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**	Three months ended 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	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.