

CONSOLIDATED HCI HOLDINGS CORPORATION

**Annual Information Form
For the Year Ended September 30, 2011**

Dated: December 14, 2011
(All information as of September 30, 2011)

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CONSOLIDATED HCI HOLDINGS CORPORATION
("CHCI")
Annual Information Form
For the year ended September 30, 2011

1. INCORPORATION

(1) Incorporation or Organization of the Issuer

- A. CHCI, 100 Strada Drive, Unit 3, Woodbridge, Ontario, L4L 5V7, was continued under the laws of Canada pursuant to the Canada Business Corporations Act on September 21, 1977.
- B. Articles of Amendment were filed January 29, 1979, wherein the articles of CHCI were amended by:
- (i) changing the authorized capital of the Corporation to 2,000,000 common shares without nominal or par value and 1,500,000 First Preference Shares without nominal or par value; and
 - (ii) increasing the number of directors from five to six.
- C. Articles of Amendment were filed March 11, 1980, wherein the articles of CHCI were amended by:
- (i) changing the authorized capital of CHCI to 1,500,000 First Preference Shares without nominal or par value, an unlimited number of Class A shares without nominal or par value and an unlimited number of Class B shares without nominal or par value; and
 - (ii) by redesignating, changing, and dividing the outstanding common shares without nominal or par value in the capital of the Corporation into Class A shares without nominal or par value and Class B shares without nominal or par value on the basis of one-third of a Class A share and one Class B share for each one of such outstanding shares.
- D. Articles of Amendment were filed December 19, 1980, wherein the articles of CHCI were amended by:
- (i) dividing the outstanding Class A shares on the basis of three Class A shares for each one of such outstanding Class A shares;
 - (ii) dividing the outstanding Class B shares on the basis of three Class B shares for each one of such outstanding Class B shares; and
 - (iii) providing that the Class A shares and Class B shares shall have all the rights ascribed thereto under the Articles of CHCI except that the holders of Class A shares shall be entitled to receive, if, as and when declared by the Board of Directors of CHCI, out of the moneys of CHCI properly applicable to the payment of dividends, non-cumulative, preferential cash dividends at the rate of \$0.36 per share per annum payable quarterly on such dates as the Board of Directors may from time to time determine rather than at the rate of \$1.00 per share per annum as previously provided for in the articles of CHCI.
- E. Articles of Amendment were filed February 8, 1982, wherein the articles of CHCI were amended by changing the number of directors of CHCI from a fixed number of six to a minimum number of five and a maximum number of nine.

- F. Articles of Amendment were filed March 18, 1983, wherein the articles of CHCI were amended by redesignating the Class A shares without nominal or par value in the capital of CHCI as Class A (non-voting) shares without nominal or par value.
- G. Articles of Amendment were filed June 28, 1985, wherein the articles of CHCI were amended by increasing the number of directors to a minimum of five and a maximum of ten directors.
- H. Articles of Amendment were filed December 23, 1986, wherein the articles of CHCI were amended by:
 - (i) consolidating the issued and outstanding Class A shares and Class B shares of CHCI on the basis of one Class A share for each seven issued and outstanding Class A shares of CHCI and one Class B share for each seven issued and outstanding Class B shares of CHCI; and
 - (ii) changing the name of CHCI to Consolidated HCI Holdings Corporation.
- I. Articles of Amendment were filed March 25, 2003, wherein the articles of CHCI were amended by:
 - (i) redesignating each one issued and outstanding Class A share as one Class B share;
 - (ii) decreasing the authorized capital of CHCI by cancelling the Class A shares and the First Preferred shares;
 - (iii) declaring that the authorized capital of CHCI, after giving effect to the foregoing, shall consist of an unlimited number of Class B shares; and
 - (iv) deleting all of the existing share conditions attaching to the Class A non-voting shares, the Class B voting shares and First Preferred shares.

(2) Subsidiaries

The only active subsidiary of CHCI, Starcorp Holdings Limited (100% owned), which was incorporated on November 30, 1972 under the Business Corporations Act (Ontario), was wound up on January 31, 2005.

2. GENERAL DEVELOPMENT OF THE BUSINESS

CHCI is a real estate development company. Prior to 1986, CHCI had been operated for a number of years as a closed end investment company. However, effective January 1, 1986, through a reverse take-over, the former shareholders of 512111 Ontario Limited, a real estate and development company, acquired 95% of the Class A shares and 49% of the Class B shares of CHCI and CHCI was transformed primarily into a real estate and development company.

CHCI's real estate activities have consisted of residential and industrial land development, building and rentals, commercial development and rentals and participation in two Toronto homebuilders. These activities had been carried out through East Woodbridge Developments, a 100% beneficially owned partnership, which was dissolved on January 31, 2005. East Woodbridge Developments is the name of the division of CHCI that continued to carry on these same activities after the partnership dissolution.

The general goal of CHCI had been to position itself to continue to build a portfolio of income-producing properties to supply a permanent basis of long-term income and financial stability while adding to land inventory as opportunities presented themselves and continuing to look for opportunities to expand its home-building operations. The Company's residential land inventory and industrial land holdings have now been depleted and the Company is no longer seeking new development opportunities or the purchase of income-producing properties. The Company is presently completing its three remaining house building projects and has no plans to continue with its house building operations.

On February 2, 2011, the Company closed the sale of its 25% co-tenancy interest in 2.5 acres of vacant serviced land in Mississauga, Ontario, to an arm's length purchaser for net cash proceeds, after closing adjustments, of \$745.

On February 2, 2011, the Company completed the sale of its 25% co-tenancy interest in land subject to a long-term ground lease in Mississauga, Ontario to an arm's length purchaser for the purchase price of \$3,377 and the sale of its 12.55% co-tenancy interest in a leased building of 8,103 square feet, also located in Mississauga, to a related party co-tenant in the property for the purchase price of \$439. The consideration received by the Company for both transactions was paid in cash and totaled \$3,788 after closing adjustments.

With these sales, the Company's last remaining income-producing property consists of its 50% interests in a 200,000 square foot rental building located at 7700 Keele Street in Vaughan, Ontario, acquired at a cost of \$4.6 million in 2005 and an adjacent 1.25 acre development property acquired at a cost of \$0.8 million in 2010. The Company has been developing the building for mixed industrial-commercial-retail uses. The Company's 50% share of capital improvements to the building have amounted to \$0.7 million since acquisition.

As at September 30, 2009, the Company had achieved a 64% level of occupancy in its Vaughan, Ontario income-producing property. During 2010, the Company leased 17,046 square feet to two new tenants bringing the building occupancy to 73% leased and during the third quarter of 2010, the tenant from which the Company purchased the building in 2005, vacated the premises at the end of its lease leaving the building 49% leased through to September 30, 2010. Other than two short-term tenancies which commenced in 2011 that are scheduled to terminate by December 31, 2011, no new leases commenced for interior building space in 2011.

During the second quarter of 2011, the Company leased 42,000 square feet of roof surface to a company partly owned by a related party on which the lessee has installed solar panels to provide electricity to the Ontario Power Authority ("OPA") grid. The Company began to collect rent under the lease as of January 19, 2011, the date designated as the Term Commencement Date by the OPA. The lease term is for twenty years with three five-year renewal options.

During the third quarter of 2011, the Company leased a further 30,903 square feet of space to a national chain of fitness clubs for a twenty-year term with a ten-year renewal option. The lease is scheduled to commence on the earlier of March 1, 2012 or the completion of the tenant's fixturing period, which had not yet begun as at September 30, 2011, and will bring the building to a 65% occupancy level. The Company's share of the cost of landlord's base building work and a cash fixturing allowance to the tenant is expected to total approximately \$0.6 million and will be paid from the Company's own resources.

During the fourth quarter of 2011, the Company entered into an agreement to lease the 50%-owned, 1.25 acre Vaughan, Ontario site referred to above to an international chain for use as a fast food restaurant with drive-through for a fifteen-year term with two five-year renewal options. The tenant is expected to commence operations on the site by July 2012 on the completion of the landlord's site work and the tenant's fixturing period. The Company's share of the landlord's site preparation costs is expected to be approximately \$0.15 million and will be paid from the Company's own resources.

On June 1, 2009, the maturing financing on the Vaughan, Ontario income-producing property referred to above was replaced with a 20-year mortgage loan from the Business Development Bank of Canada, CHCI's share of which was \$4.75 million. The loan bears interest at the Business Development Bank of Canada's base rate for commercial and industrial loans and matures in 2029. At September 30, 2011, the base rate was 5.00%. The loan agreement required a principal payment of \$40,000 on December 28, 2009 and payments of \$39,580 plus interest per month thereafter until maturity. The Company has provided the lender with a guarantee of 50% of all amounts due under the loan. A condition of the mortgage loan on the Company's Vaughan, Ontario income-producing property is that the co-tenancy maintain a long-term debt to tangible equity ratio of 3:1. As at September 30, 2011, with a ratio at that date of 3.04:1, this condition has not been met. The lender may, at its option, demand immediate payment of the loan and enforce any security under the loan agreement. The lender has neither requested that the Company remedy this breach of covenant nor demanded repayment of the loan. Should such a request be forthcoming, the Company is in a position to inject additional capital, pay down the mortgage loan or, alternatively, refinance the property.

On May 1, 2007, the Company completed the sale of 2,066,448 square feet of income-producing properties, constituting substantially all such properties owned by the Company, for a total purchase price of \$230 million including the assumption by the purchaser of the outstanding mortgages of \$54 million related to the assets sold. The transaction resulted in cash proceeds to the Company of \$176 million. As a result of the substantial cash generated from this sale, on May 30, 2007, the Company declared the special dividend described under the heading "Dividends."

On October 15, 2007, the Company completed the sale of its raw land held for future development in the Collingwood, Ontario area for \$10.2 million where the Company received cash of \$3.1 million and took back a mortgage of \$7.1 million. The mortgage bears interest at 4% for the first two years of its term and 6% for the next two years, is payable as to interest only during the first two years and interest with \$0.05 million of principal per quarter during the second two years, and matured on October 10, 2011. On maturity, the mortgage was refinanced to mature on January 31, 2012. The extension agreement provides for interest at 6% per annum calculated and payable quarterly, an extension fee of \$0.025 million payable on or before November 30, 2011 and a principal payment of \$0.25 million payable on January 10, 2012.

Other than the land addition to the Company's Vaughan, Ontario income-producing property referred to above, no new land or building purchases were made from 2009 to 2011.

3. NARRATIVE DESCRIPTION OF THE BUSINESS

CHCI is a Canadian-owned real estate development company conducting business in the Province of Ontario. Until 2006 CHCI was a builder and lessor/manager of industrial and commercial properties. By the end of 2006, the Company had sold all of its industrial and substantially all its residential land inventory. As described above, as of September 30, 2011, the Company has sold all but one of its rental properties. The Company's last remaining rental property is managed by a co-investor in that property. Through various joint ventures, CHCI remains involved in house building.

The real estate operations in Ontario are conducted under the name of East Woodbridge Developments, a division of CHCI, which, until its dissolution on January 31, 2005, was a 100% beneficially owned partnership. As of September 30, 2011, CHCI has three executive officers and employs one employee in East Woodbridge Developments.

With the sale of substantially all of its residential land inventory, industrial land holdings and all but one of its rental properties, CHCI has generated significant amounts of cash. This cash has largely been invested in term deposits and relatively short-term syndicated mortgage loans and was used to pay the dividends described under the heading "Dividends."

CHCI has a significant investment in syndicated mortgage loans, which total \$11.0 million at September 30, 2011. These loans are secured by real property developments of other land developers and builders. For further information related to these investments please refer to the section entitled "Investment in syndicated mortgage loans" in CHCI's MD&A filed on SEDAR in conjunction with its audited consolidated financial statements for its year ended September 30, 2011, which can be found at www.sedar.com

East Woodbridge Developments

Residential Construction

CHCI's share of revenue from housing sales as recorded by its joint ventures for 2011 decreased to \$10.6 million from the \$14.6 million recorded in 2010. This revenue decrease is primarily the result of there being fewer units sold. In 2010, the Company acquired no new lots and no new projects were started as existing inventory was being completed and sold.

The gross margin percentage on housing sales is a function of the projects sold. Margins vary widely from project to project and are influenced by many factors including market demand in the project's location, the proximity of competing product, the mix of product in the project, the cost of land, the stage in a project when

construction cost increases hit the market and the length of time it takes for a project to sell out resulting in higher carrying costs. The gross margin percentage on housing sales across all projects for 2011 increased to 11.3% from the 7.2% achieved in 2010. In 2009, the gross margin was 5.9%. The gross margin increase in 2011 was primarily the result of the sale of more higher margin product in 2011 compared to 2010 and the Company having recorded upward adjustments to cost estimates of prior periods with the availability of new information in the third quarter of 2010.

Residential Land

At September 30, 2009, CHCI's remaining residential land holdings consisted of two lots and a block in a Mississauga subdivision completed in a previous year. During 2010, the Company completed the sale of the block and one of the lots for proceeds of \$0.4 million resulting in a gain of \$0.3 million. CHCI's last significant residential land holding consisted of a 135-acre parcel held for future development in the Collingwood, Ontario area, which was sold on October 10, 2007, as described above.

Industrial Land Development and Rentals

Until 2007, the development of the Pine Valley Business Park in Woodbridge represented CHCI's major industrial land activity. As explained above, the Company sold all of its remaining unbuilt, serviced land and all of its rental properties in the business park in 2007, and all of its remaining Mississauga industrial land and rental properties in 2011.

Rental Property

East Woodbridge Developments' share of the property in its income-producing properties segment as at September 30, 2011 is as follows:

	% Share	Land Area in Acres	Building Area Square Footage (leasable)
INDUSTRIAL-COMMERCIAL PROPERTY			
7700 Keele St., Vaughan	50.0	7.02	100,000

Risk Factors

Please refer to the section entitled "RISK MANAGEMENT" in CHCI's 2011 MD&A referred to above.

4. SELECTED CONSOLIDATED FINANCIAL INFORMATION

(1)

Consolidated HCI Holdings Corporation
September 30
(in \$000s except per share amounts)

	2011	2010	2009	2008	2007
Total revenue	\$13,843	\$18,650	\$38,712	\$ 52,172	\$ 30,998
Net earnings for the year					
Continuing operations	\$ 3,051	\$ 4,213	\$ 3,800	\$ 9,902	\$ 4,511
Discontinued operations	2,446	-	67	1,133	114,301
	\$ 5,497	\$ 4,213	\$ 3,867	\$ 11,035	\$118,812
Basic and fully diluted earnings per share					
Continuing operations	\$ 0.15	\$ 0.20	\$ 0.19	\$ 0.48	\$ 0.22
Discontinued operations	0.12	-	-	0.06	5.55
	\$ 0.27	\$ 0.20	\$ 0.19	\$ 0.54	\$ 5.77
Total assets	\$57,394	\$71,506	\$91,790	\$103,245	\$152,795
Long-term debt	\$ 4,285	\$ 5,253	\$ 5,939	\$ 16,014	\$ 22,322
Cash dividends	\$15,432	\$20,576	N/A	\$ 20,576	\$174,895

(2)

Quarterly Reporting
(unaudited in \$000s except per share amounts)

	Sep 11	Jun 11	Mar 11	Dec 10	Sep 10	Jun 10	Mar 10	Dec 09
Revenue								
Continuing operations	\$2,445	\$2,180	\$4,758	\$4,460	\$3,099	\$4,904	\$4,507	\$5,887
Net earnings								
Continuing operations	\$94	\$1,450	\$818	\$689	\$2,374	\$384	\$445	\$809
Discontinued operations	(15)	-	2,407	54	50	50	51	50
Total	\$79	\$1,450	\$3,225	\$743	\$2,424	\$434	\$496	\$859
Basic and diluted earnings per share								
Continuing operations	\$ -	\$0.07	\$0.04	\$0.03	\$0.12	\$0.02	\$0.02	\$0.04
Discontinued operations	-	-	0.12	-	-	-	-	-
Total	\$ 0.00	\$0.07	\$0.16	\$0.03	\$0.12	\$0.02	\$0.02	\$0.04

(Due to the impact of rounding, the sum of quarterly earnings per share may not equal the total for the year.)

(3) As CHCI was growth oriented, it had a policy of not paying out dividends. Instead, surplus funds were reinvested in CHCI. With the sale of substantially all of its land and rental property assets, the Company paid cash dividends in 2011, 2010, 2008 and 2007 of \$15 million, \$21 million, \$21 million and \$175 million, respectively, as described under the heading "Dividends."

5. MANAGEMENT'S DISCUSSION AND ANALYSIS

Please refer to CHCI's MD&A filed on SEDAR in conjunction with its audited consolidated financial statements for its year ended September 30, 2011, which can be found at www.sedar.com.

6. DIVIDENDS

CHCI declared a special dividend of \$0.75 per Class B share to shareholders of record at the close of business on February 21, 2011, and the dividend was paid on March 4, 2011.

CHCI declared a special dividend of \$1.00 per Class B Share to shareholders of record at the close of business on December 29, 2009 and the dividend was paid on January 13, 2010.

No dividends were paid by CHCI in the year ended September 30, 2009.

CHCI declared a special dividend of \$1.00 per Class B Share to shareholders of record at the close of business on May 20, 2008 and the dividend was paid on May 28, 2008.

CHCI declared a special dividend of \$8.50 per Class B Share to shareholders of record at the close of business on June 15, 2007 and the dividend was paid on July 4, 2007.

The payment of any further dividends will be determined by the Board of Directors having regard to the performance of CHCI and its financial requirements.

7. MARKET FOR SECURITIES

The Class B shares of CHCI trade on the Toronto Stock Exchange under the trading symbol CXA.B.

The following table sets forth information relating to the trading of the Class B shares for the periods indicated:

Date	High	Low	Volume
October 2010	2.20	2.00	2,435
November 2010	2.20	2.18	2,136
December 2010	2.40	1.87	2,156
January 2011	2.25	2.15	24,808
February 2011	3.00	2.25	130,264
March 2011	2.73	2.15	12,424
April 2011	1.71	1.51	485
May 2011	1.72	1.62	76
June 2011	1.85	1.85	100
July 2011	n/a	n/a	nil
August 2011	1.94	1.94	100
September 2011	2.25	2.01	3,300

8. DIRECTORS AND OFFICERS

Name	Present principal occupation or employment	Year first became a director	Number of Class B shares beneficially owned directly or indirectly or over which control or direction is exercised
Rudolph Peter Bratty Q.C. ⁽²⁾⁽³⁾⁽⁴⁾ Vaughan, Ontario <i>Director</i>	President of Ruland Realty Limited	1986	2,449,777 ⁽¹⁾
John Hunter Craig ⁽⁴⁾ Toronto, Ontario <i>Director and Secretary</i>	Solicitor and Partner, Cassels, Brock & Blackwell LLP	1985	2,500
John Henry Daniels ⁽²⁾ Toronto, Ontario <i>Director</i>	Chief Executive Officer of The Daniels Corporation	1990	1,250
Richard Michael Gambin ⁽²⁾ Vaughan, Ontario <i>Director</i>	President of Ricgam Investments Ltd.	2006	2,985,232 ⁽¹⁾
Stanley Goldfarb Toronto, Ontario <i>Director, President & CEO</i>	President, Chief Executive Officer and Treasurer of the Corporation; President of Logpin Investments Limited	1986	3,547,013.5 ⁽¹⁾
Marc Muzzo Woodbridge, Ontario <i>Director and Vice President</i>	Director of Marel Contractors	2005	4,526,749.5 ⁽¹⁾
Arnold Joseph Resnick Toronto, Ontario <i>Controller and CFO</i>	Controller of the Corporation and Chief Financial Officer since 2006	N/A	NIL

(1) Certain of these shares are held in private companies controlled by the respective individual in certain circumstances together with other family members.

(2) Members of the Audit and Compensation Committee.

(3) Non-Executive Chairman of the Board

(4) Members of the Corporate Governance and Nominating Committee.

The term of each director expires at the next annual meeting of shareholders or until his successor is elected or appointed. CHCI does not have an Executive Committee.

Henry Clifford Hatch, Jr. resigned as Chairman of the Board and a director on August 29, 2011.

Several of the directors serve as directors of other reporting issuers more particularly described below:

Director	Other Reporting Issuers
Rudolph Bratty	Brampton Brick Limited
John H. Craig	Africa Oil Corp. Atacama Minerals Corp. BlackPearl Resources Inc. Corsa Capital Ltd. Denison Mines Corp. Etrion Corporation Lundin Mining Corporation
Stanley Goldfarb	The Goldfarb Corporation Firm Capital Mortgage Investment Trust

None of the directors or executive officers of CHCI:

- (a) is, as at the date hereof, a director or executive officer of any company, that while that person was acting in that capacity:
- (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
 - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days,
 - (iii) or within a year of that person ceasing to act in that capacity, become a bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or
- (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the directors, officer or shareholder:

save and except as follows:

Mr. Goldfarb was a director of Fleming Packaging Corporation, a corporation controlled by The Goldfarb Corporation, which became bankrupt in 2003.

9. AUDIT COMMITTEE AND EXTERNAL AUDITOR SERVICE FEES

The Audit Committee of CHCI consisted of four members until August 29, 2011 and thereafter three members during the year ended September 30, 2011, all of whom were independent and financially literate. They were H. Clifford Hatch, Jr. (Chairman), Rudolph Bratty, John Daniels and Richard M. Gambin until August 29, 2011 at which time Mr. Hatch resigned as a director.

Following is the educational background and business background relevant to the ability of the current and former members of the Audit Committee to perform their duties:

H. Clifford Hatch: Chair of several audit committees including the University of Windsor 1984; Speedy Muffler 1993 - 2004; The Goldfarb Corporation 1994 - 1996; Chief Financial Officer of Allied Lyons PLC 1987 - 1991;

President and Chief Executive Officer of Corby Distilleries 1977 - 1980; President and Chief Executive Officer of Hiram Walker Gooderham & Worts 1984 - 1987; and holds an MBA Harvard Business School.

Rudolph Bratty: Member of several audit committees including The Toronto Sun, C.T. Financial, Brampton Brick Limited; President and Chief Executive Officer of Ruland Realty Limited; Chairman of The Erin Mills Development Corporation, both real estate development companies; and holds an LLB.

John Daniels: Chairman of Daniels Corporation, a real estate development company; holds a B. Arch, M.R.A.I.C.

Richard M. Gambin: From 2000 to 2010 as solicitor and Partner, Gambin RDQ, LLP, acted for major financial institutions in land acquisitions, land development and construction financing; currently, President of Ricgam Investments Ltd., a real estate development company; holds a BA (administration and commercial studies) and an LLB.

A copy of the Audit Committee's charter is attached hereto as Schedule 1.

The following table sets forth the aggregate amounts of fees paid and accrued to PricewaterhouseCoopers LLP, CHCI's external auditors, for services rendered for the fiscal years 2010 and 2009:

Year	Audit Fees	Audit Related Fees	Tax Fees
2010	\$77,530	nil	\$23,700
2011	\$77,700	7,875	\$25,000

10. TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.
9th Floor, North Tower
100 University Avenue
Toronto, ON M5J 2Y1

11. ADDITIONAL INFORMATION

Additional information relating to the Company has been filed on SEDAR and can be found at www.sedar.com.

Additional financial information is provided in CHCI's audited comparative consolidated financial statements and its MD&A for its year ended September 30, 2011.

Schedule 1

CONSOLIDATED HCI HOLDINGS CORPORATION

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. PURPOSE

The Audit Committee is a committee of the Board of Directors of Consolidated HCI Holdings Corporation (the "Corporation"). The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its financial reporting and controls responsibilities to the shareholders of the Corporation and the investment community. The external auditors will report directly to the Audit Committee. The Audit Committee's primary duties and responsibilities are:

- overseeing the integrity of the Corporation's financial statements and reviewing the financial reports and other financial information provided by the Corporation to any governmental body or the public and other relevant documents;
- recommending the appointment and reviewing and appraising the audit efforts of the Corporation's independent auditor, overseeing the independent auditor's qualifications and independence and providing an open avenue of communication among the independent auditor, financial and senior management and the Board of Directors;
- serving as an independent and objective party to oversee and monitor the Corporation's financial reporting process and internal controls, the Corporation's processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements;
- encouraging continuous improvement of, and fostering adherence to, the Corporation's policies, procedures and practices at all levels.

II. COMPOSITION AND MEETINGS

The Audit Committee shall be comprised of at least three directors. Unless otherwise authorized by the Board of Directors, each Committee member shall be:

- an "unrelated director" as such term is defined in Schedule A; and
- "independent" as such term is defined in Schedule A.

In addition, unless otherwise authorized by the Board of Directors, no director shall be qualified to be a member of the Audit Committee if such director receives (or his/her immediate family member or the entity for which such director is a director, member, partner or principal and which provides consulting, legal, investment banking, financial or other similar services to the Corporation), directly or indirectly, any consulting, advisory, or other compensation from the Corporation other than compensation for serving in his or her capacity as member of the Board and as a member of Board committees.

All members shall, to the satisfaction of the Board of Directors, be "financially literate" as defined in Schedule A, and at least one member shall have accounting or related financial management expertise to qualify as a "financial expert" as defined in Schedule A.

The members of the Committee shall be appointed by the Board at the annual organizational meeting of the Board or until their successors shall be duly appointed and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

The Committee shall meet at least four times annually, or more frequently as circumstances require. The Committee shall meet within 45 days following the end of each of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related Management Discussion & Analysis and shall meet within 90 days following the end of the fiscal year end to review and discuss the audited financial results for the year and related Management Discussion & Analysis prior to their publishing.

The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their audit related duties, members of the Committee shall have full access to all corporate information and shall be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and independent auditors of the Corporation.

As part of its job to foster open communication, the Committee should meet at least annually with management and the independent auditor in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee should meet with management quarterly to review the Corporation's financial statements with access to the independent auditor if it so requires.

Quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Committee or such greater number as the Audit Committee shall by resolution determine.

Meetings of the Audit Committee shall be held from time to time and at such place as the Audit Committee or the Chairman of the Committee shall determine upon 48 hours notice to each of members. The notice period may be waived by a quorum of the Committee. Each of the Chairman of the Committee, members of the Committee, Chairman of the Board, independent auditors, Chief Executive Officer, Chief Financial Officer or Secretary shall be entitled to request that the Chairman of the Audit Committee call a meeting which shall be held within 48 hours of receipt of such request.

III. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall:

1. Create an agenda for the ensuing year.
2. Review and update this Charter at least annually, as conditions dictate.
3. Describe briefly in the Corporation's annual report and more fully in the Corporation's Management Information Circular the Committee's composition and responsibilities and how they were discharged.
4. Report periodically to the Board of Directors.

Documents/Reports Review

5. Review with management and the independent auditors, the organization's interim and annual financial statements, management discussion and analysis and any reports or other financial information to be submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent auditor for the purpose of recommending their approval to the Board of Directors prior to their filing, issue or publication.
6. Review with financial management and the independent auditor the Corporation's financial statements, MD&A's and earnings releases and any filings which contain financial information, to

be filed with regulatory bodies such as securities commissions prior to filing or prior to the release of earnings. The Chair of the Committee may represent the entire Committee for purposes of this review in circumstances where time does not allow the full Committee to be available.

Independent Auditor

7. Recommend to the Board of Directors the selection of the independent auditor, consider the independence and effectiveness and approve the fees and other compensation to be paid to the independent auditor.
8. Monitor the relationship between management and the independent auditor including reviewing any management letters or other reports of the independent auditor and discussing any material differences of opinion between management and the independent auditor.
9. Review and discuss, on an annual basis, with the independent auditor all significant relationships they have with the Corporation to determine their independence and report to the Board of Directors.
10. Review and approve requests for any management consulting engagement to be performed by the independent auditor and be advised of any other study undertaken at the request of management that is beyond the scope of the audit engagement letter and related fees.
11. Review the performance of the independent auditor and approve any proposed discharge and replacement of the independent auditor when circumstances warrant. Consider with management and the independent auditor the rationale for employing accounting/auditing firms other than the principal independent auditor.
12. Periodically consult with the independent auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
13. Arrange for the independent auditor to be available to the Audit Committee and the full Board of Directors as needed. Ensure that the auditors report directly to the Audit Committee and are made accountable to the Board and the Audit Committee, as representatives of the shareholders to whom the auditors are ultimately responsible.
14. Oversee the work of the independent auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services.
15. Ensure that the independent auditors are prohibited from providing the following non-audit services and determining which other non-audit services the independent auditors are prohibited from providing:
 - a. bookkeeping or other services related to the accounting records or financial statements of the Corporation;
 - b. financial information systems design and implementation;
 - c. appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
 - d. actuarial services;
 - e. internal audit outsourcing services;
 - f. management functions or human resources;
 - g. broker or dealer, investment adviser or investment banking services;
 - h. legal services and expert services unrelated to the audit; and
 - i. any other services which the Public Company Accounting Oversight Board determines to be impermissible.
16. Approve any permissible non-audit engagements of the independent auditors, in accordance with applicable legislation.

Financial Reporting Processes

17. In consultation with the independent auditor review the integrity of the organization's financial and accounting controls and reporting processes, both internal and external.
18. Consider the independent auditor's judgments about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices or are minority practices.
19. Consider and approve, if appropriate, major changes to the Corporation's accounting principles and practices as suggested by management with the concurrence of the independent auditor and ensure that the accountants' reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

Process Improvement

20. At least annually obtaining and reviewing a report prepared by the independent auditors describing (i) the auditors' internal quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditors, and any steps taken to deal with any such issues.
21. Establish regular and separate systems of reporting to the Audit Committee by each of management and the independent auditor regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
22. Review the scope and plans of the independent auditor's audit and reviews prior to the audit and reviews being conducted. The Committee may authorize the independent auditor to perform supplemental reviews or audits as the Committee may deem desirable.
23. Following completion of the annual audit and quarterly reviews, review separately with each of management and the independent auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and reviews, including any restrictions on the scope of work or access to required information and the cooperation that the independent auditor received during the course of the audit and reviews.
24. Review any significant disagreements among management and the independent auditor in connection with the preparation of the financial statements.
25. Where there are significant unsettled issues the Committee shall ensure that there is an agreed course of action for the resolution of such matters.
26. Review with the independent auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
27. Review activities, organizational structure, and qualifications of the chief financial officer and the staff in the financial reporting area and see to it that matters related to succession planning within the Corporation are raised for consideration at the full Board of Directors.

Ethical and Legal Compliance

28. Review management's monitoring of the Corporation's system in place to ensure that the

Corporation's financial statements, reports and other financial information disseminated to governmental organizations, and the public satisfy legal requirements.

29. Review, with the organization's counsel, legal and regulatory compliance matters, including corporate securities trading policies, and matters that could have a significant impact on the organization's financial statements.

Risk Management

30. Make inquiries of management and the independent auditors to identify significant business, political, financial and control risks and exposures and assess the steps management has taken to minimize such risk to the Corporation.
31. Ensure that the disclosure of the process followed by the Board of Directors and its committees, in the oversight of the Corporation's management of principal business risks, is complete and fairly presented.
32. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage.

General

33. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The committee shall be empowered to retain independent counsel, accountants and other professionals to assist it in the conduct of any investigation.
34. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Committee or the Board of Directors deems necessary or appropriate.

May 18, 2004

Schedule A

Unrelated Director – TSX Proposed Corporate Governance Guidelines

An “unrelated director”, in accordance with the proposed *Corporate Governance Guidelines* of the Toronto Stock Exchange, means a director who is:

- (a) not a member of management and is free from any interest and any business, family or other relationship which could reasonably be perceived to materially interfere with the director’s ability to act with a view to the best interests of the Corporation, other than interests and relationships arising solely from holdings in the Corporation;
- (b) not currently, or has not been (and who does not have an immediate family member who is currently or has been) within the last five years, an officer, employee of or material service provider (which includes without limitation, the auditors of the Corporation) to the Corporation or any of its subsidiaries or affiliates; and
- (c) not a director (or similarly situated individual) officer, employee or significant shareholder of an entity that has a material business relationship with the Corporation.

Independence Requirement of Proposed Multilateral Instrument 52-110

A member of the Audit Committee shall be considered “independent”, in accordance with *Proposed Multilateral Instrument 52-110 - Audit Committees* (“MI 52-110”) if that member has no direct or indirect relationship with the issuer, which could reasonably interfere with the exercise of the member’s independent judgment. The following persons are considered to have a material relationship with the issuer and, as such, can not be a member of the Audit Committee:

- (a) a person who is, or whose immediate family member is, or at any time during the prescribed period has been, an officer or employee of the issuer, its parent, or of any of its subsidiary entities or affiliated entities;
- (b) a person who is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the issuer, unless the prescribed period has elapsed since the person’s relationship with the internal or external auditor, or the auditing relationship, has ended;
- (c) a person whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of the issuer, unless the prescribed period has elapsed since the person’s relationship with the internal or external auditor, or the auditing relationship, has ended;
- (d) a person who is, or has been, or whose immediate family member is or has been, employed as an executive officer of any entity if any of the issuer’s current executives serve on the entity’s compensation committee, unless the prescribed period has elapsed since the end of the service or employment;
- (e) a person who accepts, or has accepted at any time during the prescribed period, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the audit committee, the board of directors, or any other board committee; and
- (f) a person who is an affiliated entity of the issuer or any of its subsidiary entities.

Financial Literacy Under Proposed Multilateral Instrument 52-110

“Financially literate”, in accordance with MI 52-110, means that the director has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

Financial Expert Under Proposed Multilateral Instrument 52-110

A person will qualify as “financial expert”, in accordance with MI 52-110, if he or she possesses the following attributes:

- (a) an understanding of financial statements and generally accepted accounting principles used by the Corporation to prepare its financial statements;
- (b) an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements, or experience actively supervising one or more persons engaged in such activities;
- (d) an understanding of internal controls and procedures for financial reporting; and
- (f) an understanding of audit committee functions.