NEXJ SYSTEMS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis of financial condition and results of operations (the "MD&A") should be read in conjunction with the unaudited interim financial statements for the three month period ended March 31, 2011, which we prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should also be read in conjunction with our audited annual financial statements for the years ended December 31, 2010, 2009 and 2008 and related notes, which we prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), which can be found in the Company's final prospectus dated May 11, 2011 (the "Prospectus") available on SEDAR at www.sedar.com. Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Caution Regarding Forward-Looking Statements" and "Risk Factors". The information in this discussion is provided as of June 14, 2011, unless we indicate otherwise.

Where we say "we", "us", "our", "NexJ" or "the Company", we mean NexJ Systems Inc.

Unless otherwise indicated, all dollar amounts are expressed in thousands of Canadian dollars, except per share amounts and percentages.

Caution Regarding Forward Looking Statements

This MD&A contains forward-looking statements that relate to the Company's current expectations and views of future events.

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "anticipate", "aim", "estimate", "intend", "plan", "seek", "believe", "potential", "continue", "is/are likely to" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- *the Company's expectations regarding its revenue, expenses and operations;*
- *the Company's anticipated cash needs and its need for additional financing;*
- *the Company's ability to protect, maintain and enforce its intellectual property rights;*
- *third-party claims of infringement or violation of, or other conflicts with, intellectual property rights by the Company;*
- *the Company's plans for and timing of expansion of its solutions and services;*
- *the Company's future growth plans;*
- *the acceptance by the Company's customers and the marketplace of new technologies and solutions;*
- *the Company's ability to attract new customers and develop and maintain existing customers;*
- *the Company's ability to attract and retain personnel;*
- *the Company's expectations with respect to advancement in its technologies;*
- *the Company's competitive position and its expectations regarding competition;*
- *regulatory developments and the regulatory environments in which the Company operates; and*
- *anticipated trends and challenges in the Company's business and the markets in which it operates.*

Forward-looking statements are based on certain assumptions and analysis made by the Company based on its experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. Although we believe that the

assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, current and prospective investors should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risk Factors", which include:

- *our dependence on a limited number of customers and large project size;*
- *fluctuation in our quarterly operating results;*
- *our dependence on key personnel;*
- *our compensation structure;*
- *risks associated with managing large and complex software implementation projects;*
- *uncertainties and assumptions in our sales forecasts, including the extent to which sales proposals are converted into sales;*
- *risks associated with our ability to design, develop, test, market, license and support our software products on a timely basis;*
- *market acceptance of our products and services;*
- *commercial success of products resulting from our investment in research and development;*
- *our success in expanding sales into new international markets;*
- *risks associated with expansion into healthcare and other new industry verticals;*
- *competition in our industry;*
- *failure to protect our intellectual property or infringement of intellectual property rights of third parties;*
- *reliance upon a limited number of third-party software products to develop our products;*
- *defects or disruptions in our products and services;*
- *currency exchange rate fluctuations;*
- *lengthy sales cycles for our software;*
- *global financial market conditions; and*
- *failure to manage our growth successfully.*

These risks, uncertainties, assumptions and other factors could cause the Company's actual results, performance, achievements and experience to differ materially from the Company's expectations, future results, performances or achievements expressed or implied by the forward-looking statements.

The forward-looking statements made in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A. Except as required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

This MD&A should be viewed in conjunction with the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Non-IFRS Measures

The Company prepares its financial statements in accordance with IFRS. This MD&A also includes certain measures which have not been prepared in accordance with IFRS such as Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EBITDA per share used to evaluate the Company's operating performance as a compliment to results provided in accordance with IFRS.

The term "Adjusted EBITDA" refers to net loss before deducting share-based payment expense, finance income, finance costs, foreign exchange loss, depreciation and income taxes. "Adjusted EBITDA margin" refers to

the percentage that Adjusted EBITDA for any period represents as a portion of total revenue for that period. "Adjusted EBITDA per share" refers to Adjusted EBITDA divided by the weighted average number of common shares outstanding. We believe that Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EBITDA per share are useful supplemental information as they provide an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration share-based payment expense and the other items listed above. Accordingly, we believe that these measures may also be useful to investors in enhancing their understanding of the Company's operating performance. See "Results of Operations – Adjusted EBITDA".

Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EBITDA per share are not measures recognized by IFRS and do not have standardized meanings prescribed by IFRS. Therefore, Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EBITDA per share may not be comparable to similar measures presented by other issuers. Investors are cautioned that Adjusted EBITDA and Adjusted EBITDA margin should not be construed as an alternative to net income (loss) as determined in accordance with IFRS.

Overview

NexJ is a leading provider of enterprise private cloud software, delivering CRM solutions primarily to the financial services, insurance and healthcare industries. Our next-generation, people-centered software combines industry-specific functionality with information from multiple applications and data stores to provide comprehensive knowledge of the customer or patient.

We have enjoyed a strong track record of revenue growth and have increased our revenues through sales to new customers and sales of additional products, professional services and maintenance services to our existing customers.

Our revenue consists primarily of software license fees, professional service fees and maintenance fees. Software license revenue is comprised of license fees charged for the use of our software products typically licensed under perpetual arrangements. Professional service revenue consists of fees charged for customization, implementation and ongoing services of our software products. Maintenance revenue consists of fees charged for customer support on our software products post-delivery. Maintenance fee arrangements generally include ongoing customer support and rights to certain unspecified product updates. Our customers typically purchase a combination of software, maintenance and professional services, although the type, mix and quantity of each vary by customer.

Professional service costs consist primarily of the costs directly related to revenues including internal costs required to deliver professional services and maintenance.

Research and development expenses include personnel and related costs associated with our research and development efforts.

Sales and marketing expenses consist primarily of personnel and related costs associated with our sales and marketing functions, including commissions, direct marketing campaign, webinars, public relations and other promotional materials.

General and administration expenses include personnel and related costs associated with the administration of our business, rental of office space, legal and professional fees and insurance.

Key Performance Indicators

Key performance indicators that we use to manage our business and evaluate our financial results and operating performance include: revenue, operating expenses, Adjusted EBITDA and net income (loss). We evaluate our performance on these metrics by comparing our actual results to management budgets, forecasts and prior period performance.

First Quarter Highlights

- Revenue growth of over 200% quarter over quarter, from $2,579 in Q1, 2010 to $7,745 in Q1, 2011. The increase is a result of recognizing software license revenue relating to existing customer projects and professional services performed for new and existing customers.

- Expansion of an existing customer project to include European private banking facilities, NexJ's initial entrance to the European market.

- Reduction of the stock option pool to 10% of the outstanding common shares of NexJ (the "Common Shares") by entering into loan and share pledge agreements between us and certain of our officers and employees ("Exercise Persons") to facilitate the exercise of certain options held by such Exercise Persons.
- 40.9% improvement in Adjusted EBITDA (as defined above) to a loss of $817 from a loss of $1,382 in the comparative period in 2010. This improvement was driven by the increase in revenue and improved leverage of variable expenses.
- Increase in net loss by $790 from a loss of $1,636 to a loss of $2,426 primarily as a result of the share-based payment expense under IFRS for the quarter.

Subsequent Event

On May 18, 2011, the Company completed an initial public offering ("IPO") of 4,850,000 Common Shares at a price of $9.00 per share resulting in gross proceeds to NexJ of $43,650. The estimated expenses, including underwriters' fees, on closing of the IPO were approximately $3,450. The Company also granted to the underwriters of the IPO an over-allotment option, exercisable, in whole or in part, at the sole discretion of the underwriters, for a period of 30 days from the closing of the IPO, to purchase up to an additional 727,500 Common Shares for aggregate gross proceeds to NexJ of $50,197.

Selected Annual Information

The following table sets out selected financial information for the periods indicated. The selected financial information of the Company as at December 31, 2010 and 2009 and for the financial years ended December 31, 2010, 2009 and 2008 has been derived from the Company's audited annual financial statements. The summary financial information should be read in conjunction with the annual financial statements of the Company included in the Prospectus and the related notes and with "Management's Discussion and Analysis of Financial Condition and Results of Operations", which we prepared in accordance with GAAP, each of which can be found in the Prospectus available on SEDAR at www.sedar.com. Readers should note that this historical summary annual financial information was prepared in accordance with GAAP and has not been updated to reflect the basis of presentation under IFRS.

	Year ended December 31,		
	2010	2009	2008
	(In thousands of dollars, except per share amounts)		
Statements of Operations			
Revenue	$22,531	$18,114	$ 7,862
Expenses			
Professional service costs	4,589	3,274	2,078
Research and development, net	8,121	5,245	4,725
Sales and marketing	5,482	3,206	1,408
General and administrative	4,075	2,508	2,557
Foreign exchange loss (gain)	483	53	(303)
Depreciation	530	218	98
Total Expenses	23,280	14,504	10,563
Income (loss) before undernoted	(749)	3,610	(2,701)
Interest income, net	123	65	71
Income (loss) before income taxes	$ (626)	$ 3,675	$ (2,630)
Income taxes (recovery)	—	1,263	(1,208)
Net income (loss)	$ (626)	$ 2,412	$ (1,422)
Net income (loss) per share			
Basic	$ (0.05)	$ 0.24	$ (0.14)
Diluted	$ (0.05)	$ 0.22	$ (0.14)
Weighted average number of Common Shares outstanding (000's)			
Basic	13,176	10,005	9,832
Diluted	13,176	10,750	9,832

	As at December 31,	
	2010	2009
	(In thousands of dollars)	
Selected Balance Sheet Data		
Cash and cash equivalents	23,942	34
Short-term investments	5,070	3,597
Total assets	42,164	9,803
Deferred revenue	5,727	831
Total liabilities	11,634	4,203
Total shareholders' equity	30,530	5,600

Results of Operations

Historically, our operating results have fluctuated significantly. This is due to the fact that we enter into large enterprise CRM contracts and the length of the implementation phase of our software products is generally anywhere from six to eighteen months long. This impacts license revenue significantly as the costs incurred on a contract could be recognized in one period whereas the license revenue earned from the contract might be recognized in another period. This contributes to the significant fluctuations in our business results and given the nature of our business, our results will continue to fluctuate in the future. We have also increased our head count significantly to support our recent growth and in anticipation of future growth.

The majority of the software license revenue earned to date relate to perpetual software licenses under customer arrangements. The Company has not earned any significant revenue to date from reseller or OEM alliance partners or from subscription based arrangements.

The following table sets forth a summary of our results of operations for the three month periods ended March 31, 2011 and 2010 prepared in accordance with IFRS:

	Three months ended March 31,		Period-Over-Period Change	
	2011	2010	$	%
	(In thousands of dollars, except percentages and per share amounts)			
Revenue	$7,745	$2,579	5,166	200.3%
Expenses	8,562	3,961	4,601	116.2%
Adjusted EBITDA[(1)]	**(817)**	**(1,382)**	**(565)**	**40.9%**
Share-based payment expense	954	102	852	835.3%
Depreciation	182	79	103	130.4%
Foreign exchange loss	515	72	443	615.3%
Finance income	(43)	(1)	(42)	n/m
Finance costs	1	2	(1)	n/m
Loss before income taxes	(2,426)	(1,636)	(790)	48.3%
Income taxes	—	—	—	—
Net loss	**(2,426)**	**(1,636)**	**(790)**	**48.3%**
Weighted average number of common shares outstanding (000's)				
Basic and diluted	14,705	10,078		
Net loss per share				
Basic and diluted	$(0.16)	$(0.16)	—	—
Adjusted EBITDA per share[(1)]				
Basic and diluted	$(0.06)	$(0.14)	$0.08	57.1%

n/m — not meaningful

(1) The financial information, except for Adjusted EBITDA, has been prepared in accordance with IFRS. See "Non-IFRS Measures".

	As at March 31, 2011	As at December 31, 2010
	(In thousands of dollars)	
Selected Statement of Financial Position Data		
Cash and cash equivalents	24,723	23,942
Short-term investments	—	5,070
Total assets	37,458	42,164
Deferred revenue	3,173	5,727
Total liabilities	8,391	11,634
Total equity	29,067	30,530

Comparison of quarter ended March 31, 2011 and 2010

Revenue

Total revenue for the quarter ended March 31, 2011 was $7,745, an increase of 200%, or $5,166, compared to $2,579 for the comparative period in 2010. The increase was as a result of the execution of sales contracts with new customers in 2010 which contributed significantly to the growth in revenue in the quarter ended March 31, 2011.

With respect to the current status of the customer projects, at March 31, 2011, the initial implementation and software deployment work was completed for two customers of the Company during the period; the projects in

progress for our remaining customers varied from being in the preliminary stages to mid-way towards project completion.

The following table sets forth the breakdown of our revenue recognized according to revenue type and the change for the three month period ended March 31, 2011 and 2010:

	Three months ended March 31,		Period-Over-Period Change	
	2011	2010	$	%
	(In thousands of dollars, except percentages)			
Licenses	$3,736	$32	3,704	n/m
Professional services	3,501	2,034	1,467	72.1%
Maintenance and support	508	513	(5)	0.9%
Total	$7,745	$2,579	5,166	200.3%

n/m — not meaningful

License revenue for the quarter ended March 31, 2011 increased by $3,704 to $3,736, from $32 for the comparative period in 2010. Professional services revenue for the quarter ended March 31, 2011 increased by 72%, or $1,467, to $3,501 from $2,034 for the comparative period in 2010. We follow the percentage of completion method for recognizing revenues relating to the combination of software licenses and professional services for customer arrangements that meet the applicable accounting criteria. In the quarter ended March 31, 2011, a significant amount of license and professional services revenues were recognized using the percentage of completion method of accounting. The completion of the initial implementation and software deployment work for two customers during the quarter also contributed to the increase in license revenue. In addition, we continued to provide incremental professional services to some of our existing customers where software license deployment and acceptance had taken place in prior periods.

Maintenance and support revenues for the quarter ended March 31, 2011 remained relatively stable and were consistent with the comparative period in 2010 because of the continuation of maintenance service arrangements for customers for whom software products had already been deployed.

The Company’s revenue by geographic region is as follows:

	Three months ended March 31,	
	2011	2010
	(In thousands of dollars)	
United States of America	$6,461	$2,073
Canada	1,184	506
Europe	100	—
Total	$7,745	$2,579

In the quarter ended March 31, 2011, we recognized revenue of $4,060, comprised of $3,733 from software license arrangements and $327 from annual maintenance and support revenue related to amounts deferred in fiscal 2010, which represented a large portion of the revenue previously deferred in fiscal 2010.

The deferred revenue balance at March 31, 2011 was $3,173, comprised of $1,288 from software license arrangements and $1,885 in annual maintenance and support revenue.

Expenses

The following table sets forth the breakdown of our expenses by category and the change for the three month periods ended March 31, 2011 and 2010:

	Three months ended March 31,		Period-Over-Period Change	
	2011	2010	$	%
	(In thousands of dollars, except percentages)			
Professional service costs	$ 2,065	$ 893	$1,172	131.2%
Research and development	3,131	1,415	1,716	121.3%
Sales and marketing	1,885	913	972	106.5%
General and administrative	1,481	740	741	100.1%
Total	$8,562	$3,961	$4,601	116.2%

Overall expenses for the quarter ended March 31, 2011 increased by 116%, or $4,601, to $8,562, compared to $3,961 over the comparative period in 2010. As a percentage of total revenue, expenses decreased from 154% in the quarter ended March 31, 2010 to 111% in the quarter ended March 31, 2011. A significant portion of our expenses are based on expectations of future revenue growth and, therefore, are relatively fixed in the short-term. The significant increase in expenses is primarily due to the increase in the number of employees, as the vast majority of our operating expenses are headcount-related. Our employee count grew 86% to 289 in the quarter ended March 31, 2011 from 155 in the comparative period in 2010. The increase in the operating expenses is consistent with the growth in the business and reflects our investment in professional services activities, product development activities and sales and marketing capabilities. The variable compensation payable under our bonus plan also contributed to the growth in expenses as the variable compensation is calculated as a percentage of recognized revenue in a period.

Professional service costs — Professional service costs increased 131%, or $1,172, to $2,065 for the quarter ended March 31, 2011 compared to $893 for the comparative period in 2010. As a percentage of total revenue, professional service costs decreased to 27% for the quarter ended March 31, 2011, from 35% for the comparative period in 2010. The dollar increase from the prior quarter reflects the growth in the employee count devoted to professional services (65 employees in the quarter ended March 31, 2011 as compared to 31 in 2010). This included the costs associated with the hiring of some of the senior staff in the department which was necessary in enabling us to cater to the needs of our customers which resulted in a significant increase in our professional services revenues in the current quarter.

Research and development — Research and development expenses, net of refundable investment tax credits, increased 121%, or $1,716, to $3,131 for the quarter ended March 31, 2011 compared to $1,415 for the comparative period in 2010. As a percentage of total revenue, research and development expense decreased to 40% for the quarter ended March 31, 2011, from 55% for the comparative period in 2010. The dollar increase from the prior quarter reflects the significant growth in personnel devoted to research and development (162 employees in quarter ended March 31, 2011 as compared to 89 for the comparative period in 2010). In recent years we have undertaken an increasing number of growth initiatives. These initiatives tend to be more concentrated on research and development spending in their early stages. Their focus is on developing new products and significantly enhancing our existing product suites to either grow market share, enter new markets, or capture more of our existing customer's IT spending. Currently, refundable Canadian investment tax credits ("ITCs") for qualifying research and development activities performed in Canada are offset against the research and development expenses. As a publicly listed entity, our ITCs will no longer be available as a cash refund and therefore, in future periods, research and development expenses will not be offset by refundable ITCs historically available to the Company. However, we will continue to earn non-refundable ITCs at a reduced rate which can be applied to reduce future cash taxes payable.

Sales and marketing — Sales and marketing expenses increased 106%, or $972 to $1,885, in the quarter ended March 31, 2011 compared to $913 for the comparative period in 2010. As a percentage of total revenue, sales and marketing expenses decreased to 24% for the quarter ended March 31, 2011, from 35% for the comparative period in 2010. The dollar increase from the prior quarter is largely attributable to our growth in headcount. For the quarter ended March 31, 2011 we had 36 sales and marketing staff compared to 24 in the comparative period in 2010. We continue to invest in sales personnel who are focused on obtaining new customers and generating software license

revenue growth. However, any benefits derived from hiring new sales personnel likely will occur following a transition period, which is expected to last approximately six to 12 months from the date of hiring. In the short-term, our sales and marketing expenses are largely fixed, so such expenses are expected to have a disproportionately adverse effect on our net income in those periods in which we generate less revenue. In addition, due to lengthy sales cycles, the time lag between order booking and revenue recognition, the delay associated with reaping the benefits of new sales personnel, and unpredictability in assessing the effectiveness of various marketing initiatives, our continued investment in sales and marketing may not always coincide with the generation of revenue growth.

General and administrative — General and administrative ("G&A") expenses increased 100%, or $741, to $1,481 in the quarter ended March 31, 2011 from $740 for the comparative period in 2010. As a percentage of total revenue, G&A expenses decreased to 19% for the quarter ended March 31, 2011, from 29% for the comparative period in 2010. The dollar value increase was mainly attributable to increases in headcount during the quarter ended March 31, 2011 as compared to comparative period in 2010. The headcount in G&A grew 136% to 26 staff in the quarter ended March 31, 2011 from 11 staff in the comparative period in 2010. Further, in 2010, we assumed additional infrastructure costs such as office leases and other office expenses, which also contributed to the increase in the expenses. While we expect we can continue to gain some economies of scale from a larger revenue base, we anticipate that this will be partially offset by the increased costs associated with being a public company.

Share-based payment expense

For the quarter ended March 31, 2011, we recognized a share-based payment expense of $954 compared to $102 recognized in the comparative period of 2010. The granting of significant number of employee stock options starting in Q2, 2010 contributed to the increase in the share-based payment expense. Under GAAP, the Company used the minimum value method to measure the share-based payment expense and accounted for forfeitures as they occur. However, under IFRS, the Company is required to include expected volatility of the underlying shares in the calculation of grant date fair values as well as an estimated forfeiture rate as part of the computation of the share-based payment expense. In addition, IFRS requires a separate calculation of compensation expense for awards that vest in instalments. All of these changes resulted in accelerated expense recognition under IFRS as compared to GAAP. In addition, on March 28, 2011, the Company accelerated the vesting of certain employee options to reduce the stock option pool to 10% of the outstanding Common Shares. This was done in contemplation of the IPO and resulted in an additional share-based payment expense of $330 included in the share-based payment expense for the current quarter.

Foreign exchange loss

For the quarter ended March 31, 2011 our foreign exchange loss was $515 compared to $72 in the comparative period in 2010. The change in the foreign exchange impact was the result of significant fluctuations in exchange rates between the Canadian dollar (our functional currency) and the U.S. dollar. From the end of fiscal 2010 to the end of quarter ended March 31, 2011, the U.S. dollar weakened by approximately 3% against the Canadian dollar from C$0.99 to C$0.96, which results in a significant foreign exchange loss on our U.S. dollar cash equivalents and short-term investments and contributed to the majority of the foreign exchange loss experienced by the Company for the quarter ended March 31, 2011. A small amount of foreign exchange loss was also experienced on some of our working capital balances such as U.S. dollar accounts receivable.

Depreciation

Depreciation of property and equipment for the quarter ended March 31, 2011 was $182, compared to $79 for the comparative period in 2010, representing an increase of 130%. The overall dollar value increase in depreciation is consistent with our overall growth in infrastructure to support the growth of our business.

Finance income

Finance income was $43 for the quarter ended March 31, 2011 compared to $1 for the comparative period in 2010. The increase was primarily a result of higher average cash and cash equivalent balances. The higher cash balance was a result of the financing raised through private placements of Common Shares in April, 2010, as well as through equity issued through an employee financing in December 2010. We maintain excess cash in various bank accounts and in highly liquid instruments with low yield and low risk with short-term maturities.

Net loss

We reported net loss of $2,426, or $(0.16) per share (basic and diluted), for the quarter ended March 31, 2011 compared to net loss of $1,636, or $(0.16) per share (basic and diluted), for the same period in 2010. The $790 increase in net loss was primarily due to the increased share-based payment expense recorded under IFRS, which contributed to the net loss for the quarter ended March 31, 2011. We are committed to the growth of the Company and in the current quarter, we have continued to invest in resources by hiring more employees based on expectations of future revenue. We experienced significant fluctuations in exchange rates between the Canadian dollar (our functional and reporting currency) and the U.S. dollar, resulting in a foreign exchange loss of $515 for the quarter ended March 31, 2011.

Adjusted EBITDA

For the quarter ended March 31, 2011, Adjusted EBITDA improved by $565 to $(817) compared to $(1,382) in the same period in 2010. Adjusted EBITDA margin was (10.5%) in the first quarter of 2011 compared to (53.6%) in the comparable period in 2010. The increase in Adjusted EBITDA margin for the three months ended March 31, 2011 is largely due to significant growth in revenues relative to the growth in the related expenses for the same period. As the revenues of the Company grow, we expect that the expenses as a percentage of revenues will decline over time which will favourably impact the Adjusted EBITDA. See "Non-IFRS Measures" for a description of Adjusted EBITDA and Adjusted EBITDA margin.

The following table reconciles Adjusted EBITDA to net loss:

	Three months ended March 31,	
	2011	**2010**
	(in thousands of dollars, except percentages)	
Total revenue	$ 7,745	$ 2,579
Net loss	(2,426)	(1,636)
Add back:		
Share-based payment expense	954	102
Depreciation	182	79
Foreign exchange loss	515	72
Finance income	(43)	(1)
Finance costs	1	2
Adjusted EBITDA	**(817)**	**(1382)**
Adjusted EBITDA margin	**(10.5%)**	**(53.6%)**

Summary of Quarterly Results

The following table sets out selected financial information for each of the eight most recent quarters, the latest of which ended March 31, 2011.

Our quarterly operating results have historically fluctuated significantly and may continue to fluctuate significantly in the future. Therefore, we believe that past operating results and period-to-period comparisons should not be relied upon as an indication of the Company's future performance. See "Risk Factors" outlined elsewhere in this document.

	Quarters Ended							
	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010	Jun. 30, 2010	Mar. 31, 2010	Dec. 31, 2009	Sept. 30, 2009	Jun. 30, 2009
	(In thousands of dollars, except share figures) (Unaudited)							
	Note 2	Note 1	Note 1	Note 1	Note 2	Note 1	Note 1	Note 1
Revenue	$ 7,745	$ 8,627	$ 5,889	$ 5,436	$ 2,579	$ 11,808	$ 1,496	$ 3,043
Net income (loss)	(2,426)	479	(291)	736	(1,636)	5,808	(2,015)	(179)
Weighted average number of shares outstanding (000`s):								
Basic	14,705	14,223	14,127	14,058	10,078	9,995	9,995	10,015
Diluted	14,705	16,539	14,127	15,642	10,078	10,786	9,995	10,015
Net income per share:								
Basic	$ (0.16)	$ 0.03	$ (0.02)	$ 0.05	$ (0.16)	$ 0.58	$ (0.20)	$ (0.02)
Diluted	$ (0.16)	$ 0.03	$ (0.02)	$ 0.05	$ (0.16)	$ 0.54	$ (0.20)	$ (0.02)

Note 1 – The quarterly information is presented in accordance with GAAP.
Note 2 – The quarterly information is presented in accordance with IFRS.

In periods where a net loss was incurred, stock options were considered to be anti-dilutive and excluded from the computation of diluted loss per share.

Key factors that account for the fluctuations in quarterly results include the variability in the Company's licensing revenue, the pace at which the Company's sales personnel and research and development personnel are expanding and the impact of currency movements against the U.S. dollar. As the timing of executing larger software license arrangements changes from quarter to quarter, the impact on license revenue is significant. The movement of the Canadian dollar against the U.S. dollar has a direct impact on the Company's financial results as a large portion of our revenues are in U.S. dollars. As a result, as the Canadian dollar strengthens against the U.S. dollar, the Company's revenues are negatively impacted.

Liquidity and Capital Resources

As of March 31, 2011, we held cash and cash equivalents of $24,723. Our growth has been financed through a combination of the cash flows from operations and the issuance of equity. Subsequent to the quarter ended March 31, 2011, the Company filed its prospectus with each of the securities regulatory authorities in Canada relating to an IPO of 4,850,000 Common Shares for gross proceeds of $43,650. We believe that ongoing operations, working capital and associated cash flow in addition to our cash resources provide sufficient liquidity to support our ongoing business operations for at least the next 12 months.

Below is a summary of our cash flows from (used in) operating activities, financing activities and investing activities for the periods indicated:

(in thousands of dollars)	Three months ended March 31,	
	2011	2010
Net cash flows used in operating activities	$ (3,306)	$ (1,238)
Net cash flows from (used in) financing activities	(562)	737
Net cash flows from investing activities	4,745	3,159
Effect of exchange rate changes on cash and cash equivalents	(96)	(1)
Increase in cash and cash equivalents	781	2,657
Beginning cash and cash equivalents	23,942	34
Ending cash and cash equivalents	24,723	2,691

Net cash used in operating activities

Net cash used in operating activities increased by $2,068 for the quarter ended March 31, 2011 compared to $1,238 for the comparative period in 2010. Of this increase $2,317 is attributable to a decrease in non-cash working capital with a significant change arising from the fluctuation in deferred revenue period over period and the remainder from operating activities.

Net cash flows from (used in) financing activities

For the quarter ended March 31, 2011, net cash used in financing activities was $562. This consisted primarily of financing costs of $553 incurred in connection with the Company's IPO, repayment of $17 on account of capital leases, interest paid of $1, offset by proceeds received of $9 from the exercise of stock options.

Net cash from financing activities totalled $737 for the quarter ended March 31, 2010. This consisted primarily of the issuance of Common Shares to employees for net proceeds of $744, proceeds of $10 from the exercise of stock options, offset by repayment of $15 on account of capital leases and $2 of interest paid.

Net cash flows from investing activities

For the quarter ended March 31, 2011, net cash from investing activities was $4,745 which consisted primarily of a net redemption of short-term investments of $4,823, interest received of $43, offset by the purchase of property and equipment of $177, and a decrease in other long-term assets of $56. The investment in infrastructure related items such as computer equipment, office equipment is consistent with our overall growth in headcount and the related infrastructure needs to support the growth of our business.

Net cash from investing activities totalled $3,159 for the quarter ended March 31, 2010. This consisted primarily of a net redemption of short-term investment of $3,597, interest received of $1, offset by the purchase of property and equipment of $439.

Capital Management

We define capital as the aggregate of shareholders' equity, which is comprised of issued capital, contributed surplus and deficit.

Our objective in managing capital is to ensure sufficient liquidity to pursue our growth strategy, fund research and development to enhance existing product offerings as well as develop new ones, undertake selective acquisitions and provide sufficient resources to meet day-to-day operating requirements, while at the same time taking a conservative approach towards financial leverage and management of financial risk. In managing the capital structure, we take into consideration various factors, including the growth of the business and related infrastructure and the up-front cost of taking on new customers. Our officers and senior management are responsible for managing the capital and do so through quarterly meetings and regular review of financial information. Our Board of Directors is responsible for overseeing this process. We manage capital to ensure that there are adequate capital resources while maximizing the return to shareholders through the optimization of the cash flows from operations and capital transactions.

We do not have any externally imposed capital requirements.

Contractual Obligations

Our contractual obligations include operating leases for office equipment and office premises, and capital lease for computer equipment.

The following table summarizes our outstanding cash commitments as of December 31, 2010:

(in thousands of dollars)	2011	2012	2013	2014	2015	Total
Operating leases	$381	$379	$511	$569	$47	$1,887
Capital leases	71	42	—	—	—	113
	$452	$421	$511	$569	$47	$2,000

Subsequent to March 31, 2011, the Company entered into an amended lease agreement with its landlord for additional office space to be assumed in 2011 through an operating lease. The amended lease is for a period of seven years with an estimated minimum lease rental commitment of $7,222.

Transactions with Related Parties

Our Chief Executive Officer is a director of Canadian Association for People-Centred Health ("CAPCH"), a not-for-profit organization, and is actively involved in planning, directing and controlling the activities of CAPCH. During the quarter ended March 31, 2011, we expensed $9 (quarter ended March 31, 2010 — $9), under sales and marketing to support the activities of CAPCH.

Financial Risk Management

In the normal course of our business, we engage in operating and financing activities that generate risks in the following primary areas:

Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in foreign exchange rates could impact our results from operations. We are exposed to a significant amount of foreign exchange risk, primarily between the Canadian dollar and the U.S. dollar. We transact business in multiple currencies, the most significant of which is the U.S. dollar. Currently, we do not enter into foreign exchange contracts to manage this exposure, but may do so in the future. As a result, we have foreign currency exposure with respect to items denominated in foreign currencies. The Company has an unused foreign exchange credit line in the amount of $500.

If a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on our net monetary assets could change by approximately $2,081 due to the fluctuation and this would be recorded in profit or loss.

Credit Risk

Credit risk represents the financial loss that we would experience if a counterparty to a financial instrument, in which we have an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company.

We have credit risk relating to cash and cash equivalents and short-term investments, which we manage by dealing with large chartered Canadian banks and investing in highly liquid investments.

In order to minimize the credit risk on accounts receivables, our extension of credit to customers involves review and approval by senior management, as well as progress payments as contracts are executed and credit checks, where deemed necessary.

The following table summarizes the number of customers that individually comprise greater than 10% of total revenue or total accounts receivable and their aggregate percentage of our total revenue and accounts receivable:

	Revenue	
	Number of customers	**% of total**
Three months ended March 31, 2011	2	79%
Three months ended March 31, 2010	3	91%

	Accounts receivable	
	Number of Customers	**% of total**
As at March 31, 2011	4	89%
As at December 31, 2010	2	84%

We review accounts receivable balances regularly and reduce amounts to their expected realizable values by recognizing an allowance for doubtful accounts, as soon as the account is estimated not to be fully collectible. To date, we have not experienced any material collectability issues related to our customer accounts.

Credit reviews take into account the counterparty's financial position, past experience and other factors. Majority of our customers are large financially established organizations and we believe this limits the credit risk relating to customers.

Liquidity Risk

Liquidity risk is the risk that we are not able to meet our financial obligations as they fall due. One of management's primary goals is to manage liquidity risk by continuously monitoring actual and projected cash flows to ensure that we have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The majority of our financial liabilities are comprised of accounts payable and accrued liabilities. Given our available cash resources as compared to the liabilities, we assess the liquidity risk to be low.

We believe that the internally generated cash flows combined with existing cash and cash equivalents and short-term investment resources will provide sufficient funding to meet all working capital, contractual commitments and financing needs for at least the next 12 months.

Interest Rate Risk

Interest rate risk arises because of the fluctuation in interest rates. We are subject to interest rate risk on our cash and cash equivalents, short-term investments and obligations under capital leases. The impact of change in interest rates has not been, nor is it expected to be, material.

Critical Accounting Policies and Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates and assumptions are affected by management's application of accounting policies and historical experience, and are believed by management to be reasonable under the circumstances. Such estimates and assumptions are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ significantly from these estimates.

Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our financial statements. We believe that there have been no significant changes in our critical accounting estimates for the three month periods March 31, 2011 and 2010 from the years presented in our annual financial statements included in the Prospectus.

Revenue recognition

Revenue is derived primarily from licensing of software products under non-cancellable license agreements and the provision of related professional services including installation, integration, and post-contract customer support ("PCS"). Revenue recognition requirements are very complex and are affected by interpretations of the rules and industry practices, both of which are subject to change. We follow specific and detailed guidelines in measuring revenue; however, certain judgments and current interpretations of rules and guidelines affect the application of our revenue recognition policy.

The Company's software license agreements are multiple-element arrangements as they may also include professional services and PCS. Multiple-element arrangements are recognized as the revenue for each unit of accounting is earned based on the relative fair value of each unit of accounting as determined by an internal analysis of prices or by using the residual method. A delivered element is considered a separate unit of accounting if it has value to the customer on a standalone basis, and delivery or performance of the undelivered elements is considered probable and substantially under the Company's control. If these criteria are not met, revenue for the arrangement as a whole is accounted for as a single unit of accounting. If services are deemed essential to the functionality of the software, revenue from both the essential services and software is recognized under contract accounting using the percentage-of-completion method to measure the progress to completion, with consideration for customer acceptance provisions, the timing of payments, and the Company's history with similar arrangements. We estimate the percentage-of-completion on contracts utilizing the ratio of incurred labour hours to estimated total labour hours as the measure of its progress to completion on each contract. Recognized revenues are subject to revisions as the contract progresses to completion. The estimated total labour hours are a key estimate which drives our revenue recognition under the percentage of completion method. We monitor the estimated total labour hours on a monthly basis as the contract progresses and adjust earnings in the period a change in estimate occurs. Revisions in estimates are charged to earnings in the period in which the facts that give rise to the revision become known. It should be noted that a significant amount of our license and professional services revenue are recognized under the percentage of completion method.

Software license revenue, when services are not essential to the functionality of the software, is recognized when the Company has an executed agreement, the software has been delivered, acceptance is probable, the fees are fixed or determinable, and the collection of the related receivable is deemed probable from the outset of the arrangement.

Professional services revenue including implementation and customization of software is recognized by the stage of completion of the transaction at the statements of financial position dates determined using the percentage of completion method noted above. Installation and integration revenue, when not essential to the functionality of the software, is recognized as delivered to the customer, based on the prices charged when these services are sold separately to customers.

Maintenance revenue consists of fees charged for customer support on our software products post-delivery, which are determinable based on the price charged for the same or similar post customer support (`PCS`) when sold in stand-alone PCS renewals with customers, as substantiated by contractual renewal rates and the Company's renewal experience. Maintenance fee arrangements include ongoing customer support and rights to certain product updates "if and when available". Customer payments for maintenance are generally received in advance and are non-refundable. Maintenance revenue is deferred and recognized on a straight-line basis over the life of the related period, which is typically one year.

The Company also derives software license revenue from subscription based arrangements. Subscription revenue is recognized rateably over the applicable customer contract term when delivery has occurred, the sales price is fixed and determinable and collection is reasonably assured.

Revenue from sales to resellers is recognized when the software license is sold to the end-user customer, and when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is reasonably assured. These customers generally do not have rights of return.

Amounts are generally billable upon reaching certain performance milestones, as defined by individual contracts. Billings rendered in advance of performance under contracts are recorded as deferred revenue.

Investment tax credits

The Company is entitled to certain refundable and non-refundable Canadian investment tax credits ("ITCs") for qualifying research and development activities performed in Canada. The research and development expenditures primarily consist of the salaries of the persons conducting the research and development activities and direct expenses. The determination of qualifying research and development expenses requires us to make estimates and assumptions with respect to their eligibility under the taxation rules. The ITCs are accounted for as a reduction of the related expenditures for items expensed in the statements of comprehensive income or as a reduction of the related asset's cost for items capitalized in the balance sheets provided their realization is reasonably assured. As a publicly listed entity, our ITCs will no longer be available as a cash refund. However, we will continue to earn non-refundable ITCs at a reduced rate which can be applied to reduce future cash taxes payable.

Share-based payment

The Company accounts for all share-based payments using the fair value-based method.

The Company uses the Black-Scholes option pricing model to determine fair value of stock options at the grant date. The grant date fair value of stock options granted to employees is recognized as compensation expense, with a corresponding increase to contributed surplus, over the period that the employees become unconditionally entitled to the options. The expense is adjusted to reflect the estimated number of options expected to vest at the end of the vesting period. When options are exercised, the proceeds as well as the related amount in contributed surplus are credited to share capital. Measurement inputs include the price of shares on the measurement date, exercise price of the option, expected volatility, weighted average expected life of the option, expected dividends and the risk-free interest rate. This pricing model requires management to make highly subjective assumptions with respect to expected volatility, dividend yield, expected life, and risk free interest rate. Changes in the input assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options. Since the Company was operating as a private company and the Company's shares were not traded, management has estimated an implied volatility based on actual experience of similar companies with traded equity instruments as permissible under IFRS.

Transition to IFRS

In February 2008, the Accounting Standards Board ("AcSB") confirmed that IFRS will be mandatory for profit-oriented publicly accountable entities in Canada for fiscal periods beginning on or after January 1, 2011. Accordingly, this is the first quarter in which we have provided unaudited quarterly financial information in accordance with IFRS, including comparative figures for 2010.

The Company has adopted IFRS effective January 1, 2010 (the "transition date") and has prepared its opening IFRS balance sheet as of that date. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with GAAP. The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements of the Company that comply with IFRS.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 4 of the Condensed Interim Financial Statements for the three month period ended March 31, 2011. This note includes reconciliations from GAAP to IFRS of equity and comprehensive income of the comparative periods and of equity at the date of transition.

Recent Accounting Pronouncements

In October 2010, the IASB issued IFRS 9, Financial Instruments ("IFRS 9"), which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its financial statements.

Outstanding Common Share Data

As of June 14, 2011, 20,556,555 Common Shares were issued and outstanding.

RISK FACTORS

The risks below are not intended to be an exhaustive list of all the risks facing the Company. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business and operations and cause the trading price of our Common Shares to decline. If any of the following or other risks occurs, the Company's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of the Common Shares could decline and investors could lose all or part of their investment in the Common Shares. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks.

Risks Relating to the Company's Business

Dependence on a Limited Number of Customers and Large Project Size

We derive a substantial portion of our total revenue in any financial period from a limited number of customers. The software licenses sold to these customers were perpetual software licenses with one-time license fees. Since the majority of our software revenue earned to date relates to perpetual software licenses from large customers, we are dependent on selling new software licenses to large customers in order to maintain our revenue growth. During any financial quarter, a small number of customers may account for a significant percentage of our revenue. As a result of our customer concentration, we are subject to credit risk if one or more customers fail to pay license or other fees. In addition, a significant portion of our revenue from large customers is from services associated with the implementation and customization of our software in the customer's environment. Although we take steps to manage services projects appropriately and mitigate risk, there is no guarantee that our services projects will be successful. Delays, cost-overruns and failure of a services project at a large customer could put all of the revenue from that customer at risk including the license revenue and maintenance and support revenue. Furthermore, we are often only one component of a much larger enterprise project the success of which depends on the ability of our large customers to execute effectively internally and on the abilities of other third party suppliers to work together effectively. Delays, cost overruns or failures associated with the overall project could put all of our revenue from that customer at risk including the license revenue and maintenance and support revenue. Our customers are primarily concentrated in the wealth management and insurance industry verticals. Any events including future financial crises that could materially affect these industry verticals will have an impact on our ability to sell solutions to existing or new customers and could also affect our ability to get receive payment for past sales.

Our inability to generate anticipated revenue from our key existing or targeted customers, or a significant shortfall in sales to them would significantly reduce our revenue and materially adversely affect our business. Our operating results in the foreseeable future will continue to depend on our ability to effect sales to existing and other large customers.

Fluctuation of Quarterly Operating Results

Our revenue is difficult to forecast and is likely to fluctuate significantly from quarter to quarter. Because our quarterly revenue could be dependent upon a relatively small number of large enterprise software deals, even minor variations in the rate and timing of conversion of our sales prospects into revenue could cause us to plan or budget

inaccurately, and those variations could materially adversely affect our financial results. Delays, reduction in scope, or cancellation of customer projects could materially adversely affect our business, financial condition and results of operations. Some of the other factors affecting our revenue and results, many of which are outside of our control, include:

- competitive conditions in our industry, including new solutions, product announcements, changes in pricing policy and incentive pricing offered by our competitors;
- our ability to maintain existing relationships with strategic partners including systems integrators, resellers and OEMs and make new ones;
- the contractual terms of orders for our software and services, which may delay recognition of revenue;
- the discretionary nature of our customers' purchase and budget cycles and changes in their budgets for, and timing of, software and related purchases;
- the length and variability of the sales cycle for our solutions;
- our ability to complete our services obligations related to software sales in a timely manner;
- general weakening in the economy resulting in a decrease in the overall demand for our software and solutions;
- changes in our pricing policies or those of our competitors; and
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy.

In light of the foregoing, quarter-to-quarter comparisons of our operating results are not necessarily meaningful and should not be relied upon as indications of likely future performance or annual operating results. Reductions in revenue or net income between quarters or our failure to achieve expected quarterly earnings per share could cause the market price of our Common Shares to decline or have a material adverse effect on our business, financial condition and results of operations.

Key Personnel

Our performance is substantially dependent on the performance of our executive officers and key employees. The loss of the services of any of our executive officers or other key employees could significantly harm our business. We do not maintain "key person" life insurance policies on any of our employees.

Compensation Structure

Our compensation structure may hinder our efforts to attract and retain vital employees. A portion of our total compensation program for our executive officers and key personnel includes the award of options to buy our Common Shares. If the market price of our Common Shares performs poorly, such performance may materially adversely affect our ability to retain or attract critical personnel. In addition, any changes made to our Option Plan, or to any other of our compensation practices, which are made necessary by governmental regulations or competitive pressures, could materially adversely affect our ability to retain and motivate existing personnel and recruit new personnel. For example, any limit to total compensation which may be prescribed by the government or any significant increases in personal income tax levels levied in countries where we have a significant operational presence may hurt our ability to attract or retain our executive officers or other employees whose efforts are vital to our success. Our Option pool is limited to 10% of the issued and outstanding Common Shares at any time. This is less than many of our comparable United States based competitors who generally allocate 15% to 20% of common shares outstanding to their stock option pool in order to attract and retain talented employees. This may make it difficult for us to compete against United States based competitors.

Managing Complex Software Implementation Projects

The successful deployment of our software depends on managing complex implementation projects. A variety of factors may result in complex deployments being delayed, cancelled or failing including: the inherent complexity of modern software, difficulty staffing the project with qualified personnel, the difficulty of managing a project in which the customer and multiple vendors must work together effectively, unrealistic deadlines, inability to realistically limit the scope of the project, problems with third party systems, software or services, inaccurate or

faulty data, and insufficient time and investment spent in the planning and design phases of the project. As a result we may not be able to successfully manage deployments of our software which could harm our reputation, be costly to correct, delay revenues and expose us to litigation.

Inaccurate Sales Forecasts

Our revenues and particularly our new software license revenues are difficult to forecast, and, as a result, our quarterly operating results can fluctuate substantially. We use a "pipeline" system, a common industry practice, to forecast sales and trends in our business. Our sales personnel monitor the status of all proposals and estimate when a customer will make a purchase decision and the dollar amount of the sale. These estimates are aggregated periodically to generate a sales pipeline. Our pipeline estimates can prove to be unreliable both in a particular quarter and over a longer period of time, in part because the "conversion rate" or "closure rate" of the pipeline into contracts can be very difficult to estimate. A contraction in the conversion rate, or in the pipeline itself, could cause us to plan or budget incorrectly and materially adversely affect our business or results of operations. In particular, a slowdown in IT spending or economic conditions generally can unexpectedly reduce the conversion rate in particular periods as purchasing decisions are delayed, reduced in amount or cancelled. The conversion rate can also be affected by the tendency of some of our customers to wait until the end of a financial period in the hope of obtaining more favourable terms, which can also impede our ability to negotiate and execute these contracts in a timely manner.

Failure to Innovate

Our success depends upon our ability to design, develop, test, market, license and support new software products and enhancements of current products on a timely basis in response to both competitive threats and marketplace demands. In addition, software products and enhancements must remain compatible with the other software products and systems used by our customers. Often, we must integrate software licensed or acquired from third parties with our proprietary software to create or improve our products. If we are unable to successfully integrate third party software to develop new software products and enhancements to existing products, or to complete products currently under development, our operating results will materially suffer. In addition, if the integrated or new products or enhancements do not achieve acceptance by the marketplace, our operating results will materially suffer. Also, if new industry standards emerge that we do not anticipate or adapt to, our software products could be rendered obsolete and, as a result, our business and operating results, as well as our ability to compete in the marketplace, would be materially harmed.

Failure to Gain Market Acceptance

If our products and services do not gain market acceptance, our operating results may be negatively affected. We intend to pursue our strategy of growing the capabilities of our enterprise CRM software offerings through our proprietary research and the development of new product offerings, as well as through acquisitions. It is important to our success that we continue: (i) to enhance our products; and (ii) to seek to set the standard for enterprise CRM capabilities. The primary market for our software and services is rapidly evolving, which means that the level of acceptance of products and services that have been released recently or that are planned for future release by the marketplace is not certain. If the markets for our products and services fail to develop, develop more slowly than expected or become subject to increased competition, our business may suffer. As a result, we may be unable to: (i) successfully market our current products and services, (ii) develop new software products, services and enhancements to current products and services, (iii) complete customer installations on a timely basis, or (iv) complete products and services currently under development. In addition, increased competition could put significant pricing pressures on our products which could negatively impact our margins and profitability. If our products and services are not accepted by our customers or by other businesses in the marketplace, our business and operating results will be materially adversely affected.

Investment in Research and Development

We re-invest a large percentage of our revenue in research and development. Our investment in our current research and development efforts may not provide a sufficient, timely return. The development of enterprise CRM software products is a costly, complex and time-consuming process, and the investment in enterprise CRM software product development often involves a long wait until a return is achieved on such an investment. We make and will continue to make significant investments in software research and development and related product opportunities. Investments in new technology and processes are inherently speculative. Commercial success depends on many factors including the degree of innovation of the products developed through our research and development efforts,

sufficient support from our strategic partners, and effective distribution and marketing. Accelerated product introductions and short product life cycles require high levels of expenditures for research and development. These expenditures may materially adversely affect our operating results if they are not offset by revenue increases. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts in order to maintain our competitive position. However, significant revenue from new product and service investments may not be achieved for a number of years, if at all. Moreover, new products and services may not be profitable.

Failure to Expand Internationally

Currently, most of our revenue is from sales in North America. Any difficulties or delays we experience in expanding our sales into new international markets will negatively impact our future revenue growth. International expansion is subject to certain risks, delays and costs, including the difficulty and expense of administering business and compliance abroad, compliance with domestic and foreign laws (including without limitation domestic and international import and export laws (including laws related to the export of software that includes encryption) and regulations), costs related to localizing products for foreign markets, and costs related to translating and distributing products in a timely manner. International operations also tend to be subject to a longer sales and collection cycle. In addition, regulatory limitations regarding the repatriation of earnings may materially adversely affect the transfer of cash earned from foreign operations. Significant international sales may also expose us to greater risk from political and economic instability, unexpected changes in Canadian, United States or other governmental policies concerning import and export of goods and technology, regulatory requirements, tariffs and other trade barriers. Additionally, international earnings may be subject to taxation by more than one jurisdiction, which may materially adversely affect our effective tax rate. Also, international expansion may be difficult, time consuming, and costly. As a result, if revenues from international operations do not offset the expenses of establishing and maintaining foreign operations, our operating results will suffer. Moreover, in any given quarter, a change in foreign exchange rates may materially adversely affect our revenue, earnings or other financial measures.

Failure to Expand into Healthcare and other New Industry Verticals

Currently, most of our revenue is from sales in the wealth management and insurance industry verticals. Any difficulties or delays we experience in expanding our sales into new industry verticals or increasing our sales in industry verticals that we currently target like the non-wealth management segments of financial services and health care will negatively impact our future revenue growth. In addition, expansion into new verticals requires significant investment in all areas of our business including new product development. If our products and services are not accepted by customers in these new industry verticals, our business and operating results will be materially affected. Even if they are accepted, products and services in new industry verticals may not be profitable.

Competition

We are engaged in an industry that is highly competitive. Because our industry is evolving and characterized by technological change, it is difficult for us to predict whether, when and by whom new competing technologies may be introduced or when new competitors may enter the market. We face increased competition from companies with strong positions in certain markets we currently serve and in new markets and regions we may enter. In the financial services and insurance verticals, we compete with companies such as: Oracle Corporation, Microsoft Corporation, Salesforce.com, SAP, Pegasystems and Sword Ciboodle. In the healthcare vertical, we compete with: Orion, Oracle Corporation, InterSystems, Lawson, IBM, Sovera, QuadraMed, eClinicalWorks, MedSeek, ICW, CareFX, Diversinet, Agnity, AirStrip Technologies, WebMD, HealthTrio, Trizetto, ClinicalPursuit, RemedyMD, Scientific Technologies Corporation and others. Many of our current and potential future competitors have significantly greater financial and other resources than we currently possess and may spend significant amounts of resources to gain market share. We cannot assure investors that we will be able to compete effectively against current and future competitors. In addition, increased competition or other competitive pressures may result in price reductions, reduced margins or loss of market share, any of which could have a material adverse effect on our business, financial condition or results of operations.

Competitors may be able to respond to new or emerging technologies and changes in customer requirements more effectively than we can, or devote greater resources to the development, promotion and sale of products than we can. Current and potential competitors may establish cooperative relationships among themselves or with third parties, including through mergers or acquisitions, to increase the ability of their products to address the needs of our current or prospective customers. If these competitors were to acquire significantly increased market share, it could

have a material adverse effect on our business, financial condition or results of operations. Our competitors may also establish or strengthen co-operative relationships with systems integrators, third-party consulting firms or other parties with whom we have relationships, thereby limiting our ability to promote our products.

Failure to Protect our Intellectual Property

Failure to protect our intellectual property could harm our ability to compete effectively. We are highly dependent on our ability to protect our proprietary technology. We rely on a combination of copyright, trademark and trade secret laws, as well as non-disclosure agreements and other contractual provisions to establish and maintain our proprietary rights. We intend to protect our rights vigorously; however, there can be no assurance that these measures will, in all cases, be successful. Enforcement of our intellectual property rights may be difficult, particularly in some nations outside of North America in which we may seek to market our products. While U.S. and Canadian copyright laws, international conventions and international treaties may provide meaningful protection against unauthorized duplication of software, the laws of some foreign jurisdictions may not protect proprietary rights to the same extent as the laws of Canada or of the United States. The absence of internationally harmonized intellectual property laws makes it more difficult to ensure consistent protection of our proprietary rights. Software piracy has been, and is expected to be, a persistent problem for the software industry, and piracy of our products represents a loss of revenue to us. Where applicable, certain of our license arrangements have required us to make a limited confidential disclosure of portions of the source code for our products, or to place such source code into escrow for the protection of another party. Some of the code for our software products is delivered to, and used by, customers in human readable XML format, which could facilitate reverse engineering. In addition, certain versions of some of our products have been released by us as open source which could also facilitate reverse engineering. Despite the precautions we have taken, unauthorized third parties, including our competitors, may be able to: (i) copy certain portions of our products; or (ii) reverse engineer or obtain and use information that we regard as proprietary. Also, our competitors could independently develop technologies that are perceived to be substantially equivalent or superior to our technologies. Our competitive position may be materially adversely affected by our possible inability to effectively protect our intellectual property.

Intellectual Property Infringement

Other companies may claim that we infringe their intellectual property, which could materially increase costs and materially harm our ability to generate future revenue and profits. Claims of infringement are becoming increasingly common as the software industry develops and as related legal protections, including patents are applied to software products. Although we do not believe that our products infringe on the rights of third parties, third parties may assert infringement claims against us in the future. Although most of our technology is proprietary in nature, we do include significant amounts of third party software in our products. In these cases, this software is licensed from the entity holding the intellectual property rights. Although we believe that we have secured proper licenses for all third-party software that is integrated into our products, third parties may assert infringement claims against us in the future. Any such assertion may result in litigation or may require us to obtain a license for the intellectual property rights of third parties. Such licenses may not be available, or they may not be available on reasonable terms. In addition, such litigation could be disruptive to our ability to generate revenue or enter into new market opportunities and may result in significantly increased costs as a result of our defence against those claims or our attempt to license the patents or rework our products to ensure they comply with judicial decisions. Any of the foregoing could have a significant adverse impact on our business and operating results as well as our ability to generate future revenue and profits. The loss of licenses to use third-party software or the lack of support or enhancement of such software could materially adversely affect our business. We could also be forced to do one or more of the following:

- stop selling, incorporating or using our products that use the challenged intellectual property;
- obtain from the owner of the infringed intellectual property right a license to sell or use the relevant technology, which license may not be available on reasonable terms, or at all;
- redesign those products that use allegedly infringing technology which may be costly or time-consuming; or
- refund license fees and other amounts received, and make payments of additional amounts in damages or settlement payments, for allegedly infringing technology or products.

Reliance on Third Party Software

We currently depend upon a limited number of third-party software products to develop our products, including the Java Development Kit from Sun Microsystems. If such software products were not available, we might experience delays or increased costs in the development of our products. We rely on software products that we license from third-parties, including software that is integrated with internally developed software and which is used in our products to perform key functions. These third-party software licenses may not continue to be available to us, and the related software may not continue to be appropriately supported, maintained, or enhanced by the licensors. The loss by us of the license to use, or the inability by licensors to support, maintain, and enhance any of such software, could result in increased costs or in delays or reductions in product shipments until equivalent software is developed or licensed and integrated with internally developed software. Such increased costs or delays or reductions in product shipments could materially adversely affect our business. The loss of our rights to use software currently licensed to us by third parties could increase our operating expenses by forcing us to seek alternative technology and materially adversely affect our ability to compete.

In addition, our web-based software applications depend on the stability, functionality and scalability of the underlying infrastructure software including application servers, databases, java platform software and operating systems produced by IBM, JBOSS, Oracle, Microsoft and others. If weaknesses in such infrastructure software exist, we may not be able to correct or compensate for such weaknesses. If we are unable to address weaknesses resulting from problems in the infrastructure software such that our products do not meet customer needs or expectations, our reputation, and consequently, our business may be significantly harmed.

Defects or Disruptions in our Public Cloud Offerings

Because our public cloud offerings are complex and incorporate a variety of technology, both developed in-house and acquired from third party vendors, our service may have errors or defects that users identify after they begin using it that could result in unanticipated downtime for our subscribers and harm our reputation and our business. Internet-based services frequently contain undetected errors when first introduced or when new versions or enhancements are released. We have from time to time found defects in our service and new errors may be detected in the future. In addition, our customers may use our service in unanticipated ways that may cause a disruption in service for other customers attempting to access their data. Since our customers use our service for important aspects of their business, any errors, defects, disruptions in service or other performance problems with our service could hurt our reputation and may damage our customers' businesses. If that occurs, customers could elect not to renew, or delay or withhold payment to us, we could lose future sales or customers may make warranty or other claims against us, which could result in an increase in our provision for doubtful accounts, an increase in collection cycles for accounts receivable or the expense and risk of litigation. In addition, since our public clouds offerings are used by patients and others in the healthcare industry, the risks associated with healthcare products discussed below apply to our public cloud offering.

Interruptions or Delays in our Public Cloud Service

We currently serve our customers from an internally managed data center and from third-party data center hosting facilities located in and near to the City of Toronto, Ontario. Any damage to, or failure of, our systems generally could result in interruptions in our service. As we continue to add data centers and add capacity in our existing data centers, we may move or transfer our data and our customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of our service. Further, any damage to, or failure of, our systems generally could result in interruptions in our service. Interruptions in our service may reduce our revenue, cause us to issue credits or pay penalties, cause customers to terminate their subscriptions and materially adversely affect our renewal rates and our ability to attract new customers. Our business will also be harmed if our customers and potential customers believe our service is unreliable. As part of our current disaster recovery arrangements, we replicate and back-up customer data. Our disaster recovery arrangements may not be successful in all circumstances. We do not control the operation of the third party facilities that we use. All of our facilities are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our service. Even with the disaster recovery arrangements, our service could be interrupted. All of our primary facilities are in the Toronto region and could be impacted at the same time by a regional or national scale disaster.

Breach of our Security Measures and Unauthorized Access to Data

Our service involves the storage and transmission of customers' proprietary information including patient data, and security breaches could expose us to a risk of loss of this information, litigation and possible liability. Security measures may be breached as a result of third-party action, employee error, malfeasance or otherwise, during transfer of data to additional data centers or at any time, and result in someone obtaining unauthorized access to our data or our customers' data. Additionally, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our data or our customers' data. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any security breach could result in a loss of confidence in the security of our service, damage our reputation, lead to legal liability and negatively impact our future sales.

Challenge of Scaling our Implementation Capabilities to Support Future Growth

Currently, we rely on our internal professional services group to provide our customers with the implementation services required to successfully implement our solutions. In order to meet our growth objectives we will need to scale our implementation capabilities by increasing the size of our internal professional services group and by training implementation partner organizations to successfully provide these services. We may not be able to grow our internal professional services group quickly enough or find suitably qualified employees to staff the group with. We may not be able to recruit enough implementation partners. We may not be able to train implementation partners successfully. Potential implementation partners may have existing relationships with our competitors that preclude or limit their ability or desire to become our implementation partners. All of these factors may have a negative impact on our growth.

Currency Exchange Rate Fluctuations

We are subject to fluctuations in currency exchange rates. We derive majority of our total revenue from United States. We have not consistently used forward exchange contracts to hedge exposures denominated in U.S. dollars or any other derivative financial instrument for trading, hedging, or speculative purposes.

Revenues and expenses generated in U.S. dollars are translated at exchange rates during the month in which the transaction occurs. We cannot predict the effect of foreign exchange losses in the future; however, if significant foreign exchange losses are experienced, they could have a material adverse effect on our business, results of operations, and financial condition. In addition, fluctuations in exchange rates could affect the pricing of our products and negatively influence customer demand.

Tax Matters Including Eligibility of Scientific Research and Experimental Development Expenditures

We are subject to income taxes in Canada and changes in tax laws and unanticipated tax liabilities could materially adversely affect our effective income tax rate. Furthermore, any internal restructuring initiatives we may implement from time to time to streamline our operations can have a material impact on our effective income tax rate.

Although we are of the view that all expenses and tax credits claimed by us, including research and development ("R&D") expenses and related tax credits, are reasonable and deductible and have been correctly determined, there can be no assurance that the Canadian taxation authorities will agree. If the Canadian taxation authorities successfully challenge such expenses or the correctness of such income tax credits claimed, our operating results could be materially adversely affected. If the Canadian taxation authorities reduce the tax credit either by reducing the rate of the credit or the eligibility of some R&D expenses in the future, our operating results will be materially adversely affected.

All of our R&D activities are conducted at our headquarters in Toronto, Ontario. We participate in government programs with both the federal government and the government of Ontario that provide R&D tax credits based upon qualifying R&D expenditures. These expenditures primarily consist of the salaries of the persons conducting the R&D activities and direct expenses. If these R&D tax credits are reduced or eliminated, this may materially adversely affect our business, financial condition and results of operations. As the Company became a public company subsequent to period end, our R&D ITCs will no longer be available as a cash refund. However, we will continue to earn ITCs at a reduced rate, to reduce future cash taxes payable.

Tax examinations are often complex as tax authorities may disagree with the treatment of items reported by us, the result of which could have a material adverse effect on our financial condition and results of operations. Although we believe our estimates are reasonable, the ultimate outcome with respect to the taxes we owe may differ from the amounts recorded in our financial statements, and this difference may materially affect our financial results in the period or periods for which such determination is made.

Software Defects

Our software is highly complex and sophisticated and, from time to time, may contain design defects, security vulnerabilities or software "bugs" or failures that are difficult to detect and correct. Errors or defects may be found in software after commercial implementation and we may be unable to successfully correct such errors or defects in a timely manner or at all. The occurrence of errors and defects in our software could result in loss of, or delay in, market acceptance of our software, and correcting such errors and failures in our software could require significant expenditure of capital. We typically provide warranties on our products and the failure of our products to operate as described may cause loss of customers, damage to our reputation for delivering high-quality products, delay in or loss of market acceptance, additional warranty expenses or costs associated with product recall. The consequences of such errors, failures and other defects and claims could have a material adverse effect on our business, financial condition and results of operations.

Stringent Regulation of the Healthcare Industry

Healthcare is a highly regulated industry. In order to be successful in the healthcare market we may be required to seek and obtain various governmental approvals in each of the jurisdictions in which we do business. There is no guarantee that we will be successful in obtaining and/or maintaining the necessary approvals required to sell healthcare solutions in key markets. We anticipate that governments will continue to scrutinize the healthcare industry closely, and that additional regulation by governmental authorities may increase compliance costs, exposure to litigation and other adverse effects to our operations.

Classification and Regulation of Healthcare Software Products

Our healthcare software may be classified as a medical device. Currently, our Health Coach has been licensed as a Class 2 Medical Device in Canada. None of our healthcare products are currently licensed for sale in the United States. We believe that our Health Coach would be classified as a medical device in the United States if required and that there are no additional legal requirements preventing us from selling our Health Coach into the United States. However, we cannot guarantee that additional licenses or approvals would not be required, and we will have to seek such approvals and licenses as are appropriate if necessary. Medical devices are subject to regulation by numerous government agencies, including the Food and Drug Administration (FDA) in the United States, Health Canada in Canada, and comparable foreign agencies. To varying degrees, each of these agencies requires us to comply with laws and regulations governing the development, testing, manufacturing, labelling, marketing and distribution of our medical devices software. We cannot guarantee that we will be able to obtain marketing clearance for our new products, or enhancements or modifications to existing products, and if we do, such approval may:

- take a significant amount of time;
- require the expenditure of substantial resources;
- involve stringent clinical and pre-clinical testing;
- involve modifications, repairs or replacements of our products; and
- result in limitations on the proposed uses of our products.

Both before and after a product is commercially released, we have ongoing responsibilities under applicable medical device regulations. We are also subject to periodic inspections by regulators to determine compliance with their requirements, including primarily the quality system regulations and medical device reporting regulations. If the regulators were to conclude that we are not in compliance with applicable laws or regulations, or that any of our medical devices are ineffective or pose an unreasonable health risk, the regulators could ban such medical devices, detain or seize medical devices, order a recall, repair, replacement, or refund of such devices, refuse to grant pending premarket approval applications or require certificates of foreign governments for exports and/or require us to notify health professionals and others that the devices present unreasonable risks of substantial harm to the public health. The regulators may also impose operating restrictions, enjoin and restrain certain violations of applicable law

pertaining to medical devices and assess civil or criminal penalties against our officers, employees or us. Any adverse regulatory action, depending on its magnitude, may restrict us from effectively marketing and selling our products.

Quality Problems with our Software Development Processes

Quality is extremely important to us and healthcare customers due to the serious and costly consequences of healthcare software product failure. Our quality certifications are critical to the marketing success of our healthcare software products. If we fail to meet these standards our reputation could be damaged, we could lose customers and our revenue and results of operations could decline. Currently, our quality management system for healthcare software products has been certified as ISO13485:2003 compliant.

Product Liability in Healthcare

The Healthcare market may expose us to potential product liability risks which are inherent in the design, manufacture and marketing of medical devices software. The occurrence of a problem with our healthcare software could result in product liability claims or a recall of, or safety alert relating to our healthcare software. Product liability claims or product recalls in the future, regardless of their ultimate outcome, could have a material adverse effect on our business and reputation and on our ability to attract and retain customers for our products.

Industry Consolidation

Acquisitions by large, well-capitalized technology companies have changed the marketplace for enterprise CRM software by replacing competitors which are comparable in size to our Company with companies that have more resources at their disposal to compete with us in the marketplace. In addition, other large corporations with considerable financial resources either have products that compete with the products we offer, or have the ability to encroach on our competitive position within our marketplace. These companies have considerable financial resources, channel influence, and broad geographic reach; thus, they can engage in competition with our products and services on the basis of sale price, marketing, services or support. They also have the ability to introduce items that compete with our products and services. The threat posed by larger competitors and the products and services that these companies may be able to produce to our target customers at a lower cost may materially reduce the profit margins we earn on the products and services we provide to the marketplace. Any material reduction in our profit margin may have an adverse material effect on the operations or finances of our business, which could hinder our ability to raise capital in the public markets at opportune times for strategic acquisitions or general operational purposes, which may prevent effective strategic growth or scale or put us at a disadvantage relative to our better capitalized competitors.

Employee Retention

If we are not able to attract and retain top employees, our ability to compete may be harmed. Our success is also highly dependent on our continuing ability to identify, hire, train, retain and motivate highly qualified management, technical, sales and marketing personnel. In particular, the recruitment of top research developers and experienced salespeople remains critical to our success. Competition for such people is intense, substantial and continuous, and we may not be able to attract, integrate or retain highly qualified technical, sales or managerial personnel in the future. In addition, in our effort to attract and retain critical personnel, we may experience increased compensation costs that are not offset by either improved productivity or higher prices for our products or services. The technology industry vertical in Canada represents a much smaller portion of the Canadian economy relative to the United States. As a result there is a much smaller pool of experienced professionals with the skills in technology, software development, technology marketing and sales and management of software companies to recruit from. Many of our competitors are located in United States markets with a large pool of software industry talent to recruit from. This may have a material adverse affect on our ability to grow our business.

Lengthy Sales Cycles

The decision by a customer to purchase our software often involves a lengthy strategic planning and evaluation process. As a result, purchases may entail a significant commitment of resources by prospective customers, accompanied by the attendant risks and delays frequently associated with significant expenditures and lengthy sales cycle and implementation procedures. Given the significant investment and commitment of resources required by an organization to implement our software, our sales cycle may be longer compared to other companies within our own industry, as well as companies in other industries. In the current economic environment it is not uncommon to see reduced information technology spending. It may take several months, or even several quarters, for marketing

opportunities to materialize. If a customer's decision to license our software is delayed or if the evaluation of our software takes longer than originally anticipated, the date on which we may recognize revenue from these licenses would be delayed. Such delays could cause our revenues to be lower than expected in a particular period.

During these long sales cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled, including:

- purchasing decisions may be postponed, or large purchases reduced during periods of economic uncertainty;
- we, or our competitors, may announce or introduce new products or services;
- our competitors may offer lower prices; and
- budget and purchasing priorities of service providers may change.

If these events were to occur, sales of our products or services may be cancelled or delayed, and our revenue, business and operating results would be materially adversely affected.

Use of Open Source Software

Our software makes use of and incorporates open source software components. These components are developed by third parties over whom we have no control. We have no assurances that those components do not infringe upon the intellectual property rights of others. We could be exposed to infringement claims and liability in connection with the use of those open source software components, and we may be forced to replace those components with internally developed software or software obtained from another supplier, which may increase our expenses. The developers of open source software are usually under no obligation to maintain or update that software, and we may be forced to maintain or update such software ourselves or replace such software with internally developed software or software obtained from another supplier, which may increase our expenses. Making such replacements could also delay enhancements to our products. Certain open source software licenses provide that the licensed software may be freely used, modified and distributed to others provided that any modifications made to such software, including the source code to such modifications, are also made available under the same terms and conditions. As a result, any modifications we make to such software will be available to all downstream users of the software, including our competitors. In addition, certain open source licenses ("Reciprocal Licenses") provide that if we wish to combine the licensed software, in whole or in part, with our proprietary software, and distribute copies of the resulting combined work, we may only do so if such copies are distributed under the same terms and conditions as the open source software component of the work was licensed to us, including the requirement to make the source code to the entire work available to recipients of such copies. The types of combinations of open source software and proprietary code that are covered by the requirement to release the source code to the entire combined work are uncertain and much debated by users of open source software. An incorrect determination as to whether a combination is governed by such provisions will result in non-compliance with the terms of the open source license. Such non-compliance could result in the termination of our license to use, modify and distribute copies of the affected open source software and we may be forced to replace such open source software with internally developed software or software obtained from another supplier, which may increase our expenses. In addition to terminating the affected open source license, the licensor of such open source software may seek to have a court order that the proprietary software that was combined with the open source software be made available to others, including our competitors, under the terms and conditions of the applicable open source license. For those reasons we have instituted policies and practices which are intended to limit the use of open source software that is distributed under the terms of a Reciprocal License.

Global Financial Markets

Recent events in the financial markets have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Thus, financial developments seemingly unrelated to us or to our industry may materially adversely affect us over the course of time. Volatility in the market price of our Common Shares due to seemingly unrelated financial developments could hurt our ability to raise capital for the financing of acquisitions or other reasons. Potential price inflation caused by an excess of liquidity in countries where we conduct business may increase the cost we incur to provide our solutions and may reduce profit margins on agreements that govern our provision of products or services to customers over a multi-year period. A reduction in credit, combined with reduced economic activity, may materially adversely affect businesses and industries that collectively constitute a

significant portion of our customer base. As a result, these customers may need to reduce their purchases of our products or services, or we may experience greater difficulty in receiving payment for the products or services that these customers purchase from us. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on our business, operating results, and financial condition.

Failure to Manage Growth

Failure to manage our growth successfully may adversely impact our operating results. Our ability to manage our growth will require us to continue to build our operational, financial and management controls, human resource policies, and reporting systems and procedures. Our ability to manage our growth will depend in large part upon a number of factors, including the ability of us to rapidly:

- expand our internal operational and financial controls significantly, so that we can maintain control over operations and provide support to other functional areas as the number of personnel and size of business increases;
- attract and retain qualified technical personnel in order to continue to develop reliable and flexible products and provide services that respond to evolving customer needs;
- build a sales team to keep customers and channel partners informed regarding the technical features, issues and key selling points of our products and services;
- develop support capacity for customers as sales increase, so that we can provide post-sales support without diverting resources from product development efforts; and
- build a network of channel partners to create an expanding presence in the evolving marketplace for our products and services.

Our inability to achieve any of these objectives could harm our business, financial condition and results of operations.

Managing Acquisitions

We continually seek opportunities to acquire or invest in businesses, products and technologies that could expand, complement or otherwise relate to our current or future business. We may also consider, from time to time, opportunities to engage in joint ventures or other business collaborations with third parties to address particular market segments. These activities create risks such as: (i) the need to integrate and manage the businesses and products acquired with our own business and products, (ii) additional demands on our resources, systems, procedures and controls, (iii) disruption of our ongoing business, and (iv) diversion of management's attention from other business concerns. Moreover, these transactions could involve: (i) substantial investment of funds or financings by issuance of debt or equity securities; (ii) substantial investment with respect to technology transfers and operational integration; and (iii) the acquisition or disposition of product lines or businesses. Also, such activities could result in one-time charges and expenses and have the potential to either dilute the interests of existing shareholders or result in the issuance of, or assumption of debt. Such acquisitions, investments, joint ventures or other business collaborations may involve significant commitments of financial and other resources of our Company. Any such activity may not be successful in generating revenue, income or other returns to us, and the resources committed to such activities will not be available to us for other purposes. Moreover, if we are unable to access capital markets on acceptable terms or at all, we may not be able to consummate acquisitions, or may have to do so on the basis of a less than optimal capital structure. Our inability: (i) to take advantage of growth opportunities for our business or for our products, or (ii) to address risks associated with acquisitions or investments in businesses, may negatively affect our operating results. Additionally, any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges to earnings associated with any acquisition or investment activity, may materially reduce our earnings which, in turn, may have an adverse material effect on the price of our Common Shares. If we do complete such transactions, we cannot be sure that they will ultimately strengthen our competitive position or that they will not be viewed negatively by customers, securities analysts or investors.

Litigation

From time to time in the ordinary course of our business, we may become involved in various legal proceedings, including commercial, product liability, employment, class action and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming,

divert management’s attention and resources and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on our business, operating results or financial condition.

About NexJ Systems Inc.

NexJ is a leading provider of enterprise private cloud software, delivering customer relationship management solutions for financial services, insurance, and healthcare. NexJ`s next-generation, people-centered software combines industry-specific functionality with information from multiple applications and data stores to provide comprehensive knowledge of the individual.

NexJ was founded by an executive management team with extensive experience in the successful design and delivery of large-scale, integrated, enterprise software solutions. NexJ is publicly traded on the Toronto Stock Exchange (TSX: NXJ). For further information about the company, please visit www.nexj.com. Additional information relating to the Company is available on SEDAR at www.sedar.com.

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Quarterly Investment Community Conference Call

As previously announced by press release, a live webcast of our quarterly results conference call with the investment community will be hosted via a conference call and webcast beginning at 5:00 p.m. ET today, June 14, 2011. A replay of the call will be available beginning June 14, 2011 at 8:00 p.m. ET through 11:59 p.m. ET on June 21, 2011 and can be accessed by dialing 416-849-0833 and using password 72353900.

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