Coventree

Management's Discussion & Analysis

Third quarter ended
June 30, 2012

FORWARD-LOOKING STATEMENTS

This Management's Discussion & Analysis ("MD&A") may contain, without limitation, certain forward-looking statements, including those identified by the words "believe", "expect", "may", "anticipate", "estimate", "plan", and "intend" or words of similar connotation. Forward-looking statements are not guarantees of future performance as they are subject to a number of known and unknown risks, uncertainties and assumptions as discussed on pages 12 to 13 of this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this report. These factors should be considered carefully and readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are made as of the date of this report and, subject to certain legal requirements, Coventree is under no obligation to, and does not intend to, update any forward-looking statements contained herein. All forward-looking statements attributable to Coventree are expressly qualified by these cautionary statements.

MANAGEMENT'S DISCUSSION & ANALYSIS

Coventree's MD&A is intended to provide a review and analysis of the results of operations and financial position of Coventree Inc. ("Coventree" or the "Company") for the three and nine months ended June 30, 2012 and 2011. This analysis should be read in conjunction with the corresponding unaudited consolidated financial statements for the three and nine months ended June 30, 2012 including the notes thereto. This report is as of August 28, 2012. All amounts are reported in Canadian dollars unless stated otherwise. Additional information relating to Coventree can be found on the Liquidator's website at www.duffandphelps.com/restructuringcases, on the Company's website at www.coventree.ca or at www.sedar.com.

As discussed below under "Overview of Results – Change in Basis of Presentation", effective February 15, 2012, Coventree changed the basis for presentation of its consolidated financial statements from going concern to liquidation in accordance with Canadian generally accepted accounting principles for companies that are being wound up. Under the liquidation basis of accounting, the Company's financial position is presented in the consolidated statement of net assets in liquidation and the results of the Company's operations are presented in the consolidated statement of changes in net assets in liquidation. Costs expected to be incurred during the winding up, including administrative costs and professional fees expected to be incurred in future periods until the winding up of the Company is completed, are accrued in the consolidated statement of net assets in liquidation. In this regard, Coventree recorded an accrual of $5.3 million for future liquidation and administrative costs as at February 15, 2012 as a result of the change in the basis of presentation of its consolidated financial statements from going concern to liquidation.

As a result of this change in the basis of presentation, information as at dates or for periods ending after February 15, 2012 will not be comparable to information as at prior dates or for prior periods. For example, Coventree's consolidated statement of net assets in liquidation as at June 30, 2012 includes, in accounts payable and accrued liabilities, the balance of the $5.3 million accrual for future liquidation and administrative expenses referred to above. As a result, Coventree's liabilities in its statement of net assets in liquidation as at June 30, 2012 are not comparable to Coventree's liabilities in its balance sheet as at any date prior to February 15, 2012.

CORPORATE PROFILE

The Company is in the process of winding up. The winding up commenced and became effective on February 15, 2012 (the "Effective Date"). On that date, the board of directors of the Company was deemed to have resigned, and Duff & Phelps Canada Restructuring Inc. was appointed the liquidator of the Company (the "Liquidator") for the purpose of winding up its affairs. On that same date, the Liquidator applied to the Superior Court of Justice (Ontario) - Commercial List (the "Court") to have the winding up supervised by the Court and to seek the Court's approval to establish a process for the identification, resolution and barring of claims against the Company and its directors and officers, both past and present. On February 15, 2012, the Court issued both a winding-up order and a claims procedure order.

On May 4, 2012, the Liquidator made a pro rata interim distribution to Coventree shareholders comprised of $44.5 million in cash and all of the 2,661,449 shares of Xceed Mortgage Corporation ("Xceed") owned by Coventree. The cash component of the distribution was approximately $2.94 per share and included a return of capital in the amount of $0.46 per share. The Xceed shares were valued at $1.49 per share for purposes of the distribution, and Coventree shareholders received approximately 0.175 shares of Xceed (with a value of about $0.26) for each share of Coventree held. As a result, the total value of the interim distribution to Coventree shareholders was approximately $3.20 per share.

Coventree was a specialized financial intermediary that, prior to the disruption in the Canadian asset-backed commercial paper ("ABCP") market that occurred commencing August 13, 2007 (the "Market Disruption"), provided structuring and funding solutions for clients using special purpose trusts established by the Company and funded by ABCP. However, as a result of the Market Disruption, the Company discontinued operations.

WINDING UP

At the annual and special meeting of shareholders of Coventree held on June 30, 2010, the shareholders approved a special resolution authorizing the winding up of the Company and the distribution of its remaining assets, if any, to shareholders pursuant to the plan of liquidation and distribution attached as Schedule A to the Company's management information circular dated May 25, 2010 which plan was finalized and adopted by the board of directors of Coventree on January 23, 2012 (the "Liquidation Plan"). The Liquidation Plan provides that it becomes effective on a date to be determined by the Company's board of directors. Subsequently, the board determined that the effective date, being the date on which the winding up would commence in accordance with the Liquidation Plan, would be February 15, 2012.

On the Effective Date, the board of directors of the Company was deemed to have resigned, and the Liquidator was appointed the liquidator of the Company for the purpose of winding up its affairs. In addition, Brendan Calder, Geoffrey Cornish and Wesley Voorheis became inspectors of the Company's liquidation ("Inspectors") although Mr. Calder resigned immediately. Subsequently, Mr. Cornish also resigned, and William Aziz and Joseph Wiley were appointed as Inspectors.

Also on the Effective Date, the Liquidator applied to the Court to have the winding up supervised by the Court and to seek the Court's approval to establish a process for the identification, resolution and barring of claims against the Company and its directors and officers, both past and present. Under that order, any claimant wishing to assert a claim against Coventree, any of its present and former subsidiaries and/or their respective former directors and officers was required to deliver a notice of claim to the Liquidator on or before April 13, 2012 (the "Claim Bar Date"). On April 17, 2012, the Liquidator announced the preliminary results of the claims process conducted pursuant to the claims procedure order. The Liquidator received claims in a total amount of at least $10.1 million. The exact amount of claims is not determinable at this time because a number of claims were filed as placeholders (to secure the claimant's position as a valid claimant) or with currently unknown values. In accordance with the claims procedure order, the Liquidator reviewed the claims notices filed on or before the Claim Bar Date with the Inspectors for the purpose of determining whether to allow, partially allow, partially disallow or disallow claims against the Company and, to the extent possible, the Liquidator has issued notices of determination with respect to such claims.

The following is summary of the principal claims filed on or before the Claims Bar Date and of the Liquidator's determination, if any, with respect to those claims:

Claimant	Claim Amount and Description	Liquidator's Determination
Ani Hotoyan-Joly	$175,000 and other termination benefits arising under employment agreement	Claim allowed
Canada Revenue Agency	$1,098,054 in taxes and interest owing plus provisional claims for GST/HST, source deductions and income tax, subject to audit (see Note 10(c) to the consolidated financial statements for the three months ended June 30 31, 2012)	Unable to make a determination at this time
Dean Tai and related corporations	(a) $500,000 in termination payment arising under employment agreement, (b) indemnification of $500,000 for administrative monetary penalty owing to OSC if his appeal of the OSC decision is unsuccessful (see "OSC Proceeding" below), (c) indemnification of costs incurred in connection with his appeal of the OSC decision (see "OSC Proceeding" and "Liquidity and Capital Resources" below), (d) $5 million in damages re claim for cancelled SAP shares (see "Liquidity and Capital Resources" below) , and (e) $110,556 for costs claimed by Coventree in connection with the sale of shares pledged as security for promissory notes (see "Transactions with Related Parties" below)	Claims (a), (b) and (c) allowed; claim (d) being dealt with by Inspectors (see "Liquidity and Capital Resources" below); claim (e) disallowed
Equity Financial Trust Company	Indemnification for costs and damages relating to the Tai claim re cancelled SAP shares (see "Liquidity and Capital Resources" below)	Claim allowed

Geoffrey Cornish	(a) $500,000 in termination payment arising under employment agreement, (b) indemnification of $500,000 for administrative monetary penalty owing to OSC if his appeal of the OSC decision is unsuccessful (see "OSC Proceeding" below), and (c) indemnification of costs incurred in connection with his appeal of the OSC decision to a maximum of $725,000 plus applicable taxes (see "OSC Proceeding" and "Liquidity and Capital Resources" below)	Claims (a), (b) and (c) allowed
Ontario Securities Commission	$1 million in penalties owing by Messrs. Tai and Cornish if their appeals of the OSC decision are unsuccessful (see "OSC Proceeding" and "Liquidity and Capital Resources" below) (1)	Claim disallowed
Navigators Insurance Company	$100,000 in estimated costs award if Navigators is successful in its litigation with Coventree re D&O insurance claim (see "Liquidity and Capital Resources" below)	Claim disallowed
Stockwoods LLP	$50,000 in estimated costs award if Stockwoods is successful in its litigation with Coventree re assessment of Tai accounts (see "OSC Proceeding" below)	Claim of $13,000 allowed

(1) The claims filed by the Ontario Securities Commission are duplicates of claims made by Messrs. Tai and Cornish for indemnification of the administrative monetary penalties payable by them to the OSC in the event that their appeal of the OSC decision is unsuccessful.

The claims process provides for expedited hearings of any disputed claims by the Court. However, the Inspectors can choose to have any claim commenced against the Company prior to the Effective Date by the issuance of an originating process determined in the context of the existing proceedings rather than the claims process. In accordance with the Liquidation Plan, the Inspectors have resolved to oversee and manage the administration of Mr. Tai's claim against the Company in connection with the cancelled SAP shares and all related litigation. In accordance with the claims procedure order, the Inspectors have also resolved to have Mr. Tai's claim in connection with the SAP shares determined in the context of the proceedings already commenced by him against the Company.

On April 30, 2012, the Court issued an order pursuant to an application made by the Liquidator approving a pro rata interim distribution to Coventree shareholders comprised of $44.5 million in cash and all of the 2,661,449 shares of Xceed owned by Coventree. That distribution took place on May 4, 2012. The cash component of the distribution was approximately $2.94 per share and included a return of capital in the amount of $0.46 per share. The Xceed shares were valued at $1.49 per share for purposes of the distribution, and Coventree shareholders received approximately 0.175 shares of Xceed (with a value of about $0.26) for each share of Coventree held. As a result, the total value of the interim distribution to Coventree shareholders was approximately $3.20 per share.

Additional distributions to shareholders are expected to be made as the winding up process evolves. The Company is not able to predict the timing or amount of such additional distributions primarily due to the Company's inability to predict the amount(s), if any, that may be required to settle or resolve the claims filed during the claims process and the time required to finally resolve such claims.

The Liquidation Plan contemplates that Coventree's common shares would continue to be listed and traded on NEX after the Effective Date. However, the continuation of the listing after the Effective Date was subject to the approval of NEX. In that regard, the Company made a formal application to NEX to maintain the listing of its common shares until the completion of the claims process. In response to the Company's application, NEX advised Coventree that that it would not consent to the continued trading of Coventree's common shares after the winding up had commenced. As a result, February 14, 2012 was the final day for trading in Coventree's common shares on NEX. On and after February 15, 2012, all transfers in Coventree's common shares are void unless made with the sanction of the Liquidator. The Liquidator will not sanction any share transfers unless, in the opinion of the

Liquidator, material extenuating circumstances exist. Notwithstanding the foregoing, the Liquidator maintains and reserves the right not to sanction any share transfer regardless of the circumstances.

The foregoing description of aspects of the Liquidation Plan is qualified in its entirety by the more detailed information set out in the Company's management information circular dated May 25, 2010.

OSC PROCEEDING

In early 2008, the Ontario Securities Commission ("OSC") and the Investment Dealers Association of Canada (now known as the Investment Industry Regulatory Organization of Canada) acknowledged that they were examining the Canadian ABCP market. Subsequently, the OSC made further public statements indicating that it was investigating this market. As part of this investigation, the OSC commenced an investigation into Coventree's participation in this market and various timely disclosure issues. In response to these inquiries, the board of directors of Coventree established a special committee (the "Special Committee") comprised of Peter Dey and Wes Voorheis for the purpose of overseeing Coventree's response to the OSC investigation. Coventree subsequently received further inquiries from the OSC seeking information concerning Coventree's initial public offering that was completed in November 2006 (the "IPO"). Under the Special Committee's supervision, Coventree cooperated with the OSC investigation.

On December 7, 2009, OSC staff commenced a proceeding against the Company and one current officer, Geoffrey Cornish, and one former officer, Dean Tai. In the notice of hearing and statement of allegations (collectively, the "Notice of Hearing") which are available on the OSC's website at www.osc.gov.on.ca, OSC staff alleged that the Company and Messrs. Cornish and Tai breached Ontario securities laws and acted in a manner that is contrary to the public interest by (a) failing to make full, true and plain disclosure in the IPO prospectus by not disclosing the fact that Dominion Bond Rating Service Limited ("DBRS") adopted more restrictive credit rating criteria for ABCP in November 2006; (b) failing to meet its continuous disclosure obligations by not disclosing that DBRS' decision in January 2007 (the "DBRS January Release") to change its credit rating methodology resulted in a material change to Coventree's business or operations; (c) making misleading statements in April 2007 by failing to provide investors with a breakdown of the total U.S. subprime exposure in Coventree-sponsored conduits by conduit and ABCP note series; and (d) failing to meet its continuous disclosure obligations by not disclosing liquidity and liquidity-related events and the risk of a market disruption in the days leading up to August 13, 2007.

In response to the OSC investigation, the Special Committee engaged independent legal counsel and other experts. The Special Committee independently examined and investigated the issues that had been identified by OSC staff at that time. This investigation included a review of relevant documents and correspondence, interviews with current and former directors, members of management and employees of the Company, and attendance by counsel to the Special Committee at voluntary interviews conducted by OSC staff. Based on its investigation, the Special Committee reported to the Company that it concluded that the Company had complied with its obligations under Ontario securities laws, and that the Company should defend the allegations.

On January 14, 2010, the Company announced that it did not intend to make any dividend or other distribution to its shareholders prior to the completion of the OSC hearing.

The hearing into the merits of the matters set out in the Notice of Hearing commenced on May 12, 2010 and ended on December 9, 2010, and the OSC released its decision on September 28, 2011. The OSC dismissed the first and third allegations set out above. With respect to the second allegation, the OSC concluded that the Company contravened section 75 of the *Securities Act* (Ontario) (the "Act") by failing to issue a news release and file a material change report disclosing the material change that occurred as a result of the DBRS January Release. With respect to the fourth allegation, the OSC concluded that the Company contravened section 75 of the Act by failing to issue a news release and file a material change report disclosing various material changes that occurred by August 1, 2007. The OSC further found that each of Messrs. Cornish and Tai authorized, permitted or acquiesced in the Company's non-compliance referred to above and therefore were deemed also to have not complied with Ontario securities law. Finally, the OSC found that the conduct of each of the Company and the two individuals was contrary to the public interest.

The hearing to determine what sanctions ought to be issued against the Company and Messrs. Cornish and Tai was held on October 26 and 27, 2011. On November 8, 2011, the OSC issued its sanctions order in the matter.

The OSC ordered the Company to pay an administrative penalty of $1 million and to pay $250,000 of the costs incurred by OSC staff in connection with the hearing. The OSC also ordered that trading in any securities by the Company cease and that any Ontario securities law exemptions not apply to the Company until its winding up is completed, provided that these orders will not prevent the winding up of the Company or trades in securities reasonably related to that winding up. The OSC ordered that each of Messrs. Cornish and Tai pay an administrative penalty of $500,000. The OSC also ordered that they be reprimanded, resign any positions as a director or officer of a reporting issuer other than Coventree, and not be permitted to act as a director or officer of a reporting issuer other than Coventree for a period of one year. The OSC did not prevent the two individuals from seeking indemnification from Coventree with respect to the administrative penalty payable by them. The OSC issued reasons for its sanctions order on December 23, 2011.

On January 3, 2012, the Company announced that it would not appeal the OSC's decision and, shortly thereafter, paid the $1 million administrative penalty and $250,000 costs award imposed against it by the OSC. Messrs. Cornish and Tai have personally appealed the OSC decision. The Company has entered into an agreement with Mr. Cornish to limit the amount of legal fees and other costs related to such appeal for which the Company is responsible under its indemnity agreement with him and to otherwise ensure that the interests of the Company are not prejudiced by such appeal. Mr. Cornish has agreed that the Company's liability to indemnify him for legal expenses and other costs or awards arising from the appeal will be limited to $725,000 plus applicable taxes. The Company has agreed to support Mr. Cornish in his appeal but will not participate in it. There is no similar agreement with Mr. Tai.

In January 2012, Coventree commenced an application in the Superior Court of Justice (Ontario)(the "Court") for an order under the *Solicitors Act* (Ontario) assessing the accounts of the litigation counsel that represented Mr. Tai before the OSC hearing. Between July 2009 and December 2011, Mr. Tai's counsel rendered accounts to Mr. Tai aggregating more than $1.5 million. These accounts were submitted to Coventree for payment under Mr. Tai's indemnity agreement with Coventree and Coventree paid all of these accounts except three accounts totalling approximately $165,000. Coventree applied to the Court for an order seeking an assessment of the fairness and propriety of these accounts by an independent third party assessment officer. Coventree's application was heard on April 4, 2012. On May 7, 2012, the Court issued its decision confirming Coventree's right to an assessment of the unpaid accounts but denying the request to assess the remaining accounts.

OVERVIEW OF RESULTS

Change in Basis of Presentation

In accordance with IAS 1, *Presentation of financial statements* ("IAS 1"), the Company changed the basis of preparing its consolidated financial statements from going concern to liquidation, effective February 15, 2012. As a result, these consolidated financial statements have been prepared using the liquidation basis of accounting. This basis of presentation differs from the presentation adopted in the Company's December 31, 2011 interim consolidated financial statements prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34") on a going concern basis, and previous consolidated financial statements prepared in accordance with Canadian GAAP on a going concern basis. As a result of this change in the basis of presentation, information as at dates or for periods ending on or after February 15, 2012 will not be comparable to information as at prior dates or for prior periods.

Under the liquidation basis of accounting, the Company's financial position is presented in the consolidated statement of net assets in liquidation and the results of the Company's operations are presented in the consolidated statement of changes in net assets in liquidation. All assets and liabilities are measured at their net realizable values. Costs expected to be incurred during the winding up, including administrative costs and professional fees expected to be incurred in future periods until the winding up of the Company is completed, have been accrued in the consolidated statement of net assets in liquidation. Provisions for contingent liabilities are accrued when the probability of loss is more likely than not. Contingent assets are not accrued unless receipt is virtually certain.

Coventree recorded an accrual of $5.3 million for future liquidation and administrative costs as at February 15, 2012 as a result of the change in the basis of presentation of its consolidated financial statements from going concern to liquidation. Of this amount, $3.0 million continues to be included in accounts payable and accrued liabilities on Coventree's consolidated statement of net assets in liquidation as at June 30, 2012.

Results of Operations

Coventree's net income for the three months ended June 30, 2012 on a liquidation basis was $0.4 million. Its net loss on a liquidation basis for the period from February 15, 2012 to June 30, 2012 was $0.6 million, and its net loss on a going concern basis from October 1, 2011 to February 14, 2012 was $4.6 million. In the three and nine months ended June 30, 2011, Coventree reported a net loss of $0.3 million and $3.3 million, respectively.

Total revenue for the three and nine months ended June 30, 2012 was $0.1 million and $0.6 million, respectively, compared to $0.3 million and $0.9 million, respectively, for the same periods in 2011. The Company's primary source of revenue during the three and nine months ended June 30, 2012 was interest income earned on cash and cash equivalents held by the Company.

Operating expenses on a liquidation basis for the three month period ended June 30, 2012 were nil. Operating expenses on a liquidation basis from February 15 to June 30, 2012 were $2.2 million and on a going concern basis for the period from October 1, 2011 to February 15, 2012 on totaled $5.0 million. In the three and nine months ended June 30, 2011, Coventree reported operating expenses of $0.5 million and $4.2 million, respectively.

The Company distributed the Xceed shares to its shareholders on May 4, 2012 and therefore recorded a pre-tax realized gain on distribution of these shares of $1.8 million in the period ending June 30, 2012, of which $1.5 million was recorded in prior periods as unrealized gains.

SELECTED FINANCIAL INFORMATION

($ in thousands)	As at June 30		
	2012[1]	2011	2010
At period end			
Total Assets	20,581	77,931	87,826
Total Liabilities	8,003	4,572	7,751
Shareholders' Equity (Net Assets in Liquidation as at June 30, 2012)	12,578	73,359	80,075
Debentures (included in Total Liabilities above)	—	2,333	2,333

(1) Effective February 15, 2012, the Company changed the basis of presenting its consolidated financial statements from going concern to the liquidation basis of accounting. As a result, information as at June 30, 2012 may not be comparable to information as at prior dates.

(unaudited)	Three Months Ended June 30		Nine Months Ended June 30	
	2012	2011	2012	2011
For the period ($ in thousands)				
Total Revenue [1]	128	285	630	876
Net Income (Loss) [2]	423	(654)	(5,223)	(3,969)
Earnings per Share				
Basic and Diluted	$0.03	($0.04)	($0.34)	($0.22)
Share Capital				
Common Shares	15,157,138	15,157,138	15,157,138	15,157,138

Notes:

(1) See note 1 to the table in "Results of Operations - Revenue and Interest Income" below.

(2) Effective February 15, 2012, the Company changed the basis of presenting its consolidated financial statements from going concern to the liquidation basis of accounting. The net loss for the nine months ended June 30, 2012 is the sum of the net loss on a going concern basis for the period from October 1, 2011 to February 14, 2012 and the net loss on a liquidation basis for the period from February 15 to June 30, 2012.

RESULTS OF OPERATIONS

Revenue and Interest Income

The table below summarizes the Company's consolidated revenue and interest income.

(in thousands)	Three months ended June 30		Nine months ended June 30	
	2012[1]	2011	2012[1]	2011
	$	$	$	$
Interest income	128	285	630	876
Total Revenue, Interest and Other Income	128	285	630	876

Note:

(1) Effective February 15, 2012, the Company changed the basis of presenting its consolidated financial statements from going concern to the liquidation basis of accounting. However, this change in basis of presentation did not impact the determination of revenue. As a result, information for the nine months ended June 30, 2012 is the sum of revenue for the period from October 1, 2011 to February 14, 2012 on a going concern basis and revenue for the period from February 15, 2012 to June 30, 2012 on a liquidation basis.

Total revenue and interest income for the three and nine months ended June 30, 2012 of $0.1 million and $0.6 million, respectively, is lower than $0.3 million and $0.9 million, respectively, for the same periods in 2011.

Interest income is earned on cash, cash equivalents and promissory note balances. Interest income is lower in the three months ended June 30, 2012 following the reduction in the Company's cash and cash equivalents balances as a result of the distribution of $44.5 million in cash to shareholders that took place on May 4, 2012 as part of the interim pro rata distribution to shareholders that occurred on that date.

Operating Expenses

The table below summarizes the Company's operating expenses.

	Three months ended June 30		Nine months ended June 30	
(in thousands)	**2012**(1)	**2011**	**2012**(1)	**2011**
	$	**$**	**$**	**$**
Compensation and benefits	—	185	294	615
Administrative expenses	—	272	2,399	725
Legal and consulting fees related to OSC hearing	—	31	2,217	2,655
Income taxes	(2)	—	2,168	—
Interest on limited recourse debenture	—	52	53	157
Total Expenses	(2)	540	**7,131**	4,152

Note:

(1) Effective February 15, 2012, the Company changed the basis of presenting its consolidated financial statements from going concern to the liquidation basis of accounting. Accordingly, information presented for the nine months ended June 30, 2012 is the sum of operating expenses for the period from October 1, 2011 to February 14, 2012 on a going concern basis and operating expenses for the period from February 15 to June 30, 2012 on a liquidation basis. This information does not include costs incurred in the period from February 15 to June 30, 2012 that were previously provided for in the $5.3 million accrual made as of February 15, 2012 for future liquidation and administrative costs.

Operating expenses for the three and nine months ended June 30, 2012 were nil and $7.1 million, respectively, compared to $0.5 million and $4.2 million, respectively, for the same periods in the previous year.

Administrative expenses for the three and nine months ended June 30, 2012 were nil million and $2.4 million, respectively, compared to $0.3 million and $0.7 million, respectively for the same periods in the previous year. During the period from January 1 to February 14, 2012, the Company recorded a provision of $2.0 million in respect of other possible taxes payable, which is included in administrative expenses.

Legal and consulting fees related to the OSC proceeding for the three and nine months ended June 30, 2012 were nil million and $2.2 million, respectively, compared to nil and $2.7 million for the same periods in the previous year. The legal fees and consulting fees incurred in the three months ended December 31, 2011 relate to the OSC sanctions hearing that took place in October 2011 and deliberations concerning the possible appeal of the order and reasons issued by the OSC.

Income taxes for the three and nine months ended June 30, 2012 were nil million and $2.2 million, respectively, compared to nil for the same periods in the previous year.

Results of Operations – Realized Gains (Losses)

The Company had a realized gain of $1.8 million in Xceed shares when it distributed all of the 2,661,449 common shares that were owned by the Company as of May 3, 2012. The shares were distributed to shareholders on May 4, 2012 as part of the interim pro rata distribution to shareholders that occurred on that date.. The fair value of the Xceed was determined using the market price of May 3, 2012.

QUARTERLY FINANCIAL INFORMATION

The table below summarizes the Company's key consolidated financial information for the past eight quarters.

(unaudited) ($ in thousands except per share data)	Q3 Jun 30 2012	Q2 Mar 31 2012	Q1 Dec 31 2011	Q4 Sept 30 2011	Q3 Jun 30 2011	Q2 Mar 31 2011	Q1 Dec 31 2010	Q4 Sept 30 2010
Revenue	128	234	268	280	285	291	300	261
Net Income (Loss)[(1) (2)]	423	(3,273)	(2,373)	(2,468)	(255)	(316)	(2,705)	(2,747)
Earnings (Loss) Per Share Basic and Diluted[(1)]	$0.03	$(0.22)	$(0.16)	$(0.16)	$0.02	$(0.02)	$(0.18)	$(0.94)

Notes:

(1) Information prior to December 31, 2010 is on Canadian GAAP basis. Information for subsequent periods was calculated using IFRS.

(2) Effective February 15, 2012, the Company changed the basis of presenting its consolidated financial statements from going concern to the liquidation basis of accounting. The net loss for the three months ended March 31, 2012 is the sum of the net loss on a going concern basis for the period from January 1 to February 14, 2012 and the net loss on a liquidation basis for the period from February 15 to March 31, 2012.

LIQUIDITY AND CAPITAL RESOURCES

Total cash and cash equivalents at June 30, 2012 were $20.2 million compared to $71.0 million at September 30, 2011. The decrease in the balance since September 30, 2011 is primarily attributable to the distribution of $44.5 million in cash to shareholders that took place on May 4, 2012 as part of the interim pro rata distribution to shareholders that occurred on that date, the payment of expenses incurred without any significant cash inflow. Cash as at June 30, 2012 was comprised of $20.2 million in bank deposits.

OSC staff commenced a proceeding against the Company and one current and one former officer by issuing the Notice of Hearing. Although the OSC dismissed some of the allegations made by OSC staff, the OSC also concluded that Coventree and the two individual respondents breached Ontario securities laws and that their conduct was contrary to the public interest. The OSC ordered the Company to pay an administrative penalty of $1 million and to pay $250,000 of the costs incurred by OSC staff in connection with the hearing. The OSC also ordered that each of the two individuals pay an administrative penalty of $500,000. On January 3, 2012, the Company announced that it would not appeal the OSC's decision and, shortly thereafter, paid the $1 million administrative penalty and $250,000 costs award imposed against it by the OSC. Messrs. Cornish and Tai have personally appealed the OSC decision. In accordance with its obligations under indemnity agreements made between the Company and Messrs. Cornish and Tai, the Company is obligated to indemnify such individuals for legal and other expenses related to that appeal. In the absence of a successful appeal, the Company is required to indemnify such individuals against the administrative penalty to be paid by them as described above. The Company has entered into an agreement with Mr. Cornish to limit the amount of legal fees and other costs related to such appeal for which the Company is responsible under its indemnity agreement with him and to otherwise ensure that the interests of the Company are not prejudiced by such appeal. Mr. Cornish has agreed that the Company's liability to indemnify him for legal expenses and other costs or awards arising from the appeal will be limited to $725,000 plus applicable taxes. There is no similar agreement with Mr. Tai. Expenses relating to Coventree's cooperation with the OSC investigation were expensed as incurred, and expenses relating to the defence of the OSC proceeding commenced by the Notice of Hearing were also expensed as incurred.

The Company no longer has any long-term contractual obligations. On December 31, 2011, the Company repaid in full the limited recourse debentures in the amount of $3.2 million that matured on that date. The proceeds from the initial issuance of these debentures were loaned to companies owned by Messrs. Cornish and Tai. Those loans were evidenced by promissory notes and secured by a pledge of an aggregate of one million common shares of the Company that are owned by such companies. For further details, see "Transactions with Related Parties" below.

On October 14, 2011, the Company announced that Dean Tai ("Tai") and certain corporations affiliated with him had commenced proceedings against Coventree and Coventree's transfer agent, Equity Financial Trust Company, in the Superior Court of Justice (Ontario) (the "Court"). Tai is a former CEO and director of Coventree and currently owns or controls, directly or indirectly, approximately 22% of the outstanding common shares of Coventree. The claim relates to the cancellation in April 2009 of 736,522 common shares of Coventree that were issued to him under Coventree's 2005 Share Allocation Plan (the "Tai SAP Shares"). Following the termination of Tai's employment with Coventree in February 2009, the independent directors of Coventree conducted a review of the circumstances surrounding the issuance of those shares. As a result of that review, the independent directors determined that the shares were not validly issued and Coventree cancelled those shares. In his statement of claim, Tai asserts that, in cancelling the Tai SAP Shares, Coventree acted in a way that was oppressive. Tai seeks damages equal to the value of 736,522 common shares of Coventree, to be valued at the greater of (a) their highest share price between April 15, 2009 and the date of trial and (b) the amount Tai would have received in distributions if the shares had been held through the winding up, plus prejudgement interest and costs. Previously, Coventree issued a notice of action commencing a proceeding against Tai and certain corporations affiliated with him. In the notice of action, Coventree claimed that the issuance of the Tai SAP Shares and the circumstances giving rise to their issuance were wrongful, and sought damages for breach of fiduciary duty, breach of duty of care, breach of statutory duty under the *Business Corporations Act* (Ontario) and oppression in the amount of $5 million. In accordance with the Liquidation Plan, the Inspectors took carriage of the action commenced by Coventree against Tai as well as the claims by Tai against the Company. After reviewing the matter and consulting with counsel, the Inspectors decided that, in the overall context of the liquidation and Tai's claims against the Company it was no longer in the Company's best interest to pursue the claim against Tai. In its statement of defence, the Company has asserted that the issuance of the Tai SAP Shares and the circumstances giving rise to their issuance were wrongful and breached Tai's fiduciary duty and duty of care to the Company.

The Company has been able to recover certain costs and expenses incurred in connection with matters relating to the Notice of Hearing under one directors and officers' liability insurance policy and may be able to recover additional costs and expenses under a second such policy. One policy with Great American Insurance Company provided coverage to a limit of $1 million subject to a retention of $35,000. Following notification of a claim by the Company, Great American Insurance Company agreed to provide coverage for Coventree and the individuals named in the Notice of Hearing in respect of certain allegations set out therein and paid the Company $1 million in respect of defence expenses. A second directors and officers liability insurance policy issued by Navigators Pro provides coverage to a limit of $10 million with a retention of $500,000 for securities claims and $250,000 for any other claim. On the Company's view of the Navigators Pro policy, the coverage limit for acts prior to October 17, 2007, the relevant time period with respect to matters contained in the Notice of Hearing, is $5 million. The Company notified Navigators Pro of a claim under its policy for coverage for Coventree and the individuals named in the Notice of Hearing. Navigators Pro took the position that it had no obligation under its policy to provide coverage in the circumstances of the Notice of Hearing. In October 2010, the Company commenced proceedings in the Court against Navigators Pro in respect of its claim under the policy issued by Navigators Pro, and the Court ruled on September 13, 2011 that the policy was operative and must respond to the claim made by Coventree for coverage under that policy. The insurer appealed that decision to the Ontario Court of Appeal. The Ontario Court of Appeal released its decision on May 24, 2012 and affirmed the lower Court's decision. On or about June 15, 2012, Navigators Pro filed an application seeking leave to appeal the Ontario Court of Appeal's decision to the Supreme Court of Canada. Further, Navigators Pro has taken the position that, even if the policy does apply, the Company may not be entitled to judgment for the full $5 million in coverage available under the policy. Until both the appeal and the issue relating to the amount of coverage available to the Company under the policy have been finally resolved, there can be no assurance regarding when Navigators Pro will pay nor as to whether Navigators Pro will be liable to provide coverage at all.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet financial arrangements.

TRANSACTIONS WITH RELATED PARTIES

As at December 31, 2011, the Company had loans to Messrs. Cornish and Tai, through their respective companies, of $3.2 million, including deferred interest. The loans were evidenced by promissory notes which matured on December 31, 2011. The Company agreed to extend until March 31, 2012 the maturity date for the loan owing by Mr. Cornish's company. No such extensions were granted in respect of the loans owed by Mr. Tai's companies, and those loans went into default. The aggregate amount of those loans was approximately $1.62 million as at December 31, 2011. In order to recover the amounts owing, the board of directors of Coventree authorized the sale in the market of the 500,000 shares of Coventree pledged by Mr. Tai's companies as security for those loans. On February 2, 2012, approximately 456,000 shares were sold at an average price of $3.89 per share and, as a result, the Company has recovered the amounts owing in respect of the defaulted loans. Coventree deducted approximately $110,000 from the gross proceeds of sale of the pledged shares for expenses incurred by Coventree in the disposition of such shares. The remaining 44,000 shares were, in turn, released from their pledge.

On March 29, 2012, the Company agreed to extend the maturity date of the promissory note receivable from Mr. Cornish's company to the earlier of June 30, 2012 and the date on which any distribution is made on Coventree's common shares. On May 4, 2012, Mr. Cornish's company repaid in full the promissory note receivable owing by that company to Coventree out of the portion of the interim distribution paid by Coventree on May 4, 2012 and received by that company.

RISKS AND UNCERTAINTIES

The following are current risk factors relating to Coventree. This information is a summary only of certain current risk factors. These risks and uncertainties are not the only ones the Company faces. Additional risks and uncertainties not presently known to Coventree, or that Coventree currently deems immaterial, may also impair the Company's financial position.

Claims Risk

The Company is in the process of winding up and, pursuant to the claims procedure order dated February 15, 2012 issued by the Court, a process has been established for the identification, resolution and barring of claims against the Company, its subsidiaries and their directors and officers, both past and present. The date by which all claims were required to be filed was the Claim Bar Date. A summary of the Claims filed on or before that date is set out above under "Winding Up". In accordance with the claims procedure order, the Liquidator has reviewed these claims with the Inspectors for the purpose of determining whether to allow, partially allow, partially disallow or disallow claims against the Company. To the extent possible, the Liquidator has issued notices of determination with respect to such claims.

A number of the claims filed on or before the Claims Bar Date were so filed as placeholders or with otherwise currently unknown values - for example, the provisional claims filed by CRA for GST/HST, source deductions and income tax, subject to audit; the claim filed by Tai for indemnification of costs incurred in connection with his appeal of the OSC decision; and the claim filed by Equity Financial Trust Company for indemnification for costs and damages arising from the Tai claim relating to the Tai SAP Shares. With respect to some of such claims, it is not yet known whether any claim will be filed or, if such a claim is filed, the amount of such claim. For example, CRA has filed provisional claims for GST/HST, source deductions and income tax and has advised that it will be conducting audits to determine whether to file a claim in respect of such matters and, if so, the amount of such claims. There can be no assurance that CRA will not file such a claim or claims in the future and, if filed, there is a risk that the amount of such claims could be substantial. As a result, there is a risk that Coventree may be required to pay substantial amounts to settle or resolve such claims, which could result in a significant reduction in the amount available to be distributed to shareholders.

With respect to other claims with currently unknown values (for example, the claim filed by Tai for indemnification of costs incurred in connection with his appeal of the OSC decision and the claim filed by Equity Financial Trust Company for indemnification for costs and damages arising from the Tai claim relating to the Tai SAP Shares), it is likely that specific claims will be filed in the future but the amount of such claims is currently unknown. Again, there is a risk that the amount of such claims could be substantial. As a result, there is a risk that Coventree may be required to pay substantial amounts to settle or resolve such claims, which could result in a significant reduction in the amount available to be distributed to shareholders.

With respect to those claims that the Liquidator determines to disallow in whole or in part, there can be no assurance that Coventree will be successful in defending those claims. If such claims are successful, Coventree could be required to pay significant damage and costs awards and/or penalties and, even if Coventree is successful in defending such claims, the Company could incur significant legal costs to do so, either of which could result in a significant reduction in the amount available to be distributed to shareholders and/or a significant delay in the timing of any such distribution.

Asset Risk

Following the interim distribution to shareholders that took place on May 4, 2012, Coventree's principal assets consist of cash and cash equivalents. However, Coventree's rights also include a claim for $5 million in coverage under a directors and officers liability insurance policy issued by Navigators Pro (see "Liquidity and Capital Resources" above). There can be no assurance that Coventree will be successful in pursuing this claim. If it is unsuccessful, Coventree could be required to pay costs awards and, even if Coventree is successful in pursuing this claim, the Company could incur significant legal costs to do so which may not be fully recovered through costs awards in its favour, either of which could result in a reduction in the amount available to be distributed to shareholders and/or a significant delay in the timing of any such distribution.

Winding Up Costs

Coventree will incur costs in conjunction with its winding up, such as fees payable to the Liquidator, Inspectors, and legal counsel. In addition, Coventree will continue to incur costs such as compensation expenses and general and administration expenses for at least some time. In accordance with the liquidation basis of accounting, Coventree recorded an accrual for costs expected to be incurred during the winding up in the consolidated statement of net assets in liquidation. This accrual represents management's best estimate as of February 15, 2012 of the total future costs expected to be incurred during the winding up of the Company using an expected timeframe of two years to complete the winding up. However, there is a risk that actual future costs incurred during the liquidation will differ from management's estimates used for the accrual. Further, there can be no assurance regarding the time required to complete Coventree's winding up. If for any reason the completion of Coventree's winding up is delayed, there is a risk that Coventree will continue to incur costs in connection with its winding up, including those fees and expenses listed above, which could result in a significant reduction in the amount available to be distributed to shareholders.

Regulatory Risk

Regulatory risk includes the risk of non-compliance with applicable legal and regulatory requirements. Coventree was previously regulated by the OSC as a limited market dealer. In addition, as a public company, even though its shares are no longer listed on the TSX or NEX, Coventree is still subject to the obligations of a reporting issuer under applicable Canadian securities laws and was subject to the requirements of the relevant exchanges relating to a listed company. In the event of non-compliance with an applicable regulation, securities regulators and other authorities may institute administrative or judicial proceedings that may result in censure, fines, civil penalties, issuance of cease-and-desist orders, deregistration or suspension of trading, suspension or disqualification of the Company's officers or employees or other adverse consequences.

CRITICAL ACCOUNTING ESTIMATES

Certain accounting policies are critical to understanding the Company's results of operation and financial position and require management to make estimates and assumptions. Significant accounting policies and methods adopted by the Company are described in Note 2 of the Company’s unaudited consolidated financial statements for the three and nine months ended June 30, 2012. Areas requiring significant estimates include accruals for costs expected to be incurred during the winding up and contingencies.

ACCOUNTING POLICIES

Understanding the Company’s significant accounting policies is essential to understanding the Company’s consolidated financial statements.

In accordance with IAS 1, *Presentation of financial statements* (“IAS 1”), the Company changed the basis of preparing its consolidated financial statements from going concern to liquidation, effective February 15, 2012. As a result, these consolidated financial statements have been prepared using the liquidation basis of accounting. This basis of presentation differs from the presentation adopted in the Company’s December 31, 2011 interim consolidated financial statements prepared in accordance with IAS 34, *Interim Financial Reporting* (“IAS 34“) on a going concern basis, and previous consolidated financial statements prepared in accordance with Canadian GAAP on a going concern basis.

Under the liquidation basis of accounting, the Company’s financial position is presented in the consolidated statement of net assets in liquidation and the results of the Company’s operations are presented in the consolidated statement of changes in net assets in liquidation. All assets and liabilities are measured at their net realizable values. Costs expected to be incurred during the winding up, including administrative costs and professional fees expected to be incurred in future periods until the winding up of the Company is completed, have been accrued in the consolidated statement of net assets in liquidation. Provisions for contingent liabilities are accrued when the probability of loss is more likely than not. Contingent assets are not accrued unless receipt is virtually certain.

DISCLOSURE CONTROLS AND PROCEDURES

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Company has been appropriately disclosed and that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. There have been no changes during the quarter ended June 30, 2012 that, in management’s view, would have materially affected, or that are reasonably likely to materially affect, the Company’s disclosure controls and procedures. The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company’s internal disclosure controls and procedures as of June 30, 2012, concluded that the Company’s internal disclosure controls and procedures were effective.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards. There have been no changes during the quarter ended June 30, 2012 that, in management’s view, would have materially affected, or that are reasonably likely to materially affect, the Company’s internal controls over financial reporting. The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company’s internal control over financial reporting as of June 30, 2012, concluded that the Company’s internal control over financial reporting was effective. The evaluation was performed in accordance with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) control framework adopted by the Company.