



**ANTHONY CLARK INTERNATIONAL  
INSURANCE BROKERS LTD.**

**THIRD QUARTER 2013**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE NINE MONTHS ENDED**

**DECEMBER 31, 2012**

February 28, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FORWARD LOOKING STATEMENTS

*Certain of the statements in this MD&A about the Company's current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other similar or comparable words or phrases, are intended to identify forward-looking statements.*

*Forward-looking statements are based on estimates and assumptions made by management based on management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that management believes are appropriate in the circumstances. Many factors could cause the Company's actual results, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors: the Company's ability to implement its strategy or operate its business as management currently expects; unfavorable capital market developments or other factors which may affect the Company's capital and debt obligations; government regulations; litigation and regulatory actions; periodic negative publicity regarding the insurance industry; intense competition; the Company's reliance on information technology and telecommunications systems; the Company's dependence on key employees; general economic, financial and political conditions; the Company's dependence on the results of operations of its subsidiaries; the volatility of the stock market and other factors affecting the Company's share price.*

*All of the forward-looking statements included in this MD&A are qualified by these cautionary statements for the period ended December 31, 2012. These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully, and readers should not place undue reliance on forward-looking statements made herein. The Company and management have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.*

### OVERVIEW

Anthony Clark International Insurance Brokers Ltd.'s (the "Company") primary business activity involves the operation of general insurance brokerages in Canada and the United States. Shares of the Company trade on the TSX Venture Exchange under the symbol "ACL" and the OTCQX under the symbol "ACKBF". The Company, founded in 1989, has expanded through internal growth and acquisitions. The Company operates in two economic environments and revenues are attributed to geographic areas based on the location of resources producing the revenues.

This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the nine months ended December 31, 2012 and the audited consolidated financial statements for the year ended March 31, 2012 which are prepared in accordance with IFRS (International Financial Reporting Standards). These filings are available at [www.sedar.com](http://www.sedar.com).

All amounts are in Canadian Dollars unless otherwise indicated.

### 2012 HIGHLIGHTS

- **May 2012** – Sale of Northern California Agency
- **EBITDA** for the nine months ending December 31, 2012 – \$2,755,343 compared to \$2,920,379
- **Earnings (loss) per share** for the nine months ending December 31, 2012 – \$ 0.01 per share compared to \$ (0.02) per share

## RESULTS OF OPERATIONS

The insurance industry continues to experience a soft market characterized by reduced premium rates. We expect premiums to stabilize or go up marginally. The premiums are expected to increase in certain business lines as the industry is affected by continued pressure on underwriting margins, low investment yields and thus low return on capital. We have noticed some premium increases in property insurance, but commercial insurance premiums continue to be soft. In Alberta, we expect rate increases in personal property insurance. In Canada, the Company has been able to successfully offset the decrease in premiums with writing more premiums through its marketing efforts and excellent customer service. The Company continues to review and change its marketing strategies in line with the current purchasing trends and focusing its marketing program on the Internet; buying Internet leads, using Search Engine Marketing (SEM) and Search Engine Optimization (SEO) campaigns. Economic recovery, aided by monetary and fiscal stimulus, has yet to show any significant impact on the economy and jobs. The private label program in Virginia continues to perform to expectation. Management continues to monitor and make changes to the Program as necessary. Management continually monitors the effects of changes in the insurance market and economy on the business and prudently makes adjustments to its strategies and costs to address those changes and remain competitive in the market place.

### Discontinued operations

On May 8, 2012, the Company sold the property and equipment and customer accounts of its Northern California Agency for net sales proceeds of \$ 585,763 including transaction costs of \$ 364,378. The Company realized a gain from discontinued operations of \$ 270,249, which includes the gain on disposal of \$ 331,283 from the sale.

On June 8, 2011, the Company sold the property and equipment and customer accounts of its Southern California Agency locations. In conjunction with the sale, the lenders agreed to settle the remaining balance of the U.S. Senior note totaling \$5,379,000 (U.S. \$5,500,000) for the net sales proceeds of \$1,095,360 (U.S.\$1,120,000) and terminated and released the Company from all obligations under the loan agreements. The Company realized a gain from discontinued operations of \$493,028, which includes the gain on disposal of \$524,272 from the sale. The gain on sale of discontinued operations of \$524,272 is comprised of a discount on the U.S. loan of \$4,283,640 (U.S. \$4,380,000) and the net loss on the sale of the assets of \$3,759,368.

**The balance sheet related to the discontinued operations is presented below:**

#### Balance Sheet as at

<b>Non-current assets</b>	<b>March 31, 2012</b>
Property and equipment	\$ 21,917
Customer accounts	248,264
<b>Total non-current assets</b>	<b>\$ 270,181</b>

The gain (loss) from discontinued operations for the three and nine month periods ended December 31, 2012 and 2011 is summarized below:

	Three months ending December 31, 2012			Three months ending December 31, 2011		
	Southern California Agency	Northern California Agency	Total	Southern California Agency	Northern California Agency	Total
Revenue from discontinued operations	\$ -	\$ -	\$ -	\$ -	\$ 330,327	\$ 330,327
Expenses of discontinued operations	-	(5,278)	(5,278)	(17,171)	(383,490)	(400,661)
Earnings (loss) from discontinued operations	-	(5,278)	(5,278)	(17,171)	(53,163)	\$ (70,334)
Gain (loss) on sale of discontinued operations	-	(23,993)	(23,993)	(46,160)	-	(46,160)
Gain (loss) from discontinued operations	\$ -	\$ (29,271)	\$ (29,271)	\$ (63,331)	\$ (53,163)	\$ (116,494)

  

	Nine months ending December 31, 2012			Nine months ending December 31, 2011		
	Southern California Agency	Northern California Agency	Total	Southern California Agency	Northern California Agency	Total
Revenue from discontinued operations	\$ -	\$ 131,825	\$ 131,825	\$ 512,170	\$ 822,646	\$ 1,334,816
Expenses of discontinued operations	-	(192,859)	(192,859)	(504,496)	(1,085,143)	(1,589,639)
Earnings (loss) from discontinued operations	-	(61,034)	(61,034)	7,674	(262,497)	\$ (254,823)
Gain (loss) on sale of discontinued operations	-	331,283	331,283	579,338	-	579,338
Gain (loss) from discontinued operations	\$ -	\$ 270,249	\$ 270,249	\$ 587,012	\$ (262,497)	\$ 324,515

For the nine months ending December 31, 2012

### Revenue

The Company's revenue decreased to \$9,670,680 for the nine months ending December 31, 2012 from \$9,839,964 for the nine months ending December 31, 2011, a decrease of 1.7%, primarily due to reduced contingent growth incentive income partially offset by revenue from organic growth in Canada and the U.S. While property and casualty insurance rates remained soft, we expect premiums to increase as the insurers experience high claim costs and reduced investment income. As the Company's revenue is commissions determined as a percentage of premiums, an increase in premiums will result in higher revenue. Management believes that the impact of the economic downturn on revenues has stabilized and we should see this continuing during the current fiscal year.

### Expenses

Salaries and wages increased to \$4,429,701 for the nine months ending December 31, 2012 from \$4,339,108 for the nine months ending December 31, 2011, an increase of 2.1%, primarily related to increased costs in Canada. The Company continuously monitors and proactively aligns its employee levels with premium volumes and economic conditions.

General and administrative increased to \$2,128,809 for the nine months ending December 31, 2012 from \$2,090,446 for the nine months ending December 31, 2011, an increase of 1.8%, primarily due to increased professional fees, and costs related to the operation of the private label program in Virginia partially offset by decreased costs resulting from combining the Calgary locations into one new location in December 2011.

Rent expense decreased to \$356,827 for the nine months ending December 31, 2012 from \$481,177 for the nine months ending December 31, 2011, a decrease of 25.8%, primarily due to combining the Calgary locations into one new location in December 2011.

*For the three months ending December 31, 2012*

## **Revenue**

The Company's revenue decreased to \$3,112,051 for the quarter ended December 31, 2012 from \$3,173,137 for the quarter ended December 31, 2011, a decrease of 1.9%, primarily due to reduced contingent growth incentive income and revenue from the private label program in the U.S., partially offset by revenue from organic growth in Canada and the U.S. While property and casualty insurance rates remained soft, we expect premiums to increase as the insurers experience high claim costs and reduced investment income. As the Company's revenue is commissions determined as a percentage of premiums, an increase in premiums will result in higher revenue. Management believes that the impact of the economic downturn on revenues has stabilized and we should see this continuing during the current fiscal year.

## **Expenses**

Salaries and wages increased to \$1,482,628 for the quarter ended December 31, 2012 from \$1,440,515 for the quarter ended December 31, 2011, an increase of 2.9%, primarily related to increased costs in Canada. The Company continuously monitors and proactively aligns its employee levels with premium volumes and economic conditions.

General and administrative increased to \$691,594 for the quarter ended December 31, 2012 from \$665,549 for the quarter ended December 31, 2011, an increase of 3.9%, primarily due to increased professional fees in the quarter, partially offset by decreased costs related to the private label program in Virginia.

Rent expense decreased to \$115,359 for the quarter ended December 31, 2012 from \$152,106 for the quarter ended December 31, 2011, a decrease of 24.2%, primarily due to combining the Calgary locations into one new location in December 2011.

## **EARNINGS FROM OPERATIONS BEFORE INTEREST, INCOME TAXES AND DEPRECIATION AND AMORTIZATION (EBITDA)**

The Company's EBITDA decreased to \$2,755,343 for the nine months ended December 31, 2012 from \$2,920,379 for the nine months ended December 31, 2011, a decrease of 5.7%, including share-based compensation expense (non-cash expense). The Company's EBITDA decreased to \$822,470 for the quarter ended December 31, 2012 from \$914,744 for the quarter ended December 31, 2011, a decrease of 10.1%, including share-based compensation expense (non-cash expense). EBITDA as a percentage of revenue has decreased to 28.4% for the nine months ended December 31, 2012 from 29.7% for the nine months ended December 31, 2011. EBITDA as a percentage of revenue has decreased to 26.4% for the quarter ended December 31, 2012 from 28.8% for the quarter ended December 31, 2011. The decrease resulted primarily from the net effect of reduced contingent growth incentive income in Canada, while maintaining the overall level of operating expenses. Management has been focused on increasing revenue levels by improving customer loyalty leading to longer retention and increased customer referrals, internet marketing and lead generation. The Company's cost base has been significantly reduced so that any increases in revenues will result in higher EBITDA.

The net earnings for the nine months ended December 31, 2012 of \$960,285 included \$315,813 of net non-cash expenses consisting of amortization of deferred financing costs and loan discounts, deferred income taxes, depreciation and amortization and gain from discontinued operations of \$270,249.

EBITDA is discussed and presented here as a non-IFRS measure because it is management's major performance indicator. EBITDA is reconciled to Net earnings below.

### Reconciliation of EBITDA to Net earnings (loss)

	Three months ending December 31, 2012	Three months ending December 31, 2011	Nine months ending December 31, 2012	Nine months ending December 31, 2011
Revenue	\$ 3,112,051	\$ 3,173,137	\$ 9,670,680	\$ 9,839,964
Earnings before the following (EBITDA)	822,470	914,744	2,755,343	2,920,379
Interest and financing costs	(298,017)	(398,799)	(845,910)	(1,225,349)
Depreciation and amortization	(183,811)	(198,453)	(579,545)	(719,615)
Income tax expense	(178,018)	(187,644)	(639,852)	(655,170)
Net earnings from continuing operations	162,624	129,848	690,036	320,245
Gain (loss) from discontinued operations	(29,271)	(116,494)	270,249	324,515
Net earnings for the period	\$ 133,353	\$ 13,354	\$ 960,285	\$ 644,760

### Non-Controlling Interest in Consolidated Subsidiary

On June 10, 2008, April 23, 2009 and July 14, 2010, the Company closed equity financings under which non-controlling interests in a consolidated subsidiary of the Company, which operates the Canadian operations, were sold. Under IFRS, transactions with non-controlling interests are treated as transactions with equity owners of the Company. Gains or losses on disposals to non-controlling interests are computed and recorded in equity.

Within the unanimous shareholder agreement, there is a contingent put option with the non-controlling shareholder.

Distributions from the Canadian operations to the parent and non-controlling interest are paid as and when approved by the Board of Directors of the Canadian subsidiary. The distributions are based on a formula in the unanimous shareholder agreement.

### Interest and Financing Costs

	Three months ending December 31, 2012	Three months ending December 31, 2011	Nine months ending December 31, 2012	Nine months ending December 31, 2011
<b>Canadian operations</b>				
Interest on long-term debt	\$ 213,527	\$ 233,696	\$ 658,868	\$ 705,631
Amortization of deferred financing costs and loan discount	3,217	3,217	9,649	9,649
Interest on obligations under capital lease	2,036	373	2,076	1,604
	218,780	237,286	670,593	716,884
<b>U.S. operations</b>				
Interest on long-term debt	\$ 78,289	\$ 157,942	\$ 173,124	\$ 497,961
Amortization of deferred financing costs and loan discount	-	2,928	-	8,503
Interest on obligations under capital lease	948	643	2,193	2,001
	79,237	161,513	175,317	508,465
	\$ 298,017	\$ 398,799	\$ 845,910	\$ 1,225,349

## Depreciation and Amortization

Depreciation and amortization decreased to \$579,545 for the nine months ending December 31, 2012 from \$719,615 for the nine months ending December 31, 2011, primarily due to certain customer accounts in Canada being fully amortized.

Depreciation and amortization decreased to \$183,811 for the quarter ending December 31, 2012 from \$198,453 for the quarter ending December 31, 2011, primarily due to certain customer accounts in Canada being fully amortized.

## Private label program

The proprietary private label program is in its third year. The program is resulting in positive enhanced commission, which is adding to our bottom line. The Company continues to monitor and make changes to the product to maximize the program capacity.

## SUMMARY QUARTERLY INFORMATION

The following table summarizes the Company's key consolidated financial information for the last eight quarters.

- EBITDA is defined as Earnings before interest, income taxes, and depreciation and amortization.
- EBITDA is discussed and presented here as a non-IFRS measure because it is management's major performance indicator.
- EBITDA is reconciled to Net earnings (loss) above.
- The Revenue and EBITDA exclude the results of the discontinued operations.

Quarter ended	Revenue (\$)	EBITDA (\$)	Net earnings (loss) (\$)	EPS - Basic and Diluted (\$/share)
December 31, 2012	3,112,051	822,470	133,353	(0.01)
September 30, 2012	3,201,397	917,064	229,377	0.00
June 30, 2012	3,357,232	1,015,809	597,555	0.02
March 31, 2012	4,062,778	1,340,129	266,536	(0.02)
December 31, 2011	3,173,137	914,744	13,354	(0.02)
September 30, 2011	3,263,572	885,242	(116,228)	(0.04)
June 30, 2011	3,403,255	1,120,393	747,634	0.04
March 31, 2011	3,484,833	1,071,240	(333,265)	(0.06)

## FINANCIAL CONDITION AND CHANGES IN FINANCIAL CONDITION

Comparing nine months ended December 31, 2012 and March 31, 2012:

**Working capital** decreased \$109,911. The current portion of the U.S. Note Payable (\$ 1,193,880) has resulted in negative working capital of \$ 1,004,344 as at December 31, 2012.

- **Customer accounts** decreased \$743,944 mainly due to amortization.
- **Goodwill** decreased \$20,983 mainly due to the effect of the exchange rate decrease.
- **Long-term debt** decreased \$1,081,024 primarily due to the payments on the U.S. note payable and principal repayments on the Canadian loans.
- **Equity attributable to owners of the Company** increased by \$85,742 primarily due to:
  - net earnings of \$109,272 and reclassification adjustment relating to foreign discontinued operations to the deficit of \$37,009;
  - decrease in share capital of \$ (82,848) related to issuer bid purchases;
  - increase in accumulated other comprehensive loss of \$ 44,430, including the reclassification adjustment relating to foreign discontinued operations to deficit; and
  - increase in contributed surplus of \$66,739 related to issuer bid purchases.

## FINANCIAL RESOURCES AND LIQUIDITY

As at December 31, 2012, the Company had a working capital deficiency of \$1,004,344 resulting primarily from the current portion of the U.S. Note payable (\$1,193,880) due January 21, 2013.

From January 2011 until February 2012, the Company withheld interest payments on the U.S. note payable resulting in a default of the U.S. note payable and the U.S. note payable becoming due on demand. As a result of the default, the interest rate was increased from 14% to 19% resulting in \$169,816 in additional interest payments and a penalty charge of \$59,126.

On February 21, 2012, the Company and the U.S. lender reached a memorandum of understanding of the terms for the settlement and restructuring of the U.S. \$3,250,000 note and outstanding interest and penalties whereby the existing note would be cancelled and restructured for cash and a new note. Under the terms of the memorandum of understanding, the Company paid U.S. \$50,000 on acceptance of the amended terms and U.S. \$250,000 on April 15, 2012. As part of the formal settlement agreement finalized with the lender of the U.S. Note payable on August 21, 2012, new notes were issued for U.S. \$2,500,000 maturing in five years with interest only payments at 6.75% per annum and U.S. \$1,200,000 bearing interest at 0.5625% for the month ending September 21, 2012 and then subject to interest at 1% per month for each 30 day extension beginning September 21, 2012. The U.S. denominated debt is secured by the U.S. assets only with a guarantee provided by the Company.

The Company's ability to successfully complete refinancing of this amount indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

During the quarter ended June 30, 2012 the Company received a commitment letter for a U.S. \$1,100,000 loan subject to meeting certain terms and conditions and obtaining approval from the lender of the U.S. note payable regarding the security terms in order for the loan to be financed. During the quarter ended September 30, 2012, the refinancing was not approved under the terms and conditions of the commitment letter.

If the Company is unable to refinance the U.S. Note payable, it is possible that the Company will be unable to continue as a going concern. The condensed interim consolidated financial statements do not reflect any adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

Per amendments to the loan agreement, the Company had principal repayment holidays on one Senior note (\$6,921,582) totaling \$805,505 from March 1, 2011 to March 1, 2012. Effective March 31, 2012, the terms of the Senior notes were amended to increase the amortization period from the remaining approximate six to seven years, to ten years, with maturity dates remaining between 2018 and 2019.



The Senior notes are secured by the Canadian assets only with a guarantee provided by the Company.

The Company is also subject to certain covenants on an ongoing basis, with failure to maintain compliance resulting in the loans becoming due on demand. The Company is in compliance with the covenants.

On June 8, 2011, the Company sold the property and equipment and customer accounts of its Southern California Agency locations. In conjunction with the sale, the lenders agreed to settle the remaining balance of the U.S. Senior note totaling U.S. \$ 5,500,000 for the net sales proceeds and terminated and released the Company from all obligations under the loan agreements.

The Company may, from time to time, be involved in various claims, lawsuits, disputes with third parties, actions involving allegations of discrimination, or breach of contract incidental to the operations of its business. The Company is not currently involved in any such incidental litigation which it believes could have a materially adverse effect on its financial condition or results of operations.

As part of the unanimous shareholder agreement with the non-controlling interest, there is a contingent put option which if exercised will require the Company to purchase the non-controlling interest. The contingent put option can only be exercised, within 60 days written notice, if:

- There is an arm's length third party offer to purchase the consolidated subsidiary and the non-controlling shareholder wishes to accept, but the Company does not, then the non-controlling shareholder can exercise the put option for the price set out in the offer, or
- There is a change of control in the consolidated subsidiary or the Company, the non-controlling shareholder can exercise the put option for the higher of fair value formula in the unanimous shareholder agreement or the price set out in the change of control transaction.

There is uncertainty as to the occurrence, timing and amount of the cash outflow since the put option is contingent on a third party offer or purchase.

The net earnings for the nine months ended December 31, 2012 of \$960,285 included \$315,813 of net non-cash expenses consisting of amortization of deferred financing costs and loan discounts, deferred income taxes, depreciation and amortization and gain from discontinued operations of \$270,249.

The Company leases office premises under operating leases that expire at various dates during the 2013 through 2018 fiscal years. In addition, the Company has current obligations under certain advertising contracts.

The following table sets forth the Company's future contractual and long-term obligations as at December 31, 2012:

	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 years
<b>Contractual Obligations</b>					
Operating Lease Obligations	1,926,789	780,124	565,492	395,059	186,114
<b>Long-Term Debt</b>					
Senior notes	14,336,003	1,199,393	2,621,578	2,950,207	7,564,825
U.S. Notes payable	3,681,130	1,193,880	-	2,487,250	-
Obligations under capital leases	42,496	17,358	25,138	-	-

## SHARE CAPITAL

### Authorized

Unlimited common shares without par value.  
 Unlimited class B voting preferred shares without par value  
 Unlimited class C non-voting preferred shares without par value

### Issued

All common shares issued are fully paid, carry one vote per share and carry a right to dividends

Changes in share capital during the nine months ended December 31, 2012 and the year ended March 31, 2012 are as follows:

	<u>Shares</u>	<u>Amount</u>
Balance, April 1, 2011	<u>9,540,638</u>	<u>\$ 9,820,700</u>
Charge to capital on repurchase of shares through issuer bid	(21,000)	(20,795)
Common shares cancelled for settlement of interest on U.S. note payable	(314,287)	(128,858)
Common shares issued for management bonus	<u>707,833</u>	<u>106,175</u>
Balance, March 31, 2012	9,913,184	\$ 9,777,222
Charge to capital on repurchase of shares through issuer bid	<u>(84,000)</u>	<u>(82,848)</u>
Balance, December 31, 2012	<u>9,829,184</u>	<u>\$ 9,694,374</u>

#### Normal Course Issuer Bid

The Company receives regulatory approval from the TSX Venture Exchange (the "Exchange") to make a normal course issuer bid. Pursuant to the bid, the Company could purchase up to 10% of its common shares issued and outstanding at the time of the bid.

- 2013 - The bid commenced May 19, 2012 and will terminate on May 18, 2013 and pursuant to the bid, the Company has approval to purchase up to 1,022,447 of its common shares. The Company has repurchased 81,000 common shares under the bid.

- 2012 - The bid commenced May 19, 2011 and terminated on May 18, 2012 and pursuant to the bid, the Company had approval to purchase up to 954,063 of its common shares. The Company repurchased 24,000 common shares under the bid. As at March 31, 2012, 7,500 of the repurchased shares were cancelled subsequent to the year end on April 13, 2012.

- 2011 - The bid commenced May 14, 2010 and terminated on May 13, 2011 and pursuant to the bid, the Company had approval to purchase up to 967,235 of its common shares. The Company repurchased 446,000 common shares under the bid.

#### Common Shares Issued for Settlement of Interest on U.S. Note Payable

Beginning January 1, 2010, 4% of the annual interest payments due on the U.S. Note payable were to be paid in common shares of the Company until maturity of the loan on April 30, 2012. The pricing of the common shares issued was determined based on the current trading price of the common shares of the Company as at the close of business on the first trading day after January 1<sup>st</sup> each year. With the required regulatory approvals received, the Company issued common shares for 4% of interest payable as follows: 2011- 314,287 common shares at \$0.41 per share and 2010- 272,061 common shares at \$0.50 per share.

As part of the formal agreement terms for the settlement and restructuring of the U.S. Note payable finalized with the U.S. lender on August 21, 2012, the 2011 outstanding and future interest payments of 4% on the U.S. Note payable will be payable in cash not common shares. In accordance with the agreement, the 314,287 common shares issued in 2011 were cancelled.

## SHARE-BASED COMPENSATION

The Company has an incentive share option plan, which provides for the award of share options to directors, officers, employees and consultants. A maximum 1,601,395 common shares remain reserved under the plan. The terms and exercise prices of all share option awards are determined by the directors at the time of issue.

Changes in share options during the nine month period ended December 31, 2012 and the year ended March 31, 2012 are as follows:

	<u>December 30, 2012</u>		<u>March 31, 2012</u>	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding, beginning of period	450,000	\$ 0.36	450,000	\$ 0.36
Awarded	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding, end of period	450,000	\$ 0.36	450,000	\$ 0.36

The following table sets forth information relating to share options outstanding as at December 31, 2012:

<u>Expiry</u>	<u>Exercise price</u>	<u>Number outstanding at December 31, 2012</u>	<u>Weighted average remaining contractual life</u>	<u>Weighted average exercise price</u>	<u>Number exercisable at December 31, 2012</u>	<u>Weighted average exercise price</u>
April 1, 2013	\$ 0.36	450,000	0.25	\$ 0.36	450,000	\$ 0.36

## RELATED PARTY TRANSACTIONS

The Company enters into transactions with related parties from time to time in the normal course of business.

During the period ended December 31, 2012, the Company incurred \$ 2,365 (2011- \$ nil) of consulting fees charged by a director.

### Summary Compensation Table of Amounts Paid or Payable to Directors and Officers during the quarter ended December 31, 2012:

The following table sets forth details regarding compensation of officers for the quarter ended December 31, 2012:

<u>Name and Principal Position</u>	<u>Salary</u>	<u>Bonus</u>	<u>All Other Compensation</u>
Tony Consalvo Chairman, President and C.E.O.	\$ 51,545	\$ Nil	\$ 1,968
Mahesh Bhatia V.P. Finance and C.F.O.	\$ 43,743	\$ Nil	\$ 1,785

The following table sets forth details regarding compensation of directors for the quarter ended December 31, 2012:

Name	Position	Compensation paid or payable for the quarter ended December 31, 2012
Douglas Farmer	Director	\$ 3,750
Robert Sadleir	Director	\$ 3,750
Norm Cournoyer	Director	\$ 3,750

### Compensation of Directors

Each director that is not a full-time employee or officer of the Corporation receives the amount of \$15,000 per year. This amount is paid quarterly in arrears over the Corporation's fiscal year and is pro-rated if an individual resigns or is not re-elected. There are no other arrangements in addition to or in lieu of the above described fees under which directors of the Corporation were compensated by the Corporation during the most recently completed financial year for their services in their capacity as directors. The Corporation's directors who are also senior officers do not receive any cash payments for their services as directors.

### CAPITAL RISK MANAGEMENT

The Company considers the capital it manages to be the amounts it has in cash, debt (long-term and short-term borrowings) and equity attributable to owners of the Company.

The Company's objectives when managing capital are to:

- safeguard the Company's ability to continue as a going concern
- ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans
- optimize the cost of its capital at an acceptable level in light of current and future industry, market and economic risks and conditions
- utilize the long-term funding sources to manage its working capital and restructure debt to minimize the cost of its capital
- acquire assets and dispose of non-performing assets

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets. The Company requires capital to repay existing obligations. There can be no certainty of the Company's ability to refinance its existing obligations. In order to facilitate the management of the Company's capital, the Company prepares annual cash flow forecasts that are updated as necessary depending on various factors and general industry conditions. There were no changes in the Company's approach to capital management.

The declaration and payment of dividends and the amount thereof are at the discretion of the Board. In order to maintain and maximize growth, maintain sufficient liquidity to support its financial obligations and optimize the cost of capital, the Company currently does not pay out dividends.

The Company is also subject to certain working capital covenants on an ongoing basis, which compliance with these covenants has the effect of restricting the availability of cash from the Canadian operations to the other operations of the Company.

### FINANCIAL INSTRUMENTS

#### a) Overview

The Company's activities expose it to a variety of financial risks that arise as a result of its operating and financing activities such as credit risk, liquidity risk, foreign currency risk and interest rate risk. The Company manages its exposure to these risks by operating in a manner that minimizes this exposure.

b) **Fair value of financial instruments**

The Company's financial instruments as at December 31, 2012 included cash, trust cash, trade receivables, trade payables and accrued liabilities and long-term debt. The carrying amounts for short term financial assets and liabilities, which includes trade receivables and trade payables and accrued liabilities approximate fair values due to the immediate or short-term maturities of these financial instruments. Cash and trust cash are classified as fair value through profit and loss and therefore are recorded at fair value.

Management estimated the fair value of its long-term debt taking into account market rates of interest, the condition of any related collateral and the current conditions in credit markets applicable to the Corporation based on recent transactions. The estimated fair value of long-term debt approximates its carrying value.

For financial instruments measured at fair value, disclosure about the inputs to fair value measurements are required, including their classification within a fair value hierarchy that prioritizes the significance of inputs used in making fair value measurements.

Level 1 Fair Value Measurements – quoted prices in active markets for identical assets or liabilities;

Level 2 Fair Value Measurements – inputs other than quoted prices included in Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 Fair Value Measurements– inputs for the asset or liability that are not based upon observable market data.

Cash and trust cash is based on Level 1 inputs of the fair value hierarchy.

c) **Financial risk management**

The Company's financial instruments are exposed to certain financial risks, including credit risk, foreign currency risk, interest rate risk and liquidity risk.

*Credit risk*

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations, or if there is a concentration of transactions carried out with the same counterparty or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions.

The Company's financial instruments that are exposed to concentrations of credit risk relate primarily to cash, trust cash and trade receivables from clients and insurance carriers. Cash is in place with major financial institutions. Concentrations of credit risk with respect to client and insurance carrier trade receivables are limited due to the large number of customers and insurance carriers. The Company has evaluation and monitoring processes in place and writes off accounts when they are determined to be uncollectible.

As at December 31, 2012, the Company's maximum exposure to credit risk is through the following assets:

Trade receivables	\$	<u>2,145,726</u>
Net credit risk	\$	<u>2,145,726</u>

*Foreign currency risk*

The Company is exposed to the financial risk related to fluctuations of foreign exchange rates. The Company conducts business operations in the United States and has U.S. dollar denominated indebtedness and is therefore exposed to cash flow risks associated with fluctuations in the relative value of the Canadian and U.S. dollar. A significant change in the currency exchange rate of the Canadian dollar relative to the U.S. dollar could have a material effect on the Company's results of operations, financial position and cash flows. The Company does not engage in hedging activities or use financial instruments to reduce its risk exposure.

At December 31, 2012, the Company is exposed to currency risk through the following assets and liabilities denominated in U.S. dollars:

Cash	\$	408,294
Trade receivables		435,099
Trade payables and accrued liabilities		(329,298)
Long-term debt		<u>(3,695,685)</u>
Net exposure	\$	<u>(3,181,590)</u>

Based on the above net exposure at December 31, 2012, and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in a decrease or increase of \$ 318,159 in the Company's other comprehensive income (loss).

#### *Interest rate risk*

All of the Company's indebtedness bears interest at fixed rates and as a result the Company is not exposed to significant interest rate risk arising from long-term debt.

#### *Liquidity risk*

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its short and long-term obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

The Company manages its liquidity risk through cash and debt management. The Company's objective in managing liquidity risk is to increase revenues, minimize operational costs and to maintain sufficient liquidity in order to meet these operational requirements at any point in time. The Company's ability to obtain funding from external sources may be restricted if the Company's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Company's access and ability to fund its short-term and long-term debt requirements. The Company mitigates these risks by actively monitoring market conditions and diversifying its sources of funding and debt maturity.

The Company's trade payables are generally due within 60 days. The current portion of long term debt is due within 12 months.

As at December 31, 2012, the Company has a working capital deficiency of \$1,004,344 resulting primarily from the current portion of the U.S. Note payable (U.S. \$1,200,000) due January 21, 2013.

The Company's ability to meet its financial obligations and continue to operate as a going concern require refinancing the U.S. \$1,200,000 note payable and there can be no certainty of the Company's ability to refinance the amount.

#### **Use of Estimates and Judgements**

The preparation of the interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results could differ from these estimates.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing the interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are as follows:

#### *Use of Judgements*

##### **Cash Generating Units**

The determination of cash generating unit ("CGU's") requires judgement in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGU's are determined by geographical area, similar exposure to market risk and materiality.

### **Impairment of Customer Accounts**

The assessment of customer accounts for any indications of impairment involves judgement. If an indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss is recognised to the extent that carrying amount exceeds recoverable amount. The assessment requires judgement as to the economic and industry conditions, the estimated future revenues to be generated by the customer accounts, operating costs and the discount rate to be applied to such revenues and costs.

### **Income tax**

Management exercises judgment in estimating the provision for income taxes. The Company is subject to income tax laws in various jurisdictions where it operates. Various tax laws are potentially subject to different interpretations by the taxpayer and the relevant tax authority. To the extent that the Company's interpretations differ from those of tax authorities or the timing of realization is not as expected, the provision for income taxes may increase or decrease in future periods to reflect actual experience.

### *Use of Estimates*

#### **Impairment of Goodwill**

Goodwill is assessed for impairment at the Cash Generating Unit ("CGU") level on an annual basis and more frequently if there are potential indicators of impairment. An impairment loss is recognized if the carrying value of a CGU exceeds its recoverable amount. The recoverable amount of a CGU is determined from the greater of fair value less costs to sell or "value in use" calculations based on the net present value of discounted cash flows. Key assumptions used in the calculation of recoverable amounts are: normalized EBITDA (Earnings before interest, taxes and depreciation and amortization) based on past performance and management expectations for the Company and industry and WACC (Weighted Average Cost of Capital).

#### **Share-based compensation**

Management is required to make certain estimates and assumptions when determining the grant date fair value of stock option awards and the number of awards that are expected to vest. Fair value is determined using the Black-Scholes option pricing model. Estimates are made with respect to risk-free interest rates, expected share volatility, forfeiture rates and expected life.

#### **Amortization**

Management is required to make certain estimates and assumptions when determining the amortization methods and rates, and residual values of property and equipment and customer accounts. Useful lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life. Management reviews amortization methods, rates, and residual values annually and adjusts amortization accordingly on a prospective basis.

## **RISK FACTORS**

The securities of the Company are highly speculative. A prospective investor or other person reviewing the Company should not consider an investment unless the investor is capable of sustaining an economic loss of the entire investment. Certain risks are associated with the Company's business including the following:

### **Future growth and expansion is dependent on ongoing acquisitions of General Insurance Brokerages**

To a large extent, the Company's growth and expansion plans depend upon the ongoing acquisition of independent General Insurance Brokerages at reasonable prices. There can be no assurance that an adequate number of acquisition candidates will be available to the Company to meet its expansion plans, or in the event that such independent General Insurance Brokerages are available for acquisition that they will be available at a price which would allow the Company to operate on a profitable basis. The Company competes for acquisition and expansion opportunities with entities that have substantially greater resources than the Company and these entities may be able to outbid the Company for acquisition targets. If the Company fails to execute its acquisition strategy, the Company's revenue growth is likely to suffer and the Company may be unable to remain competitive.

### **The Company may be unable to successfully integrate its recent or future acquisitions**

There can be no assurance that the Company's recently acquired brokerages or any brokerages acquired by the Company in the future will achieve acceptable levels of revenue and profitability or otherwise perform as expected. The Company may be unable to successfully integrate other brokerages that the Company may acquire in the future, due to diversion of management attention, strains

on the Company's infrastructure, difficulties in integrating operations and personnel, entry into unfamiliar markets, or unanticipated legal liabilities or tax, accounting or other issues. A failure to integrate acquired brokerages may be disruptive to the Company's operations and negatively impact the Company's revenue or increase the Company's expenses.

### **The Company anticipates the need for additional financing, which it may not be successful in arranging**

The Company has relied principally on debt financing to fund its recent acquisitions. The Company will require additional funds to make future acquisitions of General Insurance Brokerages and may require additional funds to market and sell its products into the marketplace. The ability of the Company to arrange such financing in the future, and to repay its existing debt, will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. In addition, the Company is subject to certain financial and other covenants under its financing arrangements. If the Company is unable to or does not comply with these covenants, the Company's financing needs may be accelerated. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, when needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If additional financing is not available on terms favorable to the Company, the Company may be unable to grow or may be required to limit or halt its expansion plans. In addition, the Company's existing creditors, some of whom have security interests in the Company's assets, may exercise their rights to acquire or dispose of the Company's assets.

### **Planned future growth is likely to place significant strains on the Company's management, administrative, operational and financial resources**

Since its inception, the Company has experienced steady growth in revenue, number and complexity of products, personnel, and customer base. The Company's planned future growth is likely to place significant strains on the Company's management, administrative, operational and financial resources. Increased growth will require the Company to continue to add additional management personnel, improve its financial and management controls, reporting systems and procedures on a timely basis, to implement new systems as necessary, to expand, train, motivate and manage its sales and other personnel and to service the Company's customers effectively. There can be no assurance that the Company will be able to attract qualified personnel or improve its financial and management controls or implement new systems as necessary and the failure to do so may result in increased costs or a decline in revenue or both.

### **The Company's performance and future operating results and success are dependent on the effectiveness of the Company's management team and key personnel**

The Company's performance and future operating results and success are substantially dependent on how effective the management team and key personnel are at organizing and implementing the Company's growth strategy and integrating acquired General Insurance Brokerages into the Company's overall organization. Shareholders will be relying on the judgment and expertise of the management of the Company.

The senior management and some key personnel are employed under employment contracts, while other key personnel of the Company are employed on a month to month basis and are not under an employment contract with the Company. Although the Company is in an industry in which there is not high employee turnover, the unexpected loss or departure of any of the Company's key management personnel, Mr. Tony Consalvo, the President and Chief Executive Officer, Mr. Mahesh Bhatia, the VP Finance and Chief Financial Officer and the Corporate Controller, Ms. Shelley Samec could be detrimental to the future operations of the Company.

There can be no assurance that the Company can retain its key personnel and managerial employees or that it will be able to attract or retain highly qualified personnel in the future. The Company believes that the compensation to its key management personnel is competitive with what other companies pay its key management personnel in the insurance brokerage industry. Although the Company plans to compensate its senior management and other key personnel at compensation levels that are competitive within the industry, there is no assurance that it will continue to be able to do so in the future and this may result in a departure of some if its senior management or other personnel.

The Company maintains keyman life insurance policies of \$100,000 on Mr. Consalvo and \$675,000 on Mr. Bhatia and has no other keyman life insurance on any other senior management or other personnel. The loss of the services of any of the Company's senior management or other key personnel or the inability to attract and retain the necessary technical, sales and managerial personnel could have a material adverse effect upon the Company's business, operating results and financial condition.

### **The Company faces intense competition in the insurance industry**

The Company is in an industry in which intense competition exists. The Company competes with other General Insurance Brokerages, as well as Insurance Companies that sell insurance directly to consumers and do not pay commissions to agents and brokers. Some



competitors have substantially more financial resources and other assets available than the Company does and are larger and better established than the Company. Such competitors have existing distribution facilities and channels, customer recognition, customer lists, and greater research and development capabilities and sales marketing staff than does the Company. There can be no assurance that the Company will be able to compete successfully against current and future competitors, or that competitive pressure faced by the Company will not have a material adverse effect on its business, financial condition and results of operation.

#### **Incursion of government, banks or other financial institutions**

The Company is susceptible to an incursion in the general insurance industry by government or banks or other financial institutions. A government takeover of the general insurance business (or parts thereof) could affect the profitability of the Company. In addition, banks with greater financial resources and a larger customer base than the Company may enter (or are currently entering) the general insurance business. While management believes that the Company's representation of a large and diverse number of Insurance Companies will allow it to remain competitive against any such incursion by the banks, there is a possibility that their entrance into this market could affect the profitability of the Company.

#### **The Company cannot accurately forecast commission revenue because commissions depend on premium rates charged by Insurance Companies, which historically have varied and are difficult to predict. Any declines in premiums or reduction in commission rates may adversely impact profitability**

Revenue from commissions fluctuates with premiums charged by insurers, as commissions typically are determined as a percentage of premiums. When premiums decline, the Company experiences downward pressure on revenue and earnings. Historically, property and casualty premiums have been cyclical in nature and have varied widely based on market conditions. Because we cannot determine the timing and extent of premium pricing changes, we cannot accurately forecast our commission revenue, including whether it will significantly decline. If premiums decline or commission rates are reduced, our revenue, earnings and cash flow could decline. In addition, our budgets for future acquisitions, capital expenditures, dividend payments, loan repayments and other expenditures may have to be adjusted to account for unexpected changes in revenue.

#### **Insurance Company contingent commissions and volume overrides are less predictable than normal commissions, which impairs the Company's ability to forecast the amount of such revenue that will be received and may negatively impact our operating results**

A portion of the Company's revenue is derived from contingent commissions and volume overrides. The aggregate of these sources of revenue generally has accounted for approximately 2-6% of our total revenue. Contingent commissions may be paid by an Insurance Company based on the profit it makes on the overall volume of business that we place with it. Volume overrides and contingent commissions are typically calculated in the first or second quarter of the following calendar year by the Insurance Companies and are paid once calculated. Further, we have no control over the process by which Insurance Companies estimate their own loss reserves, which affects our ability to forecast contingent commissions. Because these contingent commissions affect our revenue, any decrease in their payment to us could adversely affect our results of operations. Recently, legal proceedings challenging the appropriateness of revenue sharing arrangements between Insurance Companies and brokerages, including contingent profit and volume override arrangements, have been commenced against certain insurance brokerages. These proceedings allege that such revenue sharing arrangements conflict with a broker's duty to its clients. While we have not been named as a defendant in any such proceeding, and disagree with the underlying premise that these revenue sharing arrangements create a conflict of interest, we could be the subject of a similar action in the future. A finding that such arrangements conflict with a broker's duty to its clients could have a material adverse affect on our revenue and profitability.

#### **Proposed tort reform legislation in the United States, if enacted, could decrease demand for liability insurance, thereby reducing commission revenue**

Legislation concerning tort reform is currently being considered in the United States Congress and in several states. Among the provisions being considered for inclusion on such legislation are limitations on damage awards, including punitive damages, and various restrictions applicable to class action lawsuits, including lawsuits asserting professional liability of the kind of which insurance is offered under certain policies we sell. Enactment of these or similar provision by Congress, or by states or countries in which we sell insurance, could result in a reduction in the demand for liability insurance policies or a decrease in policy limits of such policies sold, thereby reducing our commission revenue.

#### **Privacy legislation may impede the Company's ability to utilize the customer database as a means to generate new sales**

The Company intends to utilize its extensive customer databases for marketing and sales purposes, which it believes would enhance the Company's ability to meet its organic growth targets. However, privacy legislation, such as the Gramm-Leach-Bailey Act and the Health Insurance Portability and Accountability Act of 1996 in the United States and the Personal Information Protection and

Electronic Documents Act (PIPEDA) in Canada, as well other regulatory changes, may restrict the Company's ability to utilize personal information that we have collected in the normal course of operations to generate new sales. If the Company becomes subject to new restrictions, or other regulatory restrictions, which we are not aware of, the Company's ability to grow the business may be adversely affected.

**If the Company fails to comply with regulatory requirements for insurance brokerages, the Company may not be able to conduct business**

The Company is subject to legal requirements and governmental regulatory supervision in the jurisdictions in which it operates. These requirements are designed to protect our clients by establishing minimum standards of conduct particularly regarding the provision of advice and product information as well as financial criteria.

Our activities in the United States and Canada are subject to regulation and supervision by state and provincial authorities. Although the scope of regulation and form of supervision by state and provincial authorities may vary from jurisdiction to jurisdiction, insurance laws in the United States and Canada are often complex and generally grant broad discretion to supervisory authorities in adopting regulations and supervising regulated activities. This supervision generally includes the licensing of insurance brokers and agents and the regulation of the handling and investment of client funds held in fiduciary capacity. Our ability to conduct our business in the jurisdictions in which we currently operate depends on our compliance with the rules and regulations promulgated from time to time by the regulatory authorities in each of these jurisdictions.

Our clients have the right to file complaints with the regulators about our services, and the regulators may investigate and require us to address these complaints. Our failure to satisfy the regulators that we are in compliance with their requirements or the legal requirements governing our activities can result in a disciplinary action, fines, reputation damage and financial harm.

In addition, changes in legislation or regulation and actions by regulators, including changes in administration and enforcement policies, could from time to time require operational improvements or modifications at various locations which could result in higher costs or hinder our ability to operate our business.

**The Company's success is dependent on its ability to represent quality Insurance Companies**

The Company's success is dependent upon its continued representation of quality Insurance Companies in order to sell insurance policies to customers. The Company's existing brokerage contracts with certain Insurance Companies do not have a set term or expiry date but may be terminated by either the Company or the Insurance Company on between 90-120 days' written notice of termination depending on the terms of the specific contract. In the event of termination on any of its contracts with Insurance Companies, there are no penalties to the Company but following termination; the Company is no longer able to represent the applicable Insurance Company as agent on the future placement or renewal of insurance policies. If the Company loses Insurance Company representation then this will have a negative impact on its ability to service its customers and provide alternative competitive insurance products.

**Dilution and sales of additional Common Shares and the exercise of options**

The number of outstanding Common Shares held by shareholders who are not affiliates of the Company and the number of Common Shares underlying outstanding share options is large relative to the trading volume of the Company's Common Shares. Any substantial sale of the Common Shares, including Common Shares underlying share options, or even the possibility of such sales occurring may have an adverse effect on the market price of the Common Shares.

**The Company has significant costs and lower productivity could result in operating losses**

Fixed costs including costs associated with salaries and employee benefits, depreciation and amortization, rent, and interest and financing costs account for a significant portion of the Company's costs and expenses. As a result, downtime or low productivity from its sales representatives, lower demand for insurance products, loss of the Company's customers, any significant decrease in the premium rates, volume and commission paid in the different segments of the general insurance industry, or other factors could result in operating losses and adversely impact on the Company.

**No intention to declare dividends**

The Company has a recent history of losses and has not declared or paid any cash dividends on its Common Shares. The Company currently intends to retain any future earnings to fund growth and operations and it is unlikely to pay any dividends in the immediate or

foreseeable future. Any decision to pay dividends on its Common Shares in the future will be made by the board of directors on the basis of the Company's earnings, financial requirements and other conditions at such time.

**Conflicts of directors and officers who serve as directors or officers or are significant shareholders of other companies**

Directors and officers of the Company may serve as directors or officers of, or have significant shareholdings in other companies, or be or become engaged in business and activities in other fields, on their own behalf and on the behalf of other companies and entities. To the extent that such other companies or entities may participate in industries or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest. Conflicts, if any, will be subject to the procedures and remedies under the *Business Companies Act* (Alberta).

**Investors may not be able to secure foreign enforcement of civil liabilities against the Company's management**

The enforcement by investors of civil liabilities under the federal securities laws of the United States may be adversely affected by the fact that the Company is amalgamated under the laws of Canada, that all of its officers and directors are residents of a foreign country and a substantial portion of its assets and such person's assets are located outside of the United States. As a result, it may be difficult for holders of the Common Shares to affect service of process on such persons within the United States or to realize in the United States upon judgments rendered against them.