Automated Benefits Corp.
Management's Discussion and Analysis
April 28, 2011

Automated Benefits Corp. (the "Corporation") is a holding company with its head office located in Toronto, Ontario and is dedicated to acquiring companies which provide software applications to the insurance industry. Its wholly-owned subsidiary, Automated Benefits Inc., is also located in Toronto, Ontario and provides claims management software for health and dental plans in addition to other insurance products for employer groups. The Corporation's other wholly-owned subsidiary, Symbility Solutions Inc. and its wholly-owned subsidiary, Symbility Solutions (U.S.A.) Inc. (jointly referred to on a consolidated basis as "Symbility") are software development companies focused on mobile communication and efficiency tools for the North American and European property and casualty insurance industry. Symbility has offices in Toronto, Ontario and Montreal, Québec. Symbility U.S.A. has its registered office in the State of Delaware.

The following Management's Discussion and Analysis ("MD&A") of the Corporation should be read in conjunction with the audited consolidated financial statements and accompanying notes, which are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for the fiscal year ended December 31, 2010. All amounts are expressed in Canadian dollars unless otherwise noted. Any reference to the Corporation specifically relates to the parent company as separate from its operating subsidiaries. All operating results refer to the consolidated financials of the parent company and its subsidiaries unless specifically noted otherwise. Additional information about the Corporation is available on SEDAR at www.sedar.com.

This MD&A contains certain information that may constitute forward-looking information within the meaning of securities laws. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results, and may include statements or information regarding the future financial position, business strategy and strategic goals, research and development activities, projected costs and capital expenditures, financial results, the ability to raise capital, taxes and plans and objectives of or involving the Corporation.

Without limitation, information regarding the Corporation's future cost structure, future sales and marketing activities, increased penetration into certain markets through strategic partnerships, the impact of the introduction of new products, the ability of new management to leverage sales opportunities, increase in the size of certain markets, expected increases in revenues, expected revenues from certain contracts, customer rollout plans for specific products, expected increase in gross margins, Adjudicare software product placement targets and Symbility product placement targets is forward-looking information.

Aside from specific commentary in sections of this document that provide detail, management has made the following material factors and assumptions in providing forward-looking information:

- The markets for the software products sold by its subsidiaries do not materially change or decline in size.

- The Corporation's competitors do not significantly change their business model making it harder for the Corporation to succeed.

- The Corporation does not require significant financing to execute on its business plans.

- The Corporation is able to continue to grow its revenue without a significant increase in its cost structure.

- The software sold by the Corporation's subsidiaries continues to meet the service level obligations contained within the contracts with their customers.

- The Canadian dollar does not strengthen significantly creating a material impact from foreign exchange associated with revenues from its U.S. and European customer contracts.

- The Corporation had two customers that represent more than 10% of revenue in 2010 and management has assumed that these contracts continue generating revenue at similar levels in 2011.

Forward looking-information is subject to certain factors, including risks and uncertainties that could cause actual results, events or developments to be materially different from what we currently expect. These risks include, among others, product development risk, potential product liability, risks related to third party contractual performance, customer demand, competition and the risks posed by potential technological advances, risks relating to the protection of the Corporation's intellectual property, risks relating to fluctuation in foreign currency exchange rates, and exposure to increased credit and liquidity risk. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Corporation may elect to, the Corporation does not undertake to update this information at any particular time unless required by law. Unless otherwise indicated, this MD&A was prepared by management from information available up to April 28, 2011.

Overall Performance

The twelve month period ending December 31, 2010 was a breakthrough year for the Corporation. Consolidated revenues grew approximately 28% while operating expenses declined 11% as compared to the prior year which resulted in a loss of approximately $281,000 for the year. For the first time, adjusted EBITDA[1] was $78,000 for the full twelve month period and the Corporation ended with a cash balance of approximately $1.3 million.

The Corporation generated a net income of $328,000 in the second half of the year. A significant amount of this was generated from one-time programming services revenue in the third quarter and management believes that the second half of the year trends well for 2011. This is due to the fact that this same customer has rolled the application to all of its users which will provide a full year of recurring claims revenue.

Operating Segments

Automated Benefits Inc. ("Group Insurance Software")

Overview of 2010

Product Strategy

While the Adjudicare software has historically been seen as a strong claims adjudication tool, it was based on technology in which our client downloads the claims data to the application locally. This

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[1] In addition to disclosing results in accordance with GAAP, the Corporation also provides supplementary non-GAAP measures as a method of evaluating the Corporation's performance. Management uses Adjusted EBITDA as a measure of enterprise-wide performance. Adjusted EBITDA is defined as earnings before interest income, taxes, depreciation and amortization, stock based compensation, restructuring costs, impairment charges, and other non-recurring gains or losses. Management believes Adjusted EBITDA is a useful measure that facilitates period-to-period operating comparisons. Adjusted EBITDA does not have any standardized meaning prescribed by GAAP and is not necessarily comparable to similar measures presented by other companies. Adjusted EBITDA should not be considered in isolation of as a substitute for net earnings (loss) prepared in accordance with GAAP. Please refer to page 12.

type of platform has inherent limitations around scalability and security which can limit the ability of our clients to add claims dollars to be adjudicated on our software. Because the fee for our software is based on a percentage of claims dollars adjudicated, this limits our ability to grow revenue.

Based on the extensive experience that Symbility has with web-based applications, management of Automated Benefits Inc. decided to transition the existing application to a web-based product. Adjudicare version 4.0 was launched in June of 2010 and all of our customers were migrated to this new platform.

All client eligibility data and claim history is now hosted by Automated Benefits Inc. and delivered to our customers on a Software as a Service (“SaaS”) basis. This enables clients to access this information more quickly and run the application at faster processing speeds. The latest web-based security standards have been implemented to protect data and our hosting facility has comprehensive disaster recovery plans and redundancy measures to ensure that sensitive employee claims data is not lost.

The web-based technology also benefits Automated Benefits Inc. because the software is now easier to maintain and new features and functionality can be released to all of our clients more efficiently.

Management feels that Automated Benefits Inc. now has a world-class technology platform and by reducing historical capacity limitations, expects to generate additional revenue growth from our clients in the future.

Strategic Customers

While Automated Benefits Inc. has grown revenue steadily over the last few years, a portion of this is due to inflation in the cost of health and dental claims, which we benefit from through our pricing model. The actual organic growth has been lower and has come almost solely from existing customers.

Management spent a significant amount of time in 2010 meeting with the majority of our customers to try and develop a strategy to grow our business more robustly. Three consistent themes came out of these meetings:

1. Customers need to see a series of improvements in the software, which will give them confidence that they can add more claims dollars to the system without having to significantly increase their staffing costs.

2. They would like to see more support from Automated Benefits Inc. as a partner. These Third Party Administrators (“TPAs”) and insurance brokers are not just customers who have purchased our software. They are a distribution channel for Automated Benefits Inc. to small to medium-sized companies who outsource the adjudication of their group benefit plans.

3. There are not really any comparable competitors who provide the control of the claims adjudication process to the TPA. Other firms will adjudicate claims on an Administrative Services Only (“ASO”) basis on behalf of the TPA. However, in this model the TPA is outsourcing the adjudication process and is not able to offer the same turnaround time to pay claims. They also do not enjoy the benefit of private labeling this service offering so that in the eyes of the group members, the TPA is perceived as taking the role of the insurance company.

Based on this feedback, management feels that Automated Benefits Inc. has a unique market opportunity with little direct competition. We devoted a significant amount of effort to address these concerns and refocus our strategy on supporting a channel partner relationship with our customers.

As a result of these efforts, revenue grew 11% as compared to FY 2009, which represents our highest growth rate in several years.

The majority of this growth came as a result of the acceleration of the rollout of the Sirius Benefit Plans ("Sirius") block of business onto the system. Management has worked very closely with the team at Sirius to migrate their business from a third party ASO provider of claims adjudication to move this process fully in-house. We believe that the Sirius transition will be completed in the first half of 2011.

Strategic Vendors

Express Scripts Inc. ("ESI") is the most critical strategic vendor relationship to Automated Benefits Inc. ESI provides Automated Benefits Inc. with Pharmacy Benefits Management ("PBM") services which enable employees to use electronic drug cards at the pharmacy to pay for drug claims under their group benefits plan. These claims are then processed through Automated Benefits Inc.'s adjudication software along with other non-electronic claims to ensure seamless administration of the employee's health and dental plan by our TPA and insurance broker customers.

In the fall of 2010, we undertook an extensive evaluation of the Canadian market by inviting a series of vendors to participate in a formal Request for Proposal process to provide PBM services to Automated Benefits Inc. This was driven by the fact that our five year contract with ESI was up for renewal in early 2011. Before renewing another long term contract, management felt that it was important to test the market to ensure that we were receiving the best combination of service, technology and commercial value since we are reselling these products and services to our channel partners.

After completing our review in December, management decided that it was in the best interest of Automated Benefits Inc. and its strategic customers to remain with ESI and has agreed to renew the PBM agreement for another five years effective April 1, 2011.

This decision was based on the fact that ESI's delivery model best supports our value proposition of giving TPAs control of the claims adjudication process. They are also able to do this at a very competitive price relative to the market. This is because they see value in Automated Benefits Inc. as a channel partner who enables them to access the small to medium sized TPA and insurance broker market as opposed to selling directly to them.

Through this process, we were also able to build a closer relationship with ESI and have identified several ways to improve our drug card offering and services to our strategic customers.

Outlook for 2011

Going into the year with a stronger product offering, our key PBM strategic relationship in place, and a more focused channel strategy, management is very optimistic that the business will continue to grow at a healthy rate in 2011.

We are committed to continuing to develop product offerings based on feedback from our strategic partners. Our two Adjudicare releases in the past three months have addressed specific client requests for features and functionality including:

- Providing clients with a pre-determination list for electronic dental claims, which enable our partners to review and approve work to be performed more quickly.
- Creating an option for adjudicators to automatically use health care spending accounts on e-dental claims, which simplifies the administration of these plans.

- Development of a series of enhanced reports including several which will facilitate analysis of existing group claims experience at the annual renewal time for the benefits plan with the employer.

Earlier this month, we launched a new Online Claims Access feature which is an extension of our web-based product strategy. This new product enables our partners to offer a branded web-portal to their group benefit clients, which allows employees to view their personal information, claims and payment history for themselves and their dependents. This improved visibility is expected to enhance the employee experience, reduce the number of inquiries to our partners, and facilitate the use of Electronic Fund Transfer to pay claims online instead of by mail. This will also enable our strategic customers to be more competitive when bidding on groups against insurance companies who provide online claims access as a standard offering.

Management believes that we can leverage these enhanced product offerings in 2011 to grow our business with our existing customers and attract new TPAs to join us as channel partners.

Symbility Solutions Inc. ("Property and Casualty Software")

<u>Overview of 2010</u>

North American Market

Product Strategy

In North America, Symbilty faces two entrenched competitors with significant market share and access to resources. Symbility's world class software products are its key way of differentiating itself and creating competitive advantage.

Symbility's product strategy is based on three basic philosophies:

1. An agile development team is quickly able to deliver new features and functionality at a high level of quality when existing or new potential customers identify new requirements.

2. Symbility's use of web-based technology changes the positioning of its offering from a basic tool to estimate the cost of a loss, to a workflow management tool that enables insurance adjusters, independent adjusters, and multiple contractors to all collaborate on a claim to increase efficiencies and give the insurer more visibility and control in the settlement process.

3. Symbility's pricing database strategy is agnostic. The system is designed to accept information from any pricing database, including those provided by third party data suppliers and customized pricing arrangements that insurers have negotiated with the supply chain.

In 2010, Symbility continued to embrace these core values and invest significant resources in further evolving our product offering. Throughout the year, the product team solicited input from customers and prospects to prioritize the product plan. One prospective customer in particular was running a proof of concept of the system and made it clear that certain features would be required in order to prepare a proper business case as compared to the competitive system being used. The development team was able to work with the customer to design an approach that would meet their requirements and delivered multiple software enhancements covering three major releases in only four months.

Version 3.6 of Symbility Mobile Claims and Symbilty Claims Connect was a major new product release focused on improving the collaboration between claim participants. Estimates and diagrams can now be locked and any additional modifications to the estimate may be added to a newly created supplemental estimate. The supplemental estimate may display the estimate's changes, its evolution or provide a final version incorporating the original and supplemental changes into a single view. This added visibility as to the evolution of the estimate will ensure faster resolution of claims through an enhanced level of collaboration between claim participants.

In the second half of 2010, Symbility made significant improvements to its database offering:

- The contract with our existing third party pricing provider in the United States was restructured to facilitate an increased investment into reorganizing the database structure and providing a more detailed breakdown of costs.
- A new relationship was established with a third party database provider who has designed and built a custom database offering for the Quebec market.
- A second pricing database from another third party provider in the U.S. was integrated into the product at the request of one of Symbility's customers.

Symbility is not just focused on improving its existing products. In March of 2010, Symbility launched its newest claims software solution, Symbility Inside Adjuster. Symbility Inside Adjuster will aid insurers in quickly estimating the scope of a loss during the first notice of loss (FNOL) without necessarily requiring escalation to field adjusting. As with all Symbility products, Symbility Inside Adjuster's open architecture design allows the integration of claims data into the entire claims settlement process across multiple applications. This breakthrough approach to settling simple losses at FNOL will aid insurers in their goal of shortening cycle times, improving customer service standards and overall, retaining customers.

Strategic Customers

In 2010, Symbilty further strengthened its presence in the Quebec market. Groupe Promutuel entered a three year contract in the first quarter of the year and is one of the most important insurers in Quebec, with more than 545,000 insured members. In the third quarter, Symbility finalized a three year contract with one of the largest contractor networks in Canada and who has a significant presence in Quebec. By adding both insurers and major contractors as part of our customer strategy, it enhances our ability to use our technology to improve collaboration throughout the supply chain.

In the fourth quarter, Symbility entered a multi-year contract with the Farmers Insurance Exchange, part of the Farmers Insurance Group of Companies based in Los Angeles, California ("Farmers"). Farmers today ranks as the third largest provider of automobile and homeowners insurance in the United States with over 15 million customers served by 24,000 employees across 41 states.

Management believes that this contract with the third-largest U.S. insurer is a material event for Symbility and will become the cornerstone of its strategy in the United States. The first phase of implementation at Farmer's Specialty Division was completed in 2010. This phase deployed Symbility's applications to 600 field adjusters located across the United States and the inside adjusting teams at the Specialty Division's head office in Grand Rapids, Michigan. Management believes that when this initial deployment results in the efficiency and productivity gains as expected, Farmers will strongly consider rolling out the application to all of their divisions. This would not only result in a significant increase in revenue but also facilitate the introduction of Symbility's applications to most of the major supply chain participants in the United States.

As a result of these efforts, revenue in North America grew 64% as compared to FY 2009 which represents our highest growth rate in several years. The majority of this revenue growth was generated by Farmer's Specialty Division in the form of professional services for custom development projects, training, and project management. While this is one-time revenue associated with the rollout of the application, management is confident that this will be replaced by recurring revenue from claims volumes after all of the users are on the applications.

Strategic Partners

In North America, Symbility has historically worked with several partners such as Enservio Inc. and E2Value Inc. who provide complimentary products and services to the Symbility offering. Other than those types of relationships, the Company has always used a direct sales strategy in this market.

Management is exploring other sales strategies that could enable Symbility to capitalize on the opportunity created by the acquisition of Farmers as a customer. In the second quarter of 2010, Symbility announced a strategic partnership with Wipro Limited, a global provider of integrated business, technology and process solutions. Management expects Wipro’s successful track record of system integration across industries including some of the leading property and casualty insurers of North America will allow Symbility to leverage their existing relationships into greater business opportunities.

Outlook for 2011

Symbility is already starting to gain more traction in the Quebec and U.S. markets as a result of our efforts in 2010.

In the first quarter of 2011, Symbility announced the signing of an agreement with the TRADEPRO Network, a wholly owned subsidiary of the TRADEPRO Group LLC “TRADEPRO”. TRADEPRO is a specialty trades service provider network for property damage restoration and repairs servicing property & casualty insurance carriers and self-insured’s throughout the United States. This is the first significant penetration that Symbilty has been able to make into a contractor network in the United States and management hopes that they will become a key part of our supply chain strategy.

During the quarter, Symbility also announced the signing of an agreement with La Capitale General Insurance, a leading home and auto insurance company in Quebec. La Capitale General Insurance ranks among the five largest insurers in Quebec issuing more than 725 million dollars in underwriter premiums. The newly improved Quebec database was one of the key considerations in La Capitale’s decision to migrate to Symbility and management hopes to leverage this fact into contracts with other Quebec-based insurers in 2011.

Management believes that it can continue to leverage the momentum that is building in the North American market to continue to grow revenue for the balance of 2011 and acquire new strategic customers.

Europe

Product Strategy

The first phase of implementation of the Symbility software at RSA Insurance Group Plc (“RSA”) was completed in the United Kingdom in late 2009. Since that time, a series of enhancements have been made to Mobile Claims in response to customer requests to improve the use of the product by field adjusters. This included allowing field users to quickly evaluate how the price of an estimate compares between the various customizations of the schedule of rates version being used for the claim.

The product plan for the U.K. for the second half of the year was focused on features which were required to support proof of concept programs with several insurers. This included developing a new company profile which will facilitate the use of the product by intermediaries such as independent adjusters who have their own contractor network and will be processing claims from insurers during the proof of concept exercises.

In June of 2010, Symbility launched Haus360° which is a version of its software customized for the German market. The solution offers a complete and transparent process for building property and casualty claims and consists of three components: Haus360° - Steuerung (equivalent of Claims Connect), Haus360° - Aufnahme (equivalent of Inside Adjuster or Triage) and Haus360° - Regulierung (equivalent of Mobile Claims). Among the features included with the Haus360° launch are the inclusion of the Euro currency, incorporation of German language, new database integration and regulated engineering reports.

Strategic Customers

In late 2010, RSA completed the rollout of Symbility's desk top Triage software across their organization. The Triage software has been implemented in 4 call centres around the U.K. and is used to process property claims throughout RSA's U.K. operation. This is a significant milestone as this represents the first live installation of this product and management believes that RSA can be used as a reference to other insurers in the U.K. who are interested in improving the claims fulfillment process.

Symbility also saw progress when one of its non-insurer customers in the U.K., Ellipta, completed its rollout of the product to its contractor network and began processing claims with the system in the fourth quarter for a major insurer in the U.K. Innovation Group's InFront division also expanded their use of the product into their contractor network.

Revenue in Europe grew 8% as compared to FY 2009 which is mainly attributed to the fact that RSA has an enterprise license for the software which fixes the annual amount of revenue generated by this contract.

Strategic Partners

At the end of 2010, Symbility extended its strategic partnership with Innovation Group ("TIG") for the distribution of Symbility's market leading property estimation software. Over the past three years, Innovation Group has invested significant resources into building a team dedicated to enhancing, supporting and selling the Symbility products in Europe. They have also recently made a significant capital investment into their hosting facility in the U.K. to enable them to host all of Symbility's products. Previously, the applications were hosted by Symbility in Canada. Certain European customers have policies about data protection and require sensitive information to be hosted locally. Symbility agreed with Innovation Group's management that transferring hosting responsibility to Innovation Group was a critical requirement to facilitate growth in sales in the European market.

Outlook for 2011

By committing to a long term relationship with Innovation Group, Symbility has shown its existing and prospective customers that we are committed to investing in and supporting the European market. We will continue to work with the Innovation Group team to leverage the credibility the installation at RSA provides in the U.K. As demonstration of this, Innovation group is currently running proof of concept programs with several U.K. insurers, loss adjusters, and contract networks. We have also continued to follow our North American strategy of developing key features and functionality at the request of these potential customers to provide them with the best business case possible and maximize our chances of obtaining orders.

The launch of the German product has created interest from several German insurers to engage in proof of concept exercises ("POC"). TIG's German operation initiated one of these POC's in the first quarter of 2011 and we have processed our first live property and casualty claims from a German insurer.

We feel that while the European business lagged behind North America in 2010, the level of activity there with potential customers makes us confident that we can increase our market share and increase revenue growth in this market in 2011.

<u>Selected Annual Financial Information</u>

The following table shows selected financial information for the year ended December 31, 2010 and a comparison to the same period in the last two prior years. For further information, please see Note 1 and Note 2 of the audited consolidated financial statements for the year ended December 31, 2010.

The selected financial information for the years ended December 31, 2010, December 31, 2009 and December 31, 2008 are reported below in thousands of dollars, except per share amounts.

	YEAR ENDED DEC. 31, 2010	**YEAR ENDED DEC. 31, 2009**	**YEAR ENDED DEC. 31, 2008**
Automated Benefits Inc. (“Group insurance software”) Revenue	2,722	2,450	2,276
Symbility (“Property and casualty software”) Revenue	3,127	2,136	1,615
Total Revenue	5,849	4,586	3,891
Net Income (Loss)	(281)	(1,944)	(1,774)
Income (Loss) per Share	(0.00)	(0.02)	(0.02)
Total Assets	3,055	2,647	2,865
Total Long-Term Financial Liabilities	147	172	20

<u>Results of Operations</u>

Consolidated Balance sheet as at December 31, 2010 as compared to December 31, 2009

Current Assets

Accounts receivable has increased by approximately $164,000 since December 31, 2009. This increase is principally explained by an increase in sales from new customers in United States and United Kingdom in 2010.

Inventory is essentially the same as compared to last year. Automated Benefits Inc. has seen a steady flow of orders for the production of drug cards from its customers and did not require a material increase in inventory levels for the expected activity in 2011.

Prepaid expenses and other assets have decreased by approximately $98,000. This decrease mainly relates to lower accruals for scientific research and experimental development tax credits in both divisions.

Restricted Cash Deposits

The Corporation’s restricted cash deposits decreased by approximately $5,000 as compared to December 31, 2009. These deposits relate to the cash collateral required to support a letter of credit and certain corporate credit cards. The main reason for this decrease relates to a release of cash collateral related to a corporate credit card which was cancelled. On March 31, 2011, the letter of credit for $167,000 and associated cash collateral agreement was renewed for another twelve month term.

Property and Equipment

The Corporation's property and equipment decreased by approximately $57,000 since December 31, 2009. This decrease can be attributed to the normal depreciation of existing assets which is somewhat offset by a relatively minor investment into capital expenditures.

Intangible Assets

Intangible assets have decreased by approximately $21,000 since December 31, 2009. This decrease relates mainly to the normal depreciation of computer software and was somewhat offset by investment in new purchases. The decrease is also attributed to the impairment of certain indefinite-life intangible assets consisting of trademarks for Symbility Solutions Inc. which relate to product names no longer in use in North America. The Corporation assesses these assets for impairment on an annual basis and when events or changes in circumstances indicate that an asset might be impaired.

Consolidated Statement of Operations, Deficit, and Comprehensive Loss

Revenues

Revenues for the twelve months ended December 31, 2010 increased to approximately $5,850,000. This compares to revenues of approximately $4,586,000 for the same period in the previous year. This represents an increase of approximately $1,264,000 or 28%.

The majority of this increase relates to growth in Symbility's sales as customer acceptance of their technology increased and revenue from the contract with Foremost is recognized. For the twelve months ended December 31, 2010, Symbility had revenues of approximately $3,127,000. This compares to revenues of approximately $2,136,000 for the same period in the previous year. This represents an increase of approximately $991,000 or 46%.

The balance of the increase for the year can be attributed to Automated Benefits Inc. which saw growth in revenue from its existing customer base due mainly to the rollout of the groups associated with Sirius. Revenues for twelve months ended December 31, 2010 for Automated Benefits Inc. increased to approximately $2,723,000. This compares to revenues of approximately $2,450,000 for the same period in the previous year. This represents an increase of approximately $273,000 or 10%.

Cost of Sales

Cost of sales represents costs of certain insurance products, which are in turn sold to broker customers of Automated Benefits Inc., as well as the cost of certain database license fees paid to third parties by Symbility.

The cost of sales for the twelve months ended December 31, 2010 increased to approximately $1,197,000, and represents 20% of related revenue. This compares to cost of sales of approximately $1,040,000 for the same period in the previous year, which represented 23% of related revenues during this period. In general, as sales of Symbility's high-margin technology grows, the overall cost of sales as a percentage of revenue decreases and the overall gross margin of the Corporation is improving.

Automated Benefit Inc.'s costs related to direct insurance and distribution in twelve months ended December 31, 2010 were approximately $1,154,000 and represents 42% of related revenue. This compares to approximately $1,002,000 in the same period in the previous year which represents 41% of related revenue. The primary reason for the increase in the cost of sales relates to an increase in the resale of certain insurance products as revenue grows. The cost of sales has increased as a percentage of revenue as the penetration of lower margin insurance products has increased.

Symbility's cost of sales attributed to database licenses during the twelve months ended December 31, 2010 was approximately $43,000 which represents 1% of related revenue. This compares to approximately $38,000 in the same period in the previous year which represented 2% of related revenue. Database licensing costs are increasing as a result of changes to the contract with a key supplier. The cost of sales has decreased as a percentage of revenue as the mix of sales increase where no database licensing costs are incurred.

General and Administration

General and administration expense for the twelve months ended December 31, 2010 was approximately $2,696,000. This compares to approximately $2,829,000 for the same period in the previous year for a decrease of $133,000.

General and administration expenses of Automated Benefits Corp. decreased by approximately $171,000. Senior management's time as employees of the Corporation is allocated to operating divisions based on the amount of effort devoted to these businesses. The main reason general and administration expenses decreased was due to an increase in allocation of senior management's time to Automated Benefits Inc. and Symbility. This was somewhat offset by higher wages due to increased investment in the organization.

General and administration expenses of Symbility increased by approximately $7,000. The small increase for this fiscal year as compared to the prior year was mainly due to an increase in costs allocated from Automated Benefits Corp. This was somewhat offset by a decrease in unrealized foreign exchange expense on intercompany debt.

General and administration expenses of Automated Benefits Inc. increased by approximately $31,000. This was mainly due to an increase in the allocation of senior management and customer support resources to the division. This was somewhat offset by a reduction in wages associated with the elimination of certain positions in the organization.

Research and Development

Research and development expenses for the twelve months ended December 31, 2010 increased to approximately $869,000. This compares to approximately $680,000 for the same period in the previous year for an increase of approximately $189,000.

Research and development expenses of Automated Benefits Corp. decreased by approximately $31,000. This decrease reflects a higher allocation of quality assurance costs to the two subsidiaries.

Research and development expenses of Symbility increased by approximately $240,000. This increase is mainly due to an investment into additional development personnel and a decreased accrual for scientific research and experimental development tax credits.

Research and development expenses of Automated Benefits Inc. decreased by approximately $20,000. The decrease mainly relates to a reduction in consulting fees associated with a specific product development project and a reduction in wages due to the restructuring of this department. This was somewhat offset by a decreased accrual for scientific research and experimental development tax credits.

Sales and Marketing

Sales and marketing expenses for the twelve months ended December 31, 2010 decreased to approximately $1,113,000. This compares to approximately $1,295,000 during the same period in the previous year for a decrease of $182,000.

Sales and marketing expenses of Automated Benefits Corp. decreased by approximately $4,000. This is mainly due to lower wages and consulting fees in this department.

Sales and marketing expenses of Symbility decreased by approximately $125,000. The decrease relates mainly to a reduction in sales agency fees paid to a particular contractor.

Sales and marketing expenses of Automated Benefits Inc. decreased by approximately $53,000. The decrease relates to lower consulting fees incurred and a reduction in wages expense due to a restructuring of the department.

Stock Based Compensation

Stock based compensation expense for the twelve months ended December 31, 2010 was approximately $145,000. This compares to approximately $536,000 during the same period in the previous year for a decrease of $391,000. The decrease relates mainly to the five year extension of the term of the options held by the Corporation's President and Chief Executive Officer which was approved by the shareholders at the annual and special meeting of shareholders on June 11, 2009.

Amortization for property and equipment

Amortization expense for property and equipment for the twelve months ended December 31, 2010 decreased to approximately $68,000. This compares to an amortization expense of approximately $119,000 during the same period in the previous year for a decrease of $51,000. The decrease relates to certain assets which were fully amortized in 2010 and did not require additional amortization expense.

Amortization for intangible assets

Amortization expense for intangible assets for the twelve months ended December 31, 2010 decreased to approximately $17,000. This compares to an amortization expense of approximately $25,000 during the same period in the previous year for a decrease of $8,000. The decrease relates to the normal amortization of computer software and certain assets which were fully amortized in 2010 and did not require any additional amortization.

Impairment loss on intangible

Impairment loss for the twelve months ended December 31, 2010 decreased to approximately $6,000. This compares to an amortization expense of approximately $7,000 during the same period in the previous year for a decrease of $1,000. The decrease relates mainly to a lower impairment of certain indefinite-life intangible assets consisting of trademarks for Automated Benefits Inc. which relate to product names no longer in use. This was somewhat offset by an impairment of certain indefinite-life intangible assets consisting of trademarks for Symbility Solutions Inc.

Adjusted EBITDA

The Corporation has provided a reconciliation of Adjusted EBITDA to GAAP net earnings (loss) in the following table.[1]

In thousands of dollars

	Year Ended December 31, 2010	Year Ended December 31, 2009
Net Income (Loss)	**(281)**	**(1,944)**
Interest and other income (expense)	**21**	**(1)**
Depreciation and Amortization	**85**	**144**
Impairment loss	**6**	**7**
Stock-Based Compensation	**145**	**536**
Restructuring Costs	**102**	**156**
Adjusted EBITDA	**78**	**(1,102)**

Adjusted EBITDA for the year ended December 31, 2010 was approximately $78,000. This compares to approximately $(1,102,000) for the same period last year for an improvement of $1,180,000.

Summary of Quarterly Results

The following table shows selected financial information for each of the eight most recently completed quarters reported below in thousands of dollars, except per share amounts.

For the Quarters Ended								
	Fiscal 2010				Fiscal 2009			
	Dec. 31, 2010	Sept. 30, 2010	Jun 30, 2010	Mar 31, 2010	Dec. 31, 2009	Sept. 30, 2009	Jun 30, 2009	Mar 31, 2009
Revenue	1,615	1,705	1,271	1,258	1,231	1,112	1,130	1,113
Net Income (Loss)	(52)	380	(410)	(199)	(404)	(228)	(873)	(439)
Net Income (Loss) per Share	(0.00)	0.00	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)

Over the past eight quarters, revenue has generally increased as Automated Benefits Inc. has grown its customer base and Symbility has started to recognize the revenue from the rollout of its new users. The losses incurred by the Corporation began to decline significantly in fiscal 2010 due to a combination of growth in high-margin revenue and without a corresponding increase in operating expenses.

Liquidity and Capital Resources

During the year ended December 31, 2010, the Corporation generated net loss of $281,167 and generated cash flows of $450,701 from operations. At December 31, 2010, the Corporation's consolidated cash position was $1,292,516 compared to $869,133 at December 31, 2009. This increase is principally explained by the fact that the Corporation generated positive cash from operations for the first time in fiscal year 2010. It should be noted that approximately $382,000 of the operating cashflow was generated by the issuance of shares in lieu of cash bonuses and payment for services to senior management and members of the board of directors. Even if operating cashflow is adjusted for what is in effect a non-cash source of financing, the Corporation still generated almost $69,000 of cashflow from true operating activities.

At December 31, 2010, current liabilities include accounts payable and accrued liabilities of $1,572,190 and deferred revenue of $696,113 for a total of $2,268,303 compared to $2,072,224 at

December 31, 2009. The increase in current liabilities is mainly due to higher sales and use tax liabilities as revenues grow and an increase in accounts payables to trade vendors and professionals.

At December 31, 2010, current assets is comprised of cash and cash equivalents of $1,292,516, accounts receivable of $1,164,558, inventory of $2,681 and prepaid expenses and other assets of $316,189 for a total of $2,775,944 compared to $2,286,209 at December 31, 2009.

The Corporation has a working capital position of $507,641 at December 31, 2010 as compared to $213,985 of working capital at December 31, 2009. This increase is primarily attributable to the increase in operating cashflow generated by the Corporation. With current cash balances, customer contracts, and assuming the Corporation's cost structure doesn't change materially, management expects to be able to fund future operations for at least another year for the following reasons:

- The combination of significant new clients like Farmers and customers announced last year such as RSA has added high margin license revenue and has started to generate positive operating cash flow in the Symbility division.
- Adjudicare has certain clients such as Sirius which are expected to add incremental volume to the software with minimal additional costs.
- On a consolidated basis, the Corporation generated positive cashflow in fiscal year 2010 for a full year the first time.
- The Corporation has utilized the issuance of common shares to settle certain compensation expenses accrued for employees and Directors to provide an extra source of cash. This option is available to the Corporation in 2011 if necessary.
- The Corporation has no significant debt on its balance sheet which enables it to pursue venture debt or bridge financing if it cannot raise additional equity financing to fund operations as required.

The Corporation has not entered into any contractual obligations which will require future payments, including long-term debt other than operating leases for equipment and premises, capital leases for equipment and certain payments under certain vendor contracts.

The following chart is a summary of contractual obligations of the Corporation, including payments for each of the next three years and thereafter as at April 28, 2011.

Payments Due by Period					
Contractual Obligations	**Total**	**2011**	**2012-2014**	**2015**	**2016**
Capital Lease Obligations	$ 23,803	$ 3,400	$ 15,302	$5,101	$Nil
Operating Leases	$1,356,778	$214,568	$801,692	$247,396	$93,122
Purchase Obligations[2]	$616,667	$86,667	$380,000	$120,000	$30,000
Total Contractual Obligations	**$1,997,248**	**$304,635**	**$1,196,994**	**$372,497**	**$123,122**

The Corporation has entered into commitments for additional capital expenditures totalling approximately $2,000 since December 31, 2010.

[2] *"Purchase Obligation" means an agreement to purchase goods or services that is enforceable and legally binding on the Corporation that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.*

Proposed Capital Expenditure Plan

Management is preparing a capital investment plan for FY 2011 which will include capital expenditures in excess of $200,000. This will allow the Corporation to significantly enhance its capacity to host the growing data processing and storage requirements of its customers. The final amount of the expenditures that management will commit to for 2011 will be somewhat dependent on the Company's ability to secure financing for the hardware and software required. Management is in discussion with several third parties who have expressed interest in financing the majority of these capital expenditures.

Off Balance Sheet Arrangements

The Corporation did not enter into any off balance sheet arrangements during the twelve month period ended December 31, 2010 and has not done so historically.

Related Party Transactions

For the year ended December 31, 2009, the Corporation issued 204,167 common shares with an estimated weighted average fair value of $0.11 per share for an aggregate value of $22,458 to the Directors of Automated Benefits Corp. for services provided for the year. The issuance of these common shares to the Directors was approved by the TSX Venture Exchange. The estimated fair value was determined based on the share price on the date of issuance.

On May 21, 2010, the Corporation issued 2,700,000 common shares with a fair value of $0.12 per share for an aggregate value of $324,000 to two officers in lieu of cash bonuses for 2009. The issuance of the 2,700,000 common shares to the two officers was approved by the TSX Venture Exchange on May 17, 2010 and the shares were issued on May 21, 2010.

Each of the directors of the Corporation is entitled to receive $5,000 per annum, and an additional $1,500 was payable to the chairman of each of the Compensation Committee, the Audit Committee, the Strategic Committee, and the Board of Directors of the Corporation. For the year ended December 31, 2010, the Corporation issued 466,723 common shares with an estimated weighted average fair value of $0.12 per share for an aggregate value of $57,573 to the Directors of Automated Benefits Corp. for services provided for the year. The issuance of these common shares to the Directors was approved by the TSX Venture Exchange. The estimated fair value was determined based on the share price on the date of issuance.

For the year ended December 31, 2010, the Corporation expensed $72,628 (2009 - $59,250) for services provided by the Directors of the Corporation.

For the year ended December 31, 2010, the Corporation expensed $5,000 in consulting fees paid to a private company controlled by a Director. These fees were paid in cash.

Effective September 17, 2010, each of the Directors of the Corporation will be entitled to receive $10,000 per annum, and an additional $2,500 payable to the chairman of each of the Compensation Committee, the Audit Committee, the Strategic Committee, and the Board of Directors of the Corporation. On April 28, 2011, the Corporation with the approval of the Board of Directors issued 80,337 common shares with an estimated weighted average fair value of $0.255 per share for an aggregate value of $20,486 to the Directors of Automated Benefits Corp. for services provided for the last six months in 2010. The issuance of these common shares to the Directors is subject to TSX approval. The estimated fair value was determined based on the share price on the day preceding the board approval.

On April 28, 2011, 646,000 options were granted to the independent Directors and three Officers of the Corporation in accordance with the Corporation's stock option plan. Each option entitles its holder to purchase one common share of the Corporation at a price of $0.255 per share for a period of ten years from the date of grant. The options will vest in three equal tranches with one-third vesting immediately, one-third vesting on the first anniversary of the grant date, and one-third vesting on the second anniversary of the grant date. The granting of the stock options is subject to regulatory approval.

All of the above transactions with the Directors of the Corporation were recorded at the exchange amount, which is the estimated fair value of the services rendered.

Fourth Quarter

Symbility

For the three months ended December 31, 2010, Symbility had revenues of approximately $892,000. This compares to revenues of approximately $622,000 for the same period in the previous year. This represents an increase of approximately $270,000 or 43%. The majority of this increase relates to licensing revenue from the contract with Farmer's Specialty Group which completed its rollout in the fourth quarter.

Automated Benefits Inc.

Revenues for the three months ended December 31, 2010 for Automated Benefits Inc. increased to approximately $723,000. This compares to revenues of approximately $608,000 for the same period in the previous year. This represents an increase of approximately $115,000 or 19%. Automated Benefits Inc. saw growth in revenue from its existing customer base due mainly to the rollout of the groups associated with Sirius Benefits which accelerated in the fourth quarter.

Operating Expenses

Operating Expenses for the Corporation for the three months ended December 31, 2010 decreased to approximately $1,344,000. This compares to operating expenses of approximately $1,367,000 for the same period in the previous year. This represents a small decrease of approximately $23,000 or 2%.

In essence, operating expenses have remained flat versus the fourth quarter of 2009, while high margin revenue has grown significantly. Management will continue to focus on profitable revenue growth in 2011.

To the best of management's knowledge, there were no other fourth quarter events or items that affected the Corporation's financial condition, cash flows or results of operations, including extraordinary items, year-end and other adjustments, seasonal aspects of the Corporation's business or dispositions of business segments.

Changes in accounting policies not yet adopted

The following accounting pronouncements have been released in October 2006 but have not yet been adopted by the Corporation:

International Financial Reporting Standards ("IFRS")

In February 2008, Canada's Accounting Standards Board ("AcSB") confirmed January 1, 2011 as the changeover date to move financial reporting for Canadian publicly accountable enterprises to IFRS, as issued by the International Accounting Standards Board ("IASB"). Accordingly, the Corporation will be required to report under IFRS for its 2011 interim and annual financial statements.

The Company has developed a conversion plan to complete the transition to IFRS, including the preparation of required comparative information relating to 2010.

Conversion project

The conversion project consists of three phases:

Phase 1 Preliminary Impact Assessment – This phase involves the high-level identification and assessment of the differences between IFRS and CGAAP that will impact the Corporation.

Phase 2 Detailed Evaluation – This phase involves performing a detailed impact assessment of the differences between IFRS and CGAAP, reviewing and approving accounting policy choices, identifying impact on systems and business processes, preparing position papers for areas of significant judgment, quantifying IFRS conversion adjustments and drafting IFRS-compliant consolidated financial statements.

Phase 3 Implementation – This phase involves embedding changes to systems, processes and internal controls, drafting the transitional opening balance sheet and preparing pro-forma IFRS-compliant consolidated interim and annual consolidated financial statements for the 2011 fiscal year including comparatives.

The Corporation completed Phase 1 during 2009. Phase 2 of the project has commenced and the Corporation has preliminarily assessed the impact of IFRS 1 – First-time Adoption of IFRS ("IFRS 1"), including the impact of the elective exemptions available to the Corporation. In addition, the Corporation began preparing position papers for areas of significant judgment in the fourth quarter of 2010. Review and improvements to the Corporation's position papers is ongoing and completion of Phase 2 is expected to occur in accordance with regulatory requirements. For Phase 3, the Corporation has begun drafting the transitional opening balance sheet. The Corporation expects to complete Phase 3 in accordance with regulatory requirements.

Based on the work completed to date, the Corporation expects the greatest potential impact of IFRS adoption to be within the following areas:

First-time adoption of IFRS

IFRS 1 provides the framework for the first-time adoption of IFRS and outlines that, in general, an entity shall apply the principles under IFRS retrospectively and that adjustments arising on conversion to IFRS shall be directly recognized in retained earnings. However, IFRS 1 also provides a number of optional exemptions from retrospective application of certain IFRS requirements as well as mandatory exceptions which prohibit retrospective application of standards.

One of the mandatory exceptions requires that estimates previously made remain unchanged on transition to IFRS. The estimates previously made by the Corporation under Canadian GAAP will not be revised for application of IFRS except where necessary to reflect any changes resulting from differences in accounting policies.

The following optional exemptions are applicable to the Corporation:

1. Share based payments – The Corporation elects to apply Share-based payments to all outstanding equity settled instruments as of January 1, 2010.
2. Deemed cost – Under this exemption, an entity may elect to measure an item of property and equipment at its fair value at the date of transition and uses that fair value as its deemed cost on the transition date. The Corporation plans to use the net book value under Canadian GAAP as the deemed value under IFRS for its property and equipment.

3. Cumulative translation differences – This exemption allows the entity to restate the cumulative translation differences to zero at transition and apply foreign currencies prospectively. The functional currencies of all the entities of the Corporation are in Canadian dollars and the Corporation does not expect any impact in IFRS opening balance sheet.

Shared-based payments (IFRS 2)

Under Canadian GAAP, the Corporation recognizes forfeitures as they occur. Under IFRS, an estimate of forfeitures must be factored into the calculation of periodic compensation expense. Compensation costs are accrued based on the best estimate of the number of options expected to vest. Revisions are made to that estimate if subsequent information indicates that actual forfeitures are likely to differ from initial estimates. Also under IFRS, the fair value of each tranche within a share-based award is treated as a separate award with the fair value determined separately and recognized as compensation expense over the term of its respective vesting period. Canadian GAAP provides for an election to treat such awards as a pool and recognize the expense on a straight-line basis. The Corporation is in the final stage in quantifying the impact of the aforementioned differences and expects to make an adjustment in the IFRS opening balance sheet.

Foreign currency (IAS 21)

Under IFRS, each entity must determine its functional currency based on the currency of the primary economic environment in which the entity operates. An entity needs to consider the following primary indicators in making its assessment: i) currency which mainly influences sales prices for goods and services; and ii) currency which mainly influences labour, material and other costs in providing goods or services. If these indicators are mixed, and the functional currency is not obvious, secondary indicators are considered. Based on the Corporation’s assessment, the functional currencies of all its entities are in Canadian dollars and it does not expect any impact to the IFRS opening balance sheet.

Revenue (IAS 18)

Under Canadian GAAP, fees for multiple element arrangements are allocated to separate units of accounting based on reliable objective evidence of fair value for the undelivered elements with the residual amount allocated to the delivered elements known as the “residual method”. For certain arrangements, reliable objective evidence of fair value for the undelivered elements did not exist resulting in recognition of revenue ratably over the service period.

Under IFRS, fees for multiple element arrangements are allocated to the deliverables based on their fair value. Product elements are recognized upon delivery and service elements are recognized as the services are delivered. IFRS provides more flexibility in methods and evidence required to determine the fair value of the deliverables to allocate. Where reliable objective evidence does not exist, reference to third party prices or estimates of standalone price for the element may be used to assign a fair value requiring a greater degree of professional judgment. The Corporation continues to assess the revenue treatment for its ongoing contracts.

Impact on information technology and controls

It is anticipated that the adoption of IFRS may have an impact on information technology and controls over financial reporting and disclosure. The Corporation is continuing its assessment of the extent of this impact.

Implementation Plan

This involves embedding changes to systems, processes and internal controls, drafting the transitional opening balance sheet and preparing pro-forma IFRS-compliant consolidated interim and annual consolidated financial statements for the 2011 fiscal year including comparatives. The Corporation has begun drafting the transitional opening balance sheet and preparing pro-forma IFRS-compliant financial statements and expects to complete this exercise in accordance with regulatory requirements.

Future changes to IFRS

The International Accounting Standards Board has a number of on-going projects on its agenda that may result in changes to existing IFRS prior to the conversion in 2011. The Corporation continues to monitor these projects and the impact that any resulting IFRS changes may have on its anticipated accounting policies, financial position or results of operations under IFRS for 2011 and beyond.

Disclosure of Outstanding Share Data

The following chart summarizes the equity securities outstanding as of the date hereof:

EQUITY SECURITY	**NUMBER OUTSTANDING APRIL 28, 2011**
Common Shares	118,313,811
Warrants	0
Broker's Warrants	0
Preferred Series A Shares	0
Stock Options[3]	7,503,864

Financial Instruments and Risk Management

The Corporation's financial instruments consist of accounts receivable, accounts payable and accrued liabilities and capital lease obligations and their carrying value approximates fair value due to their immediate or short-term maturity.

- Market Risk and Foreign Currency risk

The Corporation operates primarily within Canada, the United States and the United Kingdom, and is therefore exposed to foreign currency risk. As at December 31, 2010, the fluctuation of the U.S. dollar and U.K. pound sterling of 1% would have an insignificant impact on net loss and comprehensive loss.

The Corporation has entered into derivative currency options to sell U.K. pounds sterling and is exposed to foreign currency risk on the fair value of its outstanding derivatives currency option contracts. These currency option contracts have terms ranging from October 21, 2009 to February 21, 2011. As at December 31, 2010, the Corporation had fully exercised all of the options under these currency option contracts.

- Credit risk

The Corporation is exposed to credit risk in the event of non-performance by customers. The Corporation monitors the credit risk of customers on a regular basis. The maximum credit risk is the carrying value of the accounts receivable. In fiscal 2010 and fiscal 2009, as indicated in the Corporation's audited consolidated financial statements and related notes for the period ended December 31, 2010, no single customer of Automated Benefits Inc. accounted for 10% or more of the Corporation's revenue. In fiscal 2010, there were two customers of Symbility which accounted for more than 10% of the Corporation's revenue. In fiscal 2009, one customer accounted for 10% or more of the Corporation's revenue.

[3] Includes 811,000 options that were granted on April 28, 2011 to the independent Directors, Officers and employees of the Corporation in accordance with the Corporation's stock option plan.

- Liquidity risk

The Corporation's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Corporation achieves this by maintaining sufficient cash and cash equivalents and through the raising of equity financing.

For more information, see Note 12 of the consolidated audited financial statements for the year ended December 31, 2010.

Risk and Uncertainties

The following are the principal risk factors with respect to the Corporation and its subsidiaries:

(a) The Corporation is in the business of developing claims management software for health and dental plans and insurance products for employer groups as well as property and casualty insurance claims estimation software. The development involves a substantial degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Shareholders must rely on the ability, expertise, judgment, discretion and integrity of the management of the Corporation.

(b) There is no assurance that the Corporation will be profitable in the future or that the Corporation will be able to generate sufficient cash from operations to pay dividends on its shares and it does not anticipate paying dividends in the near future. If the Corporation is unable to effectively manage its planned growth and expansion, its growth strategy could be negatively affected. Any inability to manage growth effectively could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

(c) The Corporation is in the early stages of commercial production of certain of its products following the initial development stage and therefore, is subject to the risks associated with early stage companies, including start up losses, uncertainty of revenues, markets and profitability and the need to raise additional funding. The Corporation has committed, and for the foreseeable future will continue to commit, significant financial resources to product development and research.

(d) The Corporation has entered into a number of strategic relationships with third parties. The termination of any one or more of its strategic relationships may have a material adverse effect on the Corporation's ability to offer certain products and services.

(e) The Corporation's products are technically complex, and, despite pre-release testing, may contain undetected errors or performance problems. There can be no assurance that such errors or performance problems will not be discovered in the future, which may cause delays in product introduction, require design modification or result in product liability claims against the Corporation.

(f) The computer software industry generally is susceptible to significant technological advances in both hardware and software and the introduction of new products and services utilizing new technologies. Further, the industry is also subject to changing industry standards, market trends and customer preferences and to competitive pressures, which can, among other things, necessitate revisions in pricing strategies, price reductions and reduced profit margins. The success of the Corporation will depend on its ability to secure technological superiority in its products and maintain such superiority in the face of new technologies. While the Corporation believes its products are currently competitive, no assurances can be given that the products of the Corporation will be commercially viable or that further modification or additional products will not be required in order to meet demands or to make changes necessitated by developments made by competitors which might render products of the

Corporation less competitive, less marketable or even obsolete over time. The future success of the Corporation will be influenced by its ability to continue to adapt its current systems and to develop new competitive products. Although the Corporation is committed to the development of new products and the improvement of its existing products, there can be no assurance that these research and development activities will prove profitable or that products resulting therefrom, if any, will be successfully produced and marketed.

(g) One element of the Corporation's business strategy is to create and diversify channels of distribution of its products both domestically and internationally. The Corporation is currently investing, and plans to continue to invest, cash and personnel resources to create a North American direct sales and marketing force and develop distribution relationships with additional third party distributors and resellers in North America and internationally. The Corporation's ability to achieve significant revenue growth in the future will depend in large part on its success in recruiting and training sufficient sales personnel, distributors and resellers. There can be no assurance that the Corporation will be able to attract, train and retain a sufficient number of distributors or direct sales personnel or that such third party distributors will recommend, or continue to recommend, the Corporation's products or devote sufficient resources to market such products. These factors could have a material adverse effect on the Corporation's business, operating results and financial condition.

(h) If financing is required in the future, the ability of the Corporation to arrange such financing will depend in part upon the prevailing capital market conditions as well as the business performance of the Corporation. There can be no assurance that the Corporation will be successful in its efforts to arrange additional financing on terms satisfactory to the Corporation. If additional financing is raised by the issuance of shares from the treasury of the Corporation, control of the Corporation may change and shareholders may suffer additional dilution. If adequate funds are not available, or are not available on acceptable terms, the Corporation may not be able to take advantage of opportunities, develop new products, or otherwise respond to competitive pressures and remain in business.

(i) The success of the Corporation will depend, in part, on its ability to maintain trade secret protection and the proprietary nature of its technology, as well as operate without infringing the proprietary rights of third parties. The systems and products developed by the Corporation also incorporate technology and processes that will not be protected by any patent and are capable of being duplicated or improved upon by competitors. Accordingly, the Corporation may be vulnerable to competitors, which develop competing technology, whether independently or as a result of acquiring access to the proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Corporation's products or technology without authorization or to develop similar technology independently. In addition, effective copyright and trade secret protection may be unavailable or limited in certain foreign countries and the global nature of the Internet makes it virtually impossible to control the ultimate destination of the Corporation's products. The Corporation is currently evaluating the effectiveness of trade-mark protection with respect to its technologies and products. In those cases where trade-mark protection will be an effective means of maintaining its competitive advantage, the Corporation will make application for trade-marks in the appropriate jurisdictions. Despite the Corporation's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Company's products or to obtain and use information that the Corporation regards as proprietary. Policing unauthorized use of the Corporation's products will likely be difficult and expensive. There can be no assurance that the steps taken by the Corporation will prevent the misappropriation of its technology or that such agreements will be enforceable. In addition, litigation may be necessary in the future to enforce the Corporation's intellectual rights, to protect the Corporation's trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on the Corporation's business, operating results or financial condition.

(j) Although the Corporation does not believe that its products infringe the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Corporation or that any such assertions or prosecutions will not materially adversely affect the Corporation's business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, the Corporation would incur significant costs and diversion of resources with respect to the defense thereof which could have a material adverse effect on the Corporation's business, financial condition or result of operations.

(k) The Corporation has direct competition for the products offered by the Corporation's subsidiaries. These competitors and new entrants into the markets for these products and services may have longer operating histories, greater name recognition and greater financial, technical and marketing resources than the Corporation. Such competitors could materially adversely affect the Corporation's business, results of operations and financial condition.

(l) The forecasted demand for the Corporation's products or services may be overstated, based on incorrect or incomplete data and/or assumptions, or affected by developments in the Corporation's clients' markets or the industries as a whole.

(m) As access to, and usage of, much of the Corporation's software is highly dependent on the integrity of the Internet, the Corporation's licensees may experience difficulty in utilizing the software in the event of disruptions in their Internet service. This could result in the loss of customers and therefore could materially adversely affect the Corporation's business.

(n) The Corporation may experience fluctuations in future quarterly operating results that may be caused by many factors, including: (i) changes in the level of marketing and other operating expenses to support future growth; (ii) competitive factors; and (iii) general economic conditions. Consequently, the Corporation believes that period-to-period comparisons of its operating results will not necessarily be meaningful and should not be relied upon as an indication of future performance. It is likely that the Corporation's future quarterly operating results from time to time, may not meet the expectations of securities analysts or investors, which may have a material adverse effect on the market price of the Corporation's shares.

(o) The Corporation will be substantially dependent upon the services of a few key personnel for the successful operations of its businesses. The loss of the services of any of the personnel could have a material adverse effect on the business of the Corporation. In addition, competition exists for qualified personnel, and the Corporation may be unable to attract or retain highly qualified personnel in the future.

(p) As part of its business strategy, the Corporation may seek to grow by acquiring businesses or establishing joint ventures that it believes will complement its current or future business. The Corporation may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel into its business. The Corporation cannot guarantee that it can complete any acquisition it pursues on favorable terms, or that any acquisitions completed will ultimately benefit its business.

(q) The Corporation may in the future derive significant sales revenues from sales of its products and services to customers located in other countries. As a result, fluctuations in the value of foreign currencies against the Canadian dollar could result in unanticipated fluctuations in the Corporation's financial results, which are currently denominated and reported in Canadian dollars. The Corporation's business could also be adversely affected by exchange controls, currency fluctuations, and laws or policies of other countries affecting foreign trade, investments or taxation.

(r) Certain of the Directors of the Corporation also serve as Directors of other public and private companies and consequently there exists the possibility for such Directors to be in a position of conflict. Any decision made by such Directors involving the Corporation will be made in accordance with the duties and obligations of Directors to deal fairly and in good faith with the Corporation and such other companies. In addition, such Directors must declare and refrain from voting on, any matter in which such Directors may have a conflict of interest in accordance with the *Business Corporations Act* (Alberta).

(s) To some extent the Corporation operates in a traditional and established sector where there is significant resistance to change and new ideas. Accordingly, despite a viable product and related services, the Corporation may face significant resistance in increasing its customer base.

(t) The services provided by the Corporation between insurance brokers, their customers and insurance companies does not relieve the Corporation from ultimate liability in the event of an insurance company or insurance broker defaulting on their obligations relating to either the payment of premiums or settlement of claims. To this extent, the Corporation is exposed to contingent credit risk of an indeterminable amount. This risk is mitigated by contracting with reputable organizations, and by utilizing a number of different organizations to mitigate the exposure of any one insurance company or broker defaulting on its obligations.