



**Leadership in**

# **Alternative Asset Management**

**FIRST QUARTER REPORT, DECEMBER 31, 2013**

## **REPORT TO SHAREHOLDERS**

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Integrated Asset Management Corp. (“IAM” or the “Corporation”) presents to shareholders the financial results of the Corporation for the first quarter of fiscal 2014.

Net income for the quarter ended December 31, 2013 was \$6.2 million (\$0.23 per share) versus net income of \$0.1 million (\$0.00 per share) in the quarter ended December 31, 2012.

In December 2013 the Corporation closed the sale of BluMont Capital Corporation and recorded a gain, net of income taxes, of approximately \$6.7 million and operating losses for the prior two months of approximately \$0.2 million for an aggregate net income from discontinued operations of \$6.5 million or \$0.24 per share.

EBITDA (continuing operations as defined in the MD&A) in the latest quarter was negative \$0.3 million versus \$0.0 million in the same quarter of the last fiscal year. There were lower than anticipated levels of commitments deployed from the real estate and private debt funds and accordingly, commitment fees were nominal in the quarter. Earnings per share from continuing operations was \$(0.01) per share in the latest quarter compared with \$0.01 per share in the prior year’s quarter. The Corporation expects EBITDA will improve as committed capital is deployed, thus generating increased management fees.

With respect to the funds, the Private Debt Group has committed 27% of Fund IV which closed in October 2013. Progress has been made in raising the Long Term Fund and a first close is expected in the third quarter and a final close in the fourth quarter of fiscal 2014. The Real Estate Group has virtually completed the investment of its 12<sup>th</sup> fund and expects to announce the first close of the 13<sup>th</sup> fund (IAM’s first open ended fund) in February 2014.

After the sale of BluMont Capital Corporation, IAM is focused on actively expanding our real estate and private debt operations as well as seeking accretive acquisitions in the institutional alternative investment space.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Management's Discussion and Analysis ("MD&A") dated February 6, 2014 presents an analysis of the financial condition of Integrated Asset Management Corp. ("IAM" or the "Corporation") and its subsidiaries as at December 31, 2013 compared with September 30, 2013 and the results of operations for the quarter ended December 31, 2013 compared with the quarter ended December 31, 2012. It should be read in conjunction with the Corporation's unaudited interim financial statements for the three months ended December 31, 2013 and the audited financial statements for the year ended September 30, 2013 including the MD&A for that year.

This MD&A contains forward-looking statements on the Corporation's business, strategies, opportunities and future financial results. These statements are not promises or guarantees and are based on assumptions and estimates which are subject to many different risks and uncertainties, any of which could cause actual results to be significantly different from those derived from the forward-looking statements. The reader should not place undue reliance on any such forward-looking statements, which are presented as of February 6, 2014, except when otherwise stated. For more information on the risk factors which may impact actual results, please refer to the "Risk Factors" section of the Corporation's Annual Information Form, dated December 12, 2013.

The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are denominated in Canadian dollars, the functional currency of the Corporation.

This MD&A includes non-IFRS financial measures that the Corporation considers shareholders, investment analysts, and other readers find helpful in understanding IAM's financial performance. Management uses these measures in analyzing and comparing IAM's financial performance from one period to another. Nevertheless, these financial measures do not have any standardized meaning prescribed by IFRS and may not have been calculated in the same way as similarly named financial measures presented by other companies.

This MD&A and additional information relating to IAM, including the Annual Information Form, are on SEDAR at [www.sedar.com](http://www.sedar.com).

### **BUSINESS REVIEW**

IAM is an alternative asset management company offering alternative asset class management to institutional, pension and private clients. The Corporation provides investors with a range of asset classes such as real estate, private debt, managed futures and private equity. The Corporation had assets and committed capital under management ("AUM") of approximately \$1.9 billion at December 31, 2013.

The Corporation's private debt, real estate and private equity products are mostly pools of assets managed by the Corporation for investors and the life of each pool of assets can be up to twelve years. Typically, the Corporation markets for commitments from investors interested in the asset class. The pool is then closed and the pool makes acquisitions of assets to deploy the commitments over a number of years. For these types of pools, the Corporation receives fees only when the commitments are deployed and assets are being managed. Generally, there is little or no liquidity for the investors during the term of a pool and the pool can be liquidated earlier than scheduled only in exceptional circumstances.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The Corporation's other financial products, namely managed futures, are subject to agreements, in accordance with industry practices, whereby clients can withdraw their assets or terminate the contracts on short notice.

In December 2013 the Corporation sold its wholly-owned subsidiary, BluMont Capital Corporation ("BluMont Capital"), which provides financial products for Canadian retail investors.

### **ASSETS AND COMMITTED CAPITAL UNDER MANAGEMENT ("AUM").**

(\$ millions)	<b>December 31, 2013</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
AUM	\$ 1,898	\$ 1,935	\$ 1,886

AUM were relatively unchanged during the quarter. The AUM shown for both September 30, 2013 and December 31, 2013 exclude the AUM of BluMont Capital because the Corporation had entered into the agreement to sell the subsidiary in September 2013.

The principal changes in AUM between December 31, 2012 and December 31, 2013 are the sale of BluMont Capital which reduced AUM by approximately \$276 million (at September 30, 2013) and the closing of a private corporate debt fund in July 2013 which raised \$387 million in commitments.

### **RESULTS OF OPERATIONS**

The financial statements of the Corporation for fiscal years 2014 and 2013 include the operating results of BluMont Capital until the completion of the sale. These operations are separated and classified as "discontinued operations"; the remaining operations of IAM are classified as "continuing operations". For example, on the Table of Selected Financial Information, shown on the next page, "Total revenues" exclude the revenues of BluMont Capital in both quarters.

Discontinued operations in the quarter ended December 31, 2013 comprise \$6.7 million representing the gain on the sale of BluMont Capital net of income taxes and \$0.2 million representing the operating losses of BluMont Capital for the period from October 1, 2013 to the completion of the sale in December 2013.

The Corporation has recognized proceeds of approximately \$9.7 million in respect of the sale. This comprises cash received on closing in December 2013 of approximately \$6.6 million and cash of approximately \$3.1 million which the Corporation expects to receive in February 2014. The \$3.1 million is based on a specific percentage of the net performance fees realized by BluMont Capital as at December 31, 2013.

EBITDA from continuing operations was negative \$0.3 million in the quarter ended December 31, 2013 compared with \$0.0 million for the three-month period ended December 31, 2012. There were lower than anticipated levels of commitments deployed from the real estate and private debt funds and accordingly, commitment fees were nominal in the quarter.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Selected Financial Information (in \$000's, except per share amounts)	3 Month Period Ended December 31,	
	2013	2012
Revenues before the undernoted	\$ 2,072	\$ 2,386
Performance fees	-	2
Investment gain	204	156
Total revenues <sup>(1)</sup>	\$ 2,276	\$ 2,544
Net performance fees <sup>(2)</sup>	\$ -	\$ 2
Reconciliation of EBITDA to Net Income and Comprehensive Income		
Earnings (loss) before interest, taxes, depreciation and amortization ("EBITDA") <sup>(3)</sup>	\$ (318)	\$ 22
Amortization	(255)	(272)
Interest expense	(10)	(6)
Stock-based compensation	(5)	(12)
Investment gain	204	156
Non-controlling interest share of income	(2)	(1)
Income taxes	115	349
Income (loss) from continuing operations, net of income taxes	(271)	236
Discontinued operations		
Gain on sale of discontinued operations, net of income taxes	6,684	-
Loss, net of income taxes	(172)	(94)
Net income and comprehensive income	\$ 6,241	\$ 142
Net income (loss) attributed to:		
Common shareholders of the Corporation	6,248	140
Non-controlling interest	(7)	2
	6,241	142
Basic and diluted earnings per share	\$ 0.23	\$ 0.00

<sup>(1)</sup>Total revenues are in respect of continuing operations and do not include BluMont Capital Corporation.

<sup>(2)</sup>Net performance fees is a non-IFRS financial measure used by the Corporation. This measure is calculated as performance fee revenue less investment advisor, service fees and expenses relating to performance fee revenue earned.

<sup>(3)</sup>EBITDA is a non-IFRS financial measure used by the Corporation. This measure is calculated as earnings before non-controlling interest, interest expense, income taxes, depreciation and amortization, stock-based compensation and investment gains and losses.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

### **REVENUES**

Management fees and other income were \$2.0 million in the latest quarter, down \$0.4 million from \$2.4 million in the comparable quarter of fiscal 2012. The decrease is due to reduced commitment fees as a result of nominal deployment of commitments during the quarter by both the real estate and private debt funds.

### **EXPENSES**

The Corporation reported consolidated expenses for the quarter ended December 31, 2013 of \$2.7 million which were unchanged from the first quarter of fiscal 2013.

Amortization of intangible assets was \$0.2 million for the quarter ended December 31, 2013 (similar to the prior year's quarter) and is comprised primarily of amortization of fund management contracts set up to account for acquisitions by the Corporation. These contracts are being amortized over a seven year period and the related non-cash accounting expense will end in fiscal 2015.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### CONSOLIDATED FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2013, the Corporation's net liquid assets were \$14.7 million, up \$7.0 million from \$7.7 million at September 30, 2013.

The sale of BluMont Capital resulted in the Corporation recognizing proceeds of approximately \$9.7 million, of which approximately \$3.1 million is expected to be received in February 2014. The impact of the sale on the Corporation's net liquid assets is approximately \$7.0 million representing the gain on the sale of \$6.7 million and the monetization of approximately \$0.3 million of BluMont Capital assets other than net liquid assets.

Cash flow from operations (which is a non-IFRS measure) was (\$0.01) per share for the three months ended December 31, 2013 and \$0.00 per share in the comparable three months of fiscal 2012.

(in \$000's, except per share amounts)	<u>3 Month Period</u> <u>Ended December 31,</u>	
	2013	2012
Cash flow used in operations <sup>(1)</sup>	\$ (193)	\$ (129)
Cash flow from operations per share <sup>(2)</sup>	\$ (0.01)	\$ 0.00

<sup>(1)</sup>These amounts are shown on the consolidated statements of cash flows in the consolidated financial statements, under "cash provided by operating activities before changes in operating assets and liabilities" and are in respect of continuing operations.

<sup>(2)</sup>Calculated by dividing cash flow from operations by the weighted average number of shares outstanding in the quarter.

Cash flow from operations in the three months ended December 31, 2013 was \$(0.2) million; investment gain of \$0.2 million (not included in cash flow from operations) increased the Corporation's net liquid assets.

On May 16, 2013, the Corporation announced its notice of intention to make a Normal Course Issuer Bid ("NCIB") for the purchase, through the facilities of the Toronto Stock Exchange ("TSX"), for cancellation of certain of its common shares. Pursuant to the NCIB, the Corporation is permitted to purchase up to 1,415,507 common shares at prevailing market prices during the 12 month period commencing May 21, 2013 and ending May 20, 2014.

During the quarter ended December 31, 2013, 729,000 common shares were purchased for an aggregate cash consideration of \$508,530. In aggregate, the Corporation has acquired approximately 1,245,500 common shares under the NCIB representing approximately 4.4% of the shares outstanding at the commencement of the NCIB.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

### **OUTSTANDING SHARE DATA (as at February 6, 2014)**

Common shares	
Issued and outstanding	27,064,650 <sup>(1)</sup>
Stock options	1,475,000 <sup>(2)</sup>

<sup>(1)</sup> After deducting shares purchased by IAM which are to be cancelled.

<sup>(2)</sup> Stock options to acquire 1,475,000 common shares are at prices ranging from \$0.55 to \$1.45 per common share.

### **RISK FACTORS**

Over the past quarter, the financial outlook and the risks and uncertainties faced by the Corporation are similar to those described in the 2013 Annual Report.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has no off-balance sheet financial arrangements and no material contractual obligations other than those described in the 2013 Annual Report.

### **RELATED PARTY TRANSACTIONS**

There were no changes in the nature of related party transactions entered into by the Corporation in the three months ended December 31, 2013. The 2013 Annual Report provides further information on related party transactions.

### **SIGNIFICANT ACCOUNTING POLICIES**

These unaudited interim financial statements have been prepared in accordance with IFRS using the same accounting policies as those used in the Corporation's annual audited financial statements for the year ended September 30, 2013. There were no changes to the Corporation's accounting policies from those reported in those audited annual financial statements.



## **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The process of applying the Corporation's accounting policies requires management to make significant judgements involving assumptions and estimates. These are referred to in note 2 of the audited financial statements for the year ended September 30, 2013.

## **CONTROLS AND PROCEDURES**

Management, under the direction of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), has evaluated the effectiveness of the disclosure controls and procedures (as defined in applicable Canadian securities laws) of the Corporation as of the end of the period covered by this MD&A. As a result, the CEO and CFO have concluded that they are reasonably assured the Corporation's disclosure controls and procedures are effective to ensure that all information required to be disclosed by the Corporation in reports that it files or furnishes under applicable Canadian securities laws is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Canadian securities regulatory authorities and (ii) accumulated and communicated to the Corporation's management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

## **CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There was no change in the Corporation's internal controls over financial reporting that occurred during the last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Corporation's internal controls over financial reporting.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### SELECTED QUARTERLY INFORMATION

(\$000's, except per share amounts)	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Revenues before performance fees	\$ 2,276	\$ 2,794	\$ 4,065	\$ 2,710
Performance fees	-	-	2	5
<b>Total revenues (continuing operations)</b>	<b>\$ 2,276</b>	<b>\$ 2,794</b>	<b>\$ 4,067</b>	<b>\$ 2,715</b>
Net performance fees (continuing operations)	\$ -	\$ -	\$ 2	\$ 5
EBITDA (continuing operations)	\$ (318)	\$ 277	\$ 812	\$ 160
Net income (loss) from continuing operations <sup>(1)</sup>	\$ (264)	\$ (246)	\$ 366	\$ 205
Net income (loss) from discontinued operations	\$ 6,511	\$ (398)	\$ (125)	\$ (466)
Net income (loss) and comprehensive income <sup>(1)</sup>	\$ 6,248	\$ (644)	\$ 241	\$ (261)
Earnings per share Basic and diluted (continuing operations)	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ 0.01
Basic and diluted (discontinued operations)	\$ 0.24	\$ (0.01)	\$ (0.00)	\$ (0.02)
<b>AUM (\$ millions)</b>	<b>\$ 1,898</b>	<b>\$ 1,935</b>	<b>\$ 1,759</b>	<b>\$ 1,886</b>

(\$000's, except per share amounts)	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Revenues before performance fees	\$ 2,543	\$ 2,284	\$ 2,177	\$ 3,170
Performance fees	1	-	853	902
<b>Total revenues</b>	<b>\$ 2,544</b>	<b>\$ 2,284</b>	<b>\$ 3,030</b>	<b>\$ 4,072</b>
Net performance fees	\$ 1	\$ -	\$ 655	\$ 662
EBITDA	\$ 22	\$ (155)	\$ 665	\$ 766
Net income (loss) from continuing operations <sup>(1)</sup>	\$ 234	\$ (197)	\$ (171)	\$ 305
Net loss from discontinued operations	\$ (94)	\$ (258)	\$ (482)	\$ (549)
Net income (loss) and comprehensive income <sup>(1)</sup>	\$ 140	\$ (455)	\$ (653)	\$ (244)
Earnings per share Basic and diluted (continuing operations)	\$ 0.01	\$ (0.01)	\$ 0.00	\$ 0.01
Basic and diluted (discontinued operations)	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
<b>AUM (\$ millions)</b>	<b>\$ 1,886</b>	<b>\$ 1,942</b>	<b>\$ 1,896</b>	<b>\$ 1,940</b>

<sup>(1)</sup>Attributed to the common shareholders of the Corporation.

**Integrated Asset Management Corp.**  
**Consolidated Balance Sheets - Unaudited**

	Notes	December 31, 2013	September 30, 2013
<b>Assets</b>			
Current			
Cash and cash equivalents		\$ 9,326,879	\$ 6,603,491
Receivables		4,417,649	1,198,075
Income taxes recoverable		1,154,807	657,553
Prepays		127,446	148,218
Proprietary investments	(Note 4)	2,985,051	2,788,111
Other assets		12,500	12,500
Assets of discontinued operations held for sale		-	2,861,780
Total current assets		<u>18,024,332</u>	<u>14,269,728</u>
Property and equipment		115,690	114,383
Intangible assets		3,348,537	3,588,182
Proprietary investments	(Note 4)	600,540	600,540
Other assets		2,285,894	2,198,394
Deferred income taxes	(Note 9)	216,229	295,520
		<u>\$ 24,591,222</u>	<u>\$ 21,066,747</u>
<b>Liabilities</b>			
Current			
Payables and accruals		\$ 2,636,965	\$ 2,593,173
Dividends payable		-	1,389,684
Income taxes payable		680,245	385,347
Non-controlling interest	(Note 4)	-	4,960
Liabilities of discontinued operations held for sale		-	1,243,861
Total current liabilities		<u>3,317,210</u>	<u>5,617,025</u>
Tenant inducements and deferred revenue		421,422	272,438
Post retirement obligation		126,500	100,000
Deferred income taxes	(Note 9)	473,838	533,777
Total liabilities		<u>4,338,970</u>	<u>6,523,240</u>
<b>Shareholders' Equity</b>			
Capital stock	(Note 5)	19,225,140	19,742,979
Contributed surplus	(Note 5)	1,063,162	1,057,836
Deficit		(324,354)	(6,581,530)
Non-controlling interest		288,304	324,222
Total shareholders' equity		<u>20,252,252</u>	<u>14,543,507</u>
		<u>\$ 24,591,222</u>	<u>\$ 21,066,747</u>

See accompanying notes to the consolidated financial statements.

**Integrated Asset Management Corp.**  
**Consolidated Statements of Income (Loss) and Comprehensive Income (loss) – Unaudited**

For the period ended December 31	Notes	3 Months	
		2013	2012
<b>Revenues</b>			
Management fees, administration and redemption fees		\$ 2,049,264	\$ 2,350,605
Performance fees		-	1,549
Investment gain	(Note 7)	203,872	156,306
Interest and other income		23,090	36,125
		<u>2,276,226</u>	<u>2,544,585</u>
<b>Expenses</b>			
Selling, general and administration	(Note 8)	2,390,083	2,364,871
Stock-based compensation	(Note 5)	5,326	11,641
Amortization of property and equipment		7,504	25,164
Amortization of intangible assets		247,966	248,393
Interest expense		9,602	6,271
		<u>2,660,481</u>	<u>2,656,340</u>
Non-controlling interest share of income	(Note 7)	1,971	1,413
Total expenses		<u>2,662,452</u>	<u>2,657,753</u>
Loss before income taxes		<u>(386,226)</u>	<u>(113,168)</u>
Income taxes (recovery)			
Current		(134,206)	145,733
Deferred		19,352	(494,618)
		<u>(114,854)</u>	<u>(348,885)</u>
Income (loss) from continuing operations, net of income taxes		\$ (271,372)	\$ 235,717
Gain on sale of discontinued operations, net of income taxes		6,683,808	-
Loss from discontinued operations, net of income taxes		(171,782)	(93,507)
Net income and comprehensive income		<u>6,240,654</u>	<u>142,210</u>
<b>Net income (loss) attributed to:</b>			
Common shareholders of the Corporation		\$ 6,247,867	\$ 139,571
Non-controlling interest		(7,213)	2,639
		<u>\$ 6,240,654</u>	<u>\$ 142,210</u>
<b>Earnings per share attributed to the common shareholders of the Corporation</b>			
<b>Basic and diluted earnings per share</b>			
Continuing operations		\$ (0.01)	\$ 0.01
Discontinued operations		0.24	(0.01)
		<u>\$ 0.23</u>	<u>\$ 0.00</u>

See accompanying notes to the consolidated financial statements.

**Integrated Asset Management Corp.**  
**Consolidated Statement of Changes in Shareholders' Equity – Unaudited**

	Number of Shares Outstanding	Capital Stock \$	Contributed Surplus \$	Retained Earnings (Deficit) \$	Non- Controlling Interest \$	Total Equity \$
<b>At September 30, 2013</b>	<b>27,793,650</b>	<b>19,742,979</b>	<b>1,057,836</b>	<b>(6,581,530)</b>	<b>324,222</b>	<b>14,543,507</b>
Stock-based compensation	-	-	5,326	-	-	5,326
Net income (loss) and comprehensive income (loss)	-	-	-	6,247,867	(7,213)	6,240,654
Distributions paid to non- controlling interest	-	-	-	-	(28,705)	(28,705)
Common shares purchased for cancellation	(729,000)	(517,839)	-	9,309	-	(508,530)
<b>Balance, December 31, 2013</b>	<b>27,064,650</b>	<b>19,225,140</b>	<b>1,063,162</b>	<b>(324,354)</b>	<b>288,304</b>	<b>20,252,252</b>
<b>At September 30, 2012</b>	<b>28,310,150</b>	<b>20,109,870</b>	<b>1,020,098</b>	<b>(4,776,067)</b>	<b>411,213</b>	<b>16,765,114</b>
Stock-based compensation	-	-	11,641	-	-	11,641
Net income and comprehensive income	-	-	-	139,571	2,639	142,210
Other	-	-	-	-	471	471
<b>Balance, December 31, 2012</b>	<b>28,310,150</b>	<b>20,109,870</b>	<b>1,031,739</b>	<b>(4,636,496)</b>	<b>414,323</b>	<b>16,919,436</b>

See accompanying notes to the consolidated financial statements.

**Integrated Asset Management Corp.**  
**Consolidated Statements of Cash Flows - Unaudited**

For the period ended December 31	Notes	3 Months	
		2013	2012
<b>Operating activities</b>			
Net income (loss)		\$ (271,372)	\$ 235,717
Add (subtract) non-cash items:			
Stock-based compensation	(Note 5)	5,326	11,641
Amortization of property and equipment		7,504	25,164
Amortization of intangible assets		247,966	248,393
Deferred income taxes recovery		19,352	(494,624)
Investment gain		(203,872)	(153,306)
Non-controlling interest share of income		1,971	1,413
		<u>          </u>	<u>          </u>
Cash used in operating activities before changes in operating assets and liabilities		(193,125)	(128,602)
Net change in non-cash balances relating to operations		(1,671,017)	(1,293,045)
Interest paid		(9,602)	(6,271)
Income taxes paid		(17,316)	(530,000)
Cash used in continuing operating activities		(1,891,060)	(1,957,918)
Cash provided by (used in) discontinued operating activities		175,673	(111,481)
		<u>          </u>	<u>          </u>
Cash used in operating activities		(1,715,387)	(2,069,399)
<b>Investing activities</b>			
Cash included in assets of division sold		(672,632)	(150,140)
Purchase of property and equipment		(17,132)	(13,131)
Proceeds from sale of division		6,646,000	-
Cash provided by (used in) continuing investing activities		5,956,236	(163,271)
Cash used in discontinued investing activities		(28,473)	(26,630)
		<u>          </u>	<u>          </u>
Cash provided by (used in) investing activities		5,927,763	(189,901)
<b>Financing activities</b>			
Dividends paid to shareholders		(1,389,684)	-
Distributions paid to non-controlling interest		(28,705)	-
Common shares repurchased for cancellation		(508,530)	-
Issuance of management loans		(100,000)	-
Repayment of management loans		12,500	-
Cash used in continuing financing activities		(2,014,419)	-
Cash provided by discontinuing financing activities		41,733	2,750
		<u>          </u>	<u>          </u>
Cash (used in) provided by financing activities		(1,972,686)	2,750
Increase (decrease) in cash and cash equivalents		2,239,690	(2,256,550)
Cash continuing operations, beginning of period		6,603,491	7,244,488
Cash discontinuing operations, beginning of period		483,698	-
Cash and cash equivalents, end of period		\$ <u>9,326,879</u>	\$ <u>4,987,938</u>

See accompanying notes to the consolidated financial statements.

## **1. ORGANIZATION**

Integrated Asset Management Corp. (the "Corporation" or "IAM") is incorporated under the laws of Ontario and its common shares are listed on the Toronto Stock Exchange ("TSX"). Its registered office is at 70 University Avenue, Suite 1200, Toronto, Ontario. The Corporation's principal business is alternative asset management and it operates in one geographic segment (Canada).

The Corporation manages assets across a variety of alternative asset classes for institutional and high net worth customers. All of the Corporation's revenues and cash flows are derived from managing and administering this business.

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

These interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") and with International Financial Reporting Standards ("IFRS"). These interim financial statements should be read in conjunction with the Corporation's annual financial statements for the year ended September 30, 2013.

These interim financial statements were authorized for issuance by the Board of Directors of IAM on February 6, 2014.

### **Basis of presentation**

The interim financial statements of IAM have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value. The accounting policies and methods of computation used in the interim financial statements are the same as those used in the annual financial statements for the year ended September 30, 2013.

### **Principles of consolidation**

The consolidated financial statements include the accounts of the Corporation and the following material subsidiaries:

GPM Investment Management ("GPM") (a partnership)	100%	(a)
Integrated Private Debt Corp. ("IPD")	100%	
BluMont Capital Corporation ("BluMont Capital")	100%	(b)
Integrated Managed Futures Corp. ("IMFC")	77.5%	
Integrated Partners Holding GP One Limited ("IPHGPOL")	57.8%	

(a) In fiscal 2009, the Corporation acquired the remaining 25.025% of GPM that it did not already own. The vendor retained his 25.025% pro-rata economic interest in performance fees that may be realized by GPM from two specific funds in the future.

(b) In December 2013, the Corporation sold all its ownership interest in BluMont Capital Corporation. (*Note 3*)

The interim financial statements include all the assets, liabilities and operations of certain funds managed by the Corporation for the period in which the Corporation had a controlling interest in those funds. Subsidiaries are fully consolidated from the date on which control is obtained by the Corporation and are de-consolidated from the date that control ceases. Intercompany transactions, balances, income, expenses and profit and losses are eliminated. Non-controlling interest represent equity interests in subsidiaries and certain funds owned by outside parties; the share of net assets which is attributable to non-controlling interest is presented as a component of equity and/or liabilities depending on their characteristics. The non-controlling interest's share of net income and comprehensive income is recognized directly in equity, if characterized as equity, and included in the statement of income, if characterized as liabilities. Changes in IAM's ownership interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

The Corporation applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of (i) the assets transferred, (ii) the liabilities incurred to the former owners of the acquiree and (iii) the equity interest issued by the Corporation. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Corporation recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

### Significant accounting judgements and estimates

The process of applying the Corporation's accounting policies requires management to make significant judgements involving assumptions and estimates.

IAM's annual financial statements for the year ended September 30, 2013 describe the key assumptions and estimates which could have a material impact on the carrying amounts of the assets and liabilities of the Corporation.

### 3. DISCONTINUED OPERATIONS

On December 2, 2013, the Corporation completed the sale of all its shares of BluMont Capital. The Corporation has recognized consideration of \$9,733,991 in respect of the sale. This comprises cash of \$6,646,000 received on closing and future consideration represented by cash receivable of \$3,087,991 which the Corporation has recorded as a receivable as at December 31, 2013.

In addition, the Corporation is entitled to receive future considerations based on a specific percentage of any net performance fees (as defined) realized in 2014 and 2015.

The Corporation has recorded a gain on sale of discontinued operations, net of income taxes of \$6,683,808.

Consideration	
Cash received	\$ 6,646,000
Cash receivable as at December 31, 2013	3,087,991
	<u>9,733,991</u>
Less: net assets of BluMont Capital disposed	(1,442,730)
	<u>8,291,261</u>
Other items	
Expenses related to the sale	(1,313,787)
Tax on net proceeds	(293,666)
Gain on sale, net of income taxes	<u>\$6,683,808</u>



For the three months ended December 31, 2013 and 2012, the operating performance of BluMont Capital up to December 2, 2013 has been included in the Corporation's Consolidated Statement of Income as "discontinued operations" and comprises the following:

<b>For the period ended December 31</b>	<b>2013</b>	2012
<b>Revenue</b>		
Management fees, administration and redemption fees	\$ 644,574	\$ 985,868
Performance fees	-	216,553
Investment gain (loss)	11,643	(2,543)
Interest and other income	6,323	7,511
	<b>662,540</b>	1,207,389
<b>Expenses</b>		
Selling, general and administration	473,508	751,578
Investment advisor fees	97,621	88,944
Service fees paid to dealers	213,372	318,924
Investment advisor, service fees and expenses paid relating to performance fees revenue earned	-	72,561
Amortization of property and equipment	2,173	4,175
Amortization of intangible assets	47,648	64,714
	<b>834,322</b>	1,300,896
Net loss and comprehensive loss from discontinued operations	<b>\$ (171,782)</b>	\$ (93,507)

#### 4. PROPRIETARY INVESTMENTS

	<b>December 31, 2013</b>	September 30, 2013
Held-for-trading securities, positions held long	\$ 2,985,051	\$ 2,788,111
Unlisted securities, positions held long	600,540	600,540
	<b>\$ 3,585,591</b>	<b>\$ 3,388,651</b>
Less amount included in current assets	(2,985,051)	(2,788,111)
	<b>\$ 600,540</b>	<b>\$ 600,540</b>

As at September 30, 2013, the Corporation had a controlling interest in one fund and, in accordance with IFRS, included all of the assets, liabilities and results of operations of that fund in the Corporation's consolidated financial statements for the period in which the Corporation had a controlling interest in that fund. The non-controlling interest in the fund in the amount of \$4,960 has been included as a liability on the Corporation's consolidated balance sheet as at September 30, 2013. As at December 31, 2013, the Corporation had no controlling interests in any funds.

## 5. SHAREHOLDERS' EQUITY

### a) Capital Stock

The Corporation is authorized to issue an unlimited number of common shares.

<b>Issued:</b>	<b>Number of Common Shares</b>	<b>Stated Value</b>
As at September 30, 2013	27,793,650	\$ 19,742,979
Purchased for cancellation	(729,000)	(517,839)
As at December 31, 2013	27,064,650	\$ 19,225,140

On May 16, 2013, the Corporation announced its notice of intention to make a Normal Course Issuer Bid ("NCIB") in which the Corporation is permitted to purchase, for cancellation, up to 1,415,507 common shares of the Corporation at prevailing market prices during the 12 month period commencing May 21, 2013 and ending May 20, 2014.

From October 1, 2013 to December 31, 2013 the Corporation purchased 729,000 common shares under the NCIB for aggregate cash consideration of \$508,530.

The excess of the reduction of the Capital Stock over the purchase consideration of \$508,530 is \$9,309 and is credited to retained earnings.

### b) Contributed surplus

As at September 30, 2013	\$ 1,057,836
Stock-based compensation	5,326
As at December 31, 2013	\$ 1,063,162

### c) Stock option plan

The Corporation has an incentive stock option plan for the executives, key employees, directors and consultants to the Corporation. The Corporation does not issue equity or cash in return for the cancellation of options.

The changes in the stock options are as follows:

	<b>Total number of Options</b>	<b>Weighted Average Exercise Price</b>
As at September 30, 2013	2,150,000	\$0.96
Cancelled and expired	(675,000)	\$1.44
As at December 31, 2013	1,475,000	\$0.74

Incentive stock options vest one-third on each of the second, third and fourth anniversary of the date of grant. The expenses relating to the cancelled options are not reversed due to an estimated forfeiture rate being included in the option grant's fair value calculation.

The following table summarizes information about the Corporation's stock option plan at December 31, 2013:

<b>Number of Options Outstanding</b>	<b>Number of Options Vested and Exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
40,000	-	\$0.55	2019
140,000	46,667	\$0.90	2018
1,045,000	696,667	\$0.70	2017
210,000	156,666	\$0.70	2015
40,000	40,000	\$1.45	2014
1,475,000	940,000		

**d) Basic and diluted earnings per share**

The following table presents the calculation of basic and diluted earnings per common share.

For the period ended December 31	3 Months	
	2013	2012
Numerator		
Net income attributed to common shareholders of the Corporation – basic and diluted	\$ 6,247,867	\$ 139,571
Denominator		
Weighted average number of common shares, basic and diluted	27,126,971	28,310,510
Earnings per common share, basic and diluted	\$ 0.23	\$ 0.00

**e) Maximum share dilution**

The following table presents the maximum number of common shares that would be outstanding if all options were exercised:

Shares outstanding at February 6, 2014	27,064,650
Options to purchase shares	<u>1,475,000</u>
	<u>28,539,650</u>

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**6. DIVIDENDS**

No dividends were declared during the three months ended December 31, 2013 and December 2012.

The following dividends were paid by the Corporation during the three months ended December 31, 2013:

Record Date	Payment Date	Cash Dividend Per Share	Total Dividend Amount
October 7, 2013 – regular dividend	October 23, 2013	\$0.05	\$1,389,684

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**7. INVESTMENT GAIN**

	2013	2012
Held for trading securities and available for sale securities	\$ 203,872	\$ 153,306

The Corporation owns proprietary investments and recognizes the change in fair value of held for trading securities and available for sale securities on the consolidated statements of income (loss) and comprehensive income (loss).

Included in these amounts is an investment gain of \$1,971 (December 31, 2012 – gain of \$1,413) in respect of a fund consolidated in these financial statements that is attributed to the non-controlling interest.

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## 8. SELLING, GENERAL AND ADMINISTRATION EXPENSES

The following table presents the breakdown of selling, general and administrative expenses by nature;

For the period ended December 31	3 Months	
	2013	2012
Salaries and benefits	\$ 1,781,422	\$ 1,825,083
Advertising and marketing	26,066	76,589
Travel and entertainment	81,091	63,791
Consulting fees	23,731	17,723
Occupancy	198,114	119,803
Office expenses	192,839	140,688
Professional fees	51,742	99,616
Fees and licences	35,078	20,947
Other	-	631
	<b>\$ 2,390,083</b>	<b>\$ 2,364,871</b>

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## 9. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The movement in significant components of the Corporation's income tax liabilities and assets for the quarter ended December 31, 2013 is as follows:

	September 30, 2013	Recognized in income	December 31, 2013
<b>Deferred income tax liabilities</b>			
Fund management contracts	\$ 514,115	\$ (64,264)	\$ 449,851
Other	19,662	4,326	23,988
<b>Total deferred income tax liabilities</b>	<b>\$ 533,777</b>	<b>\$ (59,939)</b>	<b>\$ 473,838</b>
<b>Deferred income tax assets</b>			
Unused non-capital tax losses	201,767	(59,553)	142,214
Employee retirement obligations	26,500	8,381	34,881
Other	67,253	(28,119)	39,134
<b>Total deferred income tax assets</b>	<b>\$ 295,520</b>	<b>\$ (79,291)</b>	<b>\$ 216,229</b>
<b>Net deferred income tax liabilities</b>	<b>\$ 238,257</b>	<b>\$ 19,352</b>	<b>\$ 257,609</b>

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## 10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statements presentation.

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## 11. INDEPENDENT REVIEW

The quarterly consolidated financial statements have not been reviewed by the Corporation's external auditors.

## **Integrated Asset Management Corp.**

### **Board of Directors**

December 31, 2013

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Victor Koloshuk  
*Chairman*  
*Integrated Asset Management Corp.*

David Atkins <sup>(1)</sup> <sup>(2)</sup>  
*Corporate Director*

Joseph Benarrosh  
*Directeur, Quebec*  
*Integrated Asset Management Corp.*

John Crocker <sup>(1)</sup> <sup>(2)</sup>  
*Corporate Director*

Bruce Day <sup>(1)</sup> <sup>(2)</sup>  
*Corporate Director*

Veronika Hirsch  
*Executive Vice President and Portfolio Manager,*  
*Arrow Capital Management Inc.*

Stephen Johnson <sup>(3)</sup>  
*Chief Financial Officer,*  
*Integrated Asset Management Corp.*

David Mather  
*Executive Vice President,*  
*Integrated Asset Management Corp.*

John Robertson  
*Chief Executive Officer,*  
*Integrated Asset Management Corp.*

<sup>(1)</sup>Member of the Audit Committee

<sup>(2)</sup>Member of the Compensation and Governance Committee

<sup>(3)</sup>Secretary of the Corporation

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## **Integrated Asset Management Corp.**

### **Principal Officers**

December 31, 2013

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#### **Integrated Asset Management Corp.**

Victor Koloshuk  
Chairman

John Robertson  
Chief Executive Officer

Stephen Johnson  
Chief Financial Officer

David Mather  
Executive Vice President

Tom Felkai  
Vice President Finance

Paul Patterson  
Vice President Private Investment

#### **Quebec Representative**

Joseph Benarrosh  
Directeur, Quebec

#### **IAM Real Estate**

Rick Zagrodny  
President

David Warkentin  
Senior Vice President Investments

Robert Burns  
Chief Financial Officer

Frank Bartello  
Vice President Acquisitions

David Becket  
Vice President Asset Management

#### **GPH**

Robert Hamilton  
President

#### **IAM Private Debt**

John Robertson  
Chairman

Philip Robson  
President

Donald Bangay  
Chief Investment Officer

Dennis McCluskey  
Chief Risk Officer

Greg Dimmer  
Managing Director

Frank Duffy  
Managing Director

Michael LeClair  
Managing Director

Theresa Shutt  
Managing Director

Douglas Zinkiewich  
Managing Director

#### **IAM Managed Futures**

Stephen Johnson  
Chairman

Roland Austrup  
Chief Executive Officer and  
Chief Investment Officer

David Mather  
President and Chief Operating Officer

Robert Koloshuk  
Senior Strategist and Director of Trading

Paul Patterson  
Director of Business Development

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## **Integrated Asset Management Corp.**

### **Corporate Information**

December 31, 2013

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**Auditors:**

PricewaterhouseCoopers LLP

**Transfer Agent:**

Equity Transfer & Trust Company

**Stock Listing:**

TSX – “IAM”

**Corporate Headquarters:**

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