



GROUPWORKS FINANCIAL CORP.

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

APRIL 22, 2009

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MANAGEMENT DISCUSSION & ANALYSIS

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

This Management Discussion and Analysis (“**MD&A**”) and accompanying unaudited consolidated financial statements of Groupworks Financial Corp. (the “Company”), covers the three month and six month period ended February 28, 2009. Certain balances have been provided for discussion purposes only. This MD&A should be read in conjunction with the interim unaudited and annual audited consolidated financial statements as filed at www.sedar.com.

All financial information is presented in Canadian dollars and in accordance with Canadian generally accepted accounting principles (“**GAAP**”) unless otherwise noted. ***Certain totals, subtotals and percentages may not reconcile due to rounding.*** The information in this MD&A is presented as at April 22, 2009 unless otherwise noted.

This MD&A contains “forward-looking statements” within the meaning of applicable securities laws, such as statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Use of words such as “may”, “will”, “expect”, “believe”, or other words of similar effect may indicate a “forward-looking” statement. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those described in our publicly filed documents (available on SEDAR at www.sedar.com) and in this MD&A under the heading “Risks and Uncertainties”. Those risks and uncertainties include the ability to maintain profitability and manage organic or acquisition growth, reliance on information systems and technology, reputational risk, dependence on key clients, reliance on key professionals and general economic conditions. Many of these risks and uncertainties can affect our actual results and could cause our actual results to differ materially from those expressed or implied in any forward-looking statement made by us or on our behalf. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. All forward-looking statements in this MD&A are qualified by these cautionary statements. These statements are made as of the date of this MD&A and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Additionally, we undertake no obligation to comment on analyses, expectations or statements made by third parties in respect of the Company, its financial or operating results or its securities.

This discussion also makes reference to certain non-GAAP measures such as EBITDA, EBITDA margin and Adjusted EBITDA, to assist investors in assessing the financial performance of the Company. Non-GAAP measures do not have any standard meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other issuers.

Amounts set forth in this MD&A are stated in thousands of dollars except for per share and issued and outstanding share data, and unless otherwise noted.

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INDUSTRY OVERVIEW

The Canadian life and health insurance advisor marketplace is relatively concentrated amongst a small number of multi-national consulting firms, while the balance of the group benefits and group pension business is managed by a large number of smaller regional and local market participants. The scope of services offered by both types of organizations includes pension and benefits consulting, pension and benefits administration, communication consulting, actuarial services, human resource consulting and wellness consulting. The multi-national consulting firms primarily offer fee-based consulting and administrative services, with the balance of the marketplace operating primarily on commission-based compensation, with limited fee-based services available depending upon the client and the services required.

Management believes that the pension and benefits consulting and administration business will continue to develop in the coming years, and that the insurance advisor marketplace is well positioned for consolidation, each for a variety of reasons including: (i) advisor demographics and lack of succession planning options; (ii) workforce demographics; and (iii) the growing need for external expertise in consulting and administration matters.

BUSINESS OVERVIEW

Groupworks is a pension, employee benefits and HR consulting and outsourcing firm, providing services to organizations in various industries. The shares of the Company trade on the TSX Venture Exchange under the symbol "GWC". Our clients are primarily small and medium-sized organizations, which typically utilize services on a recurring or contracted basis over a long term. We focus on the integrated design and delivery of retirement, strategic HR solutions, employee compensation and benefit programs. The Company also services the post secondary education sector by providing medical and dental benefits advisory services to students. We have over 150 professionals and support staff with ten main offices in six provinces in Canada.

The Company derives revenue primarily from commissions paid by its clients' insurance companies, which is common practice for the group benefits consulting business. These commissions are typically disclosed to the client and are based on a percentage of the premiums paid by the client to the insurance company. The Company assumes no underwriting risk as the insurance policy is underwritten by the insurance company. For some benefit consulting engagements, revenue may be derived from fees charged to clients for pension and benefits consulting and outsourcing in lieu of commissions described above. The fees may be earned on an hourly or per employee/student basis. Up until February 28, 2009, the Company derived approximately 60% of its revenues from commissions paid by the insurance companies and the remaining 40% based on fees for service. Further, approximately 60% of the Company's total revenues are contracted for periods of one to seven years. With the recent merger with People Corporation ("People") and acquisition of White Willow Benefit Consultants Incorporated (White Willow"), it is anticipated that approximately 35% of revenues will be derived from commissions paid by insurance carriers and 65% from fees for advice, administration and consulting services including HR consulting. The largest operating expense of the Company is compensation and related costs which includes salaries, commissions, bonuses, stock options, group benefits, and payroll taxes. Other operating expenses include occupancy costs, technology costs (equipment leases, telecommunications and software), non-recoverable client service costs (such as printing, travel and third-party professional services), training, marketing, office costs, professional services (legal and audit) and insurance.

The insurance brokerage market is highly competitive and is composed of a large number of companies of varying size and scope of services. Insurance companies themselves also offer their products through other methods, including insurance agents and direct distribution channels, which are competitive with the insurance brokerage industry and the Company.

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The Company earns its revenues from a diverse base of clients in various industries. Up to February 28, 2009, approximately 17% of the Company's revenues are expected to be generated from the public sector in the form of municipalities, regions, townships, hospitals and school boards, all considered significant and stable employers. Approximately 52% of the revenues are expected to be earned from post secondary students throughout Canada. The Company also services the landscape and nurseries industry involving retail, wholesale distribution and production clientele. Approximately 13% of its revenues are generated from this industry segment. With the recent acquisitions of People and White Willow, the Company's revenues are expected to be derived approximately as follows: 63% from mid-market corporations, 24% from post-secondary students, 8% in the public sector and 5% from associations.

FORMATION AND OWNERSHIP STRUCTURE

The Company was formed in July 2006 in order to consolidate various pension and benefits advisory and administrative services businesses under a single corporate structure. The Company issued 4,358,334 common shares and raised \$795.0 through various private placements and also arranged for \$1,000.0 of short term debt which was drawn down for acquisitions as needed. On September 1, 2006, the Company acquired, the Investment Guild Insurance Agency Inc. ("Investment Guild") and Buffett, Taylor & Associates Insurance Agencies Inc. ("Buffett Taylor") both of which operate established pension and benefits consulting and outsourcing service businesses in Canada (See Acquisitions below). On May 1, 2007 the Company amalgamated with its wholly owned subsidiaries the Investment Guild and Buffett, Taylor and continued as Groupworks Financial Corp.

On May 28, 2007 the Company closed its initial public offering (the "Offering") for approximately \$3,780.0 before agent fees, by issuing 6.3 million units. On June 7, 2007 the Offering was completed when Jones Gable & Company Limited (the "Agent") exercised its over allotment option for an additional 600,000 units for gross proceeds of approximately \$360.0 to the Company. Agent, legal and accounting fees related to the offering totaled approximately \$687.2 for net overall proceeds of approximately \$3,452.8. Each unit consists of one Common Share and one-half of one share purchase warrant of the Company (each whole such purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire, subject to adjustments pursuant to the warrant indenture under which the Warrants have been issued, one Common Share at a price of \$1.00 until May 27, 2009, provided the closing price of Common Shares on the principal stock exchange on which such shares trade exceeds \$1.20 for 20 consecutive trading days, then the Warrant term shall automatically be reduced and the Warrants will expire on the date 30 days following the issuance of a press release announcing the reduced Warrant term.

On July 5, 2007 the Company completed the acquisition of Gallivan & Associates Student Networks Inc. ("Gallivan") and 1246689 Ontario Limited ("124") which operate a student benefits advisory business across Canada. Gallivan operated as a wholly owned subsidiary of Groupworks during fiscal 2008. On September 1, 2008, the Company amalgamated with Gallivan and 124 and continued as Groupworks Financial Corp.

On December 31, 2008 the Company signed a Share Exchange Agreement acquiring all the outstanding shares of People and consequently its two operating entities, Health Source Plus Inc./Source Santé Plus Inc. ("HSP") of Toronto, Ontario and People First HR Services Ltd. ("People First") of Winnipeg, Manitoba. The transaction closed on March 1, 2009 after receiving regulatory approval. Since March 1, 2009, the Company operates People Corporation as a wholly owned subsidiary.

Effective January 1, 2009 the Company acquired all of the outstanding shares of White Willow of Stouffville, Ontario. The Company operates White Willow as a wholly owned subsidiary.

MANAGEMENT DISCUSSION & ANALYSIS

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ACQUISITIONS

The Company's business plan, as described above, is to acquire additional businesses which are complementary to the existing businesses. Management has identified and is pursuing a number of group benefit and pension advisory businesses across Canada. To-date the Company has completed five acquisitions which includes six operating entities.

The Investment Guild

The Investment Guild which was established in 1981 specializes in corporate benefits, association plan benefits and flexible benefits, and is based in Markham, Ontario. On September 1, 2006 shares were purchased for consideration of \$2,778.2 involving; short-term debt, issuance of common shares of Groupworks and a vendor take-back loan.

Buffett, Taylor

Buffett, Taylor established in 1981 based in Whitby Ontario, specializes in group benefits in the public, private and not-for-profit sectors. On September 1, 2006 the shares of Buffett Taylor were purchased from Buffett, Taylor & Associates Insurance Agencies Ltd. in exchange for \$3,161.4. The present value of the consideration given was \$2,900.6 and was settled with cash and vendor take-back debt.

Gallivan

On July 5, 2007, the Company purchased the shares of Gallivan & Associates Student Networks Inc. and 1246689 Ontario Limited ("Gallivan"), a group benefits advisory company based in Waterloo, Ontario, that specializes in University and College student health and dental benefits in Canada. The aggregate purchase price paid for Gallivan was \$5,893.6 and was settled with cash, vendor take-back debt and common shares of Groupworks.

White Willow

Effective January 1, 2009, the Company purchased the shares of White Willow Benefit Consultants Incorporated ("White Willow"), a group benefits advisory company based in Stouffville, Ontario. The present value of the consideration given was \$1,201.9 and was settled with cash, vendor take-back debt and common shares of Groupworks.

People Corporation

On March 1, 2009 the Company merged with People Corporation a private Canadian-owned firm, based in Winnipeg with offices in Toronto, St. Catharines and Montreal, that delivers recruiting, strategic HR consulting, employee group benefit consulting, third party administration and career management service to help companies recruit, retain and reward employees. People Corporation operates in a broad range of industries and provides services to more than 500 small and medium-sized organizations. The aggregate purchase price paid for People was approximately \$6,231.6. The present value of the consideration given was \$5,917.9 and was settled with common shares, cash and vendor take-back debt. Additional details of this merger may be obtained from the Company's Filing Statement dated January 27, 2009 as filed on www.sedar.com.

MANAGEMENT DISCUSSION & ANALYSIS

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SELECTED FINANCIAL INFORMATION

Amounts are derived from the unaudited interim financial statements.

	Q1		Q2		Total	
	2009	2008	2009	2008	2009	2008
Income Statement Information						
Revenue	1,422	1,258	2,280	1,902	3,701	3,160
EBITDA (see note (iii) below)	136	25	947	580	1,082	605
Net income (loss)	91	(153)	475	215	565	62
Balance Sheet Information						
Total assets	13,112	14,291	14,380	13,937	14,380	13,937
Total debt	1,813	3,567	2,249	2,956	2,249	2,956
Other liabilities (excl. future taxes)	1,966	1,451	1,917	1,480	1,917	1,480
Shareholders' equity	7,831	7,378	8,584	7,653	8,584	7,653
Total liabilities and shareholders' equity	13,112	14,291	14,380	13,937	14,380	13,937
Weighted average shares outstanding						
– basic	15,831,931	15,731,155	16,199,264	15,828,609	16,014,583	15,777,882
– fully diluted	21,272,931	21,082,320	21,344,264	21,195,433	21,159,583	21,138,876
Income (loss) per share	\$ 0.01	\$ (0.01)	\$ 0.03	\$ 0.01	\$ 0.03	\$ 0.01
Fully diluted income (loss) per share	\$ 0.01	\$ (0.01)	\$ 0.02	\$ 0.01	\$ 0.03	\$ 0.01

ANALYSIS OF THE SECOND QUARTER AND FIRST HALF OF FISCAL 2009

The following summary financial information is derived from the Company's unaudited consolidated financial statements for the three and six months ended February 28, 2009.

Overview

The first six months of fiscal 2009 were highlighted by the closing of two acquisitions, the restructuring of the Company's vendor take-back debt and successfully securing additional debt financing.

During the first half of fiscal 2009, the Company increased its revenues by 17% over the same period last year. Revenues were up to \$3,701.4 from \$3,160.3 due to both organic and acquisition growth over last year. The operating margin for the second quarter improved to 43.5%, up from 34.7% last year exceeding management's goal of 30% operating margins due mainly to the timing of the White Willow acquisition. EBITDA increased to \$1,082.4 in the first half of fiscal 2009 up from \$604.9 last year due mainly to revenue growth. Net income for the six months ended February 28, 2009 improved to \$565.4, up from \$62.1 reported for the same period in fiscal 2008.

Effective January 1, 2009, the Company acquired all the outstanding shares of White Willow, a Stouffville, Ontario based group benefits and pension advisory firm in exchange for \$1,165.0. The present value of the consideration given is \$1,201.9 (\$1,043.0 net of acquired cash of \$158.9) and was settled as follows: \$450.0 cash on closing; \$97.5 cash for excess working capital; issuance of 1,140,000 common shares for a value of \$285.0 (\$0.25 per share); and a non-interest bearing vendor take-back loan of \$430.0 discounted at 7% per annum to \$369.4 due in 3 equal annual installments on the successive anniversary dates of closing.

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Subsequent to the second quarter, the Company closed the acquisition of People Corporation on March 1, 2009 after receiving regulatory approval. The Company signed a Share Exchange Agreement on December 31, 2008 with the shareholders of People Corporation to acquire 100% of the outstanding common shares of People Corporation for approximately \$5,917.9 including approximately \$110.0 of acquisition costs, (\$4,544.4 when net of cash acquired of \$1,373.5). In exchange, the Company will issue 15,831,930 common shares at \$0.25 per share and a \$2,273.7 non-interest bearing promissory note payable in 60 monthly installments beginning at the closing date. The discounted value of the promissory note is approximately \$1,850.0.

The Company continues to pursue its strategy of aggregating small and medium sized group benefit and pension advisory service businesses. Management is encouraged by the growth of its pipeline of potential acquisition candidates.

Net income details for the two quarters and six months ended February 28, 2009: (amounts derived from the unaudited interim financial statements).

	Q1		Q2		Total	
	2009	2008	2009	2008	2009	2008
Revenue	1,422	1,258	2,280	1,902	3,701	3,160
Operating costs (i)	1,028	1,004	1,062	1,061	2,090	2,065
Operating margin	394	254	1,218	841	1,611	1,095
Operating margin %	27.7%	20.2%	53.4%	44.2%	43.5%	34.7%
Head office costs (ii)	258	229	271	261	529	490
EBITDA (iii)	136	25	947	580	1,082	605
Less:						
Stock-based compensation expense	3	63	9	9	12	72
Depreciation of capital assets	18	22	18	23	36	45
Amortization of intangibles	138	138	148	138	286	276
Interest expense	18	39	38	61	56	100
Income taxes	(132)	(84)	259	134	127	50
Net income (loss)	91	(153)	475	215	565	62

- (i) Represent operating expenses of the acquired businesses and are part of the expense disclosed in the unaudited interim and audited annual financial statements.
- (ii) Represent expenses incurred at the corporate head office and are part of the expense disclosed in the unaudited interim and audited annual financial statements.
- (iii) Management defines EBITDA as earnings before interest, taxes, depreciation and amortization, stock-based compensation and other non cash charges. Management believes that in addition to net income (loss), EBITDA is a useful supplemental measure for investors of earnings before debt service, capital asset charges and taxes. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flow from operating, investing and financing activities or the Company's liquidity. EBITDA does not have a standardized meaning prescribed by generally accepted accounting principles (GAAP) and therefore the Company's method of calculating EBITDA may not be comparable to similar measures presented by other companies or issuers.

Revenue

Revenue for the three and six months ended February 28, 2009 was up 19.9% and 17.1% respectively from a year ago for the same periods. The second quarter revenue at \$2,279.8 was up \$377.8 over the prior year due mainly to the acquisition of White Willow, which contributed \$216.9 of the increase. Organic growth contributed approximately \$100.0 and one time increases accounted for \$60.9. The revenue for the six months ended February 28, 2009 increased \$541.1 due to the following: the acquisition of White Willow, \$216.9; organic growth of 6.3%, \$199.0; and the impact of a one-time change in renewal dates of two large clients and miscellaneous renewal adjustments, \$125.2.

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Salaries, Commissions and Benefits Expenses

Salaries, benefits and commissions for the three months ended February 28, 2009 were \$970.4 versus \$881.5 for the same period a year ago. \$67.1 of the \$88.9 increase is due to the acquisition of White Willow. Lower commissions were offset by salary increases, additional staff and bonuses on new business earned in the quarter. Similarly, salaries, benefits and commissions for the six months ended February 28, 2009 were up approximately \$121.3 of which \$67.1 is due to the acquisition on White Willow and the balance due to additional staff over the prior year and new business bonuses earned year to date.

Stock-based Compensation

Stock-based compensation for the second quarter ended February 28, 2009 was \$8.7 and consistent with the prior year but down approximately \$59.5 for the six months ended February 28, 2009 versus the same period last year as no new options were granted in the period and also due to the fact that approximately 1,024,000 options granted in 2006 fully vested in fiscal 2008.

Other Operating Expenses

Other operating expenses for the second quarter ended February 28, 2009 were down to \$363.0 from \$440.9 for the same period last year. The decrease in the quarter is due mainly to the reduction and delay in overall selling, advertising and promotional activity and the elimination of two large consulting agreements that were in place a year ago. On a year to date basis, other operating expenses are down mainly to lower consulting costs as outlined above.

Interest Expense

Interest expense for the three and six months ended February 28, 2009 was \$ 38.5 and \$56.3 respectively, down from \$61.1 and \$99.8 for the same periods last year. The decrease is due to lower vendor-take-back (“VTB”) debt balances outstanding during the quarter.

Depreciation and Amortization

Depreciation and amortization for the three and six months ended February 28, 2009 were \$165.6 and \$321.7 and consistent with the prior year except for the inclusion of additional amortization related to the White Willow intangibles acquired in January 2009. The depreciation and amortization is consistent with the prior year.

Income Tax Expense

For the three months ended February 28, 2009 the current income tax expense was \$297.6 up significantly from \$181.1 in the same period a year ago due to higher income before taxes. For the six months ended February 28, 2009 current taxes are up reflecting the recapture of capital cost allowance from the sale of real estate. Higher income in the period due to higher revenues and improved profitability further increased the current tax provision. The statutory rate has changed from 36.12% to 33.5% in fiscal 2009. The change in future tax charge reflects the impact of the sale of real estate.

Net Income

As a result of the revenue and expenses described above, and taking into account the acquisition of White Willow, the net income for the second quarter was \$474.8 up from \$214.9 recorded in the same quarter last year. Similarly the significant improvement to year to date net income of \$565.4 is consistent with additional revenues, improved profitability of the operations and the impact of the White Willow acquisition.

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LIQUIDITY AND CAPITAL RESOURCES**Cash Flows**

The following table summarizes the Company's cash flows for the two quarters and six months ended February 28, 2009: (amounts derived from the unaudited interim financial statements).

	Q1		Q2		Total	
	2009	2008	2009	2008	2009	2008
Operating activities	\$ 181.6	\$ (644.9)	\$ 25.3	\$ 459.0	\$ 206.9	\$ (185.9)
Investing activities	394.9	(8.5)	(431.0)	(6.0)	(36.1)	(14.5)
Financing activities	(580.7)	(22.1)	45.9	(606.1)	(534.9)	(628.2)
Increase (decrease) in cash	\$ (4.2)	\$ (675.5)	\$ (359.8)	\$ (153.1)	\$ (364.1)	\$ (828.6)

2009 Second Quarter and First Half Cash Flow Analysis

In the second quarter, the Company completed some necessary debt restructuring (see below) to improve its working capital position and to prepare itself for two additional acquisitions. In total, the Company disbursed approximately \$1.4 million to retire debt and complete the acquisition of White Willow. In order to complete that activity, the Company utilized about \$364.1 of cash on hand, \$229.6 of cash from operating activities to augment proceeds from the sale of real estate of \$402.6, and new long term debt of \$300.0.

Cash flow generated from operating activities was \$25.3 in the second quarter down by \$433.7 from the second quarter of fiscal 2008. Significant income tax payments, prepaid acquisition fees and higher accounts receivable balances challenged the Company's working capital. On a year to date basis, however, operating activities generated approximately \$206.9 of cash compared to a usage of \$185.9 in the same period a year ago. The significant increase in profitability over the prior year is the main contributor to this improvement.

Cash flow used in investing activities in the three months and six months ended February 28, 2009 was \$431.0 and \$36.1 respectively. Proceeds from the sale of real estate offset by the acquisition of White Willow contrasted the minor capital asset additions in the prior year.

Financing activities for the first six months included the structured payments related to vendor-take-back debt of \$502.0 and the retiring of the real estate mortgage of \$300.1 offset by the proceeds from new long term debt.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide opportunities for growth to shareholders and benefits for other stakeholders and to maintain financial flexibility in, or to take advantage of, organic growth and new acquisition opportunities as they arise.

In the management of capital, the Company includes cash, bank financing, vendor take back debt and shareholders' equity in the definition of capital. The Company manages its capital structure and can adjust it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, the Company may issue new shares, issue new debt, renegotiate vendor take back debt or issue new debt to replace existing debt with different characteristics. The Company's acquisition strategy includes the issuance of debt and shares. The Company uses its operating line of credit during the year to finance cash flows related to seasonal changes in non-cash working capital items.

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Capital Resources

The following table summarizes the Company's capital resources as at:

	February 28, 2009	February 29, 2008	August 31, 2008
Cash	\$ 290.6	\$ 321.1	\$ 654.7
Working capital (including cash)			
Current assets	1,353.7	1,212.2	1,366.4
Current liabilities (i)	1,828.6	1,435.7	1,914.4
Long-term debt(ii)	2,248.6	2,956.1	2,379.8
Shareholders' equity	8,584.1	7,653.1	7,761.6
(i) Excludes current portion of long-term debt			
(ii) Includes current portion of long-term debt			

The following summarizes the Company's future expected payments:

	Total	Payments due in fiscal periods		
		2009	2010	2011 and beyond
Current portion of long-term debt	810.8	108.8	\$ 702.0	-
Long-term debt	1,437.8	-	1,022.9	414.9
Operating leases	1,233.9	146.1	317.1	770.7
	\$ 3,482.5	\$ 254.9	\$ 2,042.0	\$ 1,185.6

Management expects to generate sufficient cash from operations to continue financing its seasonal working capital needs through fiscal 2009. During the quarter, management refinanced the Investment Guild and Gallivan VTB debt, and as of March 31, 2009, has fully repaid the Buffett Taylor VTB debt.

A summary of the vendor take-back terms are as follows:

Investment Guild Vendor Take-Back Debt

1. The VTB debt at November 30, 2008 was \$426.5 and past its due date of September 2008
2. Payment of \$26.5 was made on December 19, 2008 and \$400.0 of principal has been deferred to August 2010.
3. Simple interest of 12% per annum on the \$400.0 is to be paid monthly beginning February 1, 2009 and retroactive to September 1, 2008.

Gallivan Vendor Take-Back Debt

1. The VTB debt at November 30, 2008 consisted of \$587.2 of principal and \$55.4 of accrued interest both due July 2009.
2. Payment of \$73.6 of accrued interest will be made in July 2009 and \$587.2 of principal is deferred to August 2010.
3. Simple interest of 8% on the \$587.2 will be paid monthly beginning July 2009.

Buffett Taylor Vendor Take-Back Debt

1. On March 31, 2009, the Company settled the \$1,102.1 of undiscounted VTB debt with a series of payments totaling \$798.1 resulting in a gain of \$289.0. This gain has not been reflected in the financial statements for the period ended February 28, 2009.

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RELATED PARTY TRANSACTIONS

During the period ended February 28, 2009 outlined below, the Company had significant activity with officers, shareholders and directors of the company. All the transactions are in the normal course of operations and are measured at the exchanged amount, which is the consideration agreed to by the parties. The related party transactions and balances are as follows:

	February 28, 2009		February 29, 2008	
	3 months ended	6 months ended	3 months ended	6 months ended
Revenue (i)	\$ 16.4	\$ 34.7	\$ 17.6	\$ 48.3
Expenses				
Salaries, wages & benefits (ii)	81.5	136.9	71.1	182.3
Commissions (iii)	49.1	105.3	80.9	128.6
General and administrative (iv)	3.4	6.1	47.6	56.0
Interest expense (v)	29.9	44.1	33.6	67.4

	As at	
	February 28, 2009	August 31, 2008
Accounts receivable (i)	\$ 14.2	\$ 23.3
Commission advances (iii)	80.9	-
Accounts payable & accrued liabilities (vi)	79.6	44.6
Commissions payable (iii)	-	66.7
Current portion of long-term debt (vii)	-	1,039.6
Long-term debt (vii)	987.2	274.1

- (i) Consulting fee revenue is earned from a client that has two directors and shareholders who are also directors and shareholders of the Company.
- (ii) Salaries, bonuses and benefits paid to the former Chief Executive Officer and now currently the President who is both a shareholder and director of the Company.
- (iii) Commission payments totaling \$101.7 and \$186.2 for the three months ended February 28, 2009 and six months ended February 28, 2009; respectively, (2008 - \$28.2 and \$102.4) to Directors of the Company who are also employees, of which \$80.9 (August 31, 2008 - \$nil) is owed to the Company and included in commission advances in the financial statements.
- (iv) Consulting fees are paid to a vendor that has two directors and shareholders who are also directors and shareholders of the Company.
- (v) Cash interest payments of \$24.0 and \$25.7 for the three months ended February 28, 2009 and six months ended February 28, 2009; respectively, (2008 - \$5.7 and \$11.6) were made to certain directors and shareholders of the Company. Accretive interest of \$ nil for the three months and six months ended February 28, 2009 (2008 - \$6.5 and \$13.1) (included in the long term loan balance) also accrued to these individuals. Interest of \$9.2 and \$18.4 for the three months ended February 28, 2009 and six months ended February 28, 2009; respectively, (2008 - \$21.4 and \$42.8) on the vendor take back loans was accrued to the benefit of the former Chief Executive Officer and now currently the President who is both a shareholder and director of the Company.

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- (vi) Accrued interest on the vendor take back loan amounting to \$61.3 (August 31, 2008 – \$42.9) and \$15.7 (2008- \$nil) bonus is payable to the former Chief Executive Officer and now currently the President; and \$2.6 (August 31, 2008 - \$1.7) of consulting fees payable to a vendor that has two directors and shareholders who are also directors and shareholders of the Company.
- (vii) Represents vendor take back debt on acquisitions owed to the former Chief Executive Officer and now currently the President and certain directors of the Company

SUPPLEMENTARY SELECTED QUARTERLY FINANCIAL INFORMATION

	February 28, 2009	November 30, 2008	August 31, 2008	May 31, 2008	February 29, 2008	November 30, 2007	August 31, 2007	May 31, 2007
Income Statement Information								
Revenue	2,280	1,422	1,528	2,210	1,902	1,258	1,083	1,511
EBITDA	947	136	124	497	580	25	(74)	464
Net income (loss)	475	91	(79)	166	215	(153)	(387)	166
Balance Sheet Information								
Total assets	14,358	13,112	13,806	14,042	13,937	14,291	15,327	9,293
Total debt	2,249	1,813	2,385	2,970	2,956	3,567	3,574	2,911
Other liabilities(excl. future taxes)	1,894	1,966	1,948	1,454	1,480	1,451	2,343	764
Shareholders' equity	8,584	7,831	7,762	7,844	7,653	7,378	7,468	5,031
Total liabilities and shareholders' equity	14,358	13,112	13,806	14,042	13,937	14,291	15,327	9,293
Weighted average shares								
outstanding – basic	16,199,264	15,831,931	15,831,931	15,831,931	15,828,609	15,731,155	14,677,398	5,899,359
– fully diluted	21,344,264	21,272,931	20,982,148	21,272,931	21,195,433	21,082,320	19,302,545	7,408,205
Income (loss) per share	\$0.03	\$0.01	\$(0.01)	\$0.01	\$0.01	\$(0.01)	\$(0.03)	\$0.03
Fully diluted income (loss) per share	\$0.02	\$0.01	\$(0.00)	\$0.01	\$0.01	\$(0.01)	\$(0.02)	\$0.02

SEASONALITY

The business of the Company in 2008 generated a higher number of renewals and consequently more revenues during the second and third quarters and lower renewals in the first and fourth quarters. As a result of changes in certain renewal dates including a major association group, from the third quarter to the fourth quarter, the Company will now collect over one third of its revenue in the fourth quarter and, without the impact of any other acquisitions, will result in higher revenues during the second and fourth quarters going forward. With the addition of White Willow and People Corporation, it is anticipated that the seasonality in the Company's cash flows will be less significant.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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 in preparing the Company's financial statements, in accordance with GAAP, 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

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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 revenue recognition, business acquisitions and accounting for the resulting customer relationships and contracts, goodwill and income taxes.

Revenue recognition

The Company earns commission revenue as payment for the provision of benefits consulting services to clients, as a percentage of insurance premiums paid by our clients. Commission revenue is received annually, semi-annually, quarterly or monthly. Annual fees are typically paid at the beginning of the insurance policy period and are recognized as income at the later of the billing or effective date of the policy, net of a provision for return commissions due to policy cancellations.

The Company also earns fee-for-service revenue based on hourly rates and the time spent delivering those services. The Company may earn contracted revenue based on negotiated fixed amounts, rather than the time spent. Revenue is recognized in the period that the service is rendered, irrespective of when it is invoiced. Unbilled fees are recorded at the lower of unbilled hours worked at standard billing rates and the amount which management estimates can be recovered upon invoicing. Expenses are recognized as incurred. Revenue does not include reimbursements for recoverable expenses, such as employee travel expenses, outside printing and third party professional services. Reimbursements are accounted for as a reduction to expenses.

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 effective 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.

Amortization of finite-life intangible assets

Under GAAP, finite-life intangible assets are amortized over their estimated useful lives. Management estimates that the estimated useful life of the customer relationships and contracts acquired is 10 years. The Company amortizes the cost of these finite-life intangible assets on a straight-line basis over 10 years. Management tests for recoverability of the carrying value of these intangible assets annually or whenever events or changes in circumstances indicate that their carrying value may not be recoverable.

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.

Future income tax

The Company uses the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable 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.

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ADOPTION OF NEW ACCOUNTING STANDARDS

Effective on September 1, 2007, the Company adopted Section 3855 “Financial instruments – Recognition and measurement” issued by the Accounting Standards Board (“AcSB”) of the Canadian Institute of Chartered Accountants.

Section 3855 sets out criteria for the recognition and measurement of financial instruments and requires all financial instruments within its scope, including derivatives, to be accounted for either at fair value, or in circumstances where fair value may not be considered the most relevant information, at cost or amortized cost. All financial instruments are classified into one of five categories, with each category possessing specific requirements for initial and subsequent recognition and measurement.

Upon adoption of Section 3855, the Company designated its cash as a held-for-trading, which is accounted for at fair value. Accounts and other amounts receivable are classified as loans and receivables, which are accounted for at amortized costs. Accounts payable and accrued liabilities, bank indebtedness, deferred revenue, commissions payable, long-term debt and other liabilities are classified as other financial liabilities, which are also accounted for at amortized costs. The Company elected to continue to capitalize transaction costs incurred upon the issue of financial liabilities. Amounts paid to lenders and transaction costs are considered in the calculation of the effective interest rate of financial liabilities and are amortized to interest expense using the effective interest method.

There is no difference in the carrying value and fair value of financial assets and liabilities described above and therefore the adoption of Section 3855 had no effect on the Company’s financial position as at September 1, 2007.

Effective on September 1, 2007 the Company also adopted Section 1530 “Comprehensive income” issued by the AcSB. Comprehensive income is the change in shareholders’ equity during a period from transactions and other events from non-owner sources. Section 1530 requires certain gains and losses that would otherwise be recognized as part of net income (loss) to be presented in “other comprehensive income” until it is considered appropriate to be recognized in net income (loss). Section 1530 also requires the presentation of accumulated other comprehensive income (loss) and its components. Accordingly, the Company now includes comprehensive income (loss) within its consolidated statements of operations and comprehensive income (loss), and a statement of shareholders’ equity as a separate financial statement.

Effective on September 1, 2008, the Company adopted the following new accounting standards issued by the Accounting Standards Board (“AcSB”) of the Canadian Institute of Chartered Accountants:

Section 3862 “Financial instruments – Disclosures” replaces the disclosure requirements of Section 3861 “Financial instruments – Presentation and disclosure”. Section 3862 requires additional disclosure of the risks associated with financial instruments and of how those risks are managed.

Section 1535 “Capital disclosures” requires disclosure of information to enable users of the financial statements to evaluate the Company’s objectives, policies and processes for managing capital.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011.

The Company has begun diagnostic procedures to identify the various IFRS / Canadian GAAP differences applicable to its operations in order to formulate its transition plan. The identification of the potential

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difference are not yet known and while the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

RISKS AND UNCERTAINTIES

The results of operations, business prospects and financial condition of the Company are subject to a number of risks and uncertainties and are affected by a number of factors outside the control of management of the Company as outlined below.

Specialized Skill and Knowledge

The group insurance business requires considerable expertise and experience including an understanding of benefits plan design, legislative issues and parameters, provincial medicare programs, human resource matters, payroll, tax matters, financial products, financial planning, underwriting and costing of insurance products, relationships and credibility with insurance carriers/suppliers, licensing, and the ability to generate and maintain relationships with clients and prospective clients.

The Company requires a specialized group of individuals with extensive group insurance experience both from the carrier and brokerage perspectives as well as experience in mergers and acquisitions. In this regard, the Company currently has a number of well experienced employees possessing an average of approximately 14 years of industry experience, and holding various professional designations including CEBS, CLU and CFP designations. However, individuals with extensive group insurance experience are scarce, and in the event that the Company is unable to attract or retain such employees, it may have a material adverse effect on the business of the Company.

Regulation

Licensing is required under the laws of the Province of Ontario in order to carry on the business of insurance within the province. The Financial Services Commission of Ontario ("FSCO") is the self-regulatory body which provides a variety of licensing and registration services to stakeholders in the insurance sector in Ontario. In this regard, FSCO has established the Life License Qualification Program (LLQP), which is a self-study program designed to be recognized as a common standard for life, health and travel insurance advisors.

In addition, individuals engaged in the insurance advisory industry may opt to pursue a variety of additional professional qualifications, such as (i) the Chartered Life Underwriter (CLU) designation, specializing in the areas of income replacement, risk management, estate planning, and wealth transfer; (ii) the Certified Financial Planner (CFP) designation, concerning personal financial planning, investment products and investing strategies; and (iii) the Certified Employee Benefits Specialist (CEBS) designation. These designations as well as others are granted by independent governing bodies such as the Financial Planners Standards Council, the Financial Advisors Association of Canada and The International Foundation, and are independently regulated by such bodies.

In addition, although there are currently restrictions on the ability of Canadian banks to market insurance products in competition with the Company, such legislation is currently under review. Accordingly, dependent upon the nature of legislative reforms, Canadian banks may in the future be able to offer products which are competitive with the products offered by the Company.

Termination of Contracts

Group insurance contracts are generally re-negotiated on an annual basis with clients, pursuant to which insurance premium pricing increases or decreases. Accordingly, there can be no guarantee that insurance contracts sold through the Company in the past will be renewed on a go-forward basis. The Company does, however, generate approximately 60% of its revenues on contracts for services which extend for one to seven years. The advisor/consultant acts as a paid intermediary during this renewal process and throughout the year. Advisors are paid for their services as earned or are paid in advance from time to time. In the event that a contract is terminated by a client and the advisor has been paid in advance for the

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year, then the advisor may rebate the amount paid on a pro rata basis to the insurance company.

In addition, renewal negotiations have historically resulted in increased premiums or decreased benefit coverage, or a combination thereof. The majority of the contracts negotiated have a commission based structure that is related to the premium payable pursuant to the contract in question. Accordingly, sales commissions may increase in the ensuing year based upon any increases in contract premiums payable, although the extent of such increases in sales commissions may be curtailed by the use of grading commission structures which do not necessarily increase in tandem with premiums.

Competitive Conditions

The insurance brokerage market is highly competitive and is composed of a large number of companies of varying size and scope of services. Insurance companies themselves also offer their products through other methods, including insurance agents and direct distribution channels, which are competitive with the insurance brokerage industry and the Company.

Future growth and expansion is dependent on ongoing acquisitions of Group Benefit and Pension Advisory Service businesses

To a large extent, the Company's growth and expansion plans depend upon the ongoing acquisition of independent Group Benefit and Pension Advisory businesses 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 businesses 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.

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

There can be no assurance that the Company's recently acquired businesses or any businesses acquired by the Company in the future will achieve acceptable levels of revenue and profitability or otherwise perform as expected. The Company has limited experience in acquiring and integrating brokerages in other markets. The Company may be unable to successfully integrate its recently-acquired businesses, or any it 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 businesses 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 equity and vendor-take-back debt financing to fund its acquisitions. The Company may require additional funds to make future acquisitions of Group Benefit and Pension Advisory businesses 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. 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.

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No intention to declare dividends

The Company currently intends to retain any future earnings to fund growth and operations and it is not likely 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.

OUTLOOK

Management believes that the Company's ongoing cash flow from operations will be sufficient to allow it to meet ongoing requirements for capital expenditures and working capital given its ability to successfully restructure its VTB debt and with the successful acquisition of People Corporation. Future acquisitions will require the Company to seek additional debt and/or equity financing. The Company's future needs may, however, change, and in such event the Company's ability to satisfy its obligations will be dependent upon its future financial performance, which in turn will be subject to a number of risks and uncertainties, including elements beyond the Company's control.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.