the carrying value of the goodwill to its fair value to quantify the amount of impairment, if any. Definite life intangible assets are tested for impairment when an event or change in circumstances indicates that the carrying value may not be recoverable. Impairment is recognized for definite life intangible assets based on estimated fair value when the undiscounted cash flows from the intangible asset (or related group of assets) is less than the carrying value.

GMP is currently revising its impairment testing models to comply with the requirements of IAS 36. This includes reviewing the organizational structure to define GMP's cash generating units and revising its impairment models to reflect the IAS 36 concept of recoverable amount. While the methodology for testing goodwill and intangible assets will change upon adoption of IFRS, GMP does not expect adoption of the new model to trigger a change in financial reporting.

First-time Adoption of International Financial Reporting Standards

IFRS, as a general rule requires the full retrospective application of applicable accounting standards; however, IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to this requirement.

We are analyzing the various accounting policy choices available and expect to conclude on these choices in early 2010. We have commenced the process of quantifying opening balance sheet adjustments in accordance with the transition requirements of IFRS 1 and expect to report on the impact of these adjustments in our quarterly reports in 2010.

Presentation and disclosures

The conversion to IFRS will impact the presentation and disclosures of GMP's consolidated financial statements. The first financial statements prepared using IFRS will be required to include extensive notes disclosing transitional information and a full disclosure of all new IFRS-compliant accounting policies.

Internal controls over financial reporting

To comply with certification requirements of National Instrument 52-109 *Certification of Disclosures in Issuers' Annual and Interim Filings* ("52-109"), internal controls and processes will be instituted and tested to maintain the integrity of data capture required for initial reporting, including comparatives, of IFRS financial statements as well as ongoing IFRS reporting requirements.

Significant changes to internal controls over financial reporting and disclosure controls and procedures may be required to address the data capture and financial reporting requirements arising from the potential increase in the number of entities consolidated by GMP. Further, IFRS requires the increased

use of judgement with respect to certain accounting areas, including the assessment of fair values of private investments and impairment assessments. We are in the process of designing additional controls and procedures to address the above noted changes as part of the solutions development phase.

Also, as part of the continuous assessment processes required for 52-109, certifying officers will assess the adequacy of entity level, business process and information technology controls and will institute changes where necessary to best support the maintenance of a robust control environment for the GMP Group.

Business activities

As part of the solution development phase, we will continue to assess the impact of IFRS on business activities. The most notable impact on business activities identified thus far relates to the debt covenants associated with the Notes, if the number of entities consolidated by GMP increases. We will continue to monitor the IASB's activities with respect to this and other standards and will commence negotiations for the amendment of material agreements if required.

GMP's documented risk management and investment strategies may also need to be revised to address IFRS' requirements for fair valuing private investments and undertaking impairment assessments. Such changes are being addressed as part of the ongoing implementation phase for the respective standards.

We do not currently anticipate any impact on compensation arrangements or other material contracts; however, we will continue to monitor this assessment as part of ongoing activities during the implementation phase.

Information systems

We continue to assess the adequacy of information systems to support the revised data capture and reporting requirements of IFRS. Based on a preliminary assessment, a material change may be required to support the potential increase in the number of entities consolidated by GMP. Other information technology issues identified to date are limited to (a) the need to track IFRS adjustments for the 2010 comparative year and (b) the need to create or modify certain reports to assist in preparing the incremental note disclosure required by IFRS.

Financial reporting expertise

The IFRS implementation team established in 2008, comprising senior management, finance personnel and external advisors, continues to lead the conversion process. Members of the project team routinely attend training conferences and seminars and are provided access to resources to maintain the expertise necessary to assess the impact of existing standards and ongoing changes to IFRS. A key mandate of the IFRS implementation team is to facilitate the continued training of GMP's Board of Directors, Audit Committee and employees and to commence communications with external stakeholders.

The Audit Committee was provided IFRS updates each quarter during fiscal 2009, including a detailed presentation by members of the IFRS implementation team and external advisors, to ensure they become sufficiently knowledgeable regarding IFRS to provide oversight to the conversion project. The Audit Committee will continue to receive quarterly presentations and project status updates from management and will become involved in the approval of accounting policy choices, opening balance sheet adjustments, and changes to presentation and disclosures of the financial statements during fiscal 2010.

We anticipate that commencing in the latter half of 2010 in concurrence with the completion of the implementation phase, investor presentations will include updates to communicate the anticipated impact of adoption of IFRS to external stakeholders. Further, we will continue to disclose significant changes to this assessment and accounting policy choices in our quarterly reports during fiscal 2010.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to GMP is accumulated and communicated to GMP's Chief Executive Officer and Chief Financial Officer to allow for timely decisions regarding required disclosure and to ensure that information required to be disclosed in GMP's annual and interim filings and other reports filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

As of December 31, 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 as at December 31, 2009, the Chief Executive Officer and Chief Financial Officer concluded that GMP's disclosure controls and procedures were effective as of December 31, 2009.

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Management is responsible for establishing and maintaining adequate internal control over financial reporting for GMP.

As of December 31, 2009, management evaluated the effectiveness of GMP's internal control over financial reporting taking into account the nature and size of GMP's business and using the framework and criteria established in the *Internal Control - Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that GMP's internal control over financial reporting was effective as of December 31, 2009 and that there were no material weaknesses that have been identified in our internal control over financial reporting as of December 31, 2009.

Changes in Internal Control over Financial Reporting

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

RISK MANAGEMENT

The securities business is, by its nature, subject to numerous and substantial risks, particularly in volatile or illiquid markets including the risk of losses resulting from the underwriting or ownership of securities, trading, principal activities, counterparty failure to meet commitments, the risk of reduced revenue in periods of reduced demand for public offerings, reduced activity in the secondary markets, the risk that increased competition for suitable investments will continue to erode financing margins, the risk of reduced interest spreads, and the risk resulting from dependence on key personnel.

Management believes that effective risk management is of primary importance to the success of the GMP Group. 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.

Risk Management Structure

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational and compliance processes. Segregation of duties and management oversight are fundamental elements of our risk management process. A number of committees have been established internally to support an effective and dynamic risk management program.

Executive Committee - through both direct and delegated authority, the Executive Committee reviews and approves significant policies and limits for controlling risk, reviews and monitors the major risks we assume or face, provides direction as required and ensures our overall risk profile is consistent with strategic objectives.

Liability Committee - reviews and approves underwriting and distribution activities involving commitments of our regulatory capital. Such capital commitments include offerings of equity and equity-related securities. The committee oversight is designed to ensure that legal, reputational, regulatory and business standards are maintained in conjunction with these activities. In addition to reviewing specific transactions, the Liability Committee periodically conducts strategic reviews of industry sectors and products and establishes policies in connection with transaction practices.

New Names Committee - is responsible for reviewing and approving our involvement in the financing of any entity for which we have previously not acted as underwriter regardless of whether the offering is a best efforts offering or a bought deal underwriting. The committee assesses the quality of potential underwriting clients with a view to protect and enhance the GMP Group's reputation by working with suitable clients.

New Mandate Committee - approves investment banking transactions prior to GMP engaging with a client. The approval of the majority of the New Mandate Committee is required for underwriting transactions, where Liability Committee approval is not required, M&A advisory transactions (new and existing clients), fairness opinions, valuations and such other investment banking mandates that GMP may engage in. For new clients, New Names Committee approval must be obtained prior to obtaining approval from the New Mandate Committee.

Credit Committee - establishes and maintains, through ongoing review, the GMP Group's credit policies and parameters that are implemented by the credit department.

Market Risk

Market risk represents the risk of loss from changes in interest rates, equity prices, currency rates and commodity prices. We are exposed to market risk through our trading activities from our market-making, facilitation trading and investing activities and through our underwriting activities. The level of market risk to which we are exposed varies depending on market conditions, expectations of future price and yield movements and the composition of our security holdings. GMP segregates market risk into three categories: fair value risk, interest rate risk and currency 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. 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, preferred dividends received on its Class A and Class B preference share investments in Richardson GMP, interest earned on its subordinated loan provided to Richardson GMP and interest paid on its subordinated loan and other bank loans. 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. For further information regarding market risk and GMP's sensitivity to market risk, please refer to Note 27 in the 2009 Annual Financial Statements.

GMP seeks to manage these risks by diversifying exposures and controlling position sizes. The GMP Group does not take substantial principal positions in any one security or make large directional “bets” on the market. Capital limits for trading are recommended by senior management, approved by the Board of Directors of GMP and communicated to the executives responsible. Trading desk managers have the first line of responsibility for managing risk within prescribed limits. These managers have in-depth knowledge of the primary sources of risk in their respective markets and the instruments available to hedge their exposures. Trading activity and related capital usage are continually monitored by the GMP Group’s compliance and finance personnel, respectively, and reviewed regularly by senior management.

Market risks relating to underwriting activities arise if the underwriter is unable to resell the securities it is committed to purchase or if it is forced to liquidate its commitment at less than the agreed purchase price. In addition, an underwriter may retain significant concentrated positions in individual securities. The GMP Group uses a disciplined approval and risk management process to determine its participation in underwritten deals, imposing guidelines, approved by the Board of Directors of GMP, on maximum capital exposure on any given deal and requiring senior management approval on all transactions. In addition, the GMP Group limits its maximum risk exposure by limiting deal size and participating in most financings on a syndicated basis.

An improvement in capital market conditions in fiscal 2009 led to an increase in client trading activity and contributed to a reduction in facilitation trading losses in fiscal 2009. These factors contributed to an increase in trading inventories related to client facilitation and an increase in the valuations of securities held. In fiscal 2009, facilitation trading losses were 8% of gross commissions generated compared with 25% in fiscal 2008. Management continues to assess facilitation trading losses over the course of a market cycle, and expects facilitation trading losses to remain within its historical target of 20%. The solid rebound in equity market conditions in fiscal 2009 compared with fiscal 2008 also led to notable increases in the fair value of net security positions held related to principal activities.

Credit Risk

Credit risk is the risk of loss associated with the inability of a third party to fulfill its payment obligations. The GMP Group is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations. These parties include trading counterparties, customers, clearing agents, exchanges, clearing houses and other financial intermediaries as well as issuers whose securities are held by GMP. These parties may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons.

The primary source of credit risk to the GMP Group arises when the GMP Group 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. The GMP Group faces a risk of financial loss in the event a client fails to meet a margin call if market prices for securities held as collateral decline and the GMP Group is unable to recover sufficient value from the collateral held. Amounts loaned to any client are limited by the GMP Group’s credit limits which are generally more restrictive than those required by the IIROC. GMP monitors and actively follows up on margin calls daily. It is GMP’s policy to provide an allowance against all unsecured client loan receivable balances. During fiscal 2009, GMP recorded a provision for doubtful accounts of \$0.2 million (NIL as at December 31, 2008). GMP closely monitors credit exposure to individual counterparties on an ongoing basis.

In fiscal 2009, GMP extended additional credit to clients to purchase securities as the collateral value of securities supporting outstanding client loans increased. Loans receivable from clients at December 31, 2009 increased \$85.6 million relative to December 31, 2008.

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. The 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. Further,

our ability to sell certain security holdings may be impaired if other market participants are seeking to sell similar assets at the same time.

The GMP Group seeks to maintain sufficient liquidity under normal market environments and also through periods of financial stress, as experienced in fiscal 2008. The liquidity of our major subsidiaries is continually evaluated, factoring in business requirements, market conditions and regulatory capital requirements. Our liquidity and funding procedures are intended to ensure compliance with applicable regulatory restrictions and requirements and to ensure appropriate liquidity in each region and subsidiary. The GMP Group continues to operate in accordance with our operating procedures in managing the GMP Group's liquidity risk. For further information, refer to the "Liquidity and Capital Resources" section of this MD&A and Note 27 in the 2009 Annual Financial Statements.

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.

We manage operational risk through the application of long-standing, but continuously evolving, firm-wide control standards: the training, supervision and development of our people; the active participation and commitment of senior management in a continuous process of identifying and mitigating key operational risks across the firm; and a framework of strong and independent control personnel that monitor operational risk on a daily basis. Together, these elements form a strong firm-wide control culture that serves as the foundation of our efforts to minimize events that create operational risk and the damage they can cause. There were no material changes to GMP's operational risk profile during fiscal 2009.

Legal and Regulatory Risk

The GMP Group is subject to extensive regulation under securities laws of the jurisdictions in which we operate including Canada, the United States and the United Kingdom. In the event of non-compliance, regulators may institute administrative or judicial proceedings that may result in censure, fines, civil penalties, suspension or disqualification of officers or employees, or other adverse consequences. The imposition of any such penalties or orders on the GMP Group could have a material adverse effect on its operating results and financial condition.

Our regulatory compliance philosophy is to manage regulatory and legal risks through the promotion of a strong compliance culture and the integration of strong controls within the business and support areas. Our compliance department directly supports our management of regulatory, compliance and legal risk through approval of our ethics and compliance program, which includes our code of conduct and enterprise compliance management framework, as well as specific policies and procedures in areas such as anti-money laundering, privacy and information protection, conflicts of interest, insider trading, corporate finance and sales and trading practices. It serves as the senior management focal point in initiating response to and action on new and changing regulatory and compliance risks.

GMP's subsidiaries in the normal course of business are involved in legal proceedings, including regulatory investigations. An adverse resolution of any lawsuits against the GMP Group could materially affect the GMP Group's operating results and financial condition. 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 the GMP Group. In addition to other information contained or incorporated by reference in this MD&A, the "Risk Factors" section in our annual information form dated March 1, 2010 should be given careful consideration. Additional risks and uncertainties not currently known to the GMP Group, or that the GMP Group currently considers immaterial, may also impair the operations of the GMP Group. If any such risks actually occur, the business, financial condition, or liquidity and results of operations of the GMP Group, and the ability of GMP to pay dividends on GMP common shares, could be materially adversely affected.

ADDITIONAL INFORMATION

Additional information relating to GMP is available on our website at gmpcapital.com and on SEDAR at sedar.com, including our annual information form dated March 1, 2010. GMP's form of proxy and management information circular for the annual general meeting of shareholders scheduled to take place on May 7, 2010, is expected to be available on our website and on SEDAR on April 14, 2010.