CONSOLIDATED HCI HOLDINGS CORPORATION

First QUARTER REPORT

1

For The Three Months Ended
December 31, 2016

Consolidated HCI Holdings Corporation

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51 – 102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of Consolidated HCI Holdings Corporation (the ″Company″) for the three months ended December 31, 2016 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

CONSOLIDATED HCI HOLDINGS CORPORATION
INTERIM CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands of Canadian dollars)

	December 31 2016	September 30 2016
ASSETS		
Non-current assets		
Investment properties (note 5)	**$ –**	$ 12,436
Amounts receivable (note 7)	**831**	1,172
Tenant inducements (note 8)	**–**	311
	831	13,919
Current assets		
Cash and cash equivalents (note 6)	**470**	548
Restricted cash (note 6)	**–**	5
Amounts receivable (note 7)	**31**	134
Short-term investments (note 9)	**10,092**	10,592
Marketable securities (note 9)	**2,741**	2,609
Income taxes recoverable	**83**	47
Tenant inducements (note 8)	**–**	22
Other	**95**	47
	13,512	14,004
Assets held for sale (note 12)	**14,541**	–
Total assets	**$ 28,884**	$ 27,923
LIABILITIES		
Non-current liabilities		
Loan payable (note 10)	**$ –**	$ 2,674
Deferred income taxes (note 11)	**1,573**	1,395
	1,573	4,069
Current liabilities		
Loan payable (note 10)	**–**	237
Accounts payable and accrued liabilities (note 16)	**273**	573
	273	810
Liabilities related to assets held for sale (note 12)	**3,034**	–
Total liabilities	**4,880**	4,879
SHAREHOLDERS' EQUITY		
Capital stock	**35,890**	35,890
Deficit	**(13,181)**	(14,025)
Accumulated other comprehensive income	**1,295**	1,179
Total shareholders' equity	**24,004**	23,044
Total liabilities and shareholders' equity	**$ 28,884**	$ 27,923

Contingencies and commitments (note 17)

The accompanying notes are an integral part of these interim consolidated financial statements.

CONSOLIDATED HCI HOLDINGS CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited, in thousands of Canadian dollars)

	Capital stock	**Retained earnings (deficit)**	**Accumulated other comprehensive income**	**Total equity**
Balance – October 1, 2016	**$ 35,890**	**$ (14,025)**	**$ 1,179**	**$ 23,044**
Net earnings for the period	**–**	**844**	**–**	**844**
Other comprehensive loss	**–**	**–**	**116**	**116**
Balance – December 31, 2016	**$ 35,890**	**$ (13,181)**	**$ 1,295**	**$ 24,004**

	Capital stock	Retained earnings (deficit)	Accumulated other comprehensive income	Total equity
Balance – October 1, 2015	$ 35,890	$ (14,809)	$ 1,318	$ 22,399
Net loss for the period	–	(14)	–	(14)
Other comprehensive loss	–	–	(53)	(53)
Balance – December 31, 2015	$ 35,890	$ (14,823)	$ 1,265	$ 22,332

The accompanying notes are an integral part of these interim consolidated financial statements.

CONSOLIDATED HCI HOLDINGS CORPORATION

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited, in thousands of Canadian dollars, except share and per share amounts)

	Three months ended December 31 2016	December 31 2015
Interest and other income	**27**	29
General and administrative expenses	**(211)**	(210)
Loss before income taxes	**(184)**	(181)
Recovery of income taxes (note 11)	**(47)**	(49)
Loss for the period from continuing operations	**(137)**	(132)
Earnings for the period from discontinued operations, net of provision for income taxes (note 12)	**981**	118
Net earnings (loss) for the period	**$ 844**	$ (14)
Basic and diluted earnings (loss) per share		
From continuing operations	**$ (0.01)**	$ (0.01)
From discontinued operations	**0.05**	0.01
	$ 0.04	$ –
Weighted average number of shares outstanding	**20,575,866**	20,575,866

The accompanying notes are an integral part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands of Canadian dollars)

	Three months ended December 31 2016	December 31 2015
Net earnings (loss) for the period	**$ 844**	$ (14)
Other comprehensive income (loss), net of income taxes, which will recycle through profit		
Unrealized gains (losses) arising during the year on available-for-sale financial assets	**116**	(53)
Comprehensive income (loss) for the period	**$ 960**	$ (67)

The accompanying notes are an integral part of these interim consolidated financial statements.

CONSOLIDATED HCI HOLDINGS CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands of Canadian dollars)

	Three months ended **December 31 2016**	December 31 2015
Cash provided by (used in)		
OPERATING ACTIVITIES		
Loss for the period from continuing operations	**$ (137)**	$ (132)
Deduct non-cash item: Deferred income taxes	**162**	(33)
Changes in non-cash operating balances		
Accounts payable and accrued liabilities	**273**	475
Income taxes recoverable	**(36)**	2
Other	**(58)**	(14)
	204	298
INVESTING ACTIVITIES		
Short-term investments		
Purchases	**(10,080)**	(10,580)
Sales or maturities	**10,580**	9,880
Restricted cash	**5**	–
	505	(700)
Increase (decrease) in cash and cash equivalents from continuing operations	**709**	(402)
DISCONTINUED OPERATIONS		
Operating activities	**(352)**	(633)
Investing activities	**(63)**	(1)
Financing activities	**(62)**	(60)
Decrease in cash and cash equivalents from discontinued operations	**(477)**	(694)
Increase (decrease) in cash and cash equivalents during the period	**232**	(1,096)
Cash and cash equivalents, beginning of the period (notes 6 and 12)	**548**	1,649
Cash and cash equivalents, end of the period (notes 6 and 12)	**$ 780**	$ 553
SUPPLEMENTARY INFORMATION		
Interest paid	**$ 25**	$ 27
Income taxes paid	**$ 18**	$ 27

The accompanying notes are an integral part of these interim consolidated financial statements.

1. Description of Business

Consolidated HCI Holdings Corporation and its subsidiaries (together "CHCI" or the "Company") is an Ontario based, publicly traded real estate development and investment company trading on the Toronto Stock Exchange under the symbol CXA.B. The activities of the Company include the leasing of two investment properties in Vaughan, Ontario, comprising a multi-unit, 50%-owned industrial/commercial building and a 50%-owned rental building leased as a fast food outlet. Until November 25, 2015 the Company invested in syndicated mortgage loans, which were secured by real property developments of other land developers and builders and, until September 30, 2013, conducted activities through co-tenancies in the building and selling of new homes on land purchased from others. The address of its registered office is 40 King Street West, Suite 2100, Toronto, Ontario.

The Board of Directors approved the interim consolidated financial statements on February 7, 2017.

2. Basis of Preparation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim consolidated financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting.

The policies applied in these interim consolidated financial statements are based on IFRS policies effective as of December 31, 2016.

These interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2016.

3. Critical Accounting Estimates

The preparation of interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The most significant item requiring estimates and judgment that could have a material impact on the interim consolidated financial statements is addressed below.

Fair Value of Investment Properties

The fair value of the Company's 50%-owned investment properties, comprising an industrial/commercial rental building and a rental building leased to a fast food outlet, was determined by qualified external investment professionals as at both December 31, 2016 and September 30, 2016. The value of the former property was done using the "Discounted Cash Flow Method" in which the income and expenses are projected over the anticipated term of the investment. The value of the latter property was done using the "Overall Capitalization Rate Method" whereby the net operating income is capitalized at the requisite overall capitalization rate. Any changes in estimates related to the inputs used in the valuations could impact the fair value of the investment properties materially. The capitalization rates utilized in the valuations are detailed in note 5. The valuations have been reviewed and approved by management.

4. Accounting Standards

New Accounting Standards

IFRS 10 – Consolidated Financial Statements ("IFRS 10"), and IAS 28, Investments in Associates and Joint Ventures ("IAS 28")

IFRS 10 and IAS 28 establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities and prescribe the accounting for investments in associates, respectively. They were amended to clarify that a full gain or loss is recognized when a transaction involves a business combination and a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The amendments were effective for annual periods beginning on or after January 1, 2016 and did not have a material effect on the Company's consolidated financial statements.

Future Changes in Accounting Standards

The following new standards and amendments to existing standards apply to annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The Company is currently evaluating the impact of these changes on its consolidated financial statements.

IAS 7 – Statement of Cash Flows

This standard has been amended by the IASB to introduce additional disclosure that will allow users to understand changes in liabilities arising from financing activities. This amendment is effective for annual periods beginning on or after January 1, 2017.

IFRS 7 – Financial Instruments: Disclosures

This standard has been amended to enhance disclosures relating to the transition from IAS 39 to IFRS 9, Financial Instruments ("IFRS 9"). These amendments will be effective on the adoption of IFRS 9 described below.

IFRS 9 – Financial Instruments

The complete version of IFRS 9 was issued in July 2014 and is effective for accounting periods beginning on or after January 1, 2018 with early adoption permitted. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 specifies how and when revenue should be recognized, in addition to requiring more informative and relevant disclosures. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. This standard supersedes IAS 18, "Revenue," IAS 11, "Construction Contracts," and a number of revenue-related interpretations. IFRS 15 must be applied for periods beginning on or after January 1, 2018, with early application permitted.

IFRS 16 – Leases

IFRS 16, "Leases" ("IFRS 16"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12 months, unless the underlying asset is of low value.

Under IFRS 16 lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15, Revenue from Contracts with Customers.

5. Investment Properties

The Company's 50%-owned investment properties have been classified as "Assets Held for Sale" as at December 31, 2016 (note 12).

	Three months ended December 31 2016	Year ended September 30 2016
Balance, beginning of the period	**$ 12,436**	$ 11,578
Amortization of leasing costs	**(5)**	(13)
Additions	**63**	109
Expropriation appeal proceeds	**–**	(150)
Fair value gain	**1,027**	884
Leasing costs incurred	**–**	28
Balance, end of the period	**$ 13,521**	$ 12,436

The basis of valuation of the Company's 50%-owned investment properties is set out in note 3. Investment properties measured at fair value are categorized as Level 3 in the fair value hierarchy described in note 13, as the key valuation metrics are unobservable inputs in the calculation. There were no transfers into or out of Level 3 during the period. The key valuation metrics for the investment properties are set out in the following tables:

	December 31, 2016			September 30, 2016		
Capitalization rate	**Minimum**	**Maximum**	**Applied**	Minimum	Maximum	Applied
Industrial/commercial building	**5.61%**	**7.66%**	**6.75%**	5.61%	7.66%	6.75%
Fast food outlet	**3.9%**	**5.7%**	**5.0%**	3.9%	5.7%	5.0%

	December 31, 2015	September 30, 2014
Stabilized net operating income – at 100%		
Industrial/commercial building	**$ 1,800**	$ 1,721
Fast food outlet	**$ 125**	$ 125

Fair values of investment properties are most sensitive to changes in discount and capitalization rates. An increase in the capitalization rate will result in a decrease in the fair value of an investment property, and vice versa. A decrease in the discount rate will result in an increase in the fair value of an investment property, and vice versa.

Presented separately from investment properties is $358 (September 30, 2016 – $362) of net straight-line rent receivable (note 12) arising from recognition of rental revenues on a straight-line basis over the lease term and $339 (September 30, 2016 – $325) of tenant inducements (included in note 8) in accordance with IAS 17, Leases. The fair value of the investment properties has been reduced by these amounts presented separately.

The Company's investment properties, exclusive of the fast food outlet component referred to above, which is unencumbered, with a fair value of $12,301 (September 30, 2016 – $11,215), have been pledged as security for a mortgage loan payable (note 12).

6. Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents included in "Assets Held for Sale" (note 12) have been excluded from the December 31 amounts presented below:

(a) Cash and cash equivalents consist of the following:

	December 31 2016	September 30 2016
Cash	$ 470	$ 543
Term deposits	–	5
	$ 470	$ 548

Cash and cash equivalents include unrestricted cash and term deposits with an original maturity of three months or less from the date of acquisition.

Included in cash and cash equivalents is the Company's proportionate share of cash and cash equivalents of the Company's proportionately consolidated entities of $332 (September 30, 2016 – $173).

(b) Restricted cash is as follows:

	December 31 2016	September 30 2016
Total restricted cash	$ –	$ 5

Restricted cash, all held in the Company's house building joint operations, included deposits required to secure outstanding guarantees and letters of credit of $nil (September 30, 2016 – $5).

7. Amounts Receivable

Amounts receivable included in "Assets Held for Sale" (note 12) have been excluded from the December 31 amounts presented below:

	December 31 2016	September 30 2016
Straight-line rent receivable	$ –	$ 362
Other (a)	862	944
	$ 862	$ 1,306
Non-current	$ 831	$ 1,172
Current	31	134
	$ 862	$ 1,306

(a) Other receivables include $831 (September 30, 2016 – $831) owing from the Company's house building co-tenancies' project manager. These amounts are held pursuant to the project co-tenancy agreements and are meant to provide contingency funds should any warranty or other claims be made with respect to the houses sold. The project manager, at its discretion, may call on co-tenants for additional contingency fund contributions if and when required, pay for additional project costs contemplated when establishing the fund or release remaining funds back to the co-tenancy for distribution to the co-tenants once they are no longer considered necessary to hold. There are no outstanding claims against these amounts as at December 31, 2016 and September 30, 2016.

8. Tenant Inducements

Tenant inducements, all related to the Company's 50%-owned investment properties, have been classified as "Assets Held for Sale" as at December 31, 2016 (note 12).

	December 31 2016	September 30 2016
Tenant inducements	**$ 432**	$ 432
Less: Accumulated amortization	**(105)**	(99)
	$ 327	$ 333
Non-current	**$ 305**	$ 311
Current	**22**	22
	$ 327	$ 333

9. Investment in Short-term Investments and Marketable Securities

	December 31 2016	September 30 2016
Short-term investments consist of the following:		
Canadian chartered banks term deposits issued for periods of 90 days or greater, bearing interest at a period-end weighted average rate of 1.0% (September 30, 2016 – 1%)	**$ 10,092**	$ 10,592
Marketable securities consist of the following:		
52,840.03 B/1 shares York Select Unit Trust (cost – US$1,000; fair value US$2,039; September 30, 2016 – fair value – US$1,988).	**$ 2,741**	$ 2,609

10. Loan Payable

Loan payable, secured by one of the Company's 50%-owned investment properties, has been classified as "Liabilities Held for Sale" as at December 31, 2016 (note 12).

The loan payable is as follows:

	December 31 2016	September 30 2016
Secured by an investment property, net of deferred financing fees of $17 (September 30, 2016 – $19)	**$ 2,851**	$ 3,145

Principal repayments on the loan payable are due as follows:

Years ending September 30,	2017	$ 177
	2018	237
	2019	237
	2020	237
	2021	237
	Thereafter	1,743
		2,868
Less: Deferred financing fees		(17)
		$ 2,851

The estimated fair value of the loan payable as at December 31, 2016 and September 30, 2016 approximates the carrying value because this loan payable bears interest at a variable rate.

The loan payable, secured by an investment property, constitutes the Company's 50% share of a first mortgage loan on one of its Vaughan, Ontario investment properties. The loan bears interest at the Business Development Bank of Canada's base rate for commercial and industrial loans minus 1%, or 3.7% (September 30, 2016 – 3.7%). The loan matures in 2029. The Company has provided the lender with a guarantee of 50% of amounts due under the loan.

11. Income Taxes

(a) Significant components of the income tax provision (recovery) for the three months ended December 31, 2016 are as follows:

	Three months ended December 31 2016	Three months ended December 31 2015
Current	**$ (47)**	$ (5)
Deferred	**–**	(44)
	(47)	(49)
Income tax provision (recovery) on other comprehensive income included in deferred income taxes	**16**	(8)
	$ (31)	$ (57)

(b) The income tax provision (recovery) differs from the amount computed by applying the average statutory Canadian federal and provincial income tax rates to loss before income taxes. These differences are:

	Three months ended December 31 2016	Three months ended December 31 2015
Expected income tax recovery at 26.5% (2016 – 26.5%)	**$ (49)**	$ (48)
Other	**2**	(1)
Income tax provision (recovery) in interim consolidated statements of earnings	**(47)**	(49)
Income tax provision (recovery) in interim consolidated statements of comprehensive income	**16**	(8)
	$ (31)	$ (57)

(c) Deferred income taxes relate to:

	December 31 2016	September 30 2016
Temporary differences:		
Capital cost allowance in excess of accounting amortization booked	**$ 410**	$ 402
Costs capitalized for accounting, deducted for income tax	**112**	113
Unrealized gain on investment properties	**784**	631
Mortgage reserves	**98**	96
Other comprehensive income	**169**	153
	$ 1,573	$ 1,395
Comprise:		
Deferred income tax liabilities reversing after more than 12 months	**$ 169**	$ 1,390
Deferred income tax liabilities reversing within 12 months	**1,404**	5
	$ 1,573	$ 1,395

On the disposition of the assets held for sale (note 12), approximately $1,404 of deferred income tax liability will be reduced resulting in an increase in the current income tax liability by a corresponding amount.

12. Discontinued Operations and Assets and Liabilities Held for Sale

The Company has engaged a firm of real estate professionals to market its 50% co-tenancy interests in both of its investment properties. A purchaser is expected to be found to purchase the Company's interests in the assets of, and assume the Company's obligations for the liabilities of the co-tenancies, and a successful transaction, subject to shareholder approval, is expected to be concluded by December 31, 2017. Accordingly, in accordance with International Financial Reporting Standards, the Company's results of operations and financial position related to its co-tenancy interests available for sale have been segregated and presented separately as discontinued operations and as assets and liabilities held for sale in the accompanying interim consolidated financial statements.

A summary of net earnings from discontinued operations is as follows:

	December 31 2016	December 31 2015
Investment property revenue (note 16)	**$ 287**	$ 271
Investment property operating expenses (note 16)	**112**	78
Net rental income	**175**	193
Interest expense	**(25)**	(27)
Amortization of leasing costs	**(5)**	(3)
Fair value gain on investment properties	**1,027**	–
	997	(30)
Earnings before income taxes	**1,172**	163
Provision for income taxes	**(191)**	(45)
Net earnings for the period	**$ 981**	$ 118

A summary of the assets held for sale and related liabilities at December 31, 2016 is as follows:

Investment properties	**$ 13,521**
Amounts receivable	**382**
Cash and cash equivalents	**311**
Tenant inducements	**327**
Assets held for sale	**14,541**
Loan payable	**2,851**
Accounts payable and accrued liabilities	**183**
Liabilities related to assets held for sale	**3,034**
Net assets of discontinued operations	**$ 11,507**

13. Financial Instruments

Fair Values

The fair values of investments traded in active markets, such as marketable securities classified as available-for-sale, are based on the quoted bid price on the interim consolidated balance sheet dates.

The fair values of cash and cash equivalents, restricted cash, amounts receivable, short-term investments, accounts payable and accrued liabilities and investments in syndicated mortgage loans approximate their carrying values due to their short-term maturities.

The three levels of the fair value hierarchy, which prioritize the inputs to fair value measurement, are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – inputs that are not based on observable market data.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as described above as at December 31, 2016 and September 30, 2016:

December 31, 2016

	Level 1	Level 2	Level 3	Total
Short-term investments	**$ 10,092**	**$ –**	**$ –**	**$ 10,092**
Marketable securities	**–**	**2,741**	**–**	**2,741**
	$ 10,092	**$ 2,741**	**$ –**	**$ 12,833**

September 30, 2016

	Level 1	Level 2	Level 3	Total
Short-term investments	$ 10,592	$ –	$ –	$ 10,592
Marketable securities	–	2,609	–	2,609
	$ 10,592	$ 2,609	$ –	$ 13,201

Market Risk – Interest Rate Risk

The Company is subject to interest rate fluctuations; however, current low and stable interest rates have lessened the risk associated with such fluctuations.

The following interest sensitivity table outlines the potential impact of a 1% change in interest rates on variable rate assets and liabilities for the three months ended December 31, 2016:

December 31, 2016

	Carrying Value	Interest Rate Risk			
		-1%		+1%	
Increase (decrease)		Net Earnings	Equity	Net Earnings	Equity
Financial Assets					
Cash and cash equivalents	**$ 780**	**$ (1)**	**$ (1)**	**$ 1**	**$ 1**
Financial Liabilities					
Loan payable	**2,851**	**5**	**5**	**(5)**	**(5)**
Total increase (decrease)		**$ 4**	**$ 4**	**$ (4)**	**$ (4)**

December 31, 2015

Increase (decrease)	Carrying Value	Interest Rate Risk -1% Net Earnings	-1% Equity	+1% Net Earnings	+1% Equity
Financial Assets					
Cash and cash equivalents	**$ 553**	**$ (1)**	**$ (1)**	**$ 1**	**$ 1**
Financial Liabilities					
Loan payable	**3,086**	**6**	**6**	**(6)**	**(6)**
Total increase (decrease)		**$ 5**	**$ 5**	**$ (5)**	**$ (5)**

Credit and Operational Risks

The Company's maximum exposure to credit risk is the fair value of cash and cash equivalents, restricted cash, amounts receivable, short-term investments and marketable securities.

Liquidity Risk

Liquidity risk is managed by maintaining cash and cash equivalents in excess of projected needs. The Company expects to be able to repay or, if required, obtain an extension on the mortgage loan payable on one of its investment properties, if required, on demand.

The following table summarizes the contractual amounts and maturity periods of the Company's financial liabilities, including those held for sale (note 12) as at December 31, 2016 on an undiscounted basis:

Contractual obligations are due as follows:	**Total**	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter
Loan payable (1)	**$ 3,512**	$ 339	$ 653	$ 618	$ 1,902
Accounts payable and accrued liabilities	**457**	457	–	–	–
Liabilities and other contractual obligations	**$ 3,969**	$ 796	$ 653	$ 618	$ 1,902

(1) As the loan payable is at a variable rate, a 3.7% interest rate has been used for the remaining term to maturity.

Capital Risk Management

The Company's objectives when managing capital are:

a) to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

b) to provide an adequate return to shareholders by obtaining an appropriate amount of debt, commensurate with the level of risk, to reduce the after-tax cost of capital.

The Company's capital consists of a mortgage loan payable on one of its investment properties and shareholders' equity and, other than the requirement with respect to the mortgage loan, to maintain a long-term debt to tangible equity ratio of 3:1, which condition has been met as at December 31, 2016, it is not subject to any externally imposed capital requirements.

The Company sets the amount of capital in proportion to risk. The Company 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, the Company may adjust the amount of dividends paid to shareholders, repurchase shares, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements.

14. Financial Guarantees

At December 31, 2016, the Company has available and utilized letters of credit totaling $nil (September 30, 2016 – $5) in support of its obligation to complete servicing requirements in connection with various house building projects and an investment property.

The Company is contingently liable for its co-investors' share of the obligations in co-tenancy developments. As at December 31, 2016, the Company's co-investors' share of obligations of such entities comprises liabilities of $858 (September 30, 2016 – $802) and letters of credit of $nil (September 30, 2016 – $11) in support of obligations to complete servicing requirements in connection with various house building projects and an investment property. In each case, assets of the co-tenancy developments, consisting primarily of cash and cash equivalents, are available to satisfy such obligations.

15. Investment in Joint Arrangements

A joint arrangement is a contractual arrangement, pursuant to which the Company and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangements require the unanimous consent of the parties sharing control. Joint arrangements are of two types – joint ventures and joint operations.

Joint ventures involve the establishment of a separate entity in which each venture has an interest in the net assets of the arrangement and are accounted for using the equity method of accounting.

Where the Company undertakes its activities as a joint operation through a direct interest in the joint operation's assets and a direct obligation for the joint operation's liabilities, rather than through the establishment of a separate entity, the Company's proportionate share of the joint operation's assets, liabilities, revenues, expenses and cash flows is recognized in the consolidated financial statements and classified according to their nature.

The following table summarizes joint operations in which the Company participates and for which it recognizes its proportionate interest in the underlying assets, liabilities, revenues, expenses and cash flows:

Name of joint operation	Ownership interest %	
	December 31 2016	December 31 2015
7700 Keele Street (Held for sale, see note 12)	**50**	50
Seven-Keele (Held for sale, see note 12)	**50**	50
Purple Stone Homes	**30**	30
Kewanee Holdings	**30**	30
Honeysuckle Homes	**10**	10
Jenrette Construction	**28.75**	28.75

The Company's aggregate proportionate share of its joint operations, including those held for sale (note 12) is reflected in these consolidated financial statements as shown below.

	December 31 2016	September 30 2016
Assets	**$ 15,396**	$ 14,264
Liabilities	**3,191**	3,174
	$ 12,205	$ 11,090

	December 31 2016	December 31 2015
Revenue	**$ 287**	$ 274
Expenses	**(141)**	(108)
Fair value gain on investment properties	**1,027**	–
Earnings	**$ 1,173**	$ 166
Cash provided by (used in)		
Operating activities	**$ 291**	$ (668)
Investing activities	**(58)**	(23)
Financing activities	**(62)**	(60)

16. Related Party Transactions

The following is a summary of the Company's related party relationships:

- certain shareholders, and certain shareholders who are officers and directors or parties related to them, are also participants in all of the house building co-tenancies;
- the Company is managed by two shareholders who are also officers and directors under a management agreement;
- a shareholder who is also a director is associated with a law firm that provides legal services to the Company and some of its co-tenancies;
- three companies, one owned by one co-tenant and the other two owned by another co-tenant of the Company's Vaughan, Ontario investment properties, lease space in one of the properties; and
- a company owned by a co-tenant of the Company's Vaughan, Ontario investment properties acts as the manager of those properties and is paid management fees.

Related party transactions are recorded at the amount of consideration agreed to by the parties.

Transactions with related parties during the period were as follows:

	Three months ended **December 31 2016**	December 31 2015
Management fee expense	**$ 71**	$ 71
Rental income (note 12)	**$ 39**	$ 41

The interim consolidated balance sheets include the following balances with related parties:

	December 31 2016	September 30 2016
Accounts payable and accrued liabilities	**$ 62**	$ 62

17. Contingencies and Commitments

As security for the Company's letter of credit facilities of $nil (September 30, 2016 - $5), the bank holds a general security agreement, a registered general assignment of book debts and a specific assignment of certain amounts due under agreements of purchase and sale.

The Company, from time to time, is subject to legal proceedings brought against it and its subsidiaries. Management does not believe these proceedings in aggregate will have a material adverse effect on the Company's interim consolidated financial position or financial performance.

18. Comparative Figures

Certain comparative figures have been reclassified to conform with the presentation of the Company's 50% co-tenancy interest in its investment properties being held for sale at December 31, 2016 as disclosed in note 12.

MANAGEMENT'S DISCUSSION and ANALYSIS

As of February 7, 2017

The following Management's Discussion and Analysis ("MD&A") is intended to provide readers with an explanation of the performance of Consolidated HCI Holdings Corporation ("CHCI" or the "Company") for the three-month periods ended December 31, 2016 and 2015, as well as updating CHCI's most recently issued annual MD&A, dated December 13, 2016. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements of the Company, including the notes thereto, for the three-month periods ended December 31, 2016 and 2015 and should also be read in conjunction with the audited consolidated financial statements and the MD&A for the fiscal years ended September 30, 2016 and 2015, as set out in the Company's 2016 Annual Report.

Additional information relating to the Company, including the Certification of Interim Filings for the quarter ended December 31, 2016 signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") is also available on the SEDAR website at www.sedar.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and has in place information systems, procedures and controls to ensure information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee and Board of Directors provide an oversight role with respect to all public financial disclosures by the Company and have reviewed and approved this MD&A and the unaudited interim consolidated financial statements as at December 31, 2016 and 2015.

FORWARD-LOOKING STATEMENTS

In various places in the MD&A, there are forward-looking statements reflecting management's current expectations regarding future economic conditions, results of operations, financial performance and other matters affecting the Company. Forward-looking statements include information regarding possible or assumed future results or transactions, as well as statements preceded by, followed by or that include the words "believes," "expects," "anticipates," "estimates," "intends" or similar expressions. Important factors, in addition to those discussed in this document, could affect the future results of the Company and could cause those results to differ materially from those expressed in any forward-looking statements.

OVERVIEW

The Company's activities in the real estate industry are conducted with others at varying participation rates in co-tenancies. The consolidated financial statements include these co-tenancies on a proportionate consolidation basis. The activities of the Company include the leasing of two investment properties in Vaughan, Ontario, comprising a multi-unit, 50%-owned industrial/commercial building and a 50%-owned rental building leased as a fast food outlet. Until November 25, 2015 the Company invested in syndicated mortgage loans, which were secured by real property developments of other land developers and builders and, until September 30, 2013, conducted activities through co-tenancies in the building and selling of new homes on land purchased from others.

The Company has engaged a firm of real estate professionals to market its 50% co-tenancy interest in both of these properties. A purchaser is expected to be found to purchase the Company's interest in the assets of, and assume the Company's obligations for the liabilities of the co-tenancies, and a successful transaction, subject to shareholder approval, is expected to be concluded by December 31, 2017. Accordingly, in accordance with International Financial Reporting Standards, the Company's results of operations and financial position related to its co-tenancy interests available for sale have been segregated and presented separately as discontinued operations and as assets and liabilities held for sale in the interim consolidated financial statements for December 31, 2016.

A summary of net earnings from discontinued operations is as follows:

	Three months ended	
	December 31 2016	December 31 2015
Investment property revenue	**$ 287**	$ 271
Investment property operating expenses	**112**	78
Net rental income	**175**	193
Interest expense	**(25)**	(27)
Amortization of leasing costs	**(5)**	(3)
Fair value gain on investment properties	**1,027**	–
	997	(30)
Earnings before income taxes	**1,172**	163
Provision for income taxes	**(191)**	(45)
Net earnings for the period	**$ 981**	$ 118

A summary of the assets held for sale and related liabilities at December 31, 2016 is as follows:

Investment properties	**$ 13,521**
Amounts receivable	**382**
Cash and cash equivalents	**311**
Tenant inducements	**327**
Assets held for sale	**14,541**
Loan payable	**2,851**
Accounts payable and accrued liabilities	**183**
Liabilities related to assets held for sale	**3,034**
Net assets of discontinued operations	**$ 11,507**

REVIEW OF FINANCIAL RESULTS

Results of Operations

Summary of operating results

(Unaudited, in thousands of Canadian dollars, except per share amounts)

	Three months ended December 31 2016	December 31 2015
Revenue from continuing operations	**$ 27**	$ 29
Loss from continuing operations, before income taxes	**$ 184**	$ 181
Income tax recovery	**47**	49
Loss for the period from continuing operations	**$ 137**	$ 132
Earnings for the period from discontinued operations, net of income taxes	**981**	118
Net earnings (loss) for the period	**$ 844**	$ (14)
Basic and diluted earnings (loss) per share		
From continuing operations	**$ (0.01)**	$ (0.01)
From discontinued operations	**0.05**	0.01
	$ 0.04	$ –

Results from continuing operations in the first three months of fiscal 2017 are consistent with those of the corresponding period in fiscal 2016.

Discontinued operations consist of the Company's 50% co-tenancy interests in its two investment properties.

The increase of $16 in rental revenue in the first three months of 2017 compared to the same period in 2016, is primarily the result of the commencement of a new tenancy in the industrial/commercial building in the fourth quarter of 2016.

At December 31, 2016, the Company's investment properties comprise a multi-unit 50%-owned industrial/commercial building and a 50%-owned rental building leased as a fast food outlet in Vaughan, Ontario.

At September 30, 2016, the industrial/commercial building occupancy rate was 89%, an increase of 18% since December 31, 2015.

During the first quarter of 2017, the Company leased the remaining vacant space to two new tenants, with the tenancies expected to commence before the end of the third quarter of 2017 on completion of the landlord's work, bringing the occupancy rate to 100%.

One of these tenants will occupy 6,000 square feet of space for a term of 10 years with one five-year renewal option and the other will occupy 9,044 square feet of space for a term of five years with one five-year renewal option.

The other single-tenant investment property is leased to an international chain for use as a fast food restaurant with drive-through. The lease, with an original term of fifteen years ending in 2029, contains two five-year renewal options.

Investment property operating expenses increase by $34 in the first quarter of fiscal 2017 compared to the corresponding period in 2016, primarily the result of period costs resulting from increased occupancy, including realty taxes and costs, not considered capital in nature, associated with preparing the property for new tenants.

Interest and other income

Interest and other income from continuing operations for the first quarter of fiscal 2017 was consistent with the level of such income for the same period in 2016. The Company's interest income is earned on term deposits, the investment in which remained at the same level for the majority of both periods.

General and administrative expenses

General and administrative expenses for the first three months of fiscal 2017 remained at the same level as those of the comparative 2016 period.

Income taxes

The income tax recovery applicable to continuing operations for the first three months of 2017 of $47 (December 31, 2015 – $49) was computed by applying the average statutory Canadian federal and provincial income tax rate of 26.5% (December 31, 2015 – 26.5%) to the loss from continuing operations before income tax recovery.

The income tax provision applicable to discontinued operations for the first three months of 2017 of $191 (December 31, 2015 – $45) was computed by applying the rates as above to the rental operations and lower than statutory rates to the investment property fair value gains.

On the disposition of the assets held for sale, as described under "Summary of Operating Results" above, approximately $1,404 of deferred income tax liability will be reduced resulting in an increase in the current income tax liability by a corresponding amount.

FINANCIAL CONDITION

(Unaudited, in thousands of Canadian dollars)

	December 31 2016	September 30 2016
Assets held for sale – see "Results of Operations" above	**$ 14,541**	$ –
Investment properties	**–**	12,436
Cash and cash equivalents	**470**	548
Restricted cash	**–**	5
Amounts receivable	**862**	1,306
Short-term investments	**10,092**	10,592
Marketable securities	**2,741**	2,609
Income taxes recoverable	**83**	47
Tenant inducements	**–**	333
All other assets	**95**	47
Total assets	**$ 28,884**	$ 27,923
Long-term financial liability:		
Mortgage loan on investment property – see "Overview" above	**$ 2,851**	$ 2,911

ASSETS AND LIABILITIES

During the first three months of fiscal 2017, the Company realized cash from the maturity of short-term investments, interest earned on cash and short-term investments and its investment property operations. The majority of this cash was used to fund investment property operations and general and administrative costs.

A condition of the mortgage loan on one of the Company's Vaughan, Ontario investment properties is that the co-tenancy maintain a long-term debt to tangible equity ratio of 3:1. As at December 31, 2016, this condition has been met.

At December 31, 2016 the interest rate on the loan payable was 3.7% per annum, unchanged from September 30, 2016.

Investment properties, described under "Overview" above, increased in the first quarter of 2017 by $1,085, the result of a fair value increase of $1,027, and capital improvements of $63, reduced by leasing costs amortization of $5. The fair value increase was primarily the result of increased rental income resulting from the lease of vacant space to two tenants in the first quarter of 2017 and the reduction of the estimated time period and landlord's costs to lease the building's remaining vacant space. As discussed above under "Overview", these properties are classified as held for sale as at December 31, 2016.

The Company's real estate holdings include one serviced residential lot in Mississauga, Ontario, the last remaining lot in a subdivision developed by the Company in a previous year. This lot was written down in a previous year to a nominal value, as it was deeded to the City of Mississauga in accordance with the subdivision agreement and would only be returned to the Company and be available to sell on the resolution of certain storm water management issues affecting the lot and non-owned adjoining lands. Management has determined that a builder has purchased the non-owned adjoining lands for development and expects that these aforementioned issues will be resolved and the residential lot returned to the Company and be available to sell, either to the builder or on the open market. Accordingly, at September 30, 2016, the Company reversed the provision previously taken and wrote the lot up to its original cost of $23.

OUTSTANDING SHARE DATA

Authorized capital stock consists of an unlimited number of Class B voting shares without par value. Issued and outstanding as at December 31, 2016 are 20,575,866 shares, unchanged from October 1, 2015.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

(Unaudited, in thousands of Canadian dollars)

	Three months ended December 31 2016	Three months ended December 31 2015
Cash provided by (used in):		
Continuing Operations		
Operating activities	**$ 204**	$ 298
Investing activities	**505**	(700)
Increase (decrease) in cash and cash equivalents during the period from continuing operations	**709**	(402)
Discontinued Operations		
Operating activities	**(352)**	(633)
Investing activities	**(63)**	(1)
Financing activities	**(62)**	(60)
Decrease in cash and cash equivalents during the period from discontinued operations	**(477)**	(694)
	232	(1,096)
Cash and cash equivalents, beginning of the period	**548**	1,649
Cash and cash equivalents, end of the period	**$ 780**	$ 553

The Company continues to use cash flows to invest in money market investments, to fund its investment property operations and to fund general and administrative costs. The Company's cash and cash equivalents serve to provide the Company with sufficient liquidity to carry on its business activities.

CONTRACTUAL OBLIGATIONS

The following table summarizes the contractual amounts and maturity periods of the Company's financial liabilities, including those related to liabilities held for sale as shown above under "Results of Operations" above, at December 31, 2016 on an undiscounted basis:

(Unaudited, in thousands of Canadian dollars)

Contractual obligations are due as follows:	**Total**	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter
Loan payable (1)	**$ 3,512**	$ 339	$ 653	$ 618	$ 1,902
Accounts payable and accrued liabilities	**457**	457	–	–	–
Liabilities and other contractual obligations	**$ 3,969**	$ 796	$ 653	$ 618	$ 1,902

(1) As the loan payable is at a variable rate, a 3.7% interest rate has been used for the remaining term to maturity.

TRANSACTIONS WITH RELATED PARTIES

The Company has entered into transactions with other entities in which the following individuals hold management positions as noted in the following tables:

(Unaudited, in thousands of Canadian dollars)

December 31 , 2016	Note	Receives management fees from the Company	Receives property management fees to manage the investment property	Pays rent to the Company for space leased in the Company's investment property
Marc Muzzo	(1)	**$ 31**		
Stanley Goldfarb	(2)	**$ 31**		
Dani Cohen	(3)		**$ 9**	**$ 39**
Mark Kornhaber	(4)			**$ –**

December 31, 2015	Note	Receives management fees from the Company	Receives property management fees to manage the investment property	Pays rent to the Company for space leased in the Company's investment property
Marc Muzzo	(1)	$ 31		
Stanley Goldfarb	(2)	$ 31		
Dani Cohen	(3)		$ 9	$ 116
Mark Kornhaber	(4)			$ 2

(1) Marc Muzzo is a shareholder, director and officer of the Company who holds management positions in entities that have provided management services to the Company as noted in the tables above. He was also a co-investor with the Company in its syndicated mortgage loan.

(2) Stanley Goldfarb is a shareholder, director and officer of the Company who holds a management position in an entity that has provided management services to the Company as noted in the tables above.

(3) Dani Cohen is a co-tenant in the Company's investment properties. He is paid management fees for management services to the properties and pays rent for space leased in one of the properties as noted in the tables above.

(4) Marc Kornhaber is a co-tenant in the Company's investment properties. He paid rent for space leased in one of the properties as noted in the tables above.

RISK MANAGEMENT

Market Risk – Interest Rate Risk

The Company is subject to interest rate fluctuations; however, current low and stable interest rates have lessened the risk associated with such fluctuations. The Company's debt comprises a mortgage loan payable on an investment property.

Credit and Operational Risks

The Company's maximum exposure to credit risk is the fair value of cash and cash equivalents, restricted cash, amounts receivable and marketable securities.

As at December 31, 2016 and September 30, 2016, none of the Company's financial assets are past due.

Liquidity Risk

Liquidity risk is managed by maintaining cash and cash equivalents in excess of projected needs. The Company expects to be able to repay or, if required, obtain an extension on the loan payable on the investment property, if required, on demand.

Capital Risk Management

The Company's objectives when managing capital are:

a) to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders; and

b) to provide an adequate return to shareholders by obtaining an appropriate amount of debt, commensurate with the level of risk, to reduce the after-tax cost of capital.

The Company's capital consists of a mortgage loan payable on one of its investment properties and shareholders' equity and, other than the requirement with respect to the mortgage loan, to maintain a long-term debt to tangible equity ratio of 3:1, which condition has been met as at December 31, 2016, it is not subject to any externally imposed capital requirements.

The Company sets the amount of capital in proportion to risk. The Company 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, the Company may adjust the amount of dividends paid to shareholders, repurchase shares, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements.

ENVIRONMENTAL RISKS

As an owner of real property, the Company is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that the Company could be liable for costs of removal and remediation of certain hazardous toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect the Company's ability to sell such real property or to borrow using such real property as collateral and, potentially, could result in claims against the Company. The Company is not aware of any material environmental liabilities at the present time.

CONTROLS AND PROCEDURES

At December 31, 2016, the CEO and the CFO ("certifying officers") of the Company have designed disclosure controls and procedures ("DC&P") to provide reasonable assurance that information required to be disclosed in its various reports is recorded, processed, summarized and reported accurately and they have designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its interim consolidated financial statements for external purposes in accordance with IFRS. All ICFR are either completed or reviewed by the CFO with involvement from the CEO and Vice-President as deemed necessary. Other than the CFO, the Company has only one employee who is engaged in accounting and recordkeeping functions and who is directly supervised by the CFO.

The certifying officers have limited the scope of the design of the DC&P and ICFR to exclude controls, policies and procedures of the Company's non-publicly accountable, proportionately consolidated entities ("the entities"). Management of the entities is distinct from that of the Company and, as such, the Company does not have sufficient access to the entities to design and evaluate controls, policies and procedures carried out by these entities. The Company is satisfied that, considering its own quarterly review and analysis of financial information provided by the entities and discussion with the entities' management, material errors or omissions in the entities' financial reporting for consolidation purposes would come to the attention of the Company's management and be corrected prior to consolidation.

The following summary of financial information as at December 31, 2016 and September 30, 2016 and for the three-month periods ended December 31, 2016 and 2015 relates to the Company's aggregate proportionate share of its proportionately-consolidated entities, including those held for sale as shown above under "Results of Operations".

	December 31 2016	September 30 2016
Assets	**$ 15,396**	$ 14,264
Liabilities	**3,191**	3,174
	$ 12,205	$ 11,090

	December 31 2016	December 31 2015
Revenue	**$ 287**	$ 274
Expenses	**(141)**	(108)
Fair value gain on investment properties	**1,027**	–
Earnings	**$ 1,173**	$ 166
Cash provided by (used in)		
Operating activities	**$ 291**	$ (668)
Investing activities	**(58)**	(23)
Financing activities	**(62)**	(60)

The certifying officers have determined there were no changes in the Company's ICFR that occurred during the three months ended December 31, 2016 that have significantly affected, or are reasonably likely to significantly affect, the Company's ICFR.

NEW ACCOUNTING STANDARDS

Details of new accounting standards are included in Note 4 to the interim consolidated financial statements for December 31, 2016.

FUTURE ACCOUNTING CHANGES

Details of accounting standards issued and yet to be applied are included in Note 4 to the interim consolidated financial statements for December 31, 2016.

FINANCIAL INSTRUMENTS

Information pertaining to the Company's financial instruments and the fair value hierarchy that prioritizes the inputs to fair value measurement is included in Note 13 to the interim consolidated financial statements for December 31, 2016.

CRITICAL ACCOUNTING ESTIMATES

Information pertaining to critical accounting estimates as they relate to the Company's investment properties is included in Note 3 of the interim consolidated financial statements for December 31, 2016.

OFF-BALANCE SHEET ARRANGEMENTS

Financial Guarantees

At December 31, 2016, the Company has available and utilized letters of credit totaling $nil (September 30, 2016 – $5) in support of its obligation to complete servicing requirements in connection with various house building projects and an investment property.

The Company is contingently liable for its co-investors' share of the obligations in co-tenancy developments. At December 31, 2016, the Company's co-investors' share of obligations of such entities comprises liabilities of $858 (September 30, 2016 – $802) and letters of credit of $nil (September 30, 2016 – $11) in support of obligations to complete servicing requirements in connection with various house building projects and an investment property. In each case, assets of the co-tenancy developments, consisting primarily of cash and cash equivalents, are available to satisfy such obligations.

OUTLOOK

The Company's last remaining real estate holdings consist of the investment properties and residential lot described above under "Overview". The Company has completed the leasing of its Vaughan, Ontario industrial/commercial building during the quarter. The Company expects to be able to sell the residential lot in the current year.

As explained above under "Overview", the Company has put its 50% co-tenancy interests in its two investment properties on the market and expects, subject to shareholder approval, to conclude a sale by December 31, 2017.

Management and the Board of Directors continue to assess the basis for the Company's ongoing operations with a view to maximizing shareholder value.

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

CORPORATE DIRECTORY

DIRECTORS

Rudolph Bratty**
President
Ruland Realty Limited

John H. Craig
Solicitor and Partner
Cassels Brock & Blackwell LLP
Barristers and Solicitors

John H. Daniels*
President
The Daniels Group Inc.

Richard Gambin*
President
Ricgam Investments Ltd.

Stanley Goldfarb
President
Logpin Investments Limited

Marc Muzzo
Director
Marel Contractors

* Audit Committee
** Chairman of the Board and the Audit Committee

OFFICERS

Stanley Goldfarb
President, Chief Executive Officer & Treasurer

Marc Muzzo
Vice-President

John H. Craig
Secretary

Arnold J. Resnick
Chief Financial Officer

AUDITOR

PricewaterhouseCoopers LLP

TRANSFER AGENT

Computershare Investor Services Inc.

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