



GROUPWORKS FINANCIAL CORP.

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE FOURTH QUARTER AND YEAR ENDED AUGUST 31, 2008

NOVEMBER 19, 2008

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MANAGEMENT DISCUSSION & ANALYSIS

FOR THE FOURTH QUARTER AND YEAR ENDED AUGUST 31, 2008

This Management Discussion and Analysis (“**MD&A**”) and accompanying audited financial statements of Groupworks Financial Corp. (the “**Company**”), covers the three and twelve month periods ended August 31, 2008. Certain balances have been provided for discussion purposes only. This MD&A should be read in conjunction with the interim unaudited and annual audited 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 November 19, 2008 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 and benefits 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, 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 45 professionals and support staff with three main offices in Ontario (Markham, Whitby and Waterloo).

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. The Company currently derives 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. 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.

The Company earns its revenues from a diverse base of clients in various industries. In fiscal 2008, approximately 19% of the Company's revenues were generated from the public sector in the form of municipalities, regions, townships, hospitals and school boards, all considered significant and stable employers. The Company also services the landscape and nurseries industry involving retail, wholesale distribution and production clientele. Approximately 16% of its revenues are generated from this industry

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segment. Finally, approximately 49% of the revenues are earned from students in post secondary institutions throughout Canada.

FORMATION AND OWNERSHIP STRUCTURE

The Company was formed in July 2006 in order to consolidate various pension and benefits advisory 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.

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. The three acquisitions mentioned above now operate as divisions of the Company.

The Investment Guild

The Investment Guild which was established in 1981 specializes in corporate benefits, association plan benefits and flexible benefits. The 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. 100% of 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-debt debt.

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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-debt debt and common shares of Groupworks.

SELECTED FINANCIAL INFORMATION

Amounts are derived from the unaudited interim and audited annual financial statements.

	Q1		Q2		Q3		Q4		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Income Statement Information										
Revenue	1,258	350	1,902	904	2,210	1,511	1,528	1,083	6,898	3,848
EBITDA (see note (iii) below)	25	(164)	580	275	497	464	124	(74)	1,226	501
Net income (loss)	(153)	(301)	215	107	166	166	(79)	(387)	149	(414)
Balance Sheet Information										
Total assets	14,291	6,971	13,937	7,347	14,042	9,293	13,806	15,327	13,806	15,327
Total debt	3,567	4,486	2,956	4,382	2,970	2,911	2,385	3,574	2,385	3,574
Other liabilities (excl. future taxes)	1,451	291	1,480	684	1,454	764	1,948	2,343	1,948	2,343
Shareholders' equity	7,378	1,327	7,653	1,434	7,844	5,031	7,762	7,468	7,762	7,468
Total liabilities and shareholders' equity	14,291	6,971	13,937	7,347	14,042	9,293	13,806	15,327	13,806	15,327
Weighted average shares										
outstanding – basic	15,731,155	5,691,667	15,828,609	5,691,667	15,831,931	5,899,359	15,831,931	14,677,398	15,806,049	7,955,969
– fully diluted	21,082,320	7,096,667	21,195,433	7,096,667	21,272,931	7,408,205	20,982,148	19,302,545	21,173,956	10,259,554
Income (loss) per share	\$(0.01)	\$(0.05)	\$0.01	\$0.02	\$0.01	\$0.03	\$(0.01)	\$(0.03)	\$0.01	\$(0.05)
Fully diluted income (loss) per share	\$(0.01)	\$(0.04)	\$0.01	\$0.02	\$0.01	\$0.02	\$(0.00)	\$(0.02)	\$0.01	\$(0.04)

ANALYSIS OF 2008 ANNUAL RESULTS

The following summary financial information is derived from the Company's audited consolidated financial statements for the twelve months ended August 31, 2008.

Overview

During fiscal 2008, the Company's financial statements include a full year of Gallivan's results whereas fiscal 2007 included only two months. The Company essentially doubled its revenues in comparison to last year. Revenues were \$6,897.9 up 79% from \$3,848.2 in the prior year. Operating margin for the year was up slightly from the prior year and consistent with management's goal of 30% operating margin. EBITDA increased to \$1,225.4 up from \$500.9 last year. Net income for the year was \$149.0, improving from a loss of \$414.2 reported for fiscal 2007.

From an operating perspective, management met its expectations in 2008 and expects to achieve, without the impact of any additional acquisitions, approximately \$7,300.0 in annualized revenues in fiscal 2009, an operating margin of approximately \$2,100.0 or 30% and EBITDA of \$1,400.0.

The Company continues to pursue its strategy of aggregating small and medium sized group benefit and

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pension advisory service businesses. Management is encouraged by the growth of its pipeline of potential acquisition candidates.

Net income (loss) details for the four quarters and year ended August 31, 2008: (amounts derived from the unaudited interim and audited annual financial statements).

	Q1		Q2		Q3		Q4		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue	1,258	350	1,902	904	2,210	1,511	1,528	1,083	6,898	3,848
Operating costs (i)	1,004	436	1,061	498	1,442	909	1,215	846	4,722	2,689
Operating margin	254	(86)	841	406	768	602	313	237	2,176	1,159
Operating margin %	20.2%	(24.5)%	44.2%	45%	34.8%	39.8%	20.5%	21.9%	31.5%	30.1%
Head office costs (ii)	229	78	261	130	271	138	189	311	950	658
EBITDA (iii)	25	(164)	580	275	497	464	124	(74)	1,226	501
Less:										
Stock-based compensation expense	63	59	9	-	63	60	8	5	143	124
Depreciation of capital assets	22	8	23	8	25	10	29	23	99	48
Amortization of intangibles	138	60	138	61	138	61	138	114	552	296
Interest expense	39	101	61	86	50	77	19	32	169	296
Write-down of capital assets	-	-	-	-	-	6	26	43	26	49
Income taxes	(84)	(91)	134	13	55	85	(17)	95	88	102
Net income (loss)	(153)	(301)	215	107	166	166	(79)	(387)	149	(414)

- (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 general and administrative 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 year ended August 31, 2008 was up \$3,049.7 or 79.2% from a year ago due mainly to the full year impact of the Gallivan acquisition that was completed in the fourth quarter of fiscal 2007. Gallivan contributed \$2,794.9 to the increase. Excluding the impact of the Gallivan acquisition, revenue was up \$254.8 over last year due mainly to the one time impact of the change in renewal date of a large client group. Although the Company's commission revenues increased by 6.7% due both to new clients (2.8%) and renewal rate increases (3.9%), these increases were offset by the impact of lost clients from the prior year and terminations in the current year.

Salaries, Commissions and Benefits Expenses

Salaries, benefits and commissions for the year ended August 31, 2008 were \$4,001.4 up from \$2,436.8 for the same period a year ago. Of the \$1,564.6 increase, the Gallivan acquisition contributed approximately \$1,285.3 to the increase. The balance of the increase, relates mainly to increased commissions payable on the one time gain in revenue from the change in renewal date of a large client.

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Stock-based Compensation

Stock-based compensation for the year ended August 31, 2008 was \$142.7 versus \$124.1 in the prior year. The increase is due mainly to options granted to the two new board members appointed in fiscal 2008. Based on the current options yet to vest, the expected charge for fiscal 2009 will be \$18.7.

Other Operating Expenses

Other operating expenses for the year ended August 31, 2008 were up \$760.3 to \$1,671.1 versus \$910.8 for the same period a year ago. The additional ten months of Gallivan in the year accounted for approximately \$501.2. Rent for the head office facility, included for a full year, represented approximately \$86.0 and the consulting agreement with the former CEO contributed an additional \$156.5 to other operating expenses.

Interest Expense

Interest expense for the year ended August 31, 2008 was \$168.7, down \$127.0 compared to \$295.7 in fiscal 2007. Higher accrued vendor-take-back debt interest, \$38.9, on the Gallivan acquisition was offset by \$41.8 of lower accretive interest charges (non cash) on the vendor take-back debt related to the Investment Guild and Buffett, Taylor acquisitions, the elimination of \$66.2 of interest paid on \$1 million of short term debt that was repaid in fiscal 2007 and interest income of \$36.9.

Depreciation and Amortization

Depreciation and amortization for the year ended August 31, 2008 was up \$306.7 to \$651.2 from \$344.5 in fiscal 2007 representing the full impact of the amortization for intangibles (customer contracts) acquired on the Gallivan acquisition.

Income Tax Expense

For the year ended August 31, 2008 the current income tax expense is \$318.2 compared to \$113.4 for fiscal 2007. The increase is essentially due to the income contributed by the Gallivan acquisition. The future tax recovery of \$230.6 in the year also reflects the impact of the Gallivan acquired intangibles.

Net Income

As a result of the revenue and expenses described above, the net income for the year was up significantly to \$149.0 from the loss of \$414.2 recorded a year ago.

ANALYSIS OF 2008 FOURTH QUARTER RESULTS

Revenue

Revenue for the three months ended August 31, 2008 was \$1,528.3 up 41% from \$1,082.9 a year ago for the same period. The significant increase is due mainly to an additional month of revenue of \$309.6 from the Gallivan acquisition (July fiscal 2007) and the impact of a one-time change in renewal date of a large client.

Salaries, Commissions and Benefits Expenses

Salaries, benefits and commissions for the three months ended August 31, 2008 were \$1,010.4 versus \$759.7 for the same period a year ago. Approximately \$150.9 relates to the Gallivan acquisition and \$166.9 in additional commissions on higher revenues.

Stock-based Compensation

Stock-based compensation for the fourth quarter ended August 31, 2008 was \$8.8 versus \$5.2 in the prior year. The increase is due mainly to options granted to one of the new board members appointed in fiscal 2008.

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Other Operating Expenses

Other operating expenses for the fourth quarter ended August 31, 2008 were \$393.9 versus \$397.5 for the same period a last year. The additional month of Gallivan operating expenses over the prior year and the year end professional fee accruals were off-set by the costs associated with the consulting agreement with a former CEO. This agreement expired in July 2008.

Interest Expense

Interest expense for the fourth quarter or three months ended August 31, 2008 was \$ 19.2, down from \$32.3 for the same period last year. The decrease is due to lower VTB debt balances outstanding during the quarter and interest income earned on trust account balances.

Depreciation and Amortization

Depreciation and amortization for the quarter ended August 31, 2008 was \$166.9 including \$138.1 of amortization for intangibles and \$28.8 for capital assets. The Gallivan acquisition increased the intangibles amortization charge by \$25.0 due to an additional month in fiscal 2008 over fiscal 2007. In the absence of any other additions, the quarterly charge for intangibles is expected to increase to \$138.1 per quarter.

Income Tax Expense

For the quarter ended August 31, 2008 the current income tax expense was \$43.7 compared to \$60.2 in the same period a year ago. Despite higher income in the quarter due to an additional month of Gallivan results, the current tax expense is lower due to tax provision adjustments in fiscal 2008. The change in future tax charge reflects the impact of the Gallivan acquisition.

Net Income

As a result of the revenue and expenses described above, the net loss for the fourth quarter was \$79.2 and down from the \$386.7 loss record in the same quarter last year. The significant improvement is consistent with additional revenues noted above and the seasonal nature of the operations. The Company also recorded a write down in the quarter of \$26.3 for a real estate asset held for sale.

LIQUIDITY AND CAPITAL RESOURCES**Cash Flows**

The following table summarizes the Company's cash flows for the periods ended August 31:

	For the three months ended August 31		For the year ended August 31	
	2008	2007	2008	2007
Operating activities	\$ 1,388.4	\$ 956.8	\$ 920.0	\$ 961.2
Investing activities	(11.2)	(2,174.8)	(48.6)	(3,307.5)
Financing activities	(760.8)	119.5	(1,366.3)	2,772.2
Increase (decrease) in cash	\$ 616.4	\$ (1,098.5)	\$ (494.9)	\$ 425.9

2008 Annual Cash Flow Analysis

Cash from operating activities for the year ended August 31, 2008 were slightly lower than for the same period a year ago. The significant increase in EBITDA and resulting net income in fiscal 2008 was off-set by the change in non-cash working capital as the Company managed its seasonal cash flows.

Cash flow used in investing activities was down significantly as the Company did not complete any acquisitions in fiscal 2008.

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\$1,345.7 in VTB debt was paid in fiscal 2008 representing all the financing activity for the year. Cash generated from operating activities was used to pay down the VTB debt with no additional external debt. In comparison, during fiscal 2007, the Company raised approximately \$4,200.0 in capital from its initial public offering to finance three acquisitions and the related issuance costs. The company also sold real estate in 2007 for \$578.6 and reduced its long-term debt with the proceeds.

2008 Fourth Quarter Cash Flow Analysis

Cash flow generated from operating activities increased by \$431.6 in the fourth quarter of fiscal 2008 to \$1,388.4 from \$956.8 over the same period a year ago. The significant increase in EBITDA and resulting net income in the quarter was augmented by the positive impact of the change in non-cash working capital.

Cash flow used in investing activities in the fourth quarter of 2008 was limited to capital asset additions. In the same period a year ago the Gallivan acquisition closed with \$2,166.0 representing the net cash on closing including \$49.2 of acquisition fees. The capital asset additions in the fourth quarter of fiscal 2007 were \$40.4.

Financing activities in the current year's quarter included the first Gallivan VTB debt payment of \$696.4. In fiscal 2007, the financing activities included net proceeds of \$334.8 from the overallotment exercised by the agent in June 2007, the payment of \$200.0 on the Buffett Taylor VTB debt and reduction in bank indebtedness.

Capital Resources

The following table summarizes the Company's capital resources as at August 31:

	2008	2007
Cash	\$ 654.7	\$ 1,149.6
Working capital (including cash)		
Current assets	1,366.4	2,337.6
Current liabilities	1,914.4	2,350.9
Long-term debt (VTB)	2,379.8	3,548.1
Shareholders' equity	7,761.6	7,468.2

The following summarizes the Company's future expected payments (without the impact of the VTB debt restructuring noted below):

	Total	Payments due by period		
		2009	2010 to 2013	Beyond 2013
Bank indebtedness	\$ 5.1	\$ 5.1	\$ -	\$ -
Current portion of long-term debt	1,590.7	1,590.7	-	-
Long-term debt	789.1	-	638.5	150.6
Operating leases	1,380.1	292.2	826.4	261.5
	\$ 3,765.0	\$ 1,888.0	\$ 1,464.9	\$ 412.1

The Company utilized its cash and working capital to finance its operations and make the required VTB debt payments of \$1,345.7 in fiscal 2008 including \$696.4 in the fourth quarter to satisfy the first year payment on the Gallivan acquisition.

As a result of a shifting renewal or effective date for a major client from the third quarter of the year to the fourth quarter, the Company is now expected to collect approximately one third of its revenue near the end

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of its fiscal year.

Management expects to generate sufficient cash from operations to continue financing its seasonal working capital needs through fiscal 2009. The Company's main challenge in this regard, is the timing of its cash inflows and the timing of its VTB debt payments scheduled in fiscal 2009. The Company cannot meet those obligations given its current working capital shortfall of approximately \$548.0 and \$1,590.7 of VTB debt currently due. Management is negotiating with the VTB debt holders to delay the payments for up to 24 months with the former owners of The Investment Guild and Gallivan. The Investment Guild and Gallivan VTB debt holders are employees, Directors and Shareholders of the Company.

A summary of the proposed restructured VTB debt terms are as follows:

Investment Guild – (current VTB is \$426.5 and was due October 2008)

1. Payment of \$26.5 in fiscal 2009 and deferring \$400.0 to August 2010 or until such time the cash flows of the Company permit partial or full payment.
2. Simple interest of 8% on the \$400.0 paid monthly beginning November 1, 2008.
3. Priority payment ahead of the Gallivan VTB described below.

Gallivan - (current VTB obligation is \$587.2 of principal and \$73.6 interest both due July 2009)

1. Payment of \$73.6 of accrued interest in July 2009 and deferring \$587.2 to August 2010 or until such time the cash flows of the Company permit partial or full payment.
2. Simple interest of 8% on the \$587.2 paid monthly beginning July 16, 2009.

Buffett Taylor – (current VTB is \$551,043 due in October 2008 and \$551,043 due in October 2009 with an option in favor of the Company, to satisfy 50% of the debt in common shares of the Company)

1. Payment of \$855,000 in cash by November 30, 2008 as full settlement of the \$1,102.1 VTB debt.
2. \$275.5 payable on October 31, 2008 (which has been paid) and deferring the balance until November 30, 2008.
3. Conditional upon on the Company obtaining \$855,000 of financing to fulfill the obligation.
4. If financing is not obtained, the Company will issue the equivalent of \$275.5 of common shares of the Company on or about November 30, 2008, in full satisfaction of its obligation for fiscal 2008. In October 2009, the Company will be required to satisfy the balance of the obligation with a minimum cash payment of \$275.5 and a maximum of \$275.5 in common shares of the Company to fully satisfy the VTB debt.

With the terms outlined above management is confident that it can manage its cash flows to effectively operate and grow its existing business.

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.

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RELATED PARTY TRANSACTIONS

During the periods ended August 31, 2008 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:

	August 31, 2008		August 31, 2007	
	3 months ended	12 months ended	3 months ended	12 months ended
Revenue (i)	\$ 19.8	\$ 93.0	\$ 33.6	\$ 62.6
Expenses				
Salaries, wages & benefits (ii)	\$ 33.3	\$ 284.7	\$ 138.8	\$ 372.3
Commissions (iii)	93.9	416.8	(9.6)	366.7
General and administrative (iv)	11.8	74.3	-	-
Interest expense (v)	28.5	129.3	20.8	102.5
Accounts receivable (i)	\$ 23.3	\$ 23.3	\$ 26.6	\$ 26.6
Commission advances (iii)	-	-	78.7	78.7
Accounts payable & accrued liabilities (vi)	44.6	44.6	419.2	419.2
Commissions payable (iii)	66.7	66.7	-	-
Current portion of long term debt (vii)	1,039.6	1,039.6	1,020.8	1,020.8
Long term debt (vii)	274.1	274.1	1,179.9	1,179.9

- (i) Consulting fee revenue of \$20.8 earned from a client that has two directors and shareholders who are also directors and shareholders of the Company is receivable at year end (Fiscal 2007 – \$26.6). Also, \$2.4 (Fiscal 2007 – nil) relates to expenses to be recovered from the Chief Executive Officer.
- (ii) Salaries, wages and benefits paid to the former Chief Executive Officer who was both a shareholder and director of the Company and to the current Chief Executive.
- (iii) Commission payments totaling \$271.3 were made during the period (Fiscal 2007 - \$445.4) to Directors of the Company who are also employees. An additional \$66.7 (Fiscal 2007 – Commission advances of \$78.7) is owed to these individuals and is included in Commissions payable.
- (iv) Consulting fees are paid to a vendor that has two directors and shareholders who are also directors and shareholders of the Company. During the year, consulting fees were also paid to the former CEO, a former director.
- (v) Cash interest payments of \$22.2 (Fiscal 2007 - \$49.9) were made to certain directors and shareholders of the Company. Accretive interest of \$ 26.2 (Fiscal 2007 - \$41.1) (included in the long term loan balance) also accrued to these individuals during the quarter. Interest of \$80.9 (Fiscal 2007 - \$11.4) on the vendor take back loan was accrued to the benefit of the Chief Executive Officer.
- (vi) Accrued interest on the vendor take back loan amounting to \$42.9 (Fiscal 2007 – \$11.4) was payable to the Chief Executive Officer and \$1.7 (Fiscal 2007 - nil) of consulting fees payable to a vendor that has two directors and shareholders who are also directors and shareholders of the Company.

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- (vii) Represents vendor take back debt on acquisitions owed to the Chief Executive Officer and certain directors of the Company.

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 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

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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.

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.

NEW ACCOUNTING STANDARDS

Effective on September 1, 2008, the Company will be required to adopt 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 will require additional disclosure of

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the risks associated with financial instruments and of how those risks are managed.

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

Also, the AcSB has adopted a strategic plan under which Canadian accounting standards for publicly-listed companies will converge with International Financial Reporting Standards (“IFRS”) by the end of 2011. The Company understands there to be material differences between Canadian GAAP and IFRS, and is therefore monitoring this project with a view to understanding the possible future effects of the transition to IFRS.

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.

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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 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

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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.

No intention to declare dividends

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.

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, however, 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.