
**First Report to the Court of
Duff & Phelps Canada
Restructuring Inc. as Liquidator of
Coventree Inc.**

February 7, 2012

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Court File No.: CV-12-9594-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

DUFF & PHELPS CANADA RESTRUCTURING INC. IN
ITS CAPACITY AS LIQUIDATOR OF COVENTREE INC.

APPLICANT

APPLICATION UNDER SECTION 207 OF THE
BUSINESS CORPORATIONS ACT, R.S.C. 1990, C. B.16,
AS AMENDED

IN THE MATTER OF THE WINDING-UP OF
COVENTREE INC.

FIRST REPORT OF DUFF & PHELPS CANADA RESTRUCTURING INC.
AS LIQUIDATOR OF COVENTREE INC.

FEBRUARY 7, 2012

1.0 Introduction

On June 30, 2010, the shareholders of Coventree Inc. (“Coventree” or the “Company”) passed a special resolution approving, among other things: a) the voluntary winding-up of Coventree pursuant to Section 193 of the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended (the “OBCA”) at a time to be determined by the directors of Coventree; and b) a plan of liquidation and distribution substantially in the form attached to such special resolution. The press release issued by Coventree in this regard together with the form of resolution contained in the Company’s management information circular dated May 25, 2010 is provided as Appendix “A”.

On January 23, 2012, the board of directors of Coventree adopted a finalized plan of liquidation and distribution substantially in the form approved by the special resolution passed by the shareholders (the “Liquidation Plan”). Minor edits were required, including changing the name of RSM Richter Inc. (“Richter”), the liquidator that had been named in the liquidation plan, to Duff & Phelps Canada

Restructuring Inc. (“D&P”)¹. A copy of the Liquidation Plan is provided as Appendix “B”.

All capitalized terms used in this report (“Report”) that are not otherwise defined shall have the meanings ascribed to such terms in the Liquidation Plan.

Pursuant to Section 4.1 of the Liquidation Plan, D&P is to be appointed the Liquidator.

By resolution of the board of directors (“Board Resolution”) of Coventree, February 15, 2012 was determined to be the Effective Date and, thereby, the date the Liquidation Plan implementation will commence. A copy of the Board Resolution is attached as Appendix “C”.

Pursuant to Section 4.3(k) of the Liquidation Plan, the Liquidator may at any time make an application to the Ontario Superior Court of Justice – Commercial List (“Court”) under Section 207 of the OBCA to have the winding-up of Coventree supervised by the Court if the Liquidator considers such an application advisable under the circumstances then existing.

1.1 Purpose of this Report

In anticipation of its appointment on the Effective Date, the Liquidator considers an application to the Court under Section 207 of the OBCA to be advisable under the circumstances for the reasons outlined below, including the requirement pursuant to the Liquidation Plan to effect and implement the Claims Process.

This Report is made to support the Liquidator’s application for such relief on the Effective Date.

We understand that this application will be supported by the Inspectors to be appointed on the Effective Date under Section 6.1 of the Liquidation Plan.

1.2 Restrictions

In preparing this Report, D&P has relied upon unaudited financial information prepared by the Company’s representatives, the Company’s books and records and discussions with the Company’s representatives and legal counsel. D&P has not performed an audit or other verification of such information. D&P expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by D&P.

¹ On December 9, 2011, D&P acquired the assets used by Richter in Ontario.

2.0 Background

The Company was incorporated in 1998 under the OBCA. The Company's shares are publicly traded under the symbol "COF-H" on the NEX, a board of the TSX Venture Exchange.

Prior to the events described below, Coventree was a financial intermediary specializing in structuring and funding solutions for clients using special purpose trusts established by Coventree and funded by asset-backed commercial paper ("ABCP"). The Company also provided financial and administrative services to conduits sponsored by third parties.

Coventree wholly owns two subsidiaries, being Coventree Holdings Inc. ("CHI") and Coventree Capital Inc. ("CCI"). We understand that neither of the subsidiaries has any material assets or operations².

2.1 ABCP Restructuring Plan

On August 13, 2007, ABCP conduits sponsored by Coventree and other conduit sponsors that were not among the five largest Canadian banks were unable to place sufficient new ABCP to fund the repayment of previously issued ABCP that matured that day and were unable to draw on market disruption liquidity facilities (the "Market Disruption").

On September 6, 2007, a committee of investors in the outstanding ABCP subject to the Market Disruption (the "Affected ABCP") was established to oversee a restructuring of the Affected ABCP (the "Investors Committee"). The Investors Committee worked with various parties, including Coventree, to develop a comprehensive restructuring plan for the Affected ABCP (the "Restructuring Plan").

On March 17, 2008, the Investors Committee filed an application in the Court under the *Companies' Creditors Arrangement Act* (the "CCAA") asking the Court to call a meeting of noteholders to vote on the Restructuring Plan. The Court granted the Investors Committee's application. On April 25, 2008, a meeting of noteholders was held in Toronto, Ontario to consider and vote upon the Restructuring Plan. Following the meeting, the Investors Committee announced that noteholders had voted overwhelmingly in favour of the Restructuring Plan. The Restructuring Plan was sanctioned by an order of the Court as required under the CCAA on June 5, 2008 ("Sanction Order").

² The Company, as sole shareholder of CHI and CCI, passed resolutions approving the voluntary dissolutions of CHI and CCI under Section 237 of the OBCA. Coventree then entered into a distribution agreement with CHI and CCI under which all of their assets were transferred to, and all their liabilities were assumed by, Coventree.

Certain investors in the Affected ABCP appealed the Sanction Order to the Ontario Court of Appeal which rendered its decision on August 18, 2008 affirming the Sanction Order. Certain investors in the Affected ABCP sought leave to appeal the Ontario Court of Appeal decision to the Supreme Court of Canada; however, on September 19, 2008, the Supreme Court of Canada denied the investors' application for leave to appeal.

On January 12, 2009, the Court granted an order which approved the implementation of the Restructuring Plan. The transactions required to implement the Restructuring Plan were completed on January 21, 2009.

2.2 First Special Committee

In response to the Market Disruption, on August 17, 2007, the Company's board of directors established a special committee (the "First Special Committee") to assist the Company's management to explore and consider strategic options in order to maximize value for shareholders.

The First Special Committee concluded that none of the Company's business units (Capital Markets, Administration and Investments) was viable, regardless of whether the Affected ABCP was restructured. The First Special Committee also decided that it would not actively pursue any strategic options for Coventree that would result in it having ongoing operations and recommended that once the Affected ABCP was restructured, the Company should wind down its operations on an orderly basis. Following this recommendation by the First Special Committee, which was made shortly after the application to the Court brought by the Investors Committee on March 17, 2008, the Company's board of directors dissolved the First Special Committee.

2.3 OSC Proceedings/Second Special Committee

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. 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, Coventree's board of directors established a special committee (the "Second Special Committee") comprised of Messrs. Peter Dey and Wesley 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 Second Special Committee's supervision, Coventree cooperated with the OSC investigation. In connection with the OSC investigation, Coventree agreed with OSC staff that it would not make or pay any dividend or other distribution to Coventree's shareholders without first providing at least 45 days' prior written notice to OSC staff.

On December 7, 2009, OSC staff commenced proceedings against the Company and against Messrs. Geoffrey Cornish (a director and current chief executive officer of the Company) and Dean Tai (a former director and chief executive officer of the Company). In the notice of hearing and statement of allegations (collectively, the "Notice of Hearing"), OSC staff alleged that the Company, Messrs. Cornish and Tai breached Ontario securities laws and acted in a manner that was contrary to the public interest by: (1) failing to make full, true and plain disclosure in the IPO prospectus by not disclosing the fact that Dominion Bond Rating Service ("DBRS") had adopted more restrictive credit rating criteria for ABCP in November, 2006; (2) failing to meet its continuous disclosure obligations by not disclosing that DBRS' decision in January, 2007, to change its credit rating methodology resulted in a material change to Coventree's business or operations; (3) making misleading statements in April, 2007, by failing to provide investors with an analysis of the total U.S. subprime exposure in Coventree-sponsored conduits by conduit and ABCP note series; and (4) 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 the Market Disruption.

In response to the OSC investigation, the Second Special Committee engaged independent legal counsel and other experts. The Second 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 Second Special Committee at voluntary interviews conducted by OSC staff.

Based on its investigation, the Second Special Committee reported to the Company that it had concluded that the Company and the individuals named in the Notice of Hearing complied with their respective obligations under Ontario securities laws and that the Company should defend the allegations.

After extensive hearings, the OSC released its decision in this matter on September 28, 2011. The OSC dismissed the first and third allegations described above but did hold that Coventree: (1) contravened subsection 75(1) of the *Securities Act* (Ontario) (the "Securities Act") by failing to forthwith issue and file a news release disclosing the material change that occurred as a result DBRS' decision in January, 2007, to change its credit rating methodology; (2) contravened subsection 75(2) of the *Securities Act* by failing to file a material change report in respect of that material change; (3) contravened subsection 75(1) of the *Securities Act* by failing to forthwith issue and file a news release disclosing the material changes that had occurred by the close of business on August 1, 2007; and (4) contravened subsection 75(2) of the *Securities Act* by failing to file a material change report in respect of those material changes.

The OSC held that there was no evidence that would lead it to conclude that either Messrs. Cornish or Tai intentionally breached the Securities Act or attempted to intentionally mislead public shareholders or investors. However, the OSC found that each of Messrs. Cornish and Tai authorized, permitted or acquiesced in the conduct referred to above and therefore were deemed to have not complied with Ontario securities law. The OSC further held that such conduct of Coventree and Messrs. Cornish and Tai was contrary to the public interest.

On November 8, 2011, the OSC issued its sanction order in the matter and ordered Coventree 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 Coventree cease and that any Ontario securities law exemptions not apply to Coventree until its winding-up is completed, provided that these orders will not prevent the winding-up of Coventree 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 ("OSC Penalty"). 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 Messrs. Cornish and Tai from seeking indemnification from Coventree with respect to the administrative penalty payable by them. The OSC issued its reasons for its sanction order on December 23, 2011.

The Company's legal counsel has provided an opinion that the administrative penalties payable by Messrs. Cornish and Tai are subject to indemnification by the Company. The Company has decided not to appeal the OSC's order and, accordingly, has paid the \$1.25 million owing by it to the OSC.

Messrs. Cornish and Tai have each appealed the OSC's decision. Coventree has entered into an agreement with Mr. Cornish to limit the amount of legal fees and other costs related to such appeal for which Coventree is responsible under its indemnity agreement with him and to otherwise ensure that the interests of Coventree are not prejudiced by such appeal. Mr. Cornish has agreed that Coventree's liability to indemnify him for legal expenses and other costs or any additional awards arising from the appeal will be limited to \$725,000. 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.

2.4 Wind Down

On the closing of the Restructuring Plan, the agreements under which Coventree acted as financial and administrative agent of the Coventree-sponsored ABCP conduits were terminated, with the result that Coventree no longer received revenue from these activities. At the request of the Investors Committee, Coventree entered into an agreement (the "Transition Services Agreement") to provide certain transitional administrative services for a four-month period that commenced on January 21, 2009 and ended on May 21, 2009. Since the expiration of the Transition Services Agreement on May 21, 2009, the Company's primary source of revenue has been limited to interest income earned on cash and cash equivalents held by the Company.

In accordance with the Restructuring Plan, Coventree received Court-approved comprehensive releases in respect of claims that might have been asserted against it in respect of its role as sponsor and administrative and financial agent for the Coventree-sponsored ABCP conduits. Coventree was also required to provide similar releases to other participants in the Restructuring Plan.

Following the implementation of the Restructuring Plan and the satisfaction of its obligations under the Transition Services Agreement, the Company continued to reduce its workforce to those employees needed to complete an orderly wind down of the Company.

Currently, Coventree has only two employees, being Mr. Cornish, the Chief Executive Officer, and Ms. Ani Hotoyan-Joly, the Chief Financial Officer. The services of these two individuals will remain of assistance to the Liquidator in implementing the Liquidation Plan. It is therefore contemplated that both Mr. Cornish and Ms. Hotoyan-Joly will continue as employees of the Company until approximately May 31, 2012, on the same terms as their existing employment agreements with the Company. Those agreements provide for salary and severance entitlements as well as entitlement to other standard benefits. Mr. Cornish's salary is \$400,000 per year. Ms. Hotoyan-Joly's salary is \$240,000 per year. After their employment has been terminated, one or both of them may be retained as consultants at an hourly rate that is to be determined.

3.0 Shareholdings

The Company is authorized to issue an unlimited number of common shares. As at the date of this Report, 15,157,138 Common Shares are issued and outstanding with a corresponding market capitalization of approximately \$64 million.

The Company's shareholders ("Shareholders") are entitled to receive notice of and to attend and vote at all Shareholder meetings. Each Common Share confers the right to one vote in person or by proxy at all Shareholder meetings.

Based on information provided by Coventree, the Liquidator understands that no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Common Shares carrying 10 per cent or more of the voting rights attached to all of the issued and outstanding Common Shares other than as disclosed below:

Name of Shareholder	Number of Voting Securities	% of Outstanding Voting Securities	Other Family Controlled Voting Securities	% of Outstanding Voting Securities
Dean Tai	2,926,397 ³	19.31	375,000 ⁴	2.47
Geoffrey P. Cornish	3,382,397 ⁵	22.32	375,000 ⁶	2.47
Subtotal	6,308,794	41.63	750,000	4.94

Effective November 2, 2009, the Common Shares were voluntarily delisted from the TSX and commenced trading on the NEX.

Pursuant to Section 4.2(c) of the Liquidation Plan, the Liquidator is directed to maintain the listing of the Common Shares on the NEX subject to compliance with the listing requirements of the NEX. Section 4.2(e) of the Liquidation Plan directs the Liquidator to implement the de-listing of the Common Shares from trading on the NEX following completion of the Claims Process.

On January 25, 2012, the Company made a formal application to the NEX to maintain the listing of the Common Shares until completion of the Claims Process. In response to Coventree's application, the NEX advised the Company that it will not consent to the continued trading of the Common Shares after the winding up has commenced, being February 15, 2012. As a result, February 14, 2012 will be the final day for trading in Coventree's shares on the NEX. The Company issued a press release on February 3, 2012 advising of this fact. A copy of this press release is attached as Appendix "D". Accordingly, pursuant to Section 198 of the OBCA, all trading of the Common Shares taking place on or after the Effective Date is void unless made with the sanction of the Liquidator.

³ Held, directly or indirectly, through corporations controlled by Mr. Tai. The total excludes the TAI SAP Shares (as defined in Section 6.1).

⁴ Held, directly or indirectly, through a trust of which Mr. Tai's spouse is a trustee and relatives of Mr. Tai are beneficiaries.

⁵ Held, directly or indirectly, through a corporation wholly-owned by Mr. Cornish or by trusts of which Mr. Cornish is a trustee and relatives of Mr. Cornish are beneficiaries. The total includes the 500,000 pledged to Coventree as collateral for loans made by the Company to Mr. Cornish as set out in Section 4.0.

⁶ Held, directly or indirectly, through a corporation wholly-owned by Mr. Cornish's spouse.

4.0 Loans

On December 30, 2004, the Company borrowed \$7 million from VentureLink Financial Services Innovation Fund Inc. and VentureLink Diversified Income Fund Inc. (collectively "VentureLink"). The borrowings were evidenced by limited recourse debentures which matured on December 31, 2011.

The Company's obligations to VentureLink were repaid over time. On December 31, 2011, Coventree repaid the remaining balance then outstanding of approximately \$3.2 million (including interest).

The funds the Company received from VentureLink were loaned to Messrs. Cornish and Tai, through their respective holding companies, as evidenced by promissory notes that also matured on December 31, 2011. Substantially all of the proceeds of the promissory notes were used by Messrs. Cornish and Tai (or their affiliated companies) to purchase additional Common Shares from a selling shareholder. One million Common Shares in the aggregate owned by their respective holding companies were pledged as security for the promissory notes (500,000 Common Shares from each of Messrs. Cornish and Tai).

As at December, 31, 2011, the Company had loans receivable from Messrs. Cornish and Tai, through their holding companies, of \$1.55 million and \$1.62 million, respectively, inclusive of interest. Coventree extended the maturity date for the loan owing by Mr. Cornish's company to March 31, 2012. This was done in recognition of Mr. Cornish's past and expected future contributions to the Company and ongoing assistance in winding up the Company's affairs. No extensions were granted in respect of the loans owed by Mr. Tai's companies. Accordingly, the loans have been in default since January 1, 2012.

Coventree has recovered the amounts owing by Mr. Tai's companies by realizing on the security pledged by those companies. On February 2, 2012, the Company announced that approximately 456,000 Common Shares were sold in the market at an average price of approximately \$3.89 per Common Share. As a result, the Company has recovered the amounts owing in respect of the loans to Mr. Tai's companies.

5.0 Assets

The assets of the Company consist primarily of the following:

- a) Cash and short-term investments having a value of approximately \$66 million as of January 31, 2012;

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- b) An investment in Xceed Mortgage Corporation (“Xceed”, trading under “XMC” on the Toronto Stock Exchange) of 2,661,449 shares with a market value of approximately \$2.6 million as at December 31, 2011. The shares of Xceed are “thinly” traded;
 - c) The promissory note owing from Mr. Cornish’s company as referenced in Section 4.0 above totalling \$1.55 million;
 - d) Shares in its remaining subsidiaries, being CCI and CHI. The Liquidator understands that the value of these shares is negligible;
 - e) A claim against Mr. Tai as described below in Section 6.1;
 - f) A claim of \$5 million under the Company’s director and officer insurance policy described below in Section 7.0; and
 - g) Potential tax refunds and certain other contingent receivables.

6.0 Liabilities

Other than the Company’s indemnity obligations in respect of the OSC Penalty described in Section 2.3, and the Tai Action as defined and described below in Section 6.1, the Company’s obligations consist of:

- a) Trade payables aggregating approximately \$400,000; and
- b) Amounts owing under the employment contracts with Messrs. Cornish and Tai and Ms. Hotoyan-Joly in the aggregate of approximately \$1.2 million.

6.1 Tai Action

On October 14, 2011, Mr. Tai and certain corporations affiliated with him commenced Court proceedings against Coventree and Coventree’s transfer agent, Equity Financial Trust Company. As outlined above, Mr. Tai currently owns or controls, directly or indirectly, approximately 22% of the outstanding Common Shares. Mr. Tai’s claim relates to a decision by the Company in April, 2009, to cancel 736,522 Common Shares that were issued to him under Coventree’s 2005 Share Allocation Plan (the “Tai SAP Shares”).

Following the termination of Mr. Tai’s employment with Coventree in February, 2009, Coventree’s independent directors conducted a review of the circumstances surrounding the issuance of the Tai SAP Shares. As a result of that review, the independent directors determined that the Tai SAP Shares were not validly issued and Coventree cancelled the Tai SAP Shares.

In his statement of claim, Mr. Tai asserts that, in cancelling the Tai SAP Shares, Coventree acted in a way that was oppressive and is claiming damages equal to the value of 736,522 Common Shares, to be valued at their highest share price between April 15, 2009 and the date of trial, plus prejudgment interest and costs. The amount of the claim is estimated to be \$3 million to \$4 million plus interest and costs. Coventree believes it has no merit.

In April, 2011, the Company issued a notice of action to commence a proceeding against Mr. Tai and certain corporations affiliated with him related to the Tai SAP Shares. The Company is claiming damages of \$5 million on the basis that the issuance of the Tai SAP Shares and the circumstances giving rise to their issuance were wrongful and gave rise to damages for breach of fiduciary duty, breach of duty of care and related claims. The Company intends to pursue this action against Mr. Tai.

6.2 Other Claims

Given the Market Disruption and related events and the fact that the Company operated in the ordinary course for over 10 years with the consequent numerous contractual and other relationships with employees, customers and suppliers, it is impossible to know with certainty whether any other claims exist against the Company or any of its subsidiaries, contingent or otherwise.

As the Company has indemnified its and its subsidiaries' past and present directors and officers, it is also currently unknown whether or not there are any possible claims against such directors and officers which may give rise to a claim against the Company on such indemnities.

While there should be no taxes owing by the Company due to the significant amount of its accumulated tax losses (\$16 million), there may be some taxes owing by the Company's subsidiaries, CCI and CHI. The Company remains in discussions with relevant taxing authorities in connection with such matters.

7.0 Directors' and Officers' Insurance

In October, 2010, Coventree commenced proceedings in the Court against Navigators Pro, acting on behalf of Lloyds Syndicate 1221 (Millenium Syndicate) (collectively, "Navigators"), in respect of Coventree's claim for coverage under the policy to a limit of \$5 million. Coventree's claim relates to legal fees paid in responding to the Notice of Hearing and related statement of allegations issued by the OSC. On September 13, 2011, the Court ruled that the Navigators policy is operative and must respond to the claim made by Coventree for coverage under that policy.

Navigators appealed that decision to the Ontario Court of Appeal. The appeal is scheduled to be heard on February 9, 2012.

In addition, Navigators has advised the Company that, even if the policy does apply, it does not believe that the Company is entitled to payment for the full \$5 million in coverage under the policy. The Company advised that it may be necessary to bring further Court proceedings in order to resolve this issue if Navigators is unsuccessful in its appeal. Accordingly, Navigators' liability to provide coverage and the timing of Navigators' payments to the Company pursuant to the policy are subject to the outcome of the appeal and resolution of the issues relating to the amount of coverage available under the policy.

The Company continues to maintain directors' and officers' insurance. The current policy expires in April, 2012. The Company is considering coverage options beyond that period.

8.0 Inspectors

Pursuant to the Liquidation Plan, on the Effective Date each of Messrs. Brendan Calder, Geoffrey Cornish and Wesley Voorheis (collectively, the "Inspectors") will be appointed inspectors of the Company's liquidation pursuant to Section 194 of the OBCA. At that time the current directors will be deemed to have resigned.

As noted above, Mr. Cornish is a director and CEO of the Company. He is also a principal holder of the Common Shares. Mr. Voorheis is an independent director of the Company within the meaning of applicable Canadian securities laws. Mr. Calder was also an independent director of Coventree. On December 16, 2011, Mr. Calder resigned from his position as a director of the Company. It is expected that Mr. Calder will resign from his appointment as an Inspector on or shortly after the Effective Date.

The Liquidator understands that the Inspectors intend to appoint a third inspector to fill the vacancy as provided for under Section 6.5 of the Liquidation Plan.

As noted above, Mr. Voorheis has been involved with the Company's affairs since the Second Special Committee was established and, accordingly, has significant background knowledge about the Company. Pursuant to Section 4.3 (a) of the Liquidation Plan, the Inspectors may take carriage of, among other things, the: a) the claims made against and by the Company relating to the Tai SAP Shares; and b) matters relating to the Company's claim under its D&O insurance policy⁷. Pursuant to Section 6.6 of the Liquidation Plan, Mr. Voorheis will be retained by the Company beyond his duties as Inspector. His retainer will be on an hourly basis; he will receive compensation at the same rate as he has been paid to date by the Company.

⁷ The Liquidator will monitor each of these proceedings.

9.0 Counsel

Counsel to the Liquidator is Davies Ward Phillips & Vineberg LLP (“Davies”). Davies has been counsel to the Company for many years. Given Davies’ background knowledge of the history of the Company and its operational, corporate and contractual arrangements, together with the fact that neither the Liquidator nor the Inspectors expects there to be any conflict arising between them, both the Liquidator and the Inspectors support the continued retention of Davies as counsel to the Liquidator.

The Company’s current litigation with Mr. Tai as outlined in Section 6.1 is being conducted on behalf of the Company by Bennett Jones LLP. The litigation with Navigators is being conducted on behalf of the Company by Adair Morse LLP.

10.0 Claims Process

Section 4.2(d) of the Liquidation Plan expressly directs the Liquidator to establish and implement a Claims Process. The Liquidation Plan defines “Claims Process” to mean the process established by the Liquidator and approved by the Court for the identification, resolution and barring of certain Claims, including, *inter alia*, the issuance of a final order of the Court establishing the Claims.

Accordingly, at a minimum, the Liquidation Plan contemplates bringing an application under Section 207 of the OBCA to have the winding-up continued under the supervision of the Court for the purposes of permitting the Liquidator to effect the Claims Process.

Under the OBCA, despite the winding-up and dissolution of the Company, each Shareholder to whom any of its property is ultimately distributed is liable to any person claiming under Section 242 of the OBCA to the extent of the amount received by that Shareholder and an action to enforce such liability may be brought.

Section 242 of the OBCA provides that, despite the dissolution of a corporation under the OBCA, a civil, criminal or administrative action or proceeding may be brought against the corporation, as if the corporation had not been dissolved, and provides, among other things, that any property that would have been available to satisfy any judgment or order if the corporation had not been dissolved, remains available for such purpose.

The potential for shareholder liability regarding a distribution continues until the statutory limitation period for the applicable claim has expired. Therefore, under the OBCA, the dissolution of the Company does not remove or impair any remedy available against the Company for any right or claim existing, or any liability incurred, prior to such dissolution or arising thereafter.

Accordingly, the Claims Process as contemplated in the Liquidation Plan is intended to identify all possible claims prior to distribution and to reduce, as much as possible, the risk that any claims arise following the winding-up and dissolution of the Company.

Accordingly, it is proposed that the Claims Process will include the provision of written notice of the commencement of the Claims Process to all known creditors and claimants of the Company, its present or former subsidiaries and all of their respective present or former officers and directors. Such notice is proposed to be published in two (2) major newspapers in Canada and to be sent by the Company or the Liquidator to known and potential creditors and claimants informing them of the Claims Process and stating that any Claims must be filed with the Liquidator by the deadline set out in the Claims Process.

The Claims Process contemplated by the Liquidator will entail the following:

- a) The Company will provide the Liquidator with a listing of all known or potential creditors with claims against the Company, its present or former subsidiaries and their respective current or former directors and officers (collectively, the “Creditors”) by February 17, 2012.
- b) The Liquidator or the Company will send a notice of the Claims Process (the “Claim Process Notice”) to the Creditors by February 24, 2012.
- c) Any claimant wishing to assert a claim shall deliver to the Liquidator a written notice of the claim (the “Claim Notice”) prior to 5:00 p.m. (Toronto time) on April 13, 2012 (the “Claim Bar Date”).
- d) All claimants must file their claims on or before the Claim Bar Date by courier, delivery or facsimile transmission to the Liquidator. Any claimant that does not file a claim in the Claims Process prior to the Claim Bar Date shall be forever barred from making or enforcing any claim and such claimant shall be deemed to have fully and finally released and discharged all such claims.
- e) While a specific form of the Claim Notice is not mandated, it must include the following information:
 - (i) Full legal name, mailing address, telephone and facsimile numbers and e-mail address of the claimant together with the name and title of the contact person at the claimant for the purposes of dealing with the claim;
 - (ii) The party or parties against whom the claim is being made;

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- (iii) The amount of the claim; and
 - (iv) The legal basis on which the claim is made and the nature and all particulars of the claim including any and all supporting documentation.
 - f) The Liquidator shall convert any claim, submitted on or before the Claim Bar Date, which is denominated in a currency other than Canadian Dollars, into Canadian Dollars using the Bank of Canada noon rate as at the Effective Date.
 - g) Claimants will be notified of the requirement to file a Claim Notice on or before the Claim Bar Date by the following procedures:
 - (i) The Liquidator shall send the Claim Process Notice by ordinary mail, electronic mail, facsimile transmission or courier to all persons who have notified the Liquidator of a potential claim;
 - (ii) The Liquidator shall take all reasonable steps to cause the Claim Process Notice to be published twice in each of *The Globe and Mail* (National Edition) and *National Post* newspapers; and
 - (iii) The Liquidator shall post a copy of the Claim Process Notice and Claims Procedure Order on its website at www.duffandphelps.com/restructuringcases.
 - h) The Liquidator considers that the identification of claimants through the mailing and newspaper advertisements noted above will provide potential claimants with sufficient and timely notification in order for them to submit their Claim Notice prior to the Claim Bar Date.
 - i) After a review of any claim, the Liquidator, in consultation with the Inspectors and the affected directors or officers, if any, shall (with the approval of the Inspectors) determine to either allow, partially allow, partially disallow or disallow the relevant claim. If a claim is partially or fully disallowed, the Liquidator will provide to the respective creditor a written notice of determination setting out the reasons for the determination as soon as reasonably practicable (the "Notice of Determination").
 - j) For any claims commenced prior to the Effective Date by the issuance of an originating process, the Inspectors may choose to have such claim determined in the context of the proceedings commenced by such originating process rather than pursuant to the terms of the Court-ordered claims process. The value and status of such a claim as finally determined in such proceedings shall be deemed to be a Proven Claim for the purposes of the Court-ordered claims process.

-
- k) In the event that any claimant or an affected director or officer does not agree with the amount and reasons set out in the Notice of Determination, that party shall, within fourteen (14) days, provide the Liquidator with written notice of such party's objection with a brief description of the grounds for the objection (the "Notice of Objection"). The Liquidator shall have twenty-one (21) days to attempt to settle, with the approval of the Inspectors, the dispute with respect to the Notice of Objection and in the event that a settlement is not achieved the Liquidator shall, within twenty-one (21) days thereafter, serve on all relevant parties and file with this Court a motion for directions or determination.
 - l) If a claim is proven against a current or former director or officer as a result of the process outlined above (a "Proven D&O Claim"), the Liquidator, in consultation with the Inspectors and the affected director or officer, shall determine if the Proven D&O Claim is subject to indemnification by the Company. Upon the determination of all Proven D&O Claims, if the Liquidator, Inspectors and the affected directors or officers do not agree as to whether certain Proven D&O Claims are subject to indemnification by the Company, then the Liquidator shall serve and file a further Notice of Motion with this Court concerning the applicability of any indemnity granted by the Company to the particular Proven D&O Claims.
 - m) Claims finally proven against the Company, including Proven D&O Claims which are finally determined to be subject to indemnification by the Company (and not otherwise covered by any applicable insurance), shall be paid out in full prior to effecting any final distribution to Shareholders under the Liquidation Plan.

11.0 Other Reasons for Court Supervision

Having the winding-up brought under the supervision of this Court will also: a) facilitate the Liquidator's ability to implement all of the other aspects of the Liquidation Plan; b) provide for an ability to efficiently enforce the terms of the Liquidation Plan and any corresponding ancillary relief provided in the OBCA in connection therewith as against any third parties; c) afford the Liquidator the ability to seek the advice and directions of this Court in connection with any of the foregoing should that become necessary under the circumstances; and d) provide the Liquidator with certain protections in implementing the Liquidation Plan.

12.0 Relief Sought

Given all of the foregoing, the Liquidator hereby respectfully recommends that this Court grant the Liquidator's application under section 207 of the OBCA to have the winding-up of Coventree supervised by the Court and, in connection therewith, grant the Claims Procedure Order.

* * *

All of which is respectfully submitted,

A handwritten signature in blue ink that reads "Duff + Phelps Canada Restructuring Inc." The signature is written in a cursive, flowing style.

**DUFF & PHELPS CANADA RESTRUCTURING INC.
IN ITS CAPACITY AS LIQUIDATOR OF COVENTREE INC.
AND NOT IN ITS PERSONAL CAPACITY**

TAB A

News release via Canada NewsWire, Toronto 416-863-9350

Attention Business Editors:
Coventree Shareholders Approve Winding Up

NEX Symbol: COF.H

TORONTO, June 30 /CNW/ - Coventree Inc. (NEX: COF.H) ("Coventree" or the "Company") today announced that it held an annual and special meeting of shareholders earlier today at which its shareholders voted to approve the winding up of the Company and the distribution of its remaining assets, if any, to shareholders. The formal winding up of the Company will commence and become effective at a time to be determined by the Company's Board of Directors (the "Board") in accordance with the liquidation plan approved at today's meeting. The Board intends to set the effective date as promptly as practicable following the final determination of the proceeding commenced by staff of the Ontario Securities Commission by notice of hearing dated December 7, 2009.

Forward-Looking Statements

This press release includes certain forward-looking statements relating to the Company's expectations to wind down its operations and to implement a formal winding up of the Company. These statements can be identified by the expressions "will" and "intends". These forward-looking statements are not historical facts but reflect Coventree's current expectations regarding future events based on information currently available to Coventree.

These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions which may be substantial. Many factors could cause actual results or events to differ materially from current expectations that may be expressed or implied by such forward-looking statements, including, without limitation, the various matters discussed under "Risks and Uncertainties" contained on pages 13 and 14 of the Company's Management Discussion and Analysis for the second quarter ended March 31, 2010 which is available under the Company's profile on SEDAR at www.sedar.com. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, the Company may not be able to wind down its operations or implement a formal winding up of the Company in the near future or at all; the amount of funds available to be distributed to shareholders pursuant to such a winding up could be significantly reduced and/or the timing of the distribution of such funds could be significantly delayed; and the Company's expectation relating to the timing of future dividends or other distributions to shareholders may change. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. These forward-looking statements are made as of the date of this press release and Coventree does not intend, and does not assume any obligation, to update or revise these forward-looking statements, except as required by law.

This press release is intended for distribution in Canada only.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

%SEDAR: 00024386E

/For further information: Craig Armitage, The Equicom Group Inc., Tel: (416) 815-0700 x278, Email: carmitage@equicomgroup.com -or- Ani Hotoyan-Joly, Coventree Inc., Tel: (416) 572-2721, Email: ani@coventree.ca / (COF.H.)

CO: Coventree Inc.

Resolution of the Shareholders Approving the Winding Up

The Company is asking Shareholders to consider and, if thought advisable, to approve the Winding Up in accordance with the Liquidation Plan, including distributions by way of a reduction of capital. The text of the winding up resolution (the "**Winding Up Resolution**") is set out below:

"BE IT RESOLVED, as a special resolution that:

1. The directors of the Company are hereby authorized to voluntarily wind up the Company pursuant to section 193 of the OBCA, which winding up shall become effective and commence at a time to be determined by the Directors of the Company in accordance with the terms of the Plan of Liquidation and Distribution substantially in the form attached hereto as Schedule A (the "**Liquidation Plan**").
2. The Liquidation Plan is hereby approved and any officer or director of the Company is authorized to execute and deliver the Liquidation Plan;
3. The Company is hereby authorized to make one or more distributions following the Effective Date by way of a reduction of capital, in an amount not to exceed the stated capital, provided that the solvency requirements of section 34 of the OBCA are satisfied at the time of the distribution; and
4. Any officer or director of the Company be and is hereby authorized, on behalf of and in the name of the Company, to take all necessary steps and proceedings, and to execute and deliver and file any and all declarations, agreements, documents and other instruments and to do all such other acts and things (whether under corporate seal of the Company or otherwise) that may be necessary or desirable to give effect to the provisions of this resolutions."

TAB B

COVENTREE INC.

PLAN OF LIQUIDATION AND DISTRIBUTION

JANUARY 23, 2012

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COVENTREE INC.
PLAN OF LIQUIDATION AND DISTRIBUTION

WHEREAS the board of directors of Coventree Inc. (the "**Board**") has concluded that it is in the best interests of Coventree Inc. (the "**Company**") to be wound up voluntarily pursuant to the *Business Corporations Act* (Ontario) in accordance with the terms of this Liquidation Plan (as defined below);

AND WHEREAS the Board has passed a resolution authorizing the Company to seek shareholder approval for the winding up of the Company and hold a special meeting of shareholders to consider and vote to require the Company to be wound up voluntarily and, in connection therewith, approve this Liquidation Plan;

NOW THEREFORE THIS Liquidation Plan is adopted by the Board as of the last date set forth below, having the terms and conditions as set out herein.

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Liquidation Plan:

"**Assets**" means all of the property, assets and undertaking of Coventree;

"**Board**" has the meaning given to it in the recitals of this Liquidation Plan;

"**Business Day**" means a day, other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario;

"**Calendar Day**" means any day, including a Saturday, Sunday or statutory holiday in Toronto, Ontario;

"**Canadian Dollars**" or "**CDN\$**" means dollars denominated in lawful currency of Canada;

"**Claim**" means

- (a) any right of any Person against Coventree in connection with any indebtedness, liability or obligation of any kind of Coventree and any interest accrued thereon or costs payable in respect thereof, whether liquidated, unliquidated, reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any claim made or asserted against Coventree through any affiliate, associate or any right or ability of any Person to advance a claim for

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contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future with respect to any matter, action, cause or chose in action; and

- (b) any existing or future right of any Person against any one or more of the Directors which arose or arises as a result of such Director's position, supervision, management or involvement as a Director or otherwise in any other capacity in connection with Coventree whether such right, or the circumstances giving rise to it, arose before or after the Effective Date and whether enforceable in any civil, administrative or criminal proceeding;

"Claims Process" means the process established by the Liquidator and approved by the Court for the identification, resolution and barring of certain Claims, including *inter alia*, the issuance of a final order of the Court establishing the Claims;

"Clearance Certificates" mean:

- (a) a certificate issued by the Minister pursuant to subsection 159(2) of the *Income Tax Act*, R.S.C. 1952, c. 148 (the "ITA"), or any equivalent thereto, certifying that all amounts for which Coventree is, or can reasonably be expected to become, liable under the ITA and the *Taxation Act*, 2007, S.O. 2007, c. 11, Sched. A, up to and including the date of distribution have been paid, or that the Minister has otherwise accepted security for payment;
- (b) a certificate issued by the Minister pursuant to subsection 23(5) of the *Canada Pension Plan*, R.S.C. 1985, c. C-8 (the "CPP"), or any equivalent thereto, certifying that all amounts for which Coventree is liable under the CPP up to and including the date of distribution, have been paid or that security for the payment thereof has been accepted by the Minister;
- (c) a certificate issued by the Minister pursuant to subsection 86(3) of the *Employment Insurance Act*, S.C. 1996, c. 23 (the "EIA"), or any equivalent thereto, certifying the payment, or acceptance by the Minister of security for payment, of all amounts for which Coventree is liable under the EIA up to and including the date of distribution;
- (d) a certificate issued by the Minister pursuant to subsection 81(1) of the *Excise Tax Act*, R.S.C. 1985, c. E-15 (the "ETA"), or any equivalent thereto, certifying that no tax, penalty, interest or other sum under the ETA, chargeable against or payable by the Liquidator or chargeable against or payable in respect of the Assets, remains unpaid or that security for the payment thereof has, in accordance with section 80.1 of the ETA, been accepted by the Minister;
- (e) a certificate issued by the Minister pursuant to subsection 270(3) of the ETA, or any equivalent thereto, certifying that all amounts payable or remittable under Part IX of the ETA by Coventree in respect of the reporting period during which

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the distribution is made or any previous reporting period, and all amounts that are, or can reasonably be expected to become, payable or remittable under Part IX of the ETA by the Liquidator in respect of the reporting period during which the distribution is made, has been paid or that security for the payment thereof has been accepted by the Minister;

- (f) a certificate issued by the Ontario Minister of Finance pursuant to subsection 19(2) of the *Employer Health Tax Act*, R.S.O. 1990, C. E. 11 (the "EHTA"), or any equivalent thereto, certifying that all taxes, interest and penalties that have been assessed under the EHTA and are chargeable against or payable out of the property of Coventree have been paid or that security for the payment thereof in a form acceptable to the Ontario Minister of Finance has been given; and
- (g) a certificate issued by pursuant to subsection 107(2) of the *Corporations Tax Act*, R.S.O. 1990, C.40 ("CTA"), or any equivalent thereto, certifying that all taxes, interest, penalties and other amounts payable by Coventree under the CTA have been paid or that security for the payment thereof in a form acceptable to the Ontario Minister of Finance has been given under section 103 of the CTA;

"**Common Shares**" means the common shares in the capital of Coventree;

"**Court**" means the Ontario Superior Court of Justice (Commercial List);

"**Coventree**" or "**Company**" has the meaning given to it in the recitals of this Liquidation Plan;

"**Creditor**" means any Person with a Claim;

"**Directors**" means all individuals who were, on or at any time before the Effective Date, directors or officers of Coventree, and the term "**Director**" shall mean any one of them;

"**Dissolution Date**" means the date on which the Company is dissolved pursuant to the OBCA or by order of the Court;

"**Effective Date**" means the date to be established by a resolution of the Board upon which the implementation of the Liquidation Plan shall commence.

"**Employees**" means the employees of Coventree;

"**Governmental Authority**" means any nation or government, any province, state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government or any Legal Requirement and any corporation or other entity owned or controlled, through capital stock or otherwise by any of the foregoing;

"**Inspectors**" has the meaning given to it in Section 6.1;

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"Legal Requirement" means any statute, law, treaty, rule, regulation, order, decree, writ, injunction or determination of any arbitrator, court, Governmental Authority or securities exchange and, with respect to any Person, includes all such Legal Requirements applicable or binding upon such Person, its business or the ownership or use of any of its assets;

"Liquidator" means the Person appointed from time to time pursuant to Sections 4.1, 4.5, or 4.6 in its capacity as liquidator of Coventree;

"Liquidation Date" means the date on which the Shareholders pass the Resolution;

"Liquidation Plan" means this plan of liquidation and distribution as it may be amended, modified, supplemented, restated or otherwise modified in accordance with its terms;

"Minister" means the Minister of National Revenue;

"NEX" means the board of the TSX Venture Exchange known as "NEX";

"OBCA" means the *Business Corporations Act* (Ontario);

"OBCA Director" means the Director appointed under Section 278 of the OBCA;

"Person" means any individual, partnership, limited partnership, joint venture, trust, corporation, unincorporated organization, government, agency, regulatory body or instrumentality thereof, legal personal representative or litigation guardian, or any other judicial entity howsoever designated or constituted domiciled;

"Proven Claim" means a Claim finally determined or accepted in accordance with the provisions of the Claims Process;

"Public Trustee" means the Public Guardian and Trustee pursuant to the *Public Guardian and Trustee Act*, R.S.O. 1990, Chapter P.51;

"Resolution" means the special resolution of the Shareholders authorizing the voluntary winding up of Coventree made in accordance with the OBCA and approving this Liquidation Plan;

"Shareholders" means all holders of Common Shares shown from time to time in the registers maintained by or on behalf of Coventree by the Transfer Agent in respect of the Common Shares and, unless otherwise specified, includes all beneficial owners of Common Shares;

"Tax Return" means any report, return or other information required to be supplied to a taxing authority in connection with (a) all taxes, charges, fees, levies and other assessments (whether federal, provincial, local or foreign), including income, gross receipts, excise, property, sales, use, transfer, license, payroll, franchise, withholding,

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social security and unemployment taxes, and (b) any interest, penalties and additions related to the foregoing;

"Transfer Agent" means Equity Transfer & Trust Company, as transfer agent for the Common Shares of the Company; and

"Xceed Shares" means the shares in the capital of Xceed Mortgage Corporation which are owned by the Company.

1.2 Certain Rules of Interpretation

In this Liquidation Plan and the Schedules hereto:

- (a) all references to currency are to Canadian Dollars, except as otherwise expressly indicated;
- (b) the division of this Liquidation Plan into articles, sections, subsections and clauses and the insertion of headings and a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Liquidation Plan. The terms "this Liquidation Plan", "hereof", "hereunder", "herein" and similar expressions refer to this Liquidation Plan and not to any particular article, section, subsection or clause and include any plan supplemental hereto. Unless otherwise indicated, any reference in this Liquidation Plan to an article, section, subsection, clause or schedule refers to the specified article, section, subsection, clause or schedule of or to this Liquidation Plan;
- (c) the use of words in the singular or plural, or with a particular gender, shall not limit the scope or exclude the application of any provision of this Liquidation Plan or a schedule hereto to such Person (or Persons) or circumstances as the context otherwise permits;
- (d) the words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather shall mean "includes without limitation" and "including without limitation", so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;
- (e) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m., on such Business Day. Unless otherwise specified, the time period within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day. Whenever any payment to be made or action to be taken under this Liquidation Plan is required

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to be made or to be taken on a day other than a Business Day, such payment shall be made or action taken on the next succeeding Business Day;

- (f) unless otherwise specified, where any reference to an event occurring within any number of "days" appears in this Liquidation Plan, such reference means Calendar Days and not Business Days; and
- (g) unless otherwise provided, any reference to a statute, or other enactment of parliament or a legislature includes all regulations made thereunder, all enactments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation.

ARTICLE 2

PURPOSE OF THE PLAN

2.1 Purpose

The purpose of this Liquidation Plan is to provide for a plan of liquidation and distribution of the Assets, payment or settlement of all Claims and dissolution of the Company.

2.2 Commencement of Winding Up

The voluntary winding up of the Company shall commence on and as of the Effective Date.

2.3 Affected Persons

This Liquidation Plan will be implemented under the OBCA and, as of the Effective Date will be binding on the Company, the Directors, the Inspectors, the Liquidator and the Shareholders in accordance with its terms. On the Liquidation Date, each Shareholder shall be deemed to have consented and agreed to all of the provisions of this Liquidation Plan in their entirety.

ARTICLE 3

EFFECT OF PLAN

3.1 Share Transfers

On and as of the Effective Date, to the extent permitted by the NEX and the Liquidator, the Common Shares will continue to trade on the NEX until such time as the Liquidator determines in accordance with Section 4.2(e).

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3.2 **Company to Cease Business**

On and as of the Effective Date, the Company shall cease to carry on its undertaking, except in so far as may be required as beneficial for the winding up thereof in the discretion of the Liquidator, but its corporate existence and all its corporate powers, even if it is otherwise provided by its articles or by-laws, shall continue until its affairs are wound up.

3.3 **Resignation of Directors**

On and as of the Effective Date, all the powers of the Directors shall cease and the Directors shall be deemed to have resigned.

ARTICLE 4 THE LIQUIDATOR

4.1 **Appointment of Liquidator**

On and as of the Effective Date, Duff & Phelps Canada Restructuring Inc. is hereby appointed as the liquidator of the estate and effects of the Company (the "Liquidator") for the purpose of winding up its business and affairs and distributing its Assets, after satisfying all Claims, all in accordance with the terms of this Liquidation Plan, and who shall serve until removal and replacement in accordance with this Liquidation Plan. The Liquidator shall be the agent and attorney-in-fact of the Company and shall act for and on behalf of the Company with the authority to enter into agreements and execute documents for and on behalf of the Company in such capacity pursuant to the powers and obligations of the Liquidator as contained in this Liquidation Plan or otherwise under the OBCA.

4.2 **Mandatory Obligations of the Liquidator**

The Liquidator is expressly directed, empowered and authorized to, and shall:

- (a) deposit all money that the Liquidator has belonging to the Company and amounting to \$100 or more in any bank of Canada listed in Schedule I or II to the *Bank Act* (Canada) or in any trust corporation or loan corporation that is registered under the *Loan and Trust Corporations Act* or in any other depository approved by the Court, and as approved by the Inspectors, which deposit shall not be made in the name of the Liquidator individually, but shall be a separate deposit account in the Liquidator's name as Liquidator of the Company, and such money shall be withdrawn only by order for payment signed in accordance with such signing authorities as may be determined by the Liquidator in consultation with the Inspectors;
- (b) at every meeting of the Shareholders, produce a pass-book, or statement of account showing the amount of the deposits, the dates at which they were made, the amounts withdrawn and the dates of withdrawal, and mention of such production shall be made in the minutes of the meeting, and the absence of such

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mention shall be admissible in evidence as proof, in the absence of evidence to the contrary, that the pass-book or statement of account was not produced at the meeting;

- (c) forthwith after the Effective Date, maintain the listing of the Common Shares on the NEX (and the Liquidator hereby consents to the continued trading of the Common Shares on the NEX until the completion of the Claims Process, subject to compliance with the listing requirements of the NEX);
- (d) establish and implement a Claims Process;
- (e) following the completion of the Claims Process, implement the de-listing of the Common Shares from trading on the NEX and provide at least two weeks advance notice to the Shareholders by press release, filed at www.sedar.com and generally disseminated within Canada, of the date on which the Common Shares shall cease trading and whereupon, pursuant to Section 198 of the OBCA, all transfers of Common Shares thereafter shall be void unless made with the explicit sanction of the Liquidator;
- (f) with the approval of the Inspectors, pay or otherwise satisfy all Claims from the Assets;
- (g) after satisfying all Claims, distribute the remaining Assets rateably among the registered Shareholders according to their rights and interests in the Company, provided that no distribution or disposition of any or all of the Xceed Shares may be effected by the Liquidator without the prior approval of the Inspectors;
- (h) cause to be filed with the appropriate Governmental Authority all Tax Returns required to be filed by Coventree, its subsidiaries and, if necessary, any trusts or special purpose entities for which Coventree continues to have responsibility under applicable Legal Requirements;
- (i) remit all taxes required to be remitted by Coventree in accordance with all applicable statutes, all outstanding CPP contributions and EIA premiums, including any associated interest and penalties and obtain the Clearance Certificates;
- (j) cause to be filed with the appropriate Governmental Authority all financial statements and reports required to be filed by Coventree;
- (k) maintain the continuous disclosure requirements applicable to the Company under all applicable securities laws;
- (l) meet with the Inspectors regularly and shall call such meetings by providing at least two days written notice to the Inspectors which notice period may be waived by such Inspectors in their discretion;

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- (m) subject to the approval of the Inspectors, maintain appropriate director and officer type insurance in place for the Liquidator and the Inspectors; and
- (n) make up an account showing the manner in which the winding up has been conducted and the Assets disposed of, and thereupon shall call a meeting of the Shareholders for the purpose of having the account laid before them and hearing any explanation that may be given by the Liquidator, and the meeting shall be called in the manner prescribed by the articles or by-laws of the Company or, in default thereof, in the manner prescribed by the OBCA for the calling of meetings of shareholders, and within ten days after the meeting is held file a notice in the prescribed form under the OBCA with the OBCA Director stating that the meeting was held and the date thereof and shall forthwith publish the notice in *The Ontario Gazette*.

4.3 **Discretionary Powers of the Liquidator**

The Liquidator is expressly empowered and authorized, but not obligated, to do any of the following:

- (a) with the prior approval of the Inspectors, bring or defend any action, suit or prosecution, or other legal proceedings, civil or criminal, in the name and on behalf of the Company, provided that the Inspectors, in their sole discretion, may determine to oversee and manage the administration of any such proceedings and, if the Inspectors so determine, the Inspectors (and not the Liquidator) shall have full carriage of the administration and management of such proceedings (which may include any proceedings with respect to any Claim) including the ability to settle or otherwise compromise any or all of the matters subject to such proceedings;
- (b) carry on the business of the Company so far as may be required as beneficial for the winding up of the Company;
- (c) sell any of the Assets by public auction or private sale or, where applicable, through a stock exchange, and receive payment of the purchase price either in cash or otherwise;
- (d) engage the services of a broker to effect the sale of the Xceed Shares if the prior approval of the Inspectors to dispose of the Xceed Shares has been obtained;
- (e) do all acts and execute, in the name and on behalf of the Company, all documents, and for that purpose use the seal of the Company, if any;
- (f) draw, accept, make and endorse any bill of exchange or promissory note in the name and on behalf of the Company;
- (g) raise upon the security of the Assets any requisite money;

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- (h) call meetings of the Shareholders for any purpose the Liquidator thinks fit;
- (i) with the approval of the Shareholders or the Inspectors, make such compromise or other arrangement as the Liquidator thinks expedient with any creditor or person claiming to be a creditor or having or alleging that he, she or it has a Claim whereby the Company may be rendered liable;
- (j) with the approval of the Shareholders or the Inspectors, compromise all debts and liabilities capable of resulting in debts, and all claims, whether present or future, certain or contingent, liquidated or unliquidated, subsisting or supposed to subsist between the Company and any contributory, alleged contributory or other debtor or person who may be liable to the Company and all questions in any way relating to or affecting the Assets, or the winding up of the Company, upon the receipt of such sums payable at such times and generally upon such terms as are agreed, and the Liquidator may take any security for the discharge of such debts or liabilities and give a complete discharge in respect thereof;
- (k) at any time, make an application to the Court under Section 207 of the OBCA to have the liquidation of the Company supervised by the Court if the Liquidator considers such an application advisable under the circumstances then existing;
- (l) at any time after the affairs of the Company have been fully wound up, make an application to the Court for an order dissolving the Company;
- (m) make or cause to be made, from time to time, any interim distributions or distributions in kind of portions of the Assets to the registered Shareholders rateably among the registered Shareholders according to their rights and interests in the Company, as considered appropriate and approved by the Inspectors, and while maintaining such reserves as are reasonably necessary to provide for all Claims, provided that no distribution or disposition of any or all of the Xceed Shares may be effected by the Liquidator without the prior approval of the Inspectors;
- (n) at any time after the Effective Date, request the Transfer Agent to refrain from making any changes to the registers maintained by the Transfer Agent in respect of the Common Shares, except to the extent necessary as a result of the continued trading of the Common Shares on the NEX;
- (o) wind up or dissolve all wholly-owned subsidiaries of the Company; and
- (p) do and execute all such other things as are necessary for winding up the business and affairs of the Company and distributing the Assets.

4.4 Reporting Obligations

The Liquidator shall report to the Shareholders at such times and intervals as the Liquidator may deem appropriate with respect to matters relating to the Assets, Coventree and such other matters as may be relevant to this Liquidation Plan.

4.5 Removal of the Liquidator

The Liquidator may be removed by:

- (a) order of the Court;
- (b) resolution of the majority of the Inspectors; or
- (c) ordinary resolution of the Shareholders at a meeting called for the purpose of removing the Liquidator,

but only if such order of the Court or resolution of Shareholders or Inspectors appoints another liquidator in the Liquidator's stead which successor liquidator shall become the Liquidator under this Liquidation Plan.

4.6 Resignation of the Liquidator and Filling Vacancy

If the Liquidator resigns, then a successor liquidator shall be appointed by resolution of the majority of Inspectors, by ordinary resolution of the Shareholders at a meeting called for the purpose of appointing a successor liquidator, or by order of the Court, and such successor liquidator shall become the Liquidator under this Liquidation Plan.

4.7 Fees of the Liquidator

The Liquidator shall be paid its reasonable fees and disbursements, in each case at its standard rates and charges, from the Assets as and when the Liquidator renders an account to the Company and such account is approved by the Inspectors, all as more particularly described in the Liquidator's retainer letter attached as Schedule "A" hereto. With the agreement of the Liquidator, amendments to the Liquidator's retainer letter may be made if the Inspectors approve of such amendments. Pursuant to Section 222 of the OBCA, the costs, charges and expenses of the winding up, including the remuneration of the Liquidator, are payable out of the Assets in priority to all other Claims.

4.8 Indemnity

The Company hereby releases, holds harmless, and indemnifies the Liquidator from and against all liabilities, claims and costs of any nature arising from the Liquidator's execution of this Liquidation Plan, save and except any such liabilities, claims or costs arising as a result of the Liquidator's fraud, gross negligence or wilful misconduct.

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ARTICLE 5
TERMINATION OF EMPLOYEES

5.1 Termination of Employment

All Employees shall be terminated on the Effective Date, other than those Employees who are requested by the Liquidator to remain in service and assist in the implementation of this Liquidation Plan and agree to do so which Employees shall remain Employees of the Company.

5.2 Employment Agreements

In connection with the termination of all Employees, Coventree shall honour and fully comply with all existing agreements with such Employees.

ARTICLE 6
INSPECTORS

6.1 Appointment of Inspectors

On and as of the Effective Date, Brendan Calder, Geoffrey Cornish and G. Wesley Voorheis are hereby appointed as inspectors of the Company's liquidation pursuant to Section 194 of the OBCA (the "Inspectors").

6.2 Approval of Inspectors

For any action or inaction which requires the approval of the Inspectors under this Liquidation Plan or the OBCA, such approval shall exist if a majority of the Inspectors approve of the action or inaction by vote at a meeting of Inspectors or otherwise by written resolution signed by a majority of the Inspectors.

6.3 Meetings of Inspectors

The Liquidator or any one of the Inspectors may call a meeting of Inspectors by providing all of the Inspectors with two days written notice of such meeting, which notice may be waived by the Inspectors in their discretion. Such meetings may be held by teleconference. Quorum for any meeting of Inspectors shall be a majority of the Inspectors. Each of the Inspectors shall have one vote at any such meetings. The Liquidator shall have no vote at such meetings but may chair such meetings with the approval of a majority of the Inspectors. Where the Liquidator is not in attendance at such meetings, the Inspectors may decide among themselves which one shall act as chair of the meeting.

6.4 Removal of Inspectors

An Inspector may be removed by:

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- (a) order of the Court; or
- (b) ordinary resolution of the Shareholders at a meeting called for the purpose of removing an Inspector.

6.5 Filing Vacancies of Inspectors

There shall always be at least one Inspector and not more than three Inspectors at any time. Any vacancy in the number of permissible Inspectors may be filled by election by the majority of remaining Inspectors.

6.6 Remuneration of Inspectors

The compensation paid to Inspectors other than employees of the Company shall be \$25,000 per Inspector per year, plus \$1,500 per Inspector per day on which meetings of Inspectors are held for attendance at such meetings in person or, if attended by conference call, \$1,000 per Inspector per day. In addition, Inspectors other than employees of the Company may charge supplementary fees in the form of hourly rates, per diem fees or other formats, as determined by the Inspectors, acting reasonably, in consultation with the Liquidator. Inspectors shall also be reimbursed for their reasonable expenses and shall participate in the insurance arrangement, if any, described in Section 4.2(m).

6.7 Indemnity

The Company hereby releases, holds harmless, and indemnifies the Inspectors from and against all liabilities, claims and costs of any nature arising from the Inspector's actions as an Inspector under the Liquidation Plan and pursuant to the OBCA, save and except any such liabilities, claims or costs arising as a result of the Inspector's fraud, gross negligence or wilful misconduct.

ARTICLE 7 **DISTRIBUTIONS**

7.1 Delivery of Distribution to Shareholders

Unless otherwise directed, distributions to registered Shareholders shall be made by the Liquidator at the addresses set forth in the registers maintained by the Transfer Agent in respect of the Common Shares as at the date of any such distribution, or if applicable, and to the extent differing from the foregoing, at the address of such registered Shareholder's respective legal representatives, in trust for such registered Shareholder. Beneficial holders of Common Shares shall be entitled to receive distributions only through the applicable registered Shareholder on the registers maintained by the Transfer Agent in respect of the Common Shares.

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7.2 Undeliverable Distributions to Shareholders

Where the Liquidator is unable to distribute rateably the Assets among the registered Shareholders because a registered Shareholder is unknown or a registered Shareholder's whereabouts is unknown, the share of the Assets of such registered Shareholder may, by agreement with the Public Trustee, be delivered or conveyed by the Liquidator to the Public Trustee to be held in trust for the registered Shareholder, and such delivery or conveyance shall be deemed to be a distribution to that registered Shareholder of his, her or its rateable share for the purpose of this Liquidation Plan.

7.3 Interim Distributions

Any distributions to registered Shareholders (other than any final distribution on the cancellation of the Common Shares) shall be either as a reduction of stated capital, subject to satisfying the applicable solvency tests in the OBCA, or as a dividend. The determination as to whether or not to make any such interim distribution and whether or not any such interim distribution is made as a reduction of stated capital or as a dividend shall be made by the Inspectors.

ARTICLE 8 COMPLETION OF THE LIQUIDATION PLAN

8.1 Discharge of Liquidator and Inspectors

At the Dissolution Date, the Liquidator and Inspectors shall be discharged and shall have no further obligations or responsibilities, except only with respect to any remaining duties or power required to implement and give effect to the terms of this Liquidation Plan.

ARTICLE 9 GENERAL PROVISIONS

9.1 Liquidation Plan Amendment

- (a) The Liquidator and Inspectors may, at any time prior to the Dissolution Date, agree to amend, modify and/or supplement this Liquidation Plan without the approval of the Shareholders, (i) in order to correct any clerical or typographical error, (ii) as required to maintain the validity or effectiveness of this Liquidation Plan as a result of any change in any Legal Requirement, or (iii) in order to make any change that in the opinion of the Inspectors is administrative in nature and does not materially change the terms of this Liquidation Plan.
- (b) Subject to the ability of the Liquidator and Inspectors to agree to amend, modify and/or supplement or amend this Liquidation Plan without the approval of the Shareholders as provided in Section 9.1(a), the Liquidator and Inspectors reserve the right, at any time prior to the Dissolution Date, to amend, modify and/or supplement this Liquidation Plan, provided that any such amendment,

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modification or supplement shall not be effective until approved by a special resolution of the Shareholders at a meeting of Shareholders called for the purposes of approving such amendment, modification or supplement.

9.2 Severability

In the event that any provision in this Liquidation Plan is held by the Court to be invalid, void or unenforceable, the Court shall have the power to alter and interpret such term or provision to make it valid and enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered and interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Liquidation Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

9.3 Paramountcy

From and after the Liquidation Date, any conflict between: (A) this Liquidation Plan; and (B) any information summary in respect of this Liquidation Plan, or the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any contract, document or agreement, written or oral, and any and all amendments and supplements thereto existing between Coventree and any of the Shareholders, Directors, Liquidator, and Inspectors as at the Liquidation Date, will be deemed to be governed by the terms, conditions and provisions of this Liquidation Plan, which shall take precedence and priority.

9.4 Responsibilities of the Liquidator

The Liquidator will have only those powers granted to it by this Liquidation Plan, by the OBCA and by any order of the Court.

9.5 Notices

Any notice or communication to be delivered hereunder shall be in writing and shall reference this Liquidation Plan and may, subject as hereinafter provided, be made or given by personal delivery, by fax, courier or e-mail addressed to the respective parties as follows:

- (i) if to a Shareholder:

at the addresses set forth in the securities register kept at the Transfer Agent;

- (ii) if to a Creditor:

at the addresses set forth in the books and records of the Company or the proofs of claim filed by such Creditor in accordance with the Claims Process

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(iii) if to the Liquidator:

Duff & Phelps Canada Restructuring Inc.
200 King St. W., Suite 1002
P.O. Box 48
Toronto, ON M5H 3T4

Attention: Peter P. Farkas or Robert Harlang
Fax: 647.497.9478 or 647.497.9480
E-mail: Peter.Farkas@duffandphelps.com
Robert.Harlang@duffandphelps.com

with a copy to (which shall not constitute notice):

Davies Ward Phillips & Vineberg LLP
1 First Canadian Place, Suite 4400
Toronto, ON M5X 1B1

Attention: Robin B. Schwill
Fax: (416) 863-0871
E-mail: rschwill@dwpv.com

(iv) if to the Inspectors:

Wes Voorheis
Voorheis & Co.
Bay Adelaide Centre
333 Bay Street, Suite 910
Toronto, ON M5H 2R2

Brendan Calder
121 Walker Avenue
Toronto, ON M4V 1G5

Geoffrey Cornish
Coventree Inc.
TD Canada Trust Tower
161 Bay Street, 27th Floor
Toronto, ON M5J 2S1

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or to such other address as any party may from time to time notify the others in accordance with this Section 9.5. All such notices and communications which are delivered shall be deemed to have been received on the date of delivery. Any such notices and communications which are faxed shall be deemed to be received on the date faxed if sent before 5:00 p.m. Eastern Standard Time on a Business Day and otherwise shall be deemed to be received on the Business Day next following the day upon which such fax was sent. Any notice or other communication sent by mail shall be deemed to have been received on the fifth Business Day after the date of mailing. The unintentional failure by the Liquidator to give a notice contemplated hereunder shall not invalidate any action taken by any Person pursuant to this Liquidation Plan.

9.6 Governing Law

This Liquidation Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein without regard to conflict of laws. All questions as to the interpretation or application of this Liquidation Plan and all proceedings taken in connection with this Liquidation Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

The foregoing Liquidation Plan being adopted by the Board as of this 23rd day of January, 2012.

BY ORDER OF THE BOARD

by _____

Name:

Title: Secretary

SCHEDULE A

DUFF & PHELPS

Coventree Inc.
161 Bay Street
27th Floor
Toronto, ON M5J 2S1

February 7, 2012

Attention: Mr. Geoffrey P. Cornish

Dear Mr. Cornish:

Re: Coventree Inc. (the "Company" or "Coventree")

On June 30, 2010, the shareholders of Coventree approved a plan of liquidation and distribution ("Plan of Liquidation") to wind up the Company under the *Business Corporations Act (Ontario)* ("BCAO"). On January 23, 2012, the directors of Coventree determined the effective date for the Plan of Liquidation would be February 15, 2012. A copy of the Plan of Liquidation is attached hereto. In accordance with the Plan of Liquidation, Duff & Phelps Canada Restructuring Inc. ("D&P"), as successor of RSM Richter Inc., will be the liquidator ("Liquidator") effective February 15, 2012.

This letter sets out the scope and terms of the engagement of D&P as Liquidator.

D&P shall carry out the duties as set out in the Plan of Liquidation and the Winding-up Order of the Superior Court of Justice – Commercial List ("Court") to be made on February 15, 2012 and any other order made by the Court with respect to Coventree.

In performing the engagement, the following provisions would apply:

- We will require full access to the Company, its personnel, books and records, its legal counsel and other advisors.
- We will be using and relying upon financial and other information provided by the Company.

Our fees for this engagement will be based on our prevailing standard hourly rates for the individuals involved, plus actual out-of-pocket disbursements. Fees and disbursements are subject to HST, to the extent applicable.

A summary of our present hourly rates is as follows:

Managing Directors/Directors	\$500 to \$650
Senior Associates	\$300 to \$475
Assistants	\$125 to \$275

* * *

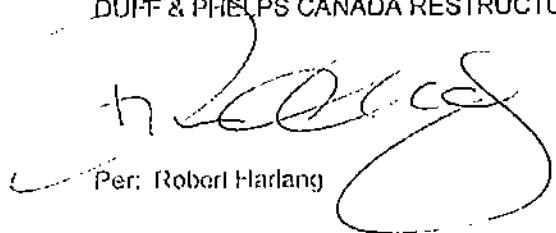
If the foregoing terms are acceptable, please acknowledge by signing below and returning this letter to the attention of the undersigned by facsimile at 647-497-9480, or by scanning an executed copy via email to robert.harlang@duffandphelps.com.

We wish to thank you for considering our firm for this engagement. We very much look forward to working with the Company to assist it in implementing an efficient and orderly winding up of its affairs.

Should you have any questions or concerns, please do not hesitate to contact the undersigned.

Yours truly,

DUFF & PHELPS CANADA RESTRUCTURING INC.

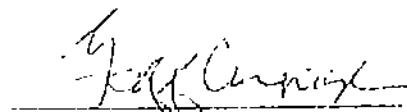


Per: Robert Harlang

Confirmed and agreed to:

COVENTREE INC.

by Geoffrey P. Cornish



Authorized Signature

Feb 7, 2012

Date

TAB C

COVENTREE INC.**"EFFECTIVE DATE OF LIQUIDATION PLAN"**

WHEREAS the shareholders of COVENTREE INC. (the "**Corporation**") approved by special resolution at the annual and special meeting of the shareholders held on June 30, 2010 (the "**Meeting**"), among other things, the voluntary winding up of the Corporation pursuant to section 193 of the *Business Corporations Act* (Ontario) which winding up is to become effective and commence at a time to be determined by the directors of the Corporation in accordance with the terms of the Plan of Liquidation and Distribution (the "**Liquidation Plan**") as approved by the shareholders of the Corporation at the Meeting;

AND WHEREAS, pursuant to the Liquidation Plan, the board of directors of the Corporation may, by resolution, establish the date upon which the implementation of the Liquidation Plan shall commence (the "**Effective Date**");

AND WHEREAS at the meeting of the board of directors of the Corporation held on January 23, 2012, the board determined that the Effective Date would be on or about February 15, 2012;

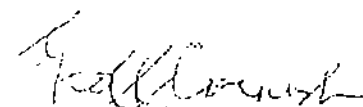
AND WHEREAS it is now necessary and appropriate for the board of directors of the Corporation to determine a specific date upon which the implementation of the Liquidation Plan shall commence;

NOW THEREFORE BE IT RESOLVED THAT:

February 15, 2012 shall be and is hereby established as the Effective Date."

The undersigned, Geoffrey P. Cornish, the President and Chief Executive Officer of Coventree Inc., hereby certifies that the foregoing is a true and correct copy of a resolution duly passed by the board of directors of Coventree Inc. and that such resolution remains in full force and effect as of the date hereof.

DATED the 7th day of February, 2012.



Geoffrey P. Cornish

TAB D



Coventree

FOR IMMEDIATE RELEASE

NEX Symbol: COF.H

Coventree Announces Final Date for Trading of its Common Shares on NEX

TORONTO, ONTARIO (February 3, 2012) – Coventree Inc. (NEX: COF.H) (“Coventree” or the “Company”) announced today that the last day on which its common shares may be traded on NEX is February 14, 2012.

Previously, Coventree announced that the winding up of the Company will commence on or about February 15, 2012 (the “Effective Date”) and that, on the Effective Date, the Board of Directors will be deemed to have resigned and Duff & Phelps Canada Restructuring Inc. will be appointed the liquidator of the Company for the purpose of winding up its affairs. The Company also said that it intended to apply to NEX for approval to maintain the listing and trading of its common shares on NEX during the early stages of the winding up process. In response to Coventree’s application, NEX has advised Coventree that it will not consent to the continued trading of Coventree’s common shares after the winding up has commenced. Coventree has determined that the Effective Date will be February 15, 2012. As a result, February 14, 2012 will be 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 will be void unless made with the sanction of the Liquidator.

This press release is intended for distribution in Canada only.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

For further information please contact:

Craig Armitage
The Equicom Group Inc.
Tel: (416) 815-0700 x278
Email: carmitage@equicomgroup.com

Ani Hotoyan-Joly
Coventree Inc.
Tel: (416) 572-2721
Email: ani@coventree.ca