ACL International Ltd.

(formerly Anthony Clark International

Insurance Brokers Ltd.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED

MARCH 31, 2014

June 26, 2014

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 year ended March 31, 2014. 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.

This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2014. The audited consolidated financial statements for the year ended March 31, 2014 are prepared in accordance with IFRS. These filings are available at www.sedar.com.

All amounts are in Canadian Dollars unless otherwise indicated.

OVERVIEW

ACL International Ltd. (formerly Anthony Clark International Insurance Brokers Ltd.) (the "Company") primary business activity involved the operation of general insurance brokerages in Canada and the United States. Shares of the Company traded on the TSX Venture Exchange under the symbol "ACL". The Company voluntarily delisted from the OTCQX due to low trading volume. The last day of trading on the OTCQX was December 31, 2013. The Company, founded in 1989, expanded through internal growth and acquisitions. The Company operated in two economic environments and revenues were attributed to geographic areas based on the location of resources producing the revenues.

On May 1, 2014 the Company completed the sale of all of its shares (51%) in the Canadian subsidiary Anthony Clark Insurance Brokers Ltd. held by the Company, to an arm's length third party for cash consideration of approximately $13,000,000, before repayment of certain senior debt and adjustments. As the transaction contemplated the sale of all or substantially all of the Company's assets shareholder approval was obtained on April 14, 2014 and TSX Venture Exchange approval on April 22, 2014. The Company paid certain liabilities in the amount of $7,942,971 from the sale proceeds including debt settlement $6,101,475, legal expenses $277,221 and severance and outstanding compensation of $1,564,275.

Subsequent to obtaining TSX Venture Exchange approval on April 29, 2014, the Company changed its name to ACL International Ltd. effective May 1, 2014 and transferred its common shares listing to the NEX Board of the TSX Venture Exchange effective May 2, 2014.

On May 26, 2014, the Board of Directors of the Company declared a capital distribution to the shareholders and set the record date for the distribution at June 9, 2014. The Company made an initial distribution of $0.28 per common share to its shareholders on June 18, 2014.

The following table presents unaudited proforma balance sheet as at March 31, 2014 as if the sale by the Company of all of the shares held by it in its Canadian subsidiary Anthony Clark Insurance Brokers Ltd. had occurred as at March 31, 2014. The unaudited proforma information is not necessarily indicative of the combined results that would have occurred had the sale of the shares held in the Canadian subsidiary and settlement of the Senior note taken place at the beginning of the year presented, nor is it necessarily indicative of results that may occur in the future.

		As at March 31, 2014
Current assets	$	5,467,124
Total Assets	$	5,467,124
Current Liabilities	$	464,426
Long-term debt		712,919
Shareholders' Equity		4,289,779
Total Liabilities and Shareholders' Equity	$	5,467,124

DISCONTINUED OPERATIONS

On March 3, 2014 the Company sold the property and equipment and customer accounts of its U.S. operations for net sales proceeds of $ 3,204,664 including transaction costs of $ 178,396. The Company realized a loss from discontinued operations of $ 2,804,844. In conjunction with the sale of the U.S. operations, the net proceeds of the sale transaction were used to pay down the U.S. notes payable in the amount of $3,305,416 (US$2,980,000) on March 3, 2014.

U.S. operations

Balance sheet as at		**March 31, 2013**
Property and equipment	$	50,163
Goodwill		5,073,931
Total non-current assets	$	5,124,094

On May 8, 2012, the Company sold the property and equipment, customer accounts and accounts receivables of its Northern California operations for net sales proceeds of $ 869,272 including transaction costs of $ 208,848. The Company realized a gain from discontinued operations of $ 167,973.

Northern California operations

Balance sheet as at		**March 31, 2012**
Accounts receivable	$	255,156
Total current assets	$	255,156
Property and equipment	$	21,917
Customer accounts		248,264
Total non-current assets	$	270,181
Total Assets	$	525,337

The gain (loss) from discontinued operations for the years ended March 31, 2014 and 2013 is summarized below:

	Year ended March 31, 2014			Year ended March 31, 2013		
	Virginia Agency	Northern California Agency	Total	Virginia Agency	Northern California Agency	Total
Revenue from discontinued operations	$ 2,672,608	$ 2,662	$ 2,675,270	$ 3,160,830	$ 131,825	$ 3,292,655
Expenses of discontinued operations	(5,036,350)	(1,834)	(5,038,184)	(3,152,784)	(322,842)	(3,475,626)
Earnings (loss) from discontinued operations	(2,363,742)	828	(2,362,914)	8,046	(191,017)	(182,971)
Gain (loss) on sale of discontinued operations	(441,930)	-	(441,930)	-	358,990	358,990
Gain (loss) from discontinued operations	$ (2,805,672)	$ 828	$(2,804,844)	$ 8,046	$ 167,973	$ 176,019

2014 OPERATIONAL HIGHLIGHTS

- **EBITDA** for the year ended March 31, 2014 - $3,444,122 compared to $3,439,355
- **Earnings per share** for the year ended March 31, 2014 – $(0.29) per share compared to $0.01 per share

SELECTED ANNUAL INFORMATION

Years ended March 31,	**2014**	**2013**	**2012**
Revenue	$ 10,294,961	$ 9,886,810	$ 10,726,276
Net earnings (loss)	(1,742,091)	1,163,020	911,296
Total assets	11,155,724	17,755,481	19,594,605
Total long-term liabilities	12,695,647	16,649,185	16,739,426
Shareholder's equity	(6,327,895)	(3,557,564)	(3,621,125)
Earnings (loss) per share – basic and fully diluted	(0.29)	0.01	(0.04)

The Company's total assets have decreased as at March 31, 2014 compared to March 31, 2013 primarily due to the sale of the Virginia agency and decrease in customer accounts due to amortization. The Company's long-term liabilities have decreased as at March 31, 2014 compared to March 31, 2013 primarily due to paying down the US notes payable with the net proceeds of the Virginia sale and the current year principal repayments. Revenue increased primarily due to growth in the Canadian operations, partially offset by reduced contingent growth incentive income in Canada.

The Company's total assets have decreased as at March 31, 2013 compared to March 31, 2012 primarily due to the sale of the Northern California agency and decrease in customer accounts due to amortization. The Company's long-term liabilities have decreased as at March 31, 2013 compared to March 31, 2012 primarily due to current year principal repayments significantly offset by the reclassification of the U.S. $1.2 million note payable from current to long-term. Revenue decreased primarily due to reduced contingent growth incentive income in Canada.

The net earnings (loss) for the year ended March 31, 2014 of $(1,742,091) included $3,512,002 of net non-cash expenses consisting of amortization of deferred financing costs, deferred income taxes recovery, depreciation and amortization and loss from discontinued operations of $2,804,844.

The net earnings for the year ended March 31, 2013 of $1,163,020 included $578,845 of net non-cash expenses consisting of amortization of deferred financing costs, deferred income taxes recovery, depreciation and amortization and a gain from discontinued operations of $176,019.

The net earnings for the year ended March 31, 2012 of $911,296 included $1,348,411 of net non-cash expenses consisting of amortization of deferred financing costs, deferred income taxes recovery, depreciation and amortization, share-based compensation, interest and penalty on U.S. note payable converted to long term debt and a gain from discontinued operations of $615,088.

RESULTS OF OPERATIONS

The insurance industry continues to experience a stable market with increases in certain segments. The premiums are increasing in certain business lines as the industry is affected by continued pressure on underwriting margins, low investment yields and thus low return on capital and catastrophic losses. We have noticed some premium increases in property insurance, but commercial insurance premiums are stable. In Alberta, we expect a rate increase of 10% in personal property insurance. 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 in the Tidewater area of Virginia. 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.

For the year ending March 31, 2014

Revenue

The Company's revenue increased to $10,294,961 for the year ending March 31, 2014 from $9,886,810 for the year ending March 31, 2013, an increase of 4.1%, primarily due to increased revenue from organic growth in Canada, partially offset by decreased growth incentive income in Canada. The insurance industry continues to experience a stable market with increases in certain segments. 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 and catastrophic losses. 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.

The Company's revenue decreased to $9,886,810 for the year ended March 31, 2013 from $10,726,276 for the year ended March 31, 2012, a decrease of 7.82%, primarily due to reduced contingent growth incentive income in Canada partially offset by revenue from organic growth in Canada. 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 $4,996,935 for the year ending March 31, 2014 from $4,757,212 for the year ending March 31, 2013, an increase of 5%, primarily related to increased costs in the Canada operations related to organic growth in revenue, partially offset by no management bonus for the year ended March 31, 2014. The Company continuously monitors and proactively aligns its employee levels with premium volumes and economic conditions.

Salaries and wages decreased to $4,757,212 for the year ended March 31, 2013 from $4,840,022 for the comparative year ended March 31, 2012, a decrease of 1.7%, primarily related to decreased management bonus partially offset by 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 $1,607,215 for the year ending March 31, 2014 from $1,473,698 for the year ending March 31, 2013, an increase of 9%, primarily due to increased legal fees related to the sale of all or substantially all the assets.

General and administrative decreased to $1,473,698 for the year ended March 31, 2013 from $1,524,052 for the comparative year ended March 31, 2012, a decrease of 3.3%, primarily due to reduced professional fees and decreased costs resulting from combining the Calgary locations into one new location in December 2011.

Rent expense increased to $246,689 for the year ending March 31, 2014 from $216,545 for the year ending March 31, 2013, an increase of 14%, primarily due to rent incentives for the Calgary location in the prior period.

Rent expense decreased to $216,545 for the year ended March 31, 2013 from $334,636 for the comparative year ended March 31, 2012, a decrease of 35%, 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 increased to $3,444,122 for the year ended March 31, 2014 from $3,439,355 for the year ended March 31, 2013. EBITDA as a percentage of revenue has decreased to 33.4% for the year ended March 31, 2014 from 34.8% for the year ended March 31, 2013. The net decrease resulted primarily from net increased revenue from organic growth in Canada, partially offset by reduced growth incentive income in Canada, increased legal fees related to the sale of all or substantially all the assets, and increased salaries and wages related to the organic growth, and no management bonus in the 2014 year end. 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 Company's EBITDA decreased to $3,439,355 for the year ended March 31, 2013 from $4,018,712 for the year ended March 31, 2012, a decrease of 14.4%. EBITDA as a percentage of revenue has decreased to 34.8% for the year ending March 31, 2013 from 37.5% for the year ending March 31, 2012. The decrease resulted primarily from the net effect of reduced contingent growth incentive income in Canada partially offset by increased revenue due to organic growth in Canada and reduced management bonus and professional fees. 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 (loss) for the year ended March 31, 2014 of ($1,742,091) included $3,512,002 of net non-cash expenses consisting of amortization of deferred financing costs, deferred income taxes recovery, impairment of goodwill and depreciation and amortization and loss from discontinued operations of $2,804,844.

The net earnings for the year ended March 31, 2013 of $1,163,020 included $578,845 of net non-cash expenses consisting of amortization of deferred financing costs, deferred income taxes recovery, depreciation and amortization and a gain from discontinued operations of $176,019.

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

Year ending March 31,		2014		2013
Revenue	$	10,294,961	$	9,886,810
Earnings before the following (EBITDA)		3,444,122		3,439,355
Interest and financing costs		(863,676)		(885,215)
Depreciation and amortization		(711,078)		(748,686)
Income tax expense		(806,615)		(818,453)
Net earnings (loss) from continuing operations		1,062,753		987,001
Gain (loss) from discontinued operations		(2,804,844)		176,019
Net earnings (loss) for the year	$	(1,742,091)	$	1,163,020

Non-Controlling Interest in Consolidated Subsidiary

On June 10, 2008, April 23, 2009 and July 14, 2010, the Company closed equity financings under which a non-controlling interest, totaling 49% of a consolidated subsidiary of the Company which operates the Canadian operations, was 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 shareholder 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.

The non-controlling shareholder is the lender on the Senior notes.

Interest and Financing Costs

Year ended March 31,		2014		2013
Interest on long-term debt	$	845,449	$	869,169
Amortization of deferred financing costs and loan discount		12,865		12,865
Interest on obligations under capital lease		5,362		3,181
	$	863,676	$	885,215

Depreciation and Amortization

Depreciation and amortization decreased to $711,078 for the year ended March 31, 2014 from $748,686 for the year ended March 31, 2013, primarily due to certain customer accounts in Canada being fully amortized.

Depreciation and amortization decreased to $748,686 for the year ended March 31, 2013 from $914,947 for the year ended March 31, 2012, primarily due to certain customer accounts in Canada being fully amortized.

Impairment test of goodwill

The Company performed its annual test for goodwill impairment as at March 31, 2014.

The test results indicate that the recoverable amount of the Canada CGU exceeded its carrying value and no impairment loss for goodwill has been recognized for the year ended March 31, 2014.

Carrying amount of goodwill at

Cash Generating Unit	March 31, 2014	March 31, 2013
Canada	$ 7,317,360	$ 7,317,360
US	-	5,073,931
Total Goodwill	$ 7,317,360	$ 12,391,291

The U.S. CGU was assessed for impairment because of market indicators in the third quarter. The Company concluded that the carrying value of the CGU exceeded the recoverable amount. As a result, the Company determined there was an impairment loss for goodwill. The Company recorded a total goodwill impairment charge of $2,122,939 which was recognized in the third quarter ended December 31, 2013.

The valuation techniques, significant assumptions and sensitivities applied in the goodwill impairment test are described below. The selection and application of valuation techniques and the determination of significant assumptions requires judgment.

Valuation technique
The recoverable amount of the CGU was based on the fair value less cost to sell using a market approach. The market approach assumes that companies operating in the same industry will share similar characteristics and that company values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies whose financial information is publicly available may provide a reasonable basis to estimate the fair value. Under the market approach, fair value is calculated based on EBITDA multiples of benchmark companies comparable to the business in the CGU.

The EBITDA multiples were also compared to internally calculated WACC. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of the unit.

Assumptions
The WACC used by the Company for testing ranged from 8% to 11% (March 31, 2013 - 8% to 19%). Normalized EBITDA was based on past performance and management expectations for the Company. The key assumptions described may change as economic and market conditions change.

The fair value for the CGU was in excess of its carrying value. The Company is not aware of any reasonably possible change in any of the above key assumptions that would cause the carrying value of the Canada CGU to exceed its recoverable amount.

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 above.
- The Revenue and EBITDA exclude the results of the discontinued operations.

Quarter ended	Revenue ($)	EBITDA ($)	Net earnings ($)	EPS-Basic and Diluted ($/share)
March 31, 2014	2,351,039	351,434	(555,913)	(0.07)
December 31, 2013	2,576,245	966,123	(1,893,282)	(0.22)
September 30, 2013	2,585,022	945,619	386,357	-
June 30, 2013	2,782,655	1,180,946	320,747	-
March 31, 2013	2,447,316	660,895	202,735	-
December 31, 2012	2,390,384	841,098	133,353	(0.01)
September 30, 2012	2,416,559	877,146	229,377	-
June 30, 2012	2,632,551	1,060,216	597,555	0.02

In the quarter ended December 31, 2013, the U.S.- Virginia CGU was assessed for impairment because of market indicators. The Company concluded that the carrying value of the CGU exceeded the recoverable amount. As a result, the Company determined there was an impairment loss for goodwill. The Company recorded a total goodwill impairment charge of $2,122,939 which was recognized in the third quarter ended December 31, 2013 impacting the net earnings.

Fourth quarter 2014 results

Revenue decreased for the quarter ending March 31, 2014 compared to the quarter ending March 31, 2013 primarily due to reduced contingent growth incentive income in Canada. EBITDA decreased for the quarter ending March 31, 2014 compared to the quarter ending March 31, 2013 primarily due to reduced contingent growth incentive income in Canada and increased legal fees related to the sale of all or substantially all the assets transaction, partially offset by no management bonus in the 2014 year end.

FINANCIAL CONDITION AND CHANGES IN FINANCIAL CONDITION

Comparing March 31, 2014 and March 31, 2013:

- **Working capital** decreased $1,532,057.
- **Customer accounts** decreased $276,029 due to amortization, partially offset by the acquisition of customer accounts in Canada.
- **Goodwill** decreased $5,073,931 mainly due to the impairment of goodwill in the Virginia operations and sale of the Virginia operations, partially offset by the effect of the increase in the exchange rate.
- **Long-term debt** decreased $3,880,688 primarily due to the principal repayments on the Canadian loans and payments on the U.S. note payable, including the use of the sale proceeds from the sale of the Virginia operations to pay down the U.S. note payable, partially offset by additional senior debt for acquisition of customer accounts in Canada and the effect of the increase in the exchange rate.
- **Equity attributable to owners of the Company** decreased by $2,770,331 primarily due to:
    - net loss of $2,832,392;
    - decrease in share capital of $(88,272) related to issuer bid purchases;
    - increase in accumulated other comprehensive income of $ 72,363, and
    - increase in contributed surplus of $77,970 related to issuer bid purchases.

FINANCIAL RESOURCES AND LIQUIDITY

As at March 31, 2014, the Company has a working capital deficiency of $1,592,657. The Company required capital in order to fund its operations including debt service requirements. To address its capital requirements, the Company initiated a process to explore and evaluate potential strategic alternatives with a view to enhancing shareholder value. Completion of a suitable transaction would be subject to a number of conditions including potentially shareholder and regulatory approval. The Company's ability to successfully complete a transaction indicated the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

On May 1, 2014 the Company completed the sale of all of its shares (51%) in the Canadian subsidiary Anthony Clark Insurance Brokers Ltd. held by the Company to an arm's length third party for cash consideration of approximately $13,000,000, before repayment of certain senior debt and adjustments. As the transaction contemplated the sale of all or substantially all of the Company's assets shareholder approval was obtained on April 14, 2014 and TSX Venture Exchange approval on April 22, 2014. The Company paid certain liabilities in the amount of $7,942,971 from the sale proceeds including debt settlement $6,101,475, legal expenses $277,221 and severance and outstanding compensation of $1,564,275.

Subsequent to obtaining TSX Venture Exchange approval on April 29, 2014, the Company changed its name to ACL International Ltd. effective May 1, 2014 and transferred its common shares listing to the NEX Board of the TSX Venture Exchange effective May 2, 2014.

On May 26, 2014, the Board of Directors of the Company declared a capital distribution to the shareholders and set the record date for the distribution at June 9, 2014. The Company made an initial distribution of $0.28 per common share to its shareholders on June 18, 2014.

Canadian Debt

The Company had a principal repayment holiday on one Senior note ($6,067,347) totaling $182,927 from December 1, 2013 to March 1, 2014. 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 August 1, 2013, the Company acquired customer accounts from an independent insurance broker in Calgary, Alberta for $176,707 which was funded through an expansion of the Company's existing acquisition facility (Senior note).

U.S. Debt

On March 18, 2013, the Company and the U.S. lender agreed to the terms for restructuring the U.S. $1,200,000 note payable whereby the existing note was cancelled and restructured for cash and a new note. Under the new promissory note, the Company made three principal payments of U.S. $25,000; on April 15, 2013, September 1, 2013 and January 2, 2014 . In addition, the Company paid a U.S. $25,000 fee to the lender related to this restructuring. In conjunction with the sale of the Virginia agency, the net proceeds of the sale transaction were used to pay down the U.S. notes payable in the amount of $3,305,416 (US$2,980,000) on March 3, 2014. Interest only payments at 6.75% per annum continue on the unpaid balance until maturity of the loan.

The U.S. denominated debt is secured with a guarantee provided by the Company.

Contingencies

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.

Commitments
The Company leases office premises under operating leases that expire at various dates during the 2015 through 2019 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 March 31, 2014:

	Total	Less than 1 Year	1 – 3 Years	3 – 5 Years	More than 5 years
Contractual Obligations					
Operating Lease Obligations	$ 1,183,225	$ 374,693	$ 455,720	$ 352,812	-
Long-Term Debt					
Senior notes	$ 13,175,867	$ 1,292,867	$ 2,825,418	$ 8,970,554	$ 87,028
U.S. Notes payable	712,919	-	712,919	-	-
Obligations under capital leases	32,513	18,086	14,427	-	-

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 year ended March 31, 2014 and March 31, 2013 are as follows:

	Shares	Amount
Balance, April 1, 2012	9,913,184	$ 9,777,222
Charge to capital on repurchase of shares through issuer bid	(218,500)	(215,503)
Balance, March 31, 2013	9,694,684	9,561,719
Charge to capital on repurchase of shares through issuer bid	(89,500)	(88,272)
Balance, March 31, 2014	9,605,184	$ 9,473,447

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.

- 2014 - The bid commenced May 20, 2013 and will terminate on May 19, 2014 and pursuant to the bid, the Company has approval to purchase up to 969,168 of its common shares. The Company has repurchased 85,000 common shares under the bid.

- 2013 - The bid commenced May 19, 2012 and terminated on May 18, 2013 and pursuant to the bid, the Company had approval to purchase up to 1,022,447 of its common shares. The Company repurchased 220,000 common shares under the bid.

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 year ended March 31, 2014 and 2013 are as follows:

	2014			2013		
	Number of Options		Weighted average exercise price	Number of Options		Weighted average exercise price
Beginning of year	450,000	$	0.36	450,000	$	0.36
Expired	(450,000)		(0.36)	-		-
End of year	-		-	450,000	$	0.36

The outstanding options expired unexercised on April 1, 2013.

RELATED PARTY TRANSACTIONS

The Company enters into transactions with related parties from time to time in the normal course of business, as well as key management personnel.

During the year ended March 31, 2014, the Company incurred $nil (2013- $ 2,365) of consulting fees charged by a director.

Compensation of key management personnel

Key management personnel are comprised of all members of the Board of Directors and the Named Officers (as defined in Form 51-102F6 Statement of Executive compensation and disclosed in the Company's Management Proxy Circular in connection with its annual meeting of shareholders). The summary of compensation of key management personnel for the year is as follows:

For the years ended March 31,	**2014**	**2013**
Salary and bonuses	$ 426,153	$ 506,153
Short-term employee benefits	15,769	15,132
Total compensation of key management personnel	$ 441,922	$ 521,285

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, repurchase 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 March 31, 2014 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 Company 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 March 31, 2014, the Company's maximum exposure to credit risk is through the following assets:

Trade receivables	$	1,162,656
Net credit risk	$	1,162,656

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 March 31, 2014, the Company is exposed to currency risk through the following assets and liabilities denominated in U.S. dollars:

Cash	$	138,843
Trade receivables		56,813
Trade payables and accrued liabilities		(262,196)
Long-term debt		(712,919)
Net exposure	$	(779,459)

Based on the above net exposure at March 31, 2014, 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 $ 77,945 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.

ADOPTION OF NEW ACCOUNTING STANDARDS

The Company has adopted the following new accounting standards effective April 1, 2013. These changes were made in accordance with the applicable transitional provisions and had no impact on the financial statements.

(i) IFRS 10 *Consolidated Financial Statements*. IFRS 10 defines a single concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of a parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

(ii) IFRS 11 *Joint Arrangements*. IFRS 11 focuses on the rights and obligations of an arrangement rather than its legal form, as was previously the case. The standard distinguishes between joint operations, where the joint operator accounts for the assets, liabilities, revenues, and expenses relating to its involvement, and joint ventures, which must be accounted for using the equity method.

(iii) IFRS 12 *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint operations, joint ventures, associates and unconsolidated structured entities.

(iv) IFRS 13 *Fair Value Measurement*. IFRS 13 is a new standard that applies to both financial and non-financial items measured at fair value. It defines fair value, sets out a single framework for measuring fair value and requires disclosures about fair value measurements. Previously, a variety of fair value techniques and disclosures were possible under the requirements of separate applicable IFRS.

Accounting standards and interpretations issued but not yet adopted

As at the date of these consolidated financial statements, the following standard has not been applied in these consolidated financial statements:

(i) IFRS 9 *Financial Instruments*; effective for annual periods beginning on or after January 1, 2018. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 prohibits reclassifications except in rare circumstances when the entity's business model changes. The new standard removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortized cost or fair value.

Management is currently assessing the impact of this new standard on the Company's accounting policies and financial statement presentation.

Use of Estimates and Judgments

The preparation of these consolidated financial statements requires management to make judgments, 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 these consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are as follows:

Use of Judgments

Cash Generating Units

The determination of cash generating units ("CGUs") requires judgment 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. CGUs 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 judgment. 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 judgment 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 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).

Amortization and Depreciation

Management is required to make certain estimates and assumptions when determining the amortization and depreciation 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 and depreciation methods, rates, and residual values annually and adjusts amortization and depreciation 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.