

# TRI-WHITE

C O R P O R A T I O N

Third Quarter Report 2008



CLUBLINK  
ONE MEMBERSHIP  
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RENASANT



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis ("MD&A") of the financial condition and consolidated results of operations should be read in conjunction with Tri-White Corporation's ("Tri-White" or the "Company") unaudited consolidated financial statements and accompanying notes for the three and nine month periods ending September 30, 2008. The Company consolidates the operations of White Pass and Yukon Route ("White Pass") (held in several wholly-owned subsidiaries), ClubLink Corporation ("ClubLink") and the merchant banking operations of the Company.

The quarterly MD&A updates the Company's most recently issued annual MD&A, dated March 13, 2008. Certain matters discussed include forward-looking statements that involve a number of risks and uncertainties including statements regarding the outlook for the Company's business and results of operations, that by nature, could cause actual results to differ materially from those indicated. Such factors include, without limitation, the various factors set forth in this report and as discussed in public disclosure documents filed with the Canadian regulatory authorities. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Quarterly reports, annual reports and supplementary information relating to the Company have been filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and are available on line at [www.sedar.com](http://www.sedar.com).

This MD&A is dated November 12, 2008, which is the date of filing in conjunction with our press release announcing our results for the third quarter ended September 30, 2008. Disclosure contained in this document is current to that date, unless otherwise noted.

### Highlights

The following table summarizes the consolidated financial results of the Company:

	(thousands of dollars except per share amounts)	Three months ended		Nine months ended	
		September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Operations	Revenue	95,355	96,992	178,369	141,416
	EBITDA <sup>1</sup>	41,229	40,424	60,845	55,814
	Net earnings	14,544	12,712	11,208	14,145
Financial Position	Total assets			661,078	671,062
	Shareholders' equity			113,978	111,434
Per share data	Basic earnings per share	\$0.64	\$0.56	\$0.49	\$0.62
Share data	Weighted average shares outstanding (000)			22,877	22,800
Statistics	White Pass passengers	280,911	295,912	437,660	461,388
	ClubLink golf rounds <sup>2</sup>	520,817	527,327	867,109	900,405
	ClubLink members			16,886	16,260

<sup>1</sup> EBITDA is not a recognized performance measure under Canadian GAAP. EBITDA is defined as earnings before taxes, interest, depreciation, amortization, non-controlling interest and earnings from equity accounted investments. Management believes that in addition to net earnings, this measure is useful supplemental information to provide investors with an indication of income available prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that this measure should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Company.

<sup>2</sup> These are the championship golf rounds actually incurred by ClubLink for this period. Consolidation of ClubLink's results by Tri-White commenced on June 1, 2007.

## **Company Overview**

Tri-White operates port facilities and a tourist railway with related services in Alaska, British Columbia and Yukon under the business name White Pass and Yukon Route. In Canada, Tri-White is engaged in merchant banking activity and is also the majority shareholder in ClubLink Corporation, Canada's largest owner and operator of member golf clubs.

### **Acquisition**

On June 1, 2007, the Company acquired an additional 6,635,000 shares of ClubLink (representing 39.0% of ClubLink's outstanding common shares) to increase its ownership interest to 70.7%. The purchase price of this additional interest, including transaction costs, was \$88,018,000 and was funded through the issuance of a one year unsecured note of \$35,000,000, bearing interest at a rate of the greater of the Canadian prime lending rate and 6%, with the balance of \$53,018,000 in cash. The unsecured note was extinguished in June 2008. The acquisition has been accounted for under the purchase method of accounting. As part of the accounting treatment, the Company allocated the purchase price to the identifiable assets and liabilities acquired based on their estimated fair values at the time of acquisition.

The operations of ClubLink have been accounted for under the equity method to May 31, 2008 and subsequently have been included in the consolidated statements of income and cash flow from June 1, 2007.

### **Overview of Business Segments**

Tri-White operates in three distinct business segments (a) golf club operations (b) rail, tourism and port operations, and (c) corporate operations.

In Canada, the Company is engaged in golf club operations through its ClubLink subsidiary. ClubLink is Canada's largest owner and operator of member golf courses with thirty-nine and one-half, 18 hole equivalent championship courses in two distinct clusters: (a) Southern Ontario including Muskoka and (b) Quebec/Eastern Ontario extending from the National Capital Region to Montreal.

The Company's wholly owned subsidiary, White Pass, includes rail, tourism and port operations based in Skagway, Alaska. White Pass owns three docks, which provide berths for cruise ships operating west coast schedules throughout the spring and summer. Integrated with these port activities, White Pass operates a tourist railway from Skagway, Alaska to northern British Columbia and Yukon.

The Company's rail, tourism and port operations and golf operations are both seasonal in nature and therefore the second and third quarters of the fiscal year are expected to account for a greater portion of revenue than the first and fourth quarters of each fiscal year. Accordingly, the reported quarterly earnings of the Company are expected to fluctuate with those of the underlying business units.

The Company's operating income originates from White Pass and ClubLink. The results of White Pass, which is deemed self-sustaining, are translated into Canadian currency using average rates during the year. A change in average exchange rates can impact the net earnings of the Company.

The Company's objective at the corporate level is to identify opportunities to generate real returns and cash flow through activities as a merchant banker. Historically, the nature of the investments have included debt and equity instruments in both public and private organizations.

## Selected Financial Information

The table below sets forth selected financial data relating to the Company's periods ended September 30, 2008 and September 30, 2007. This financial data is derived from the Company's unaudited Consolidated Financial Statements, which are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

(thousands of dollars, except per share amounts)	FOR THE 3 MONTHS ENDED		FOR THE 9 MONTHS ENDED	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
Revenue	\$ 95,355	\$ 96,992	\$ 178,369	\$ 141,416
Cost of sales and operating expenses	54,126	56,568	117,524	85,602
EBITDA	41,229	40,424	60,845	55,814
Amortization and land lease rent	(6,245)	(6,294)	(18,542)	(9,807)
Interest, net and other items	(6,448)	(6,293)	(18,984)	(7,765)
Equity income (loss)	(218)	117	289	(2,239)
Income taxes	(10,771)	(12,631)	(10,656)	(17,924)
Non-controlling interest	(3,003)	(2,611)	(1,744)	(3,934)
Net earnings	\$ 14,544	\$ 12,712	\$ 11,208	\$ 14,145
Basic earnings per share	\$ 0.64	\$ 0.56	\$ 0.49	\$ 0.62
Comprehensive income	\$ 15,043	\$ 9,562	\$ 13,072	\$ 4,955
Total assets			\$ 661,078	\$ 671,062
Total liabilities			\$ 496,631	\$ 508,786
Eligible cash dividends per common share	\$ 0.06	\$ 0.06	\$ 0.18	\$ 0.18

## Summary of Canadian/U.S. Exchange Rates Used for Translation Purposes

The following are the exchange rates used to translate the rail, tourism and port operations segment for financial reporting purposes:

	September 30, 2008	December 31, 2007	September 30, 2007
Balance Sheet	1.0599	0.9881	1.0068
Statement of Earnings	1.0187	1.0736	1.1049

## Third Quarter 2008 Highlights

ClubLink's championship golf rounds decreased 1.2% to 520,817 from 527,327 in the third quarter of 2007 due to wet weather conditions in Ontario and Quebec. The number of rounds per 18-hole golf course decreased to 13,185 from 13,350 in 2007.

White Pass train passengers decreased 5.1% to 280,911 from 295,912 in 2007 due to a decline in the number of cruise ship passengers resulting from US economic factors which have impacted the tourist industry.

Revenue declined 1.7% to \$95,355,000 from \$96,992,000 in 2007 due primarily to a decline in White Pass revenues in the amount of US \$1,445,000 and also a decline in the average exchange rate used for conversion purposes to 1.0187 from 1.1049 in 2007.

Cost of sales and operating expenses declined 4.3% to \$54,126,000 from \$56,568,000 in 2007 due to certain cost control measures undertaken at both ClubLink and White Pass, in addition to US \$1,578,000 in costs recorded in 2007 relating to the settlement of, and a multi-year extension to, the train operating union agreements. The decline in exchange rates also impacted this decrease.

Consolidated EBITDA for the three month period ended September 30, 2008 increased 2.0% to \$41,229,000 compared to \$40,424,000 for the three month period ended September 30, 2007. This increase is mainly due to the positive impact of the golf operations from 2007.

EBITDA from golf operations for the quarter ending September 30, 2008 increased 5.4% to \$25,335,000 from \$24,047,000 for 2007 due to the positive impact on merchandise and food and beverage sales of the 2008 RBC Canadian Open hosted by Glen Abbey Golf Club from July 21 to July 27, 2008.

EBITDA from rail, tourism and port operations increased to US \$15,821,000 in 2008 from US \$15,200,000 for the third quarter of 2007. The 2007 results were impacted by the decline in operating expenses previously referenced above which was offset by a decrease in the number of railroad passengers, to 280,911 from 295,912 in 2007 attributed to economic factors.

The majority of the earnings of the rail, tourism and port operations are generated in US dollars. For the quarter ended September 30, 2008, the impact of the strengthening Canadian dollar from 2007 is estimated to have reduced the reported income by approximately \$0.03 per share as compared to 2007.

Amortization and rent decreased slightly to \$6,245,000 for the quarter ended September 30, 2008 from \$6,294,000 in 2007.

Interest, net and other expense increased 2.5% to \$6,448,000 for the quarter ended September 30, 2008 compared to \$6,293,000 for the same period in 2007. This change relates primarily to the receipt of \$308,000 of non-recurring fee income in 2007.

The equity earnings recorded by Tri-White on its Renasant investment for the quarter ended September 30, 2008 was a loss of \$323,000 (2007 – equity income of \$117,000). During this period, the three month trailing basis was eliminated resulting in the recording of six months of equity income/loss for Renasant

Net earnings increased to \$14,544,000 for the quarter ended September 30, 2008 compared to \$12,712,000 in 2007 due to improved operating results from ClubLink Corporation which had an increase of \$1,341,000 in earnings.

## **Financial Condition**

### **Assets**

Consolidated assets at September 30, 2008 totaled \$661,078,000 compared with \$626,765,000 at December 31, 2007. The increase of \$34,313,000 is mainly due to the increase in working capital accounts in conjunction with the 2008 operating seasons for both ClubLink and White Pass.

Long-term investments include 3.2 million shares of Renasant carried at \$5,236,000. At September 30, 2008, the carrying cost of this investment was below its market value by \$309,000 (December 31, 2007 – below market value by \$321,000).

Capital assets employed at White Pass and ClubLink account for all of the Tri-White capital assets. The book value of these capital assets were \$73,158,000 and \$487,099,000 respectively, at September 30, 2008 (\$67,438,000 and \$491,346,000, respectively, at December 31, 2007).

### **Liabilities**

Total liabilities increased \$24,061,000 to \$496,631,000 at September 30, 2008 from \$472,570,000 at December 31, 2007 due to the increase in working capital accounts in conjunction with the 2008 operating seasons for both ClubLink and White Pass.

### **Shareholders' Equity**

Consolidated shareholders' equity at September 30, 2008 totaled \$113,978,000 or \$4.97 per share, compared to \$104,188,000 or \$4.58 per share at December 31, 2007. At December 31, 2007, the total number of shares outstanding was 22,739,147. The outstanding balance has increased to 22,925,919 shares as of September 30, 2008 due to the issuance of 184,000 shares pursuant to exercised stock options and the issuance of 4,672 shares as part of the dividend reinvestment plan. This was reduced by the purchase and cancellation of 1,900 shares pursuant to the normal course issuer bid.

During the third quarter of 2008, Tri-White continued with the regular dividend program and maintained a quarterly payment of \$0.06 per share paid on September 30, 2008.

The Company has recorded a positive adjustment to its accumulated other comprehensive loss account of \$2,093,000 due to the weakening of the Canadian dollar since December 31, 2007. This change has a corresponding impact on the capital asset balance of the Company.

### Results of Operations by Business Segment

The review of operations by business segment should be read in conjunction with the segmented information contained in note 17 of the unaudited consolidated financial statements for the period ended September 30, 2008.

#### Review of Rail, Tourism and Port Operations for the 9 Months Ended September 30, 2008

EBITDA for the nine months was US \$20,868,000, a decrease from US\$ 20,911,000 reported in 2007. This decrease is due to a decline of 5.1% in the number of rail passengers to 437,660 from 461,388 for the nine month period ended September 30, 2007. The decline in passengers has been attributed to US economic factors that have created a level of uncertainty which has negatively affected the travel plans of tourists. The capture rate of passengers from ships to Skagway has declined slightly to 47.36% in 2008 as compared to 47.43% in 2007.

Rail, tourism and port revenue is recorded as follows:

(thousands of US dollars)	9 Months Ended	
	September 30, 2008	September 30, 2007
Railroad	\$ 28,933	\$ 29,885
Port operations	7,237	7,523
Gift shop and other	2,295	2,502
	<b>\$ 38,465</b>	<b>\$ 39,910</b>

Rail, tourism and port operating costs are recorded as follows:

(thousands of US dollars)	9 Months Ended	
	September 30, 2008	September 30, 2007
Railroad	\$ 9,373	\$ 10,356
Passenger operations	1,985	2,264
Marketing	500	559
Administration	2,199	2,113
Insurance	1,378	1,454
Gift shop, port operations and other	2,162	2,253
	<b>\$ 17,597</b>	<b>\$ 18,999</b>

Railroad operating costs have decreased to US \$9,373,000 from US \$10,356,000 in 2007 due to the impact of US \$1,578,000 in costs in 2007 relating to the settlement of, and a multi year extension to the train operating union agreements. All other cost centers have decreased from 2007 in conjunction with the decline in passengers with the exception of administration which is more fixed in nature.

#### Review of Golf Club Operations for the 9 Months Ended September 30, 2008

The following table illustrates the impact of accounting for ClubLink to May 31, 2007 using the equity method and since June 1, 2007 by full consolidation of the results:

(thousands of dollars)	For the 9 Months Ended	
	September 30, 2008	September 30, 2007
Equity loss	\$ -	\$ (2,096)
EBITDA	41,047	34,257
Amortization and rent	(16,098)	(7,312)
Interest and other items	(16,253)	(7,038)
Income taxes	(2,544)	(6,472)
Non-controlling interest	(1,744)	(3,934)
Net income to Tri-White	<b>\$ 4,408</b>	<b>\$ 7,405</b>

### **Golf Club Revenue**

Golf Club operating revenue includes annual dues, green fees, corporate events, cart rentals, food and beverage, rooms, merchandise and certain other items such as golf instruction, and is recorded as follows:

(thousands of dollars)	<b>For the 9 Months Ended September 30, 2008</b>	
Annual dues	\$	43,889
Green fees, corporate events, cart rentals		33,157
Food and beverage		37,426
Membership		10,493
Rooms		3,772
Merchandise and other		10,448
<b>Total revenue</b>	<b>\$</b>	<b>139,185</b>

### **Golf Club Operating Costs**

Golf Club operating costs are recorded as follows:

(thousands of dollars)	<b>For the 9 Months Ended September 30, 2008</b>	
Cost of sales (merchandise and food and beverage)	\$	18,124
Operating labour		42,493
Direct operating costs		17,486
Property taxes		3,804
Utilities		5,170
Insurance		1,149
Administration and capital taxes		6,557
Sales and marketing		3,355
<b>Total operating costs</b>	<b>\$</b>	<b>98,138</b>

### **ClubLink Results for the 9 Months Ended September 30, 2008**

Golf Members increased 3.8% to 16,886 on September 30, 2008 from 16,260 on September 30, 2007. New membership sales during 2008 decreased to \$12,268,000 (1,143 members) from \$17,771,000 (2,110 members) during 2007. This decrease is due to no new product being available for sale compared to the 2007 additions of Eagle Creek and Islesmere Golf Clubs. The average price of a new membership was \$10,733 during 2008 compared to \$8,422 during 2007. This increase is due to a lower price point for 2007 membership sales at Eagle Creek and Islesmere Golf Clubs relative to other ClubLink properties. Transfer fees during 2008 decreased to \$2,242,000 from \$2,826,000 in 2007. Resignations and terminations increased to \$2,318,000 (476 members) from \$2,084,000 (352 members) in 2007. Membership fee instalments received in cash decreased to \$14,953,000 from \$18,429,000 in 2007 primarily due to Islesmere memberships of \$1,732,000 being fully paid in 2007 as part of the acquisition of the club and no new product being available for sale in 2008.

ClubLink's net income decreased to \$5,970,000 for the nine month period ended September 30, 2008 compared to \$6,685,000 for the period ended September 30, 2007. This decrease is due to (a) a 3.7% decline in championship golf rounds due to unfavourable weather conditions, (b) an increase in operating costs from three properties which opened part-way through 2007, and (c) a reduction of \$1,556,000 in capitalized interest due to the fact that there are no projects under construction in 2008.

### **Review of Corporate Operations for the 9 Months Ended September 30, 2008**

The corporate operations are focused on the management of the significant investments in White Pass, ClubLink and Renasant. For the nine month period ended September 30, 2008, the corporate operations incurred costs of \$1,460,000 as compared to \$1,521,000 in 2007.

Effective April 1, 2008, Tri-White acquired 50% of Global Source, LLC ("Global Source") for US \$1,000,000. As part of the same transaction, Global Source purchased 100% of the technology equipment trading business from Renasant. There was no gain or loss by Renasant on the sale of its technology equipment trading business. Tri-White accounts for its investment in Global Source using the equity method. During the nine months ended September 30, 2008, Tri-White recorded \$365,000 in equity income from Global Source.

For the 9 month period ended September 30, 2008, the Company has recognized an equity loss of \$76,000 relating to Renasant. For the corresponding period in 2007, an equity loss of \$143,000 was recorded.

Interest expense for the corporate operations segment increased to \$2,305,000 in 2008 from \$2,124,000 in 2007 due to interest incurred on the financing obtained to fund the June 1, 2007 acquisition of ClubLink shares.

The effective income tax rate is impacted by the fact that operating losses in the amount of \$3,149,000 from the corporate operations segment have not been recognized for tax purposes due to the fact they do not meet the Canadian GAAP criteria for recognition.

During the year, the Company continued with its regular dividend program, paying \$0.06 per share on March 31, June 30 and September 30, 2008.

## Liquidity

Given the consistent performance of both subsidiaries, sufficient capital is available to execute the Company's strategic plan and finance continued growth.

ClubLink had \$15,573,000 in cash and cash equivalents and \$44,771,000 of undrawn credit facilities available at September 30, 2008 and the White Pass operations had US \$7,500,000 in undrawn credit facilities at the end of the quarter.

ClubLink is committed to the following minimum land lease rentals for the next five years and thereafter as follows:

(thousands of dollars)	Total
Balance of 2008	\$ 834
2009	3,419
2010	3,496
2011	3,578
2012	3,661
2013 and thereafter	59,302
	<b>\$ 74,290</b>

Tri-White's consolidated debt obligations include both ClubLink's and White Pass' long-term debt ("LTD"), ClubLink's capital lease obligations and other (other includes bank indebtedness and notes payable). The following table illustrates future maturities and amortization payments of consolidated debt obligations by year as at September 30, 2008:

(thousands of dollars)	ClubLink LTD Maturities	ClubLink LTD Amortization	White Pass LTD Amortization	Total LTD	ClubLink Capital Leases	Other	Total
Balance of 2008	\$ -	\$ 2,730	\$ 844	\$ 3,574	\$ 1,516	\$ 25,000	\$ 30,090
2009	17,206	11,136	3,625	31,967	3,401	-	35,368
2010	2,120	11,058	3,625	16,803	3,700	-	20,503
2011	-	11,865	3,625	15,490	2,553	-	18,043
2012	-	12,741	3,625	16,366	1,832	-	18,198
2013 and thereafter	-	222,822	21,242	244,064	551	-	244,615
	<b>\$ 19,326</b>	<b>\$ 272,352</b>	<b>\$ 36,586</b>	<b>\$ 328,264</b>	<b>\$ 13,553</b>	<b>\$ 25,000</b>	<b>\$ 366,817</b>

ClubLink and White Pass expects to meet its 2008 and 2009 long-term debt and capital lease obligations by way of cash flow from operations and drawing down on available credit facilities, if necessary.

The "other" amount of \$25,000,000 represents bank indebtedness outstanding on Tri-White's margin account in the amount of \$21,000,000 and a series of promissory notes outstanding to Paros Enterprises Limited ("Paros") in the amount of \$4,000,000. Paros is a company which has a significant shareholder in common with Tri-White. Both amounts are due on demand.

## Operating Activities

Cash provided by operating activities has increased to \$44,395,000 from \$18,582,000 in 2007 due to the fact that the 2008 results include the collection of ClubLink's 2008 annual dues whereas the 2007 annual dues were mostly collected prior to June 1, 2007.

## Financing Activities

Cash used in financing activities was \$20,335,000 for the period ending September 30, 2008 as compared to an inflow of \$2,918,000 in 2007.

Stock options in the amount of \$780,000 have been exercised during 2008 as compared to nil in 2007.

On May 2, 2008, the ClubLink long-term debt maturity amount of \$2,166,000 was renewed for a term of two years at an interest rate of 6.76%.

ClubLink's \$80,000,000 syndicated secured revolving operating line of credit due June 11, 2009 has, at ClubLink's request, been reduced to \$50,000,000 and extended to June 10, 2010. This facility is a revolving operating line of credit with a two year term and provisions for annual one year extensions.

The \$35,000,000 unsecured note payable which was incurred to purchase ClubLink shares on June 1, 2007 was repaid on June 13, 2008.

During the nine month period ended September 30, 2008, Paros advanced Tri-White \$8,300,000 in the form of a series of promissory notes, due on demand, bearing interest at prime plus 100 basis points. The balance outstanding as of September 30, 2008 was \$4,000,000. During the nine month period ended September 30, 2008, Morguard Corporation ("Morguard") advanced Tri-White \$30,000,000 in the form of a promissory note, due on demand, bearing interest at 4.80%. The balance outstanding as of September 30, 2008 was nil. Both Paros and Morguard are companies which have a significant shareholder in common with Tri-White.

On July 9, 2008, Tri-White closed on a U.S. bank financed loan which was utilized to repay the \$30,000,000 Morguard promissory note and \$5,000,000 of the Paros promissory notes. It bears interest at either US prime or one to three month LIBOR contracts plus 225 basis points. This loan included three separate components and was secured by the assets of White Pass as follows:

<b>Component</b>	<b>Amount (US\$)</b>	<b>Term</b>
Term loan	\$ 35,000,000	July 1, 2018
Single pay note	12,500,000	December 31, 2008
Line of credit	7,500,000	July 1, 2009

The single pay note amount of US \$12,500,000 was repaid as of September 30, 2008.

## Investing Activities

Cash used in investing activities has decreased to \$12,990,000 from \$36,857,000 in 2007.

The purchase of capital assets in the amount of \$12,580,000 in 2008 primarily represents operating capital expenditures for ClubLink and White Pass. This compares to \$16,633,000 in 2007 which includes four months of construction costs for Lakeside at Rocky Crest.

The purchase of investments has decreased to \$1,014,000 in 2008 as compared to \$52,918,000 in 2007. The 2008 investment purchased was the Company's 50% interest in Global Source whereas the 2007 investment purchased was the Company's controlling interest in ClubLink Corporation.

The net collection of loans receivable has decreased to \$32,000 from \$21,611,000 in 2007 due to the collection of a number of loans which were outstanding at the end of 2006.

## Summary of Financial Results for the last eight quarters ending

The table below sets forth selected financial data for the most recent eight quarters ending September 30, 2008. The financial data is derived from the Company's interim unaudited financial statements, which are prepared in accordance with Canadian GAAP:

(thousands of dollars, except per share amounts)	2008			2007				2006
	Sep. 30	Jun. 30	Mar. 31	Dec. 31	Sep. 30	Jun. 30	Mar. 31	Dec. 31
Total assets	\$ 661,078	\$ 668,918	\$ 664,788	\$ 626,765	\$ 671,062	\$ 690,185	\$ 147,479	\$ 154,738
Revenue	95,355	63,151	19,863	27,364	96,992	44,314	110	133
EBITDA	41,229	16,625	2,991	1,505	40,424	18,089	(2,699)	(3,671)
Net income (loss)	14,544	2,429	(5,765)	(5,276)	12,712	4,894	(3,461)	(5,272)
Basic earnings (loss) per share	0.64	0.10	(0.25)	(0.23)	0.56	0.21	(0.15)	(0.23)
Eligible cash dividends per share	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06

## Financial Instruments

Tri-White has a number of financial instruments which are described in note 19 of the unaudited consolidated financial statements for the period ended September 30, 2008. These instruments do not include any hedging or complicated derivatives.

Risks associated with these financial instruments and information on their face values are also disclosed in Note 19.

## Risk and Uncertainties

### Current Economic Risk

The current global liquidity crisis has impacted the price of listed securities generally and is expected to affect both the global economy and economic growth in Canada and United States. An extended period of limited economic growth or recession could adversely and materially affect the Company's revenue and financial performance. A reduction in discretionary spending will impact both the golf club and rail, tourism and port operating segments.

### Other

Please refer to Tri-White's 2007 Annual Report for a complete review of Tri-White's Risks and Uncertainties.

## Emerging Accounting Pronouncements

### International Financial Reporting Standards

In 2005, the Accounting Standards Board of Canada ("AcSB") announced that accounting standards in Canada are to converge with International Financial Reporting Standards ("IFRS"). In May 2007, the CICA published an updated version of its "Implementation Plan for Incorporating International Financial Reporting Standards into Canadian GAAP". This plan includes an outline of the key decisions that the CICA will need to make as it implements the strategic plan for publicly accountable enterprises that will converge Canadian generally accepted accounting standards with IFRS by January 1, 2011. This plan was confirmed on February 13, 2008. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed. The Company is currently developing a plan and has assigned an internal management team to determine the future impact of these standards on Tri-White's consolidated financial statements.

### Goodwill, Intangible Assets and Financial Statement Concepts

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, which establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. CICA Handbook Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. The new and amended standards are effective for the Company beginning January 1, 2009. The Company is currently assessing the impact of these standards on its financial statements.

## Changes in Accounting Policy

Effective January 1, 2008, Tri-White adopted the following Canadian Institute of Chartered Accountants ("CICA") accounting standards:

- Section 1535 – Capital disclosures
- Section 3031 – Inventories
- Section 3862 – Financial instruments – Disclosures
- Section 3863 – Financial instruments – Presentation

The adoption of these new standards resulted in additional disclosures with regard to financial instruments and the Company's objectives, policies and process for managing capital (notes 18 and 19). The new standards had no impact on the classification and/or valuation of the Company's financial instruments.

The adoption of Section 3031 – Inventories has resulted in a reclassification of \$2,974,000 as at September 30, 2008 of major parts from inventory to capital assets. These are parts and related components which are to be used in capital projects and refurbishments over the next few years. The comparative balance sheet as at December 31, 2007 was similarly adjusted resulting in a reclassification of \$2,175,000 of inventories to capital assets.

#### **Disclosure Controls**

Management accepts responsibility for the reliability and timeliness of the information disclosed and confirms the existence and effectiveness of the systems of internal control that are in place to provide this assurance. The Board of Directors assesses the integrity of the Company's public financial disclosures with the assistance of the Audit Committee.

#### **Internal Control Over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were changes to internal control over financial reporting during the period ended September 30, 2008 that have materially affected, or are reasonably likely to affect, its internal control over financial reporting. No such changes were identified through their evaluation.

#### **Outlook**

For the remainder of 2008 and 2009, the Company believes it is well positioned to capitalize on its unique assets and their competitive strengths. Tri-White anticipates that opportunities will arise to add quality assets in this environment. With the strength of the existing brands, experienced management and a focus on cost control, stable returns are expected.

Currency fluctuations may continue to impact reported results.

#### **FOR FURTHER INFORMATION PLEASE CONTACT:**

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**TRI-WHITE CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

(in thousands of dollars)	Notes	September 30, 2008	December 31, 2007	September 30, 2007
<b>ASSETS</b>				
				(Note 2(a))
<b>Current</b>				
Cash and cash equivalents		\$ 17,083	\$ 6,177	\$ 4,484
Accounts receivable		19,149	2,675	20,597
Mortgages and loans receivable	3	518	763	417
Inventories and prepaid expenses		10,160	5,386	10,130
Other assets		3,230	3,230	3,230
		<b>50,140</b>	<b>18,231</b>	<b>38,858</b>
<b>Long-term investments</b>	4	<b>7,341</b>	<b>6,267</b>	<b>5,460</b>
<b>Mortgages and loans receivable</b>	3	<b>6,519</b>	<b>6,306</b>	<b>5,780</b>
<b>Capital assets</b>	5	<b>560,257</b>	<b>558,784</b>	<b>601,250</b>
<b>Intangible assets</b>	6	<b>10,132</b>	<b>10,488</b>	<b>10,607</b>
<b>Goodwill</b>		<b>26,689</b>	<b>26,689</b>	<b>9,107</b>
<b>Total assets</b>		<b>\$ 661,078</b>	<b>\$ 626,765</b>	<b>\$ 671,062</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current</b>				
Bank indebtedness	7	\$ 21,000	\$ 31,629	\$ 23,791
Long-term debt	8	32,145	12,820	11,373
Capital lease obligations	9	4,132	4,269	5,098
Notes payable	16	4,000	35,000	35,000
Convertible debentures		-	-	10,092
Accounts payable and accrued liabilities		32,259	18,823	31,999
Income taxes payable		6,785	2,783	8,830
Prepaid annual dues and deposits		19,104	5,021	17,748
		<b>119,425</b>	<b>110,345</b>	<b>143,931</b>
<b>Long-term debt</b>	8	<b>292,655</b>	<b>284,127</b>	<b>279,876</b>
<b>Capital lease obligations</b>	9	<b>9,421</b>	<b>9,082</b>	<b>10,346</b>
<b>Deferred membership fees</b>	10	<b>61,485</b>	<b>57,025</b>	<b>56,672</b>
<b>Future income tax liabilities</b>		<b>13,645</b>	<b>11,991</b>	<b>17,961</b>
<b>Total liabilities</b>		<b>496,631</b>	<b>472,570</b>	<b>508,786</b>
<b>Non-controlling interest</b>		<b>50,469</b>	<b>50,007</b>	<b>50,842</b>
<b>Shareholders' equity</b>				
Share capital	11	61,583	60,775	60,765
Contributed surplus		299	253	237
Retained earnings		74,321	67,249	73,889
Accumulated other comprehensive loss		(22,225)	(24,089)	(23,457)
<b>Total shareholders' equity</b>		<b>113,978</b>	<b>104,188</b>	<b>111,434</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 661,078</b>	<b>\$ 626,765</b>	<b>\$ 671,062</b>

**TRI-WHITE CORPORATION**  
**CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS**  
(Unaudited)

(thousands of dollars, except per share amounts)	Notes	For the 3 Months Ended		For the 9 Months Ended	
		Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
<b>REVENUE</b>					
Operating revenue		\$ 95,355	\$ 96,992	\$ 178,369	\$ 141,416
<b>EXPENSES</b>					
Cost of sales and operating expenses		54,126	56,568	117,524	85,602
<b>Earnings before other items, income taxes and non-controlling interest</b>		<b>41,229</b>	40,424	<b>60,845</b>	55,814
<b>OTHER ITEMS</b>					
Amortization of capital assets		5,082	5,066	15,042	8,122
Amortization of intangible assets		119	185	356	242
Land lease rent		1,044	1,043	3,144	1,443
Investment and other income		(241)	(556)	(1,456)	(1,918)
Interest expense	12	6,689	6,849	20,440	9,683
Loss (income) on equity accounted investments	4	218	(117)	(289)	2,239
		12,911	12,470	37,237	19,811
<b>Earnings before income taxes and non-controlling interest</b>		<b>28,318</b>	27,954	<b>23,608</b>	36,003
Provision for income taxes					
Current		9,911	10,274	10,088	14,552
Future		860	2,357	568	3,372
		10,771	12,631	10,656	17,924
Earnings before non-controlling interest		17,547	15,323	12,952	18,079
<b>Non-controlling interest</b>		<b>(3,003)</b>	(2,611)	<b>(1,744)</b>	(3,934)
<b>Net earnings</b>		<b>14,544</b>	12,712	<b>11,208</b>	14,145
Comprehensive loss on available for sale financial assets from equity accounted investment		(229)	-	(229)	-
Unrealized foreign currency translation gain (loss)		728	(3,150)	2,093	(9,190)
<b>Total comprehensive income</b>		<b>\$ 15,043</b>	\$ 9,562	<b>\$ 13,072</b>	\$ 4,955
<b>Earnings per share</b>					
	13				
Basic		\$ 0.64	\$ 0.56	\$ 0.49	\$ 0.62
Diluted		\$ 0.64	\$ 0.55	\$ 0.49	\$ 0.61

**TRI-WHITE CORPORATION**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(Unaudited)

(in thousands of dollars)	Notes	For the 9 Months Ended	
		September 30, 2008	September 30, 2007
<b>Share Capital</b>	<b>11</b>		
Balance, beginning of period		\$ 60,775	\$ 61,278
Issuance of common shares		813	34
Repurchase of common shares		(5)	(547)
Balance, end of period		<b>61,583</b>	60,765
<b>Contributed surplus</b>			
Balance, beginning of period		253	191
Stock compensation expense		46	46
Balance, end of period		<b>299</b>	237
<b>Retained earnings</b>			
Balance, beginning of period		67,249	65,205
Net earnings for the period		11,208	14,145
Dividends		(4,129)	(4,102)
Excess of purchase price of common shares over average carrying value		(7)	(1,359)
Balance, end of period		<b>74,321</b>	73,889
<b>Accumulated other comprehensive loss</b>			
Balance, beginning of period		(24,089)	(14,267)
Comprehensive loss from equity accounted investment		(229)	-
Unrealized foreign currency translation gain (loss)		2,093	(9,190)
Balance, end of period		<b>(22,225)</b>	(23,457)
<b>Total retained earnings and accumulated other comprehensive gain/loss</b>		<b>52,096</b>	50,432
<b>Shareholders' equity</b>		<b>\$ 113,978</b>	<b>\$ 111,434</b>

**TRI-WHITE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**  
(Unaudited)

(in thousands of dollars)	Notes	For the		For the	
		3 Months Ended	Sep. 30,	9 Months Ended	Sep. 30,
		2008	2007	2008	2007
<b>OPERATING ACTIVITIES</b>					
Net earnings for the period		\$ 14,544	\$ 12,712	\$ 11,208	\$ 14,145
Items not affecting cash:					
Amortization of capital assets		5,082	5,066	15,042	8,122
Amortization of intangible assets		119	185	356	242
Amortization of deferred financing costs	12	327	99	745	193
Future income taxes		860	2,357	568	3,372
Amortization of membership fees	10	(3,693)	(3,465)	(10,493)	(4,693)
Loss (gain) on sale of assets		137	-	242	(7)
Loss (income) from equity accounted investments	4	218	(117)	(289)	2,239
Non-controlling interest - ClubLink		3,003	2,611	1,744	3,934
Net unrealized foreign exchange loss		-	121	-	-
Stock compensation expense		15	15	46	46
Distributions from equity accounted investments	4	-	-	-	664
Collection of membership fee installments	10	6,494	7,727	14,953	9,864
Net change in operating assets and liabilities		(5,473)	(5,622)	10,273	(19,539)
<b>Cash provided by operating activities</b>		<b>21,633</b>	<b>21,689</b>	<b>44,395</b>	<b>18,582</b>
<b>FINANCING ACTIVITIES</b>					
Reduction of non-controlling interest		(110)	-	(382)	-
Proceeds on issue of subsidiary common shares		-	34	-	50
Proceeds on issue of common shares		-	-	780	-
Shares purchased for cancellation		(12)	-	(12)	(1,906)
Dividends paid		(1,364)	(1,356)	(4,096)	(4,068)
Dividends paid - non-controlling interest		(299)	(301)	(900)	(301)
Capital lease obligations		(938)	665	202	1,779
Deferred financing costs		(623)	-	(673)	(95)
Notes payable		(34,300)	(4,000)	(31,000)	-
Long-term debt		32,407	(3,297)	26,375	5,374
Bank indebtedness		(13,885)	(12,032)	(10,629)	2,085
<b>Cash provided by (used in) financing activities</b>		<b>(19,124)</b>	<b>(20,287)</b>	<b>(20,335)</b>	<b>2,918</b>
<b>INVESTING ACTIVITIES</b>					
Purchase of capital assets		(5,846)	(5,130)	(12,580)	(16,633)
Investments		-	-	(1,014)	(52,918)
Proceeds from real estate sales		-	-	572	-
Return of capital	4	-	-	-	9,480
Cash acquired by increasing interest in ClubLink		-	-	-	1,603
Loans receivable		207	4,701	32	21,611
<b>Cash used in investing activities</b>		<b>(5,639)</b>	<b>(429)</b>	<b>(12,990)</b>	<b>(36,857)</b>
<b>Net effect of currency translation adjustment on cash and cash equivalents</b>		<b>(22)</b>	<b>(1,216)</b>	<b>(164)</b>	<b>(2,012)</b>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>		<b>(3,152)</b>	<b>(243)</b>	<b>10,906</b>	<b>(17,369)</b>
Cash and cash equivalents, beginning of period		20,235	4,727	6,177	21,853
<b>Cash and cash equivalents, end of period</b>		<b>\$ 17,083</b>	<b>\$ 4,484</b>	<b>\$ 17,083</b>	<b>\$ 4,484</b>
<b>Represented by</b>					
Cash				\$ 5,189	\$ 4,484
Cash equivalents				11,894	-
				<b>\$ 17,083</b>	<b>\$ 4,484</b>

**Tri-White Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**  
**(Unaudited)**

**1. Nature of Operations**

Tri-White Corporation (the "Company" or "Tri-White"), formed under the laws of Canada, operates a tourist railway with related services in Alaska, British Columbia and the Yukon under the business name White Pass & Yukon Route ("White Pass") which reports in US dollars. In Canada, Tri-White is engaged in merchant banking activities in addition to golf operations through its subsidiary, ClubLink Corporation ("ClubLink"), Canada's largest owner and operator of member golf clubs which are located in Ontario and Quebec with the exception of one property located in Virginia, U.S.A.

These consolidated financial statements include the accounts of Tri-White Corporation, its wholly-owned White Pass and Yukon Route ("White Pass") subsidiary companies and its approximately 70% ownership interest in ClubLink (from June 1, 2007, the date of the acquisition of control). All material inter-company balances and transactions, including any unrealized profits or losses, have been eliminated.

**2. Accounting Policies**

**(a) Basis of presentation**

These financial statements do not contain all disclosures required by Canadian generally accepted accounting principles ("GAAP") for annual financial statements, and accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2007.

Except as set out in note 2(b), the interim consolidated financial statements have been prepared following the same accounting policies and methods of computations as the consolidated financial statements for the year ended December 31, 2007.

The Company accounts for its investment in Renasant Financial Partners Ltd. ("Renasant") using the equity method. Prior to this quarter, the Company recorded its equity interest in Renasant on a three-month trailing basis. However, due to changes in timing of available financial information, management has chosen to eliminate this gap and consequently the equity results for Renasant this quarter includes the six month period from April 1, 2008 to September 30, 2008. This had an impact of increasing the equity loss for Renasant in the amount of \$632,000.

Due to the seasonal nature of the rail, tourism and port operations and golf operations segments in which Tri-White currently operates, the second and third quarters of the fiscal year account for, and are expected to account for, a greater portion of revenue and net income than do the first and fourth quarters of each fiscal year. This seasonal pattern may cause Tri-White's revenue and earnings to vary significantly from quarter to quarter. Due to this seasonality, a consolidated balance sheet without notes as at September 30, 2007 has been presented for comparative purposes.

**(b) Changes in accounting policy**

Effective January 1, 2008, Tri-White adopted the following Canadian Institute of Chartered Accountants ("CICA") accounting standards:

- Section 1535 – Capital Disclosures
- Section 3031 – Inventories
- Section 3862 – Financial Instruments – Disclosures
- Section 3863 – Financial Instruments – Presentation

The adoption of these new standards resulted in additional disclosures with regard to financial instruments and the Company's objectives, policies and processes for managing capital (notes 18 and 19). The new standards had no impact on the classification and/or valuation of the Company's financial instruments.

The adoption of Section 3031 – Inventories has resulted in a reclassification of \$2,974,000 as at September 30, 2008 of major parts from inventory to capital assets. These are parts and related components which are to be used in capital projects and refurbishments over the next few years. The comparative balance sheet as at December 31, 2007 was similarly adjusted resulting in a reclassification of \$2,175,000 of inventories to capital assets.

**(c) Emerging accounting pronouncements**

***Goodwill, Intangible Assets and Financial Statement Concepts***

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, which establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. CICA Handbook Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. The new and amended standards are effective for the Company beginning January 1, 2009. The Company is currently assessing the impact of these standards on its financial statements.

**Tri-White Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**  
**(Unaudited)**

**3. Mortgages and Loans Receivable**

Mortgages and loans receivable consist of the following:

(thousands of dollars)	<b>September 30, 2008</b>	December 31, 2007
ClubLink officer loans	\$ 4,024	\$ 3,641
ClubLink vendor take-back mortgages and loans	2,039	1,856
Other	974	1,572
	<b>7,037</b>	7,069
Less current portion	518	763
	<b>\$ 6,519</b>	\$ 6,306

The officer loans bear interest at a market rate determined by the Compensation Committee of the Board of Directors of ClubLink which was 5% (December 31, 2007 – 6%) per annum, are due January 29, 2010, 2011, 2012, 2016, 2017 and 2018 and were incurred to purchase common shares of ClubLink. ClubLink has indicated its intention to enforce the repayment terms of these loans in the event of a decline in market value of ClubLink common shares. The common shares purchased by these loans, which are being held by ClubLink as collateral, had a market value of \$4,034,000 at September 30, 2008 (December 31, 2007 - \$4,411,000).

**4. Long-term Investments**

Long-term investments consist of the following:

(thousands of dollars)	<b>September 30, 2008</b>		December 31, 2007	
	<b>Cost</b>	<b>Market</b>	Cost	Market
Renasant Financial Partners Ltd.	\$ 5,236	\$ 5,545	\$ 5,541	\$ 5,862
Global Source, LLC	1,379		-	
Other portfolio investment	726		726	
Long-term investments	<b>\$ 7,341</b>		\$ 6,267	

ClubLink Corporation

Until May 31, 2007, the Company accounted for its investment in ClubLink using the equity method. Effective June 1, 2007 the Company began accounting for its investment in ClubLink using the consolidation method. During the nine months ended September 30, 2007, but prior to consolidating ClubLink, the Company recorded equity losses of \$2,096,000 and received dividends of \$642,000.

Renasant Financial Partners Ltd.

The Company accounts for its 36.82% (December 31, 2007 – 36.75%) investment in Renasant using the equity method. Prior to September 30, 2008, this was recorded on a three-month trailing basis, but this gap was eliminated this quarter resulting in the recording of Renasant's results from April 1, 2008 to September 30, 2008. During the nine months ended September 30, 2008, the Company recorded an equity loss of \$76,000 (September 30, 2007 – equity loss of \$143,000) and received a return of capital and dividends of nil (September 30, 2007 – \$9,502,000). During the three months ended September 30, 2008, the Company recorded an equity loss of \$323,000 (September 30, 2007 – equity income of \$117,000) and received a return of capital and dividends of nil (September 30, 2007 – nil).

Global Source, LLC

Effective April 1, 2008, the Company purchased a 50% investment in Global Source, LLC ("Global Source") for \$1,014,000. As part of the same transaction, Global Source purchased the technology equipment trading business from Renasant. The Company accounts for its investment in Global Source using the equity method. During the nine month period ended September 30, 2008, the Company recorded equity income of \$365,000. During the three month period ended September 30, 2008, the Company recorded equity income of \$105,000.

**Tri-White Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**  
**(Unaudited)**

**5. Capital Assets**

Capital assets consist of the following:

(thousands of dollars)	September 30, 2008			December 31, 2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
<b>Railway assets</b>				
Land and tunnels	\$ 1,547	\$ -	\$ 1,547	\$ 996
Buildings	19,011	4,389	14,622	13,630
Equipment	35,779	10,718	25,061	22,075
Docks	47,743	15,815	31,928	30,737
<b>Golf assets</b>				
Golf course lands	246,297	-	246,297	246,608
Leased lands	12,454	2,053	10,401	10,636
Buildings	139,252	32,022	107,230	107,443
Roads, cart paths and irrigation	81,681	27,125	54,556	55,971
Equipment	77,425	43,731	33,694	35,507
Development assets	34,921	-	34,921	35,181
	<b>\$ 696,110</b>	<b>\$ 135,853</b>	<b>\$ 560,257</b>	<b>\$ 558,784</b>

Certain capital assets have been assigned as collateral for long-term debt (note 8).

Costs to complete properties under construction (including capitalized interest and direct project development and management costs) as at September 30, 2008 total \$7,620,000 (December 31, 2007 - \$7,513,000) and are expected to be incurred during the balance of 2008 and 2009. White Pass is committed to US \$1,825,000 relating to the refurbishment of two of its engines.

**6. Intangible Assets**

Intangible assets consist of the following:

(thousands of dollars)	September 30, 2008			December 31, 2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Membership base	\$ 6,570	\$ 312	\$ 6,258	\$ 6,432
Brand	1,920	152	1,768	1,835
Free rent terms	2,359	253	2,106	2,221
	<b>\$ 10,849</b>	<b>\$ 717</b>	<b>\$ 10,132</b>	<b>\$ 10,488</b>

**7. Bank Indebtedness**

Bank indebtedness consists of the following:

(thousands of dollars)	September 30, 2008	December 31, 2007
Margin account (a)	\$ 21,000	\$ 21,699
Line of credit (b)	-	9,930
	<b>\$ 21,000</b>	<b>\$ 31,629</b>

(a) The Company maintains a margin line of account with a Canadian financial institution at an interest rate of prime plus 2%, which was 6.75% as at September 30, 2008 (December 31, 2007 – 8.00%). This facility is due on demand. The availability of the line is determined by a formula based on the market value of the ClubLink investment. Based on this formula, the availability at September 30, 2008 was \$21,000,000 (December 31, 2007 - \$22,000,000).

(b) A subsidiary of the Company maintains an unsecured operating line of credit with a U.S. Bank in the maximum amount of US \$7,500,000 (December 31, 2007 – US \$15,000,000) which is payable on demand and the next renewal date is July 1, 2009. This loan bears interest at either US prime or one to three month LIBOR contracts plus 225 basis points, which was 4.71% at September 30, 2008 (December 31, 2007 – 7.25%).

**Tri-White Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**  
**(Unaudited)**

**8. Long-term Debt**

Long-term debt consists of the following: (thousands of dollars)	September 30, 2008	December 31, 2007
<b>Revolving:</b>		
ClubLink \$50 million secured revolving operating line of credit due June 10, 2010 (a)		
(i) Advances at prime plus 0.25%	\$ -	\$ -
(ii) Bankers acceptances' plus 1.50%	-	-
ClubLink \$80 million secured syndicated revolving operating line of credit due June 11, 2009 (b)		
(i) Advances at prime plus 0.25%	-	775
(ii) Bankers acceptances' plus 1.50%	-	-
<b>Non-revolving:</b>		
White Pass term loan (c)	<b>36,586</b>	-
ClubLink mortgages with blended monthly payments of principal and interest		
7.520% Mortgage due May 1, 2008	-	2,213
7.770% Mortgage due September 7, 2009	<b>18,290</b>	19,049
6.760% Mortgage due May 1, 2010	<b>2,158</b>	-
7.540% Mortgage due January 1, 2017	<b>17,210</b>	18,294
8.345% Mortgages due July 1, 2022	<b>22,770</b>	23,407
7.550% Mortgage due July 1, 2022	<b>2,812</b>	2,896
7.416% Mortgages due September 1, 2023	<b>32,983</b>	33,859
7.268% Mortgage due July 1, 2024	<b>13,378</b>	13,707
8.060% Mortgage due July 1, 2024	<b>71,502</b>	73,232
6.194% Mortgage due March 1, 2026	<b>60,552</b>	61,959
6.315% Mortgage due December 1, 2027	<b>50,023</b>	51,000
Gross long-term debt	<b>328,264</b>	300,391
Less: deferred financing costs	<b>3,464</b>	3,444
Net long-term debt	<b>324,800</b>	296,947
Less: current portion	<b>32,145</b>	12,820
	<b>\$ 292,655</b>	\$ 284,127

(a) As at September 30, 2008, there are \$2,829,000 (December 31, 2007 - nil) in letters of credit outstanding and there is availability of \$44,771,000 (December 31, 2007 - nil) under this facility. This is a revolving operating line of credit with a two-year term and provisions for annual one-year extensions.

(b) As at September 30, 2008, there are nil (December 31, 2007 - \$1,276,000) in letters of credit outstanding and there is availability of nil (December 31, 2007 - \$47,149,000) under this facility.

(c) The term loan is due from a US institution, is denominated in US dollars and has a due date of July 1, 2018. It bears interest at either U.S. prime or one to three month LIBOR contracts plus 225 basis points and is repayable by fixed monthly principal payments in the amount of US \$293,000.

Long-term debt is collateralized by certain operating capital assets of ClubLink and by the operations of White Pass.

**Tri-White Corporation**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2008**  
**(Unaudited)**

**8. Long-term Debt (cont'd)**

Minimum principal debt repayments are as follows:

(thousands of dollars)	ClubLink Revolving Maturities	ClubLink Non-revolving Maturities	ClubLink Non-revolving Amortization Payments	White Pass Non-revolving Amortization Payments	Total
Balance of 2008	\$ -	\$ -	\$ 2,730	\$ 844	\$ 3,574
2009	-	17,206	11,136	3,625	14,761
2010	-	2,120	11,058	3,625	14,683
2011	-	-	11,865	3,625	15,490
2012	-	-	12,741	3,625	16,366
2013 and thereafter	-	-	222,822	21,242	244,064
	\$ -	\$ 19,326	\$ 272,352	\$ 36,586	\$ 308,938

**9. Capital Lease Obligations**

ClubLink's capital lease obligations consist of the following:

(thousands of dollars)	September 30, 2008	December 31, 2007
Total minimum lease payments	\$ 15,071	\$ 14,896
Less: amount representing interest at average rate of 5.6% (2007 - 5.7%)	1,518	1,545
Capital lease obligations	13,553	13,351
Less: current portion	4,132	4,269
	\$ 9,421	\$ 9,082

Future minimum lease payments are as follows:

(thousands of dollars)	Maturities	Amortization	Capital Lease Obligations	Interest	Total Minimum Lease Payments
Balance of 2008	\$ 423	\$ 1,093	\$ 1,516	\$ 204	\$ 1,720
2009	18	3,383	3,401	594	3,995
2010	680	3,020	3,700	410	4,110
2011	139	2,414	2,553	216	2,769
2012	118	1,714	1,832	79	1,911
2013	-	551	551	15	566
	\$ 1,378	\$ 12,175	\$ 13,553	\$ 1,518	\$ 15,071

**10. Deferred Membership Fees**

ClubLink's deferred membership fees consist of the following:

(thousands of dollars)	September 30, 2008	December 31, 2007
Deferred membership fees (note 10A)	\$ 111,444	\$ 109,544
Future membership fee instalments (note 10B)	(49,959)	(52,519)
Deferred membership fees, net	\$ 61,485	\$ 57,025

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**10. Deferred Membership Fees (cont'd)**

(A) Changes in deferred membership fees are as follows:

(thousands of dollars)	<b>9 Months Ended September 30, 2008</b>	
Balance, beginning of period	\$	115,453
Sales to new members		12,268
Transfer and upgrade fees from existing members		2,242
Resignations and terminations		(2,318)
Amortization of membership fees		(10,493)
Balance, end of period		117,152
Allowance for future resignations and terminations		(5,708)
Deferred membership fees	\$	111,444

(B) Changes in future membership fee instalments and golf members are as follows:

(thousands of dollars)	<b>9 Months Ended September 30, 2008</b>		
	Golf		
	Members		Amount
Balance, beginning of period	16,219	\$	58,428
Sales to new members	1,143		12,268
Transfer and upgrade fees from existing members	-		2,242
Resignations and terminations	(476)		(2,318)
Instalments received in cash	-		(14,953)
Balance, end of period	16,886		55,667
Allowance for future resignations and terminations			(5,708)
Future membership fee instalments		\$	49,959

The following table estimates future cash flows and revenue recognition based on the collection of future membership fee instalments outstanding on September 30, 2008, net of an allowance for resignations and terminations. The estimated collection of future membership fee instalments, amortization of deferred membership fees and the estimated deferred membership fees, net, assuming no further memberships are sold is as follows:

(thousands of dollars)	<b>Estimated collection of future membership fee instalments</b>		<b>Amortization of deferred membership fees</b>		<b>Estimated deferred membership fees, net at period-end</b>
Balance, September 30, 2008				\$	61,485
Balance of 2008	\$	1,812	\$	3,497	59,800
2009		10,928		13,990	56,738
2010		9,266		13,990	52,014
2011		6,967		13,990	44,991
2012		5,712		13,990	36,713
2013 and thereafter		15,274		51,987	-
	\$	49,959	\$	111,444	

Membership fees are amortized over the estimated weighted average remaining life of memberships purchased each year. This is determined by subtracting the average age of members that joined in that year from 70 and dividing the result by 2. The amortization period is reviewed annually and any adjustments are made prospectively.

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**11. Share Capital**

**Authorized**

Unlimited number of common shares  
 Unlimited number of preference shares, issuable in series

(thousands of dollars)	Common Shares (000's)	Amount
Balance, December 31, 2006	22,939	\$ 61,278
Shares issued pursuant to dividend reinvestment plan	5	44
Shares purchased and cancelled through normal course issuer bid	(205)	(547)
Balance December 31, 2007	22,739	60,775
Exercise of stock options	184	780
Shares purchased and cancelled through normal course issuer bid	(2)	(5)
Shares issued pursuant to dividend reinvestment plan	5	33
Balance, September 30, 2008	<b>22,926</b>	<b>\$ 61,583</b>

The Company was approved by the Toronto Stock Exchange for a normal course issuer bid to purchase up to 1,136,828 of its common shares which expired September 19, 2008. During 2008, under a new normal course issuer bid, which expires September 19, 2009, Tri-White purchased for cancellation 1,900 common shares for a total purchase price of \$12,000 or \$6.15 per common share, including commissions. During the year ended December 31, 2007, under a previous issuer bid, the Company purchased 204,700 shares at an average cost of \$9.31 per share. The excess of the cost of redemption of the shares repurchased over the carrying value was charged to retained earnings.

As of September 30, 2008, there were no preferred shares issued.

**Stock Options**

The Company has a stock option plan open to directors, officers, full-time employees and consultants of the Company. Under this plan, the Company may grant total options to a maximum of 10% of the issued and outstanding common shares of the Company on a non-diluted basis. Under the plan, the exercise price equals the market price of the Company's stock on the day prior to the date of grant and an option's maximum term is ten years. Options generally vest over a four-year period.

A summary of the Company's stock option plan is presented below:

	9 Months Ended September 30, 2008		Year Ended December 31, 2007	
	Number of Shares (000's)	Weighted Average Exercise Price \$	Number of Shares (000's)	Weighted Average Exercise Price \$
Outstanding, beginning of period	624	\$ 5.96	624	\$ 5.96
Granted	-	-	-	-
Exercised	(184)	4.24	-	-
Cancelled or expired	-	-	-	-
Outstanding, end of period	440	\$ 6.68	624	\$ 5.96

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**11. Share Capital (cont'd)**

At September 30, 2008 the outstanding stock options have the following terms:

Common shares to be issued (000's)	Exercise Price \$	Options Outstanding		Options Exercisable	
		Weighted Average Price \$	Expiry Date	Number of Exercisable Options	Weighted Average Price \$
12	3.80	3.80	2008	12	3.80
3	4.00	4.00	2009	3	4.00
63	4.06	4.06	2011	63	4.06
362	7.25	7.25	2014	290	7.25
440		6.68		368	6.56

At December 31, 2007, the outstanding stock options had the following terms:

Common shares to be issued (000's)	Range of Exercise Price \$	Options Outstanding		Options Exercisable	
		Weighted Average Price \$	Expiry Date	Number of Exercisable Options	Weighted Average Price \$
187	3.80 - 4.10	4.08	2008	187	4.08
4	4.00	4.00	2009	4	4.00
63	4.06	4.06	2011	63	4.06
370	7.25	7.25	2014	296	7.25
624		5.96		550	5.76

**12. Interest Expense**

(thousands of dollars)	3 Months Ended		9 Months Ended	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
Bank indebtedness	\$ 416	\$ 710	\$ 1,578	\$ 1,599
Notes payable (note 16)	85	623	1,144	796
Revolving long-term debt	45	806	113	1,019
Non-revolving long-term debt	5,621	4,647	16,300	6,204
Capital leases	195	203	560	282
Convertible debentures	-	151	-	202
Amortization of deferred financing costs	327	99	745	193
	<b>6,689</b>	<b>7,239</b>	<b>20,440</b>	<b>10,295</b>
Interest capitalized to properties under construction	-	(390)	-	(612)
	<b>\$ 6,689</b>	<b>\$ 6,849</b>	<b>\$ 20,440</b>	<b>\$ 9,683</b>

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**13. Earnings (Loss) per Share**

The following table sets forth the computation of basic and diluted weighted average number of common shares outstanding:

(in thousands)	9 Months Ended	
	September 30, 2008	September 30, 2007
Weighted average common shares outstanding – basic	22,877	22,800
Effect of stock options	30	212
Weighted average common shares outstanding – diluted	22,907	23,012

**14. Supplementary Cash Flow Information**

(thousands of dollars)	3 Months Ended		9 Months Ended	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
Interest paid	\$ 6,337	\$ 7,208	\$ 19,766	\$ 9,757
Income taxes paid - US Authority	3,836	2,132	6,266	2,132
Income taxes paid - Canadian Authority	-	-	-	-

**15. Operating Lease Commitments**

Minimum land lease rent payable by ClubLink for the next five years and thereafter are as follows:

(thousands of dollars)	
Balance of 2008	\$ 834
2009	3,419
2010	3,496
2011	3,578
2012	3,661
2013 and thereafter	59,302
	\$ 74,290

The above land lease arrangements are subject to standard lease termination clauses.

**16. Related Party Transactions**

The Company receives managerial and consulting services for its business and the business of its subsidiaries from Morguard Corporation (“Morguard”). The Chairman and Chief Executive Officer of the Company is a significant shareholder of Morguard. The Company paid a management fee of \$450,000 for the nine month period ended September 30, 2008 (September 30, 2007 - \$450,000), under a contractual agreement at market related prices, which is included in cost of sales and operating expenses. For the three month period ended September 30, 2008, this amount was \$150,000 (September 30, 2007 - \$150,000).

The Company has provided a revolving demand credit facility to a related party, Paros Enterprises Limited (“Paros”), in the amount of \$5,000,000, with no fixed date to maturity. During the periods ended September 30, 2008 and September 30, 2007 there were no advances or repayments under this facility nor were there any amounts due at September 30, 2008 or December 31, 2007. Paros is a privately owned company whose sole shareholder is the Chairman and Chief Executive Officer of the Company.

During the nine month period ended September 30, 2008, Paros advanced Tri-White \$9,000,000 (September 30, 2007 - \$4,000,000) in the form of a series of promissory notes, due on demand, bearing interest at prime plus 100 basis points. The balance owing on these promissory notes was \$4,000,000 at September 30, 2008 (December 31, 2007 – nil). The Company incurred \$97,000 of interest on these advances during this nine month period (September 30, 2007 - \$74,000). For the three month period ended September 30, 2008, this amount was \$52,000 (September 30, 2007 - \$74,000).

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**16. Related Party Transactions (cont'd)**

During the nine month period ended September 30, 2008, Morguard advanced Tri-White \$30,000,000 in the form of a promissory note, due on demand, bearing interest at 4.80%. This note was repaid on July 9, 2008. The Company incurred \$103,000 (September 30, 2007 – nil) of interest on these advances during this nine month period. For the three month period ended September 30, 2008, this amount was \$32,000 (September 30, 2007 – nil).

As at December 31, 2006, the Company had a loan receivable of \$5,529,000 with Revenue Properties (U.S.) Inc. (“RPUS”), a wholly-owned subsidiary of Revenue Properties Company Limited (“RPCL”) which was repaid in 2007. The Chairman and Chief Executive Officer of the Company is also the Chairman and Chief Executive Officer of RPCL. The Company earned interest of \$80,000 (September 30, 2008 - nil) from RPUS during the period ended September 30, 2007. No amounts were earned during either the three month period ended September 30, 2007 or September 30, 2008.

Effective April 1, 2008, Tri-White purchased 50% of the technology equipment trading business from Renasant by way of its investment in Global Source (note 4). No gain or loss on this sale was recorded by Renasant.

**17. Segmented Information**

Prior to the acquisition of additional common shares of ClubLink on June 1, 2007, the Company operated in two operating segments: (a) rail, tourism and port operations and (b) corporate operations. The rail, tourism and port operations are defined to include the railway and dock operations of British Yukon Railway Company, British Columbia - Yukon Railway Company, White Pass and Yukon Canada Inc. and its subsidiaries which operate docking facilities for ships and a tourist scenic/historic railway primarily in Alaska with a small portion in Canada.

The corporate operations include corporate office and other management and merchant banking operations.

Subsequent to June 1, 2007, the Company has reported the golf club operations of ClubLink as a segment.

	<b>Three months ended</b>			
	<b>September 30, 2008</b>			
(thousands of dollars)	<b>Golf Club Operations</b>	<b>Rail Tourism and Port Operations</b>	<b>Corporate Operations</b>	<b>Total</b>
Revenue	\$ 70,145	\$ 25,210	\$ -	\$ 95,355
Expenses	44,810	8,908	408	54,126
Earnings (loss) before other items, income taxes and non-controlling interest	25,335	16,302	(408)	41,229
Amortization	(4,371)	(830)	-	(5,201)
Land lease rent	(1,044)	-	-	(1,044)
Investment income	125	107	9	241
Interest expense	(5,594)	(643)	(452)	(6,689)
Loss on equity accounted investments	-	-	(218)	(218)
Income (loss) before income taxes and non-controlling interest	14,451	14,936	(1,069)	28,318
Provision for income taxes (unallocated)	-	-	-	(10,771)
Non-controlling interest	(3,003)	-	-	(3,003)
Segment income (loss)	\$ 11,448	\$ 14,936	\$ (1,069)	\$ 14,544

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**17. Segmented Information (cont'd)**

(thousands of dollars)	Nine months ended September 30, 2008			
	Golf Club Operations	Rail Tourism and Port Operations	Corporate Operations	Total
Revenue	\$ 139,185	\$ 39,184	\$ -	\$ 178,369
Expenses	98,138	17,926	1,460	117,524
Earnings (loss) before other items, income taxes and non-controlling interest	41,047	21,258	(1,460)	60,845
Amortization	(12,954)	(2,444)	-	(15,398)
Land lease rent	(3,144)	-	-	(3,144)
Investment income	869	260	327	1,456
Interest expense	(17,122)	(1,013)	(2,305)	(20,440)
Income on equity accounted investments	-	-	289	289
Income (loss) before income taxes and non-controlling interest	8,696	18,061	(3,149)	23,608
Provision for income taxes (unallocated)	-	-	-	(10,656)
Non-controlling interest	(1,744)	-	-	(1,744)
Segment income (loss)	\$ 6,952	\$ 18,061	\$ (3,149)	\$ 11,208

(thousands of dollars)	Three months ended September 30, 2007			
	Golf Club Operations	Rail Tourism and Port Operations	Corporate Operations	Total
Revenue	\$ 69,368	\$ 27,624	\$ -	\$ 96,992
Expenses	45,321	10,688	559	56,568
Earnings (loss) before other items, income taxes and non-controlling interest	24,047	16,936	(559)	40,424
Amortization	(4,448)	(801)	(2)	(5,251)
Land lease rent	(1,043)	-	-	(1,043)
Investment income	232	8	316	556
Interest expense	(5,516)	(257)	(1,076)	(6,849)
Income on equity accounted investments	-	-	117	117
Income (loss) before income taxes and non-controlling interest	13,272	15,886	(1,204)	27,954
Provision for income taxes (unallocated)	-	-	-	(12,631)
Non-controlling interest	(2,611)	-	-	(2,611)
Segment income (loss)	\$ 10,661	\$ 15,886	\$ (1,204)	\$ 12,712

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**17. Segmented Information (cont'd)**

(thousands of dollars)	Nine months ended September 30, 2007			
	Golf Club Operations	Rail Tourism and Port Operations	Corporate Operations	Total
Revenue	\$ 97,319	\$ 44,097	\$ -	\$ 141,416
Expenses	63,062	21,019	1,521	85,602
Earnings (loss) before other items, income taxes and non-controlling interest	34,257	23,078	(1,521)	55,814
Amortization	(5,869)	(2,493)	(2)	(8,364)
Land lease rent	(1,443)	-	-	(1,443)
Investment income	250	727	941	1,918
Interest expense	(7,288)	(271)	(2,124)	(9,683)
Loss on equity accounted investments	-	-	(2,239)	(2,239)
Income (loss) before income taxes	19,907	21,041	(4,945)	36,003
Provision for income taxes (unallocated)	-	-	-	(17,924)
Non-controlling interest	(3,934)	-	-	(3,934)
Segment income (loss)	\$ 15,973	\$ 21,041	\$ (4,945)	\$ 14,145

(thousands of dollars)	September 30, 2008				December 31, 2007			
	Golf Club Operations	Rail Tourism and Port Operations	Corporate Operations	Total	Golf Club Operations	Rail Tourism and Port Operations	Corporate Operations	Total
Segment Capital Assets	\$487,099	\$ 73,158	\$ -	\$ 560,257	\$491,346	\$ 67,438	\$ -	\$ 558,784
Segment Assets	\$572,768	\$ 81,339	\$ 6,971	\$ 661,078	\$546,642	\$ 73,047	\$ 7,076	\$ 626,765

(thousands of dollars)	3 Months Ended September 30, 2008				3 Months Ended September 30, 2007			
	Golf Club Operations	Rail Tourism and Port Operations	Corporate Operations	Total	Golf Club Operations	Rail Tourism and Port Operations	Corporate Operations	Total
Capital Expenditures	\$ 3,032	\$ 2,814	\$ -	\$ 5,846	\$ 4,361	\$ 769	\$ -	\$ 5,130

(thousands of dollars)	9 Months Ended September 30, 2008				9 Months Ended September 30, 2007			
	Golf Club Operations	Rail Tourism and Port Operations	Corporate Operations	Total	Golf Club Operations	Rail Tourism and Port Operations	Corporate Operations	Total
Capital Expenditures	\$ 9,165	\$ 3,415	\$ -	\$ 12,580	\$ 12,729	\$ 3,904	\$ -	\$ 16,633

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**18. Capital Management**

Each of the three business segments have separate goals and objectives with respect to the managing of their capital.

There are restrictive covenants in place on bank indebtedness and long-term debt that require certain financial ratios to be maintained. For 2007, and the nine month period ended September 30, 2008, the Company was in compliance with its debt covenants.

There were no changes in the Company's approach to capital management during the period.

*Golf Club Operations*

ClubLink's objective is to ensure that capital resources are readily available to meet its approved capital expenditure program and to take advantage of attractive acquisitions as these opportunities arise.

ClubLink sets its capital structure in proportion to risk. It manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, ClubLink may adjust the amount of dividends paid to shareholders, purchase and cancel shares pursuant to issuer bids, issue new shares, or sell assets to reduce debt.

ClubLink monitors capital on the basis of the net debt-to-adjusted equity ratio. This ratio is calculated as net debt divided by adjusted equity. Net debt is calculated as gross long-term debt plus capital lease obligations less cash and cash equivalents. Adjusted equity is comprised of deferred membership fees, net, less a related statutory tax provision, and all components of shareholders' equity (i.e. share capital, contributed surplus and retained earnings).

ClubLink's objective is to maintain a net debt-to-adjusted equity ratio of less than 2.00, in order to maintain access to financing at a reasonable cost. The net debt-to-adjusted equity ratios at September 30, 2008, December 31, 2007 and September 30, 2007 for ClubLink are as follows:

(thousands of dollars)	<b>September 30, 2008</b>	<b>December 31, 2007</b>	<b>September 30, 2007</b>
Gross long-term debt	\$ 291,678	\$ 300,391	\$ 304,959
Capital lease obligations	13,553	13,351	15,444
Cash and cash equivalents	(15,573)	(1,004)	(2,665)
<b>Net debt (A)</b>	<b>\$ 289,658</b>	<b>\$ 312,738</b>	<b>\$ 317,738</b>
Share capital	\$ 154,311	\$ 154,671	\$ 154,671
Contributed surplus	13,784	13,806	13,806
Retained earnings	3,922	1,012	3,841
Deferred membership fees, net	61,485	57,025	56,672
Less: tax provision at statutory income tax rate	(17,702)	(16,417)	(18,328)
<b>Adjusted equity (B)</b>	<b>\$ 215,800</b>	<b>\$ 210,097</b>	<b>\$ 210,662</b>
<b>Net debt-to-adjusted equity ratio (A/B)</b>	<b>1.34</b>	<b>1.49</b>	<b>1.51</b>

*Rail, Tourism and Port Operations*

The rail, tourism and port operations segment has a US dollar bank line of credit which is used to fund operations during the off season. This allows the segment the flexibility to manage its highly seasonal cash inflows and regular year round disbursements while providing appropriate returns to the shareholder. Cash flows considered surplus to the long-term needs of the business segment are generally utilized in corporate operations. On July 9, 2008, management completed a US \$35,000,000 term loan with a U.S. institution, payable over ten years. This will be repaid by way of future cash flow from operations. This cash was used to pay off financing incurred on the acquisition of ClubLink shares on June 1, 2007.

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**18. Capital Management (cont'd)**

*Corporate Operations*

The corporate operations segment has a line of credit available for investment purposes generally secured by the investment portfolio. This allows the company to take advantage of attractive opportunities in the market as they arise. Depending on the investment horizon, Tri-White may secure longer term financing arrangements. The current line of credit utilization was provided to assist in the recent ClubLink purchase and is secured by ClubLink shares.

Tri-White also has the potential to access financing from related party companies such as Morguard and Paros, as needed.

Tri-White funds its quarterly dividend by way of cash flow received from its White Pass and ClubLink subsidiaries.

**19. Financial Instruments and Risk Management**

***Categories of financial assets and liabilities***

Pursuant to Canadian GAAP, financial instruments are classified into one of the following five categories: held-for-trading, held to maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. The carrying values of the Company's financial instruments on the consolidated balance sheet are classified into the following categories:

(thousands of dollars)	September 30, 2008	December 31, 2007
Held-for-trading <sup>(1)</sup>	\$ 17,083	\$ 6,177
Loans and receivables <sup>(2)</sup>	26,186	9,744
Financial assets available-for-sale <sup>(3)</sup>	726	726
Other financial liabilities <sup>(4)</sup>	382,059	382,399

(1) Includes cash and cash equivalents

(2) Includes accounts receivable and mortgages and loans receivable

(3) Includes other long-term investments

(4) Includes accounts payable and accrued liabilities, bank indebtedness, long-term debt and notes payable.

A portion of the accounts receivable balance has been pledged in conjunction with the assignment of certain capital assets as collateral for long-term debt.

***Fair values***

The Company has determined, using considerable judgment, the estimated fair values of its financial instruments based on the valuation methodologies which are described below. The fair values of the Company's financial instruments approximate their carrying values for financial statement purposes with the exception of the Company's long-term debt. Management believes that the fair value of the Company's outstanding debt at September 30, 2008 is not currently determinable due to the current volatility of credit markets.

The methods and assumptions used to estimate the fair value of each type of financial instrument are as follows:

The fair values of cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities.

The fair value of mortgages and loans receivable was assumed to approximate fair value as they bear interest at current market rates.

The Company's long-term portfolio investment is accounted for using the cost method which approximates its fair value.

The fair value of notes payable was estimated based on the discounted cash flows of the debt at the Company's estimated incremental borrowing rates for debt of the same remaining maturities.

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**19. Financial Instruments and Risk Management (cont'd)**

***Risks arising from financial instruments and risk management***

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate risks), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is the responsibility of the corporate finance department whose function is to identify, evaluate and, where appropriate, hedge financial risks. The Company's overall risk management program focuses on establishing policies to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company aims to develop a disciplined control environment in which all employees understand their roles and obligations. Risks are monitored and are regularly discussed with the board of directors.

***Foreign exchange risk***

As discussed in note 1, White Pass has a reporting currency in US dollars, therefore, fluctuations in the US exchange rate will impact the earnings of Tri-White.

For the three month period ended September 30, 2008, if the Canadian dollar had weakened (strengthened) 10% against the US dollar, all other variables held constant, the after tax earnings would have increased (declined) by \$857,000 (September 30, 2007 - \$867,000).

For the nine month period ended September 30, 2008, if the Canadian dollar had weakened (strengthened) 10% against the US dollar, all other variables held constant, the after tax earnings would have increased (declined) by \$1,013,000 (September 30, 2007 - \$1,035,000).

Less than 1% of ClubLink's revenue and operating expenses are transacted in US dollars. As a result, exchange rate exposure to the golf operations is insignificant. ClubLink's US property (which is less than 2% of ClubLink's assets) has been recorded at its historical Canadian dollar cost as it is not considered a self-sustaining operation. The historical exchange rate is Cdn \$1.50 for US \$1.00.

***Interest rate risk***

The Company's interest rate risk primarily arises from its revolving long-term debt, bank indebtedness and notes payable. As at September 30, 2008, \$61,586,000 (or 16.8%) of the Company's total debt portfolio is subject to movements in floating interest rates (December 31, 2007 - \$67,404,000 or 17.7%). The Company's margin account which has a balance of \$21,000,000 as at September 30, 2008 (December 31, 2007 - \$21,699,000) bears interest at Canadian prime plus 2%. The subsidiary's line of credit which has a balance of nil as at September 30, 2008 (December 31, 2007 - \$9,930,000) bears interest at US prime. The subsidiary's term loan which has a balance of \$36,586,000 at September 30, 2008 (December 31, 2007 - nil) bears interest at either US prime or one to three month LIBOR contracts plus 225 basis points which was 4.71% at September 30, 2008. The note payable to Morguard bears interest at their incremental borrowing rate (4.80% at September 30, 2008) and has a balance of nil as at September 30, 2008 (December 31, 2007 - nil). The notes payable to Paros bear interest at Canadian prime plus 1% and has a balance of \$4,000,000 as at September 30, 2008 (December 31, 2007 - nil).

For the quarter ended September 30, 2008, an increase of 100 basis points of each the Canadian and US prime would have increased interest expense by \$174,000 (September 30, 2007 - \$273,000) and a decrease of 100 basis points of each the Canadian and US prime would have decreased interest expense by \$174,000 (September 30, 2007 - \$205,000).

For the nine month period ended September 30, 2008, an increase of 100 basis points of each the Canadian and US prime would have increased interest expense by \$435,000 (September 30, 2007 - \$458,000) and a decrease of 100 basis points of each the Canadian and US prime would have decreased interest expense by \$373,000 (September 30, 2007 - \$361,000).

The objective of the Company's interest rate management activities is to minimize the volatility of the Company's earnings.

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**19. Financial Instruments and Risk Management (cont'd)**

***Credit risk***

Credit risk arises from cash and cash equivalents held with banks and financial institutions, as well as credit exposure to trade accounts receivable and mortgages and loans receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The objective of managing credit risk is to prevent losses in financial assets. It is ClubLink's experience that the credit-worthiness of its accounts receivable is very good because it has the ability to suspend the playing and charging privileges of members who have overdue accounts in order to manage credit risk exposure to its members. Further, ClubLink collects deposits on group functions such as corporate events, banquets and resort stays to help mitigate this risk. White Pass has also had very few bad debts historically.

The credit risk associated with mortgages and loans receivable is considered minimal as they are adequately secured. Collateral for mortgages and loans receivable include a charge on the underlying asset for vendor take-back mortgages and loans and the underlying security for share purchase loans.

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off are credited to the allowance account.

The following table describes the changes in the allowance for doubtful accounts receivable:

(thousands of dollars)	<b>9 Months Ended September 30, 2008</b>	<b>12 Months Ended December 31, 2007</b>	<b>9 Months Ended September 30, 2007</b>
Balance, beginning of period	\$ 330	\$ 233	\$ 233
Increase in allowance through bad debt expense	120	120	120
Collection costs	(3)	(7)	(7)
Bad debt write-offs	(73)	(16)	(24)
Balance, end of period	\$ 374	\$ 330	\$ 322

The following table sets forth details of the age of receivables that are not overdue as well as an analysis of overdue amounts and related allowance for the doubtful accounts:

(thousands of dollars)	<b>September 30, 2008</b>	<b>December 31, 2007</b>	<b>September 30, 2007</b>
<b>Accounts receivable</b>			
Current	\$16,083	\$2,075	\$16,508
Past due for more than one day but not more than 90 days	3,221	441	3,951
Past due for more than 90 days	219	489	460
Less: allowance for doubtful accounts	(374)	(330)	(322)
Subtotal	<b>19,149</b>	<b>2,675</b>	<b>20,597</b>
<b>Mortgages and loans receivable</b>			
Current	7,105	7,144	6,425
Past due	16	9	7
Less: allowance for doubtful accounts	(84)	(84)	(235)
Subtotal	7,037	7,069	6,197
<b>Total loans and receivables</b>	<b>\$26,186</b>	<b>\$9,744</b>	<b>\$26,794</b>

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**19. Financial Instruments and Risk Management (cont'd)**

***Liquidity risk***

Liquidity risk arises through excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from committed credit facilities.

Liquidity risk is managed by business segment, which is consistent with the disclosures in note 18 Capital Management. This is not a significant risk for the golf operations because ClubLink has \$15,573,000 in cash and cash equivalents as at September 30, 2008 and had \$44,771,000 in undrawn credit facilities. The corporate operations segment has the ability to lever its existing investments in its subsidiaries for any needed financing.

The Company and its subsidiaries are subject to risks associated with debt financing, including the possibility that existing mortgages may not be refinanced or may not be refinanced on as favorable terms or with interest rates as favourable as those of the existing debt. The Company and its subsidiaries mitigate these risks by its continued efforts to stagger and to extend the maturity profile of its long-term debt, enhance the value of its real estate properties and foster excellent relations with its lenders.

**20. Contingencies**

From time to time, Tri-White is subject to claims and lawsuits arising in the ordinary course of operations. In the opinion of management, it is expected that the ultimate resolution of such pending legal proceedings will not have a material effect on Tri-White's consolidated financial position.

**21. Comparative Amounts**

Certain 2007 comparative amounts have been reclassified to conform with the financial statement presentation adopted for 2008.

**22. Subsequent Event**

On November 6, 2008, Tri-White completed the sale of its investment in Renasant to Paros for cash proceeds in the amount of \$5,545,000 (a portion of which was used to offset existing amounts owing). This sale was completed based on a price range established by an independent third party valuation of Renasant.