MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED

MARCH 31, 2010

June 23, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis may contain forward-looking statements and information. Forward-looking statements are statements that are not historical fact and are generally identified by words such as "believe", "expects", "projects" and words of similar connotation. Forward-looking statements are subject to various risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward looking statements. Risks and uncertainties include, but are not limited to, risk with respect to general economic conditions, changes in the insurance marketplace, regulations and taxes, restrictive terms and conditions, coverage exclusions and higher prices in every line of insurance. Readers are cautioned not to place undue reliance on these forward- looking statements.

The Company does not undertake to update or re-issue the forward-looking statements that may be contained herein, whether as a result of new information, future events or otherwise.

OVERVIEW

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

This MD&A should be read in conjunction with the audited consolidated financial statements and the related notes to those audited consolidated financial statements for the year ended March 31, 2010, which are prepared in accordance with Canadian generally accepted accounting principles. These filings are available at www.sedar.com.

All amounts are in Canadian Dollars unless otherwise indicated.

2010 HIGHLIGHTS

- **April 2009 -** Finalization of US debt settlement at a discount and sale of additional interest in the Canadian operations
- **March 2010 –** Start up of Private Label insurance program in Virginia
- **EBITDA -** Increased to $4,283,586 from $3,159,718, an increase of 35%
- **Earnings Per Share -** $0.43 per share compared to $0.09 per share

The insurance industry continued to experience a soft market characterized by reduced premium rates throughout the 2010 fiscal year. We expect premiums to go up with the exception of auto insurance in Alberta, Canada, as the Alberta Rate Board announced a 5% premium decrease in basic coverage on autos effective November 1, 2009. The California workmen's compensation rates increased 15% effective January 2010. Economic recovery, though very slow, is underway, as the necessary preconditions for a rebound appear to have fallen into place. However, the monetary and fiscal stimulus has yet to show its full impact on the economy and jobs and in particular on our clientele base. Despite this difficult market environment, the Company has managed to maintain its EBITDA levels. Management continually monitors the effect of changes in the insurance market and economy on the business and prudently makes adjustments to its costs to address those changes.

The Company will continue to look for quality accretive acquisitions, seek capital injection to reduce debt, streamline costs and review divesture of underperforming assets to increase shareholder value.

SELECTED ANNUAL INFORMATION

The following table summarizes selected annual information prepared in accordance with Canadian generally accepted accounting principles for the three most recently completed financial years:

Years ended March 31,	2010	2009	2008
Revenue	$ 18,661,401	$ 16,867,350	$ 15,288,962
Net earnings (loss)	4,021,083	760,164	(3,529,556)
Total assets	28,475,672	36,358,502	24,506,230
Total long-term liabilities	25,071,601	34,895,496	28,072,261
Shareholder's equity	$ (2,667,752)	$ (5,530,294)	$ (6,454,506)
Earnings (loss) per share -basic	0.43	0.09	(0.41)
Earnings (loss) per share-fully diluted	0.41	0.09	(0.41)

The Company's total assets and long-term liabilities have decreased as at March 31, 2010 compared to March 31, 2009, primarily due to the effect of the decrease in the exchange rate, US debt settlement at a discount, and the write-down of goodwill in one US division. Revenue increased primarily due to contingent growth incentive income in the Canadian operation and the full effect of the acquisition of the Calgary based agency in January 2009, partially offset by reduced revenue in the US.

The net earnings for the year ended March 31, 2010 of $4,021,083 included $2,580,064 of net non-cash income consisting of gain on settlement of debt, amortization of deferred financing costs and loan discounts, future income taxes recovery, impairment of deferred financing costs, depreciation and amortization, stock-based compensation, impairment of goodwill, gain on sale of interest in consolidated subsidiary and non-controlling interest.

The Company's revenue, total assets and total long-term liabilities have increased from the year ended March 31, 2008 to the year ended March 31, 2009, primarily due to the acquisition of an agency based in Calgary, Canada during the year ended March 31, 2009, along with the effect of the exchange rate.

The net earnings for the year ended March 31, 2009 of $760,164 included $1,746,073 of net non-cash income consisting of gain on settlement of debt, amortization of deferred financing costs and loan discounts, future income taxes recovery, impairment of deferred financing costs, depreciation and amortization, stock-based compensation, impairment of goodwill, impairment of unamortized initial franchise fees, impairment of non-competition agreements, gain on sale of interest in consolidated subsidiary and non-controlling interest.

RESULTS OF OPERATIONS

ACCOUNTING POLICIES

Adoption of New Accounting Standards

Effective on April 1, 2009, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, "Goodwill and Intangible Assets" which provides guidance on the recognition, measurement, presentation and disclosure for goodwill and intangible assets, other than the initial recognition of goodwill or intangible assets acquired in a business combination. The adoption of Section 3064 did not have an impact on the Company's results of operations or financial condition.

Future Accounting Standards

The following is an overview of accounting standard changes that the Company will be required to adopt in future years:

Business combinations, consolidated financial statements and non-controlling interests
The CICA issued three new accounting standards in January 2009: Section 1582, "*Business Combinations*", Section 1601, "*Consolidated Financial Statements*", and Section 1602, "*Non-controlling interest*". These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 − "*Business Combinations*".

This section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

Sections 1601 and 1602 together replace 1600 − "*Consolidated Financial Statements*". Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standards IAS 27 − "*Consolidated and Separate Financial Statements*" and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of its 2012 fiscal year when the Company will prepare both the current and comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems.

During the year ended March 31, 2010, the Company commenced initial planning and assessment to determine the overall approach to the transition to IFRS, including assessment of resources needed to complete the project in an efficient and cost effective manner. The Company has designated the appropriate resources to the project to develop an effective transition plan and will continue to assess resource and training requirements throughout the project. The Company hired an outside consultant which prepared a preliminary impact study. This impact study will be used in the development of the overall transition plan and to assist in prioritizing and performing the implementation in an efficient and cost-effective manner.

The Company has identified the following three step process to its conversion project: scoping and planning, detailed assessment, and implementation. The scoping and planning phase involves obtaining stakeholder and organizational support for the project, determining the approach to the IFRS transition, assessing and designating resources to the project, identifying potential areas where IFRS adoption could have an effect on the company's consolidated financial statements and underlying processes, and developing an IFRS Transition Plan detailing the transition process. The detailed assessment phase will result in the selection of ongoing IFRS accounting policies, selection of IFRS 1 transition choices, quantification of the financial statement impact, preparation of an IFRS compliant financial statement template and identification of business processes and resources impacted. The implementation phase along with the results of the first two phases, includes the design of financial reporting, business processes and information systems to support the preparation of the IFRS compliant opening balance sheet, interim financial statements for the period ending June 30, 2011 and later quarters and its first annual audited IFRS compliant financial statements for the year ending March 31, 2012.

BUSINESS ACQUISITIONS

Year ended March 31, 2010
During the year ended March 31, 2010, no business acquisitions occurred.

Year ended March 31, 2009
During the year ended March 31, 2009, the Company acquired books of business of its independent contractors, which were processed through the Company, and all of the property and equipment and customer accounts of Dyck Insurance, located in Calgary and Edmonton, Alberta. The purchases were funded through an expansion of the Company's existing Acquisition facility and vendor financing payable to the vendors at the end of the first and second years after closing.

In aggregate, as a result of the above transactions, the net assets acquired and liabilities incurred were as follows:

Assets and liabilities acquired:		
Goodwill	$	5,741,551
Customer accounts		4,874,139
Property and equipment		75,000
Future tax liability		(293,263)
Accounts payable and accrued liabilities		(65,055)
	$	10,332,372
Consideration paid:		
Lender financing	$	9,943,420
Vendor financing		388,085
Discount on vendor financing		(44,975)
Net cash paid		45,842
	$	10,332,372

The results of operations and cash flows of the acquired business, other than the books of business of its independent contractors, are included in these financial statements from the closing date of the acquisition, which was January 29, 2009.

Revenue

The Company's revenue has increased to $18,661,401 for the year ended March 31, 2010 from $16,867,350 for the year ended March 31, 2009, an increase of 11%, primarily due to the effect of the Canadian acquisition in January 2009 and contingent growth incentive income in the Canadian operation, partially offset by reduced commissions in the US. The economic conditions and a continuing decline in premiums (soft market) and general competition negatively affected revenue in the U.S. divisions. The property and casualty insurance rates continue to be soft and while the economic recovery is underway, it is very slow. We have yet to see the full impact of the recovery on the job market and on our clients in particular. We expect premiums to increase as insurers experience higher claim costs and reduced investment income. As our revenue is related to premiums, any increase in premiums will translate into higher commission revenue.

The Company's revenue increased to $16,867,350 for the year ended March 31, 2009 from $15,288,962 for the year ended March 31, 2008, an increase of 10%. Revenues increased in Canada by $613,000 primarily due to the effect of the acquisition in January 2009 and increased commission revenue in the Canadian operation. The revenue in the US divisions was higher primarily due to the positive effect of the change in the US to Canadian exchange rate (approx. $800,000). The economic conditions and a continuing decline in premiums (soft market) and general competition negatively affected the growth in the U.S. divisions in the year. While property and casualty insurance rates remained soft, we expect premiums to increase as the insurers experience high claim costs and reduced investment income. As the Company's revenue is commissions determined as a percentage of premiums, an increase in premiums will result in higher revenue. Management believes that the impact of the economic downturn on revenues has reached bottom and we should see a flat to slow growth during the upcoming fiscal year.

Expenses

Salaries and wages decreased to $8,817,594 for the year ending March 31, 2010 from $9,039,504 for the year ending March 31, 2009, primarily due to the effect of cost savings resulting from the reduction in the number of employees to address the decrease in premiums in the US divisions, largely offset by the effect of the Canadian acquisition in the last quarter of the 2009 fiscal year. The Company continuously and proactively aligns its employee levels with the premium volumes and economic conditions.

Salaries and wages have increased to $9,039,504 for the year ending March 31, 2009 from $8,513,562 for the year ending March 31, 2008. The increase was primarily due to the effect of the exchange rate, management bonus, and the effect of the Canadian acquisition in the last quarter of the 2009 fiscal year. The increase was partially offset by cost savings resulting from the reduction in the number of employees to address the decrease in premiums in one US division.

General and administrative expenses increased to $4,374,830 for the year ending March 31, 2010, from $3,428,143 for the year ending March 31, 2009, primarily due to the costs related to the Canadian acquisition in January 2009, increased professional fees in the Canadian division, and increased advertising costs related to one US location.

General and administrative expenses decreased to $3,428,143 for the year ending March 31, 2009 from $4,152,792 for the year ending March 31, 2008 primarily due to the cost reductions in one of the California divisions, which were partially offset by the costs related to the Canadian acquisition in January 2009 and the effect of the exchange rate. The advertising costs were significantly lower due to realigning the advertising strategy and negotiating the settlement of outstanding amounts for advertising in one US division. Better operating processes and the elimination of redundant costs and services resulted in streamlined other operating costs.

Rent decreased marginally to $1,087,596 for the year ending March 31, 2010 from $1,135,463 for the year ending March 31, 2009 primarily related to reduced costs in California due to the consolidation of some locations, partially offset by the Calgary-based Canadian acquisition in January 2009.

Rent increased to $1,135,463 for the year ending March 31, 2009 from $1,014,199 for the year ending March 31, 2008, primarily due to the Calgary-based Canadian acquisition in January 2009 and the effect of the exchange rate.

During the year ended March 31, 2009, the Company granted 529,489 stock options which were accounted for in accordance with Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" of the CICA Handbook which requires the expensing of the fair value of the options of $93,760 to stock compensation expense and contributed surplus as services are provided and the awards vest.

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

The Company's EBITDA increased to $4,283,586 for the year ended March 31, 2010 from $3,159,718 for the year ended March 31, 2009, which represents an increase of 35% from the prior year, including stock-based compensation expense (non-cash expense). EBITDA as a percentage of revenue has increased from 18.7% for the year ending March 31, 2009 to 23% for the year ending March 31, 2010. The overall increase resulted from higher revenue due to the Canadian acquisition in January 2009 and contingent growth incentive income in the Canadian operations, lower costs due to a strong focus on cost reductions, and proactively streamlining personnel and other operating costs, partially offset by reduced commissions in the US operations. The management has been focused on maintaining revenue levels in this tougher period of economic uncertainty by more cross-selling, improved sales techniques and retention of quality individuals. The Company's cost base has been significantly reduced so that any increases in revenues will result in higher EBITDA.

The Company's EBITDA increased to $3,159,718 for the year ended March 31, 2009 from $1,596,646 for the year ended March 31, 2008, which represents an increase of 98% from the prior year, including stock-based compensation expense (non-cash expense). EBITDA as a percentage of revenue has increased from 10.4% for the year ended March 31, 2008 to 18.7% for the year ended March 31, 2009. The overall increase resulted from the positive and higher EBITDA from all divisions, in spite of the current economic conditions due to a strong focus on cost reductions and proactively streamlining personnel and advertising costs. The EBITDA was also positively affected by the exchange rate.

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

Reconciliation of EBITDA to Net earnings (loss)

Year ending March 31,	**2010**	**2009**
Revenue	$ 18,661,401	$ 16,867,350
Earnings before the following (EBITDA)	4,283,586	3,159,718
Gain on sale of interest in consolidated subsidiary	4,519,209	1,278,148
Loss related to insolvency of U.S. franchisor	-	(4,849,770)
Gain on settlement of debt	2,842,237	7,293,681
Goodwill impairment	(2,285,100)	(1,310,608)
Interest and financing costs	(2,129,851)	(3,165,071)
Depreciation and amortization	(1,377,080)	(1,811,805)
Income taxes (expense) recovery	(943,423)	144,908
Non-controlling interest	(888,495)	20,963
Net earnings for the year	$ 4,021,083	$ 760,164

The net earnings for the year ending March 31, 2010 of $4,021,083 included $2,580,064 of net non-cash income consisting of gain on settlement of debt, amortization of deferred financing costs and loan discounts, future income taxes recovery, impairment of deferred financing costs, impairment of goodwill, depreciation and amortization, stock-based compensation, gain on sale of interest in consolidated subsidiary and non-controlling interest.

The net earnings for the year ended March 31, 2009 of $760,164 included $1,746,073 of net non-cash income consisting of gain on settlement of debt, amortization of deferred financing costs and loan discounts, future income taxes recovery, impairment of deferred financing costs, depreciation and amortization, stock-based compensation, impairment of goodwill, impairment of unamortized initial franchise fees, impairment of non-competition agreements, gain on sale of interest in consolidated subsidiary and non-controlling interest.

Non-Controlling Interest in Consolidated Subsidiary

On June 10, 2008, the Company closed an equity financing under which a non-controlling interest in a newly incorporated consolidated subsidiary of the Company which operates the Canadian operations was sold. The Company recognized a gain on the sale.

On April 23, 2009, the Company closed another equity financing under which an additional interest in the consolidated subsidiary of the Company which operates the Canadian operations, was sold. The Company recognized a gain on the sale. Under certain terms and conditions of the agreement with the non-controlling shareholder, the Company may be required to repurchase the non-controlling interest.

Goodwill Impairment

Goodwill is not subject to amortization but is subject to an impairment test that is performed at least annually. Upon testing goodwill for impairment, it was determined that there was an impairment of goodwill in one California division due to reduced revenues in the division. The resulting write-off of goodwill was in the amount of $2,285,100 (U.S. $2,250,000) (2009 – $1,310,608 (U.S. $1,040,000)).

The economic conditions, decline in premiums due to a soft market, and general competition have negatively affected revenue in this California division, resulting in the further write-down of goodwill in the year ended March 31, 2010. Should actual revenue and customer retention decline lower than the current estimated levels, further write-down of goodwill may be required for any additional impairment. There were no additions or other write-offs during the year relating to goodwill.

Gain on Settlement of Debt

On March 31, 2009, an amendment was made to the U.S. senior note representing U.S. $10,335,359 originally advanced on June 28, 2007 and later assigned, whereby the outstanding principal balance on the note was adjusted to U.S. $5,500,000. Certain terms of the loan agreement were amended, including monthly interest only payments at 7% per annum accruing from February 1, 2009 and the due date amended to September 1, 2011 with an extension to April 1, 2012 if mutually agreed to, replacing the previous maturity on June 15, 2022. Should the Company materially default on its obligations, the principal balance due on the senior note will revert to U.S. $7,500,000 if a material default occurs on or before March 31, 2011.

On April 3, 2009, an amount of U.S. $3,037,002 originally advanced on October 31, 2006 by the U.S. senior lender and later assigned, was paid out and settled for U.S. $1,100,000. A gain of U.S. $5,787,717 (CDN $7,293,681) resulting from the extinguishment and amendment of the U.S. senior notes at a discount and the write-off of related unamortized deferred financing costs and accrued interest were recognized in the year ended March 31, 2009.

On April 23, 2009, an amount of U.S. $4,000,000 originally advanced by the U.S. senior lender on October 31, 2006 and later assigned, was paid out and settled for U.S. $1,423,000 with proceeds received from the sale of the additional interest in the consolidated subsidiary. A gain resulting from the extinguishment of the loan at a discount in the amount of U.S. $2,312,642 (CDN $2,842,237) was recognized in the year ended March 31, 2010, along with the related unamortized deferred financing costs and accrued interest being written off.

INTEREST AND FINANCING COSTS

	2010	2009
Canadian Operations		
Interest on long-term debt	$ 1,133,965	$ 693,162
Interest on operating line of credit	–	145,905
Amortization of deferred financing costs and loan discount	51,883	43,835
Impairment of deferred financing costs	–	84,298
Interest on obligations under capital lease	9,167	4,103
	1,195,015	971,303
U.S. Operations		
Interest and loan fees on long-term debt	776,013	1,606,157
Amortization of deferred financing costs and loan discount	17,306	57,852
Impairment of deferred financing costs	140,131	529,611
Interest on obligations under capital lease	1,386	148
	934,836	2,193,768
	$ 2,129,851	$ 3,165,071

- Impairment of deferred financing costs relates to the write-off of deferred financing costs related to the U.S. loans.

Depreciation and Amortization

Depreciation and amortization decreased to $1,377,080 for the year ending March 31, 2010 from $1,811,805 for the year ending March 31, 2009, mainly due to the customer accounts related to the June 2007 California acquisition being fully

amortized in the first quarter of the fiscal year ended 2009 and no amortization related to franchise fees and non-competition agreements in the current year, partially offset by the amortization of the customer accounts related to the Canadian acquisition and the purchase of independent books of business in the fiscal year ending 2009.

Depreciation and amortization decreased to $1,811,805 for the year ended March 31, 2009 from $2,125,110 for the year ended March 31, 2008, primarily due to the lower amortization of the customer accounts related to the June 2007 California acquisition which were fully amortized during the quarter ended June 30, 2008, partially offset by the amortization of the customer accounts related to the Canadian acquisition in January 2009 and purchase of independent books of business during the year ended March 31, 2009.

Private Label Insurance Program

The Company through its various partners in the US has formed a private label insurance program to process some of the premium volume in our Virginia operations. The program started in March 2010. The program will result in the Company receiving higher commissions and fees in addition to its normal commissions.

SUMMARY QUARTERLY INFORMATION

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

- EBITDA is defined as Earnings before interest, income taxes, and depreciation and amortization.
- EBITDA is discussed and presented here as a non-Generally Accepted Accounting Principles measure because it is management's major performance indicator. EBITDA is reconciled to Net earnings (loss) above.
- The June 2008 quarter reflects higher EBITDA due to the contribution of EBITDA from the California division acquired on June 28, 2007.
- The December 2008 quarter reflects higher EBITDA due to increased revenues and lower salaries and wages and advertising expense. Net loss has increased due to the impairment of unamortized initial franchise fees of $2,948,952 and the write-off of $1,639,071 primarily related to the receivable from Brooke Capital Corporation for the monthly net settlements.
- The March 2009 quarter reflects higher revenue primarily due to the Calgary-based acquisition in January 2009. EBITDA in the March 2009 quarter was higher due mainly to improved results in the California operations and acquisition in Canada, partially offset by the management bonus. The net earnings for the March 2009 quarter reflect the discount on loans partially offset by impairment of goodwill and deferred financing costs.
- The June 2009 quarter reflects higher net earnings primarily due to the discount on loan and gain on sale of an interest in a consolidated subsidiary.

Quarter ended	Revenue ($)	EBITDA ($)	Net earnings (loss) ($)	EPS - Basic and Diluted ($/share)
March 31, 2010	5,312,202	1,640,933	(1,945,681)	(0.20)/(0.20)
December 31, 2009	4,260,429	860,134	(200,376)	(0.02)/(0.04)
September 30, 2009	4,347,356	821,896	89,761	0.01
June 30, 2009	4,741,414	960,623	6,077,379	0.64
March 31, 2009	5,202,204	1,279,181	5,698,249	0.66
December 31, 2008	4,104,967	975,949	(4,134,880)	(0.48)
September 30, 2008	3,644,716	373,590	(497,190)	(0.05)
June 30, 2008	3,915,463	530,998	(306,015)	(0.04)

Fourth quarter 2010 results

The net earnings for the March 2010 quarter reflects the impairment of goodwill for one US division.

The net earnings for the March 2009 reflects the gain realized from the discount on loans, partially offset by impairment of goodwill and deferred financing costs.

FINANCIAL CONDITION AND CHANGES IN FINANCIAL CONDITION

Comparing year end March 31, 2010 and year end March 31, 2009:

- **Working capital** increased $318,768 due mainly from positive cash flow from operations.
- **Customer accounts** decreased $1,404,524 mainly due to amortization and the effect of the exchange rate.
- **Goodwill** decreased $5,358,631 mainly due to the impairment of goodwill in one US division and the effect of the exchange rate.
- **Long-term debt** decreased $11,023,142 due to discount on one U.S. loan, principal repayments on the Canadian loans and the effect of the exchange rate.
- **Shareholders' equity** increased $2,862,542 primarily due to :
    - net earnings of $4,021,083,
    - decrease in share capital of $406,042 resulting from the repurchase of shares under the issuer bid,
    - increase in share capital resulting from the issuance of common stock for settlement of accounts payable of $136,031 and stock options exercised of $105,334,
    - decrease in accumulated other comprehensive income of $1,326,415, and
    - increase in contributed surplus of $332,551 related to stock-based compensation and repurchase of shares under the issuer bid.

FINANCIAL RESOURCES AND LIQUIDITY

At March 31, 2010, the Company had working capital of $512,989, obligations under capital leases of $23,538 and long-term debt of $25,048,063.

On June 12, 2008, the Company closed secured debt financing arrangements with Intact Insurance Company ("Intact"), formerly ING Insurance Company of Canada, whereby Intact provided a $10,000,000 ten-year term loan facility (the "Repayment Facility") along with a facility of $1,500,000 available for working capital purposes (the "Working Capital Facility").

An amount of $8,962,878 was drawn under the Repayment Facility to repay the Operating Line of Credit in full and to reduce the amount outstanding under a U.S. senior note. The unamortized deferred financing costs related to the operating line of credit and term loan were written off in the year ended March 31, 2009.

On June 20, 2008, the Company closed a $4,500,000 Intact loan facility (the "Acquisition Facility") to its subsidiary Anthony Clark Insurance Brokers Ltd. The Acquisition Facility is available to finance potential future Canadian expansion projects and purchases of Canadian insurance brokerages.

On January 29, 2009, an amendment was made to the loan agreement to increase the Acquisition Facility by $9,500,000.

On April 23, 2009, the Company closed another equity financing under which an additional interest in the consolidated subsidiary of the Company which operates the Canadian operations, was sold. Part of the proceeds of the sale were applied to payout a term loan used to facilitate the extinguishment of a loan at a discount and partially pay down the balance remaining on the Working Capital Facility. The Company recognized a gain on the sale with an additional adjustment to the sales proceeds applied to the reduction of outstanding senior debt.

The Company is also subject to certain covenants on an ongoing basis which came into effect in the quarter ended September 30, 2008, with failure to maintain compliance resulting in the loans becoming due on demand. The Company is in compliance with the covenants.

The above Intact facilities have been fully guaranteed and secured by the Canadian assets of the Company.

The November 15, 2008 and subsequent payments due on the U.S. senior notes were not made due to the insolvency of Brooke Capital Corporation, the franchisor of the Company's U.S. operations. The Company continued in discussions regarding the transition, ongoing servicing and assignment of the U.S. senior notes.

Also, in conjunction with the Intact refinancing, the U.S. denominated debt is now secured by the U.S. assets only with a guarantee provided by the Company.

On April 3, 2009, an amount of U.S. $3,037,002 originally advanced on October 31, 2006 by the U.S. senior lender and later assigned, was paid out and settled for U.S. $1,100,000. A gain of U.S. $5,787,717 (CDN $7,293,681) resulting from the extinguishment and amendment of the U.S. senior notes at a discount and the write-off of related unamortized deferred financing costs and accrued interest were recognized in the year ended March 31, 2009.

On April 23, 2009, an amount of U.S. $4,000,000 originally advanced by the U.S. senior lender on October 31, 2006 and later assigned, was paid out and settled for U.S. $1,423,000 with proceeds received from the sale of the additional interest in the consolidated subsidiary. A gain resulting from the extinguishment of the loan at a discount in the amount of U.S. $2,312,642 (CDN $2,842,237) was recognized in the year ended March 31, 2010, along with the related unamortized deferred financing costs and accrued interest being written off.

On March 31, 2009, an amendment was made to the U.S. senior note representing U.S. $10,335,359 originally advanced on June 28, 2007 and later assigned, whereby the outstanding principal balance on the note was adjusted to U.S. $5,500,000. Certain terms of the loan agreement were amended, including monthly interest only payments at 7% per annum accruing from February 1, 2009 and the due date amended to September 1, 2011 with an extension to April 1, 2012 if mutually agreed to, replacing the previous maturity on June 15, 2022. Should the Company materially default on its obligations the principal balance due on the senior note will revert to U.S. $7,500,000 if a material default occurs on or before March 31, 2011.

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

Shareholders' equity increased by $2,862,542 from $(5,530,294) as at March 31, 2009 to $(2,667,752) as at March 31, 2010, mainly due to the net earnings of $4,021,083, decrease in share capital of $406,042 resulting from the repurchase of shares under the issuer bid, increase due to the issuance of common stock for settlement of accounts payable of $136,031 and stock options exercised of $105,334, a decrease in accumulated other comprehensive income of $1,326,415 and an increase in contributed surplus of $332,551 related to stock-based compensation and repurchase of shares under the issuer bid.

The net earnings for the year ending March 31, 2010 of $4,021,083 included $2,580,064 of net non-cash income consisting of gain on settlement of debt, amortization of deferred financing costs and loan discounts, future income taxes recovery, impairment of deferred financing costs, impairment of goodwill, depreciation and amortization, stock-based compensation, gain on sale of interest in consolidated subsidiary and non-controlling interest.

The following table sets forth the Company's future contractual and long-term obligations as at March 31, 2010:

Contractual Obligations	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 years
Capital Lease Obligations	$ 58,679	$ 35,141	$ 23,538	$ -	$ -
Operating Lease Obligations	2,260,570	1,808,227	450,612	1,731	-
Long-Term Debt					
U.S. Senior note	5,585,800	-	5,585,800	-	-
Senior notes	17,964,792	1,673,219	3,658,529	4,119,037	8,514,007
U.S. Note payable	3,325,197	24,497	3,300,700	-	-
Note payable	44,983	44,983	-	-	-
Notes payable	170,181	170,181	-	-	-

Insolvency of Brooke Capital Corporation and Termination of Franchise Arrangements

The Company's U.S. locations had been operating as franchises of Brooke Capital Corporation since October 31, 2006, in conjunction with certain debt financing. Beginning in the second quarter of 2009, the monthly cash settlements of net commissions receivable for the U.S. operations due monthly per the terms of the Brooke franchise agreements, stopped entirely. On October 17, 2008, the Company's U.S. operations were released from their franchise agreements and, therefore, the unamortized initial franchise fees of $2,948,952 were written off. On October 28, 2008, Brooke Corporation and Brooke Capital Corporation filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code. An additional amount of $1,639,071 was written off, primarily related to the net receivable from Brooke Capital Corporation for the monthly net settlements. Additionally, legal fees of $261,747 were incurred by the Company.

On September 11, 2008, the Company filed a claim in the Superior Court of California against Brooke Corporation, Brooke Capital Corporation and Aleritas Corporation, an affiliate of Brooke Corporation, claiming amounts owing, breach of contract, fraud and misrepresentation, in the amount of approximately U.S. $6 million. On June 29, 2009, The United States Bankruptcy Court, Kansas City Division, approved the Chapter 11 Trustee's motion to convert the Chapter 11 proceedings to Chapter 7. No amount has been recognized in these financial statements as no amounts are expected to be recovered.

SHARE CAPITAL

a) Authorized

Unlimited common shares without par value

Changes in share capital during the years ended March 31, 2010 and 2009 are as follows:

	Shares	Amount
Balance, March 31, 2008	8,551,978	$ 10,197,279
Common shares issued for settlement of management bonuses	970,000	232,800
Common shares issued on exercise of stock options	3,000	1,110
Balance, March 31, 2009	9,524,978	10,431,189

Common shares issued for settlement of accounts payable	272,061		136,031
Common shares issued on exercise of stock options	351,112		105,334
Charge to capital on repurchase of shares through issuer bid	(374,300)		(406,042)
Balance, March 31, 2010	9,773,851	$	10,266,512

On January 15, 2009, the Company extinguished all 1,439,128 outstanding warrants which were exercisable at $0.80 per share and had an expiry date of June 15, 2010.

The Company received regulatory approval from the TSX Venture Exchange (the "Exchange") to make a normal course issuer bid. Pursuant to the bid, the Company could purchase up to 815,159 of its common shares which represents approximately 10% of the common shares issued and outstanding. The bid commenced May 14, 2009 and terminated on May 13, 2010. The Company has repurchased 374,300 common shares under the bid of which 38,000 shares were not yet cancelled as at March 31, 2010.

The Company finalized an Amending Agreement, effective January 1, 2010, with one of its U.S. lenders, whereby the U.S. lender has agreed to receive a portion of the interest owed to it in common shares of the Company. Pursuant to the terms of the Amending Agreement, the U.S. lender has agreed to accept 4% of the annual interest payments due on a U.S $3,250,000 loan (the "Loan") in common shares of the Company, effectively reducing the cash interest payment by U.S $130,000 annually. This Amending Agreement is in effect until the maturity of the Loan on April 30, 2012. As such and with the required regulatory approvals received, the Company will issue U.S $130,000 worth of common shares priced at CDN $0.50 per common share to the U.S. lender or 272,061 common shares. The price of CDN $0.50 per common share represents a 2% discount from the closing price of CDN $0.51 per common share on January 15, 2010. The pricing of the common shares to be issued during the subsequent years of the Loan will be determined at the then current trading price of the common shares of the Company as at the close of business on the first trading day after January 1st in each year until the maturity date of the Loan. The issuance of any common shares of the Company pursuant to the Amending Agreement is subject to any and all required regulatory approvals and the acceptance of the TSX Venture Exchange.

The Company received regulatory approval from the TSX Venture Exchange (the "Exchange") to make a normal course issuer bid. Pursuant to the bid, the Company could purchase up to 967,235 of its common shares which represents approximately 10% of the common shares issued and outstanding. The bid will commence May 14, 2010 and will terminate on May 13, 2011.

STOCK-BASED COMPENSATION

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

Changes in stock options during the years ended March 31, 2010 and 2009 are as follows:

	2010			2009		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of year	1,598,000	$	0.38	1,601,395	$	0.43
Awarded	–		–	529,489		0.33
Exercised	(351,112)		(0.30)	(3,000)		(0.37)
Forfeited	–		–	(5,000)		(0.30)
Expired	(717,399)		(0.45)	(524,884)		(0.49)
Outstanding, end of year	529,489	$	0.33	1,598,000	$	0.38

The following table sets forth information relating to stock options outstanding as at March 31, 2010:

Expiry	Exercise prices	Number outstanding at March 31, 2010	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at March 31, 2010	Weighted average exercise price
February 28, 2011	$ 0.33	529,489	0.92	$ 0.33	352,992	$ 0.33

On February 3, 2009, the Company granted 529,489 options to purchase common shares at a price of $0.33 per share to certain directors, officers and employees. The options vest over a period of eighteen months from the date of grant and expire on February 28, 2011. The fair value of stock options awarded to directors, officers and employees of $93,760 is being recorded to stock-based compensation expense and contributed surplus as services are provided and the awards vest, and was estimated on the date of award using the Black-Scholes option pricing model with the assumptions below:

	2009
Risk-free interest rate	1.00%
Estimated volatility	101%
Expected lives	2.07 years

The average fair value of stock options awarded during the 2009 fiscal year, as calculated using the Black-Scholes option pricing model, was $0.18, per stock option.

The Black-Scholes option pricing model was developed for use in estimating the fair value of stock options that have no vesting provisions and are fully transferable. Also, option pricing models require the use of estimates and assumptions including expected volatility. The Company uses expected volatility rates which are based upon historical volatility rates. Changes in the underlying assumptions can materially affect these fair value estimates.

On April 8, 2010, the Company granted 525,000 options to purchase common shares at a price of $0.36 per share to certain directors, officers and employees. The options vest over a period of eighteen months from the date of grant and expire on April 1, 2013.

RELATED PARTY TRANSACTIONS

The Company enters into transactions with related parties from time to time in the normal course of business. Related party transactions are measured at the exchange amount, being the amount of consideration established and agreed to between the related parties, unless otherwise noted.

During the year ended March 31, 2010 the Company incurred $76,935 (2009 –$245,908) of legal fees with a law partnership in which a partner is also a director.

A finder's fee due to a director of the Company in the amount of $86,741 was incurred in respect of an acquisition during the year ended March 31, 2009.

CAPITAL MANAGEMENT

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

The Company's objectives when managing capital are to:

- safeguard the Company's ability to continue as a going concern
- ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans

- optimize the cost of its capital at an acceptable level in light of current and future industry, market and economic risks and conditions
- utilize long-term funding sources to manage its working capital and restructure debt to minimize the cost of its capital
- acquire assets and dispose of non-performing assets

The Company's debt contains general security restrictions and debt covenants. The Company's debt covenants came into effect September 30, 2008. At March 31, 2010, the Company is in compliance with these general security restrictions and debt covenants.

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

FINANCIAL INSTRUMENTS

a) Fair value

The fair value of financial instruments at March 31, 2010 and 2009 is summarized in the following table. Fair value estimates are made at the balance sheet date, based on relevant quoted market and other information about the financial instruments.

	March 31,			
	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Held for trading				
Cash	$ 2,638,036	$ 2,638,036	$ 2,875,053	$ 2,875,053
Trust cash	235,503	235,503	212,848	212,848
Loans and receivables				
Accounts receivable	2,315,394	2,315,394	3,077,205	3,077,205
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	2,104,318	2,104,318	3,343,709	3,343,709
Distribution payable to non-controlling interest	952,052	952,052	95,398	95,398
Long-term debt	26,960,943	26,960,943	37,984,085	35,376,518
Obligations under capital leases	58,679	58,679	34,905	34,905

b) Financial risk management

The Company's activities potentially expose it to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and foreign currency risk.

Credit risk

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations, or if there is a concentration of transactions carried out with the same counterparty or of financial

obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions.

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

As at March 31, 2010, the Company is exposed to credit risk through the following assets:

Accounts receivable	$ 2,315,394
Net credit risk	$ 2,315,394

Foreign currency risk

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

At March 31, 2010, the Company is exposed to currency risk through the following assets and liabilities denominated in U.S. dollars:

Cash	$ 615,653
Accounts receivable	993,009
Accounts payable	(813,908)
Long-term debt	(8,910,997)
Net exposure	$ (8,116,243)

Based on the above net exposure at March 31, 2010, and assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in a decrease or increase of $ 811,624 in the Company's other comprehensive income (loss).

Interest rate risk

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

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company meets liquidity requirements by managing cash flows and being in an industry where its assets are fairly reasonably readily convertible into cash in the short-term.

The Company's ability to obtain funding from external sources may be restricted if the Company's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Company's access and ability to fund its short-term and long-term debt requirements. The Company mitigates these risks by actively monitoring market conditions and diversifying its sources of funding and debt maturity. The Company's accounts payable and accrued liabilities are generally due within 60 days. The current portion of obligations under capital leases and long term debt are due within 12 months.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are defined as those that are both very important to the portrayal of the Company's financial condition and results, and require management's most difficult, subjective or complex judgments. We are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon available information, historical information and/or forecasts. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting periods. Actual results could differ from these estimates. The accounting policies which management believes are the most critical to aid in fully understanding and evaluating our reported financial results include those relating to business acquisitions and accounting for the resulting customer accounts, goodwill and non-competition agreements, stock-based compensation, and income taxes.

Impairment of long-lived assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

Business combinations

Business acquisitions are accounted for using the purchase method whereby the fair value of consideration given is allocated to identifiable assets acquired and liabilities assumed. The results of operations and cash flows of an acquired business are included in the Company's financial statements from the date of acquisition. Where the consideration given is subject to contingent adjustment based on future periods' operating results, such adjustment is recognized in the period the contingency is resolved.

Customer accounts

Acquired customer accounts are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over estimated useful lives of the acquired customer accounts currently ranging between three and seventeen years. The carrying value of customer accounts is periodically assessed for impairment in accordance with the Company's accounting policy for impairment of long-lived assets.

Goodwill

Goodwill results from business combinations and represents the excess of the consideration given over the fair value of identifiable net assets acquired. Goodwill is not subject to amortization but is subject to an impairment test that is performed at least annually.

Stock-based compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as services are provided and the awards vest, with offsetting amounts recognized as contributed surplus.

Income taxes

Income taxes are recorded using the liability method. Under this method, current income taxes are recognized for the estimated income taxes payable or receivable for the year. Future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are recognized using substantively enacted income tax rates. Future income tax assets are recognized with respect to deductible temporary differences and loss carry-forwards only to the extent their realization is considered more likely than not.

RISK FACTORS

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

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

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

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

There can be no assurance that the Company's recently acquired brokerages or any brokerages acquired by the Company in the future will achieve acceptable levels of revenue and profitability or otherwise perform as expected. The Company may be unable to successfully integrate other brokerages that the Company may acquire in the future, due to diversion of management attention, strains on the Company's infrastructure, difficulties in integrating operations and personnel, entry into unfamiliar markets, or unanticipated legal liabilities or tax, accounting or other issues. A failure to integrate acquired brokerages may be disruptive to the Company's operations and negatively impact the Company's revenue or increase the Company's expenses.

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

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

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

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

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

The Company's performance and future operating results and success are substantially dependent on how effective the management team and key personnel are at organizing and implementing the Company's growth strategy and integrating

acquired General Insurance Brokerages into the Company's overall organization. Shareholders will be relying on the judgment and expertise of the management of the Company.

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

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

The Company maintains keyman life insurance policies of $100,000 on Mr. Consalvo and $175,000 on Mr. Bhatia and has no other keyman life insurance on any other senior management or other personnel. The loss of the services of any of the Company's senior management or other key personnel or the inability to attract and retain the necessary technical, sales and managerial personnel could have a material adverse effect upon the Company's business, operating results and financial condition.

The Company faces intense competition in the insurance industry

The Company is in an industry in which intense competition exists. The Company competes with other General Insurance Brokerages, as well as Insurance Companies that sell insurance directly to consumers and do not pay commissions to agents and brokers. Some competitors have substantially more financial resources and other assets available than the Company does and are larger and better established than the Company. Such competitors have existing distribution facilities and channels, customer recognition, customer lists, and greater research and development capabilities and sales marketing staff than does the Company. There can be no assurance that the Company will be able to compete successfully against current and future competitors, or that competitive pressure faced by the Company will not have a material adverse effect on its business, financial condition and results of operation.

Incursion of government, banks or other financial institutions

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

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

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

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

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

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

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

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

The Company intends to utilize its extensive customer databases for marketing and sales purposes, which it believes would enhance the Company's ability to meet its organic growth targets. However, privacy legislation, such as the Gramm-Leach-Bailey Act and the Health Insurance Portability and Accountability Act of 1996 in the United States and the Personal Information Protection and Electronic Documents Act (PIPEDA) in Canada, as well other regulatory changes, may restrict the Company's ability to utilize personal information that we have collected in the normal course of operations to generate new sales. If the Company becomes subject to new restrictions, or other regulatory restrictions, which we are not aware of, the Company's ability to grow the business may be adversely affected.

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

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

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

Our clients have the right to file complaints with the regulators about our services, and the regulators may investigate and require us to address these complaints. Our failure to satisfy the regulators that we are in compliance with their

requirements or the legal requirements governing our activities can result in a disciplinary action, fines, reputation damage and financial harm.

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

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

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

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

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

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

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

No intention to declare dividends

The Company has a recent history of losses and has not declared or paid any cash dividends on its Common Shares. The Company currently intends to retain any future earnings to fund growth and operations and it is unlikely to pay any dividends in the immediate or foreseeable future. Any decision to pay dividends on its Common Shares in the future will be made by the board of directors on the basis of the Company's earnings, financial requirements and other conditions at such time.

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

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

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

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