

SHARE PURCHASE AGREEMENT

BETWEEN

N. HARRIS COMPUTER CORPORATION

AND

MUNICIPAL SOLUTIONS GROUP, INC.

MADE AS OF JUNE 3, 2008

SHARE PURCHASE AGREEMENT

THIS AGREEMENT is made as of June 3, 2008

B E T W E E N

N. HARRIS COMPUTER CORPORATION, a corporation incorporated under the laws of the Province of Ontario (the “**Purchaser**”)

A N D

MUNICIPAL SOLUTIONS GROUP, INC., a corporation incorporated under the laws of the Province of British Columbia (the “**Shareholder**”)

WHEREAS the Shareholder is the sole beneficial and registered owner of all of the issued and outstanding shares (the “**Shares**”) in the capital of Municipal Software Corporation, a corporation incorporated under the laws of the Province of British Columbia (the “**Corporation**”);

AND WHEREAS the Shareholder desires to sell and the Purchaser desires to purchase the Shares upon and subject to the terms and conditions hereinafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants and agreements herein contained the parties hereto agree as follows:

ARTICLE 1 - INTERPRETATION

1.01 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

- (a) “**Acquisition Proposal**” means a proposal or offer, oral or written, relating to any of the following (other than the transactions contemplated by this Agreement or the Asset Purchase Agreement): (a) any merger, amalgamation, arrangement, share exchange, take-over bid, tender offer, recapitalization, consolidation or other business combination directly or indirectly involving the Shareholder, the Corporation or the Subsidiary, (b) any acquisition of any of the assets of the Shareholder, the Corporation or the Subsidiary (or any lease, long-term supply agreement, exchange, mortgage, pledge or other arrangement having a similar economic effect), (c) any acquisition of beneficial ownership of the Shares, (d) any acquisition by the Shareholder of any assets or capital stock of another person, (e) any transaction, the consummation of which would reasonably be expected to impede, interfere with, prevent or materially delay the consummation of the transaction contemplated in this Agreement or the transaction contemplated in the Asset Purchase Agreement, or (f) any *bona fide* proposal to, or public announcement of an intention to, do any of the foregoing;

- (b) “**Acquisition Proposal Offeror**” has the meaning set out in Subsection 4.12(d)(i);
- (c) “**Agreement**” means this agreement and all amendments made hereto by written agreement between the Shareholder and the Purchaser;
- (d) “**Applicable Law**” means:
 - (i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty; and
 - (ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a governmental authority or regulatory body in any jurisdiction in which the Shareholder, the Corporation or Subsidiary conducts business, or of any governmental or regulatory authority having or purporting to have jurisdiction in the relevant circumstances, whether or not having the force of law;
- (e) “**Asset Purchase Agreement**” means the intellectual property purchase agreement dated June 3, 2008 among the Purchaser, the Shareholder and the Corporation respecting the purchase of the Software and all related Intellectual Property as such terms are defined therein;
- (f) “**Balance Sheet**” means the consolidated balance sheet of the Shareholder, the Corporation and the Subsidiary, prepared in accordance with generally accepted accounting principles, consistently applied;
- (g) “**Balance Sheet Date**” means December 31, 2007;
- (h) “**Bank Accounts**” means all bank accounts of the Corporation and the Subsidiary;
- (i) “**Business**” means the software licensing and services business carried on by the Corporation and the Subsidiary;
- (j) “**Business Day**” means a day other than a Saturday, Sunday or statutory holiday in the Province of British Columbia;
- (k) “**Circular**” means the notice of the Meeting and accompanying information circular (including all schedules, appendices and exhibits thereto) to be sent to the shareholders of the Shareholder in connection with the Meeting, including any amendments or supplements thereto;
- (l) “**Claims**” means all losses, damages, expenses, liabilities (whether accrued, actual, contingent, latent or otherwise), claims, shareholder loans and demands of whatever nature or kind including, without limitation, all legal fees and costs on a solicitor and client basis;
- (m) “**Closing**” has the meaning set out in Section 2.03;

- (n) **“Closing Date”** has the meaning set out in Section 2.03;
- (o) **“Closing Date Balance Sheet”** means the consolidated balance sheet of the Corporation and the Subsidiary, prepared in accordance with GAAP, consistently applied, prepared as of the Time of Closing;
- (p) **“Contract”** means any written, oral, or executory contract, any contract currently being negotiated, any agreement, instrument, order, arrangement, commitment or understanding of any nature, including sales orders, purchase orders, leases, subleases, data processing agreements, maintenance agreements, license agreements, sublicense agreements, loan agreements, promissory notes, security agreements, pledge agreements, deeds, mortgages, guarantees, indemnities, warranties, employment agreements, consulting agreements, sales representative agreements, joint venture agreements, shareholders agreements, buy-sell agreements, options or warrants;
- (q) **“Corporation”** has the meaning set out in the Recitals;
- (r) **“Environmental Laws”** means all statutes, regulations, municipal by-laws, codes, ordinances, decrees, rules, protocols, orders, judicial or administrative or ministerial or regulatory judgments, orders, decisions and rulings, guidelines and policies applicable to the Corporation or the Subsidiary, and the Leased Premises relating to the protection of the natural environment, health and safety matters or conditions, Hazardous Substances, including but not limited to storage, transportation, treatment and disposal of Hazardous Substances, employee and product safety, releases of pollutants, contaminants, chemical or industrial, toxic or Hazardous Substances into the environment or any building or structure or otherwise relating to the manufacture, processing, distributing, using, treating, storing, transporting or handling of Hazardous Substances;
- (s) **“Excess”** has the meaning set out in Subsection 2.02(2);
- (t) **“Exchange”** means the TSX Venture Exchange;
- (u) **“Financial Statements”** has the meaning set out in Subsection 3.01(l);
- (v) **“GAAP”** has the meaning set out in Section 1.04;
- (w) **“Hazardous Substances”** means any contaminant, pollutant or dangerous substance which may cause, immediately, or at some future time, material harm or degradation to the environment or material risk to human life, health and safety, including, without limitation, any pollutant, contaminant, waste, hazardous waste, toxic substance or dangerous goods which is defined or identified in any Environmental Laws or which is present in the environment in such quantity or concentration as to contravene any Environmental Laws;

- (x) **“Holdback 1 Amount”** means \$250,000, subject to adjustment pursuant to any Claims by the Purchaser under the representations, warranties and covenants made in accordance with Article 7 of this Agreement and Article 7 of the Asset Purchase Agreement;
- (y) **“Holdback 1 Release Date”** means the date which is the later of: (i) the first Business Day three (3) months after the Closing Date; and (ii) the first Business Day after the date on which any dispute relating to the payment of the Holdback 1 Amount is settled or finally adjudicated in accordance with Section 2.02(1);
- (z) **“Holdback 2 Amount”** means \$750,000, subject to adjustment pursuant to any Claims by the Purchaser under the representations, warranties and covenants made in accordance with Article 7 of this Agreement and Article 7 of the Asset Purchase Agreement;
- (aa) **“Holdback 2 Release Date”** means the first Business Day eighteen (18) months after the Closing Date;
- (bb) **“Interim Date”** has the meaning set out in Subsection 3.01(l)(ii);
- (cc) **“Key Employees”** shall mean the following individuals, each of whom is currently an employee or contractor of the Corporation: [Names Redacted]
- (dd) **“Liens”** has the meaning set out in Schedule C;
- (ee) **“Lease”** has the meaning set out in Subsection 3.01(y);
- (ff) **“Leased Premises”** has the meaning set out in Subsection 3.01(ll)(i);
- (gg) **“LGM Non-Competition Agreement”** has the meaning set out in the Asset Purchase Agreement;
- (hh) **“LGM Software”** shall mean the Local Government Manager Software as a service software product;
- (ii) **“Material Adverse Effect”** means any effect, change, development or circumstance that, individually or in the aggregate, is materially adverse to the business, assets, results of operations or financial condition of the Corporation or the Subsidiary, but excluding (and none of the following shall be taken into account in determining whether there has been a Material Adverse Effect) any effect, change, development or circumstance resulting or arising from (i) any general deterioration in the economy or change in financial or market conditions generally affecting the industries in which such person operates, (ii) the announcement or pendency of the transactions contemplated by this Agreement or the Asset Purchase Agreement, (iii) changes in laws, rules, regulations, orders or other binding directives issued by any governmental entity, (iv) changes in

GAAP, (v) any act of terrorism, declaration of war or other global unrest or international hostilities, or (vi) compliance with the terms of, or the taking of any action required by, this Agreement, the Asset Purchase Agreement, and any other agreements ancillary hereto;

- (jj) “**Meeting**” means the special meeting of the shareholders of the Shareholder, including any adjournment or postponement thereof, for the purpose of considering and, if thought fit, approving the transactions contemplated by the Agreement and the Asset Purchase Agreement;
- (kk) “**Permitted Liens**” means those liens described in Schedule C hereto as being “Permitted Liens”;
- (ll) “**Personal Information**” means the type of information regulated by Privacy Laws and collected, used, disclosed or retained by the Corporation or the Subsidiary including information regarding the Corporation’s or the Subsidiary’s customers, suppliers, employees and agents, such as an individual’s name, address, age, gender, identification number, income, family status, citizenship, employment, assets, liabilities, source of funds, payment records, credit information, personal references and health records;
- (mm) “**Post-Signing Returns**” has the meaning set out in Subsection 4.02(7);
- (nn) “**Privacy Laws**” means all Applicable Laws governing the collection, use, disclosure and retention of Personal Information, including the *Personal Information Protection and Electronic Documents Act* (Canada);
- (oo) “**Prospects**” has the meaning set out in Subsection 4.02(17);
- (pp) “**Purchase Price**” has the meaning set out in Section 2.01;
- (qq) “**Purchaser**” has the meaning set out in the Recitals;
- (rr) “**Remaining Employees**” has the meaning set out in Subsection 4.02(15);
- (ss) “**Reorganization Transaction**” has the meaning set out in Subsection 4.01(19);
- (tt) “**Reviewing Accountant**” has the meaning set out in Subsection 2.02(1);
- (uu) “**Section 4.11 Notice**” has the meaning set out in Section 4.11;
- (vv) “**Shareholder**” has the meaning set out in the Recitals;
- (ww) “**Shares**” has the meaning set out in the Recitals;
- (xx) “**Shortfall**” has the meaning set out in Subsection 2.02(3);
- (yy) “**Short-Period Returns**” has the meaning set out in Section 9.04;

- (zz) “**Software**” has the meaning set out in the Asset Purchase Agreement;
- (aaa) “**Subsidiary**” means Municipal Software U.S., Inc., a corporation incorporated under the laws of the State of Colorado;
- (bbb) “**Superior Proposal**” means any *bona fide* written proposal by a third party, directly or indirectly, to acquire, all or substantially all of the Shares or the outstanding securities of the Shareholder or all or substantially all of the assets of the Shareholder, the Corporation or the Subsidiary, whether by way of merger, amalgamation, arrangement, share exchange, take-over bid, recapitalization, sale of assets or otherwise, and that the board of directors of the Shareholder determines in its good faith (based upon the written advice from its financial advisors and outside legal counsel) (a) is reasonably capable of being completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such proposal and the party making such proposal, (b) is fully financed or is reasonably capable of being fully financed, and (c) would, if consummated in accordance with its terms, result in a transaction more favourable to the Shareholder or its shareholders from a financial point of view than the terms of this Agreement and the Asset Purchase Agreement (after taking into account any adjustment to such terms proposed by the Purchaser as contemplated by Section 4.11), and such determination is supported by an opinion from an independent nationally recognized financial advisors; and, for purposes hereof, the firm of Evans & Evans Inc. shall be deemed to satisfy such requirement;
- (ccc) “**Tangible Assets**” means the aggregate net book value (for greater certainty, net of all accumulated depreciation or amortization) of only cash, work in progress, accounts receivable, prepaid expenses, tax credits, and net fixed assets, as such items are set forth on the Closing Date Balance Sheet, but excluding any intangible assets such as goodwill, acquired contracts, capitalized software development costs and acquired software, in all cases calculated in accordance with GAAP, consistently applied;
- (ddd) “**Tangible Liabilities**” means the aggregate net book value of deferred revenues, trade accounts payable, accrued expenses, obligations under capital leases and employee related balances as such items are set forth on the Closing Date Balance Sheet, but excluding (i) all amounts owed by the Corporation or the Subsidiary to banks (other than amounts relating to any capital leases) or the Shareholder; (ii) any third party personal loans made to the Corporation or the Subsidiary; and (iii) any other amounts, debts, loans or other liabilities of the Corporation or the Subsidiary which are not related to the current ongoing operations of the Business, in all cases, calculated in accordance with GAAP, consistently applied;
- (eee) “**Tangible Net Assets**” means the difference between (i) the aggregate amount of the Tangible Assets and (ii) the aggregate amount of the Tangible Liabilities as at the Closing Date, in all cases, calculated in accordance with GAAP, consistently applied;

(fff) “**Termination Date**” means July 31, 2008, or such later date as may be agreed to by the parties hereto in writing.

(ggg) “**TNA Expected Amount**” means a net liability of \$750,000; and

(hhh) “**Time of Closing**” means 1:10 p.m. (Pacific Standard Time) on the Closing Date.

1.02 Headings

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.03 Extended Meanings

In this Agreement words importing the singular number only shall include the plural and vice versa, words importing the masculine gender shall include the feminine and neuter genders and vice versa and words importing persons shall include individuals, partnerships, associations, trusts, unincorporated organizations and corporations.

1.04 Accounting Principles

Wherever in this Agreement reference is made to a calculation to be made or an action to be taken in accordance with generally accepted accounting principles (“**GAAP**”), such reference shall be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as of the date on which such calculation or action is taken or required to be taken. The parties further acknowledge that all financial disclosure provided by the Corporation and the Shareholder to the Purchaser has been prepared in accordance with such principles.

1.05 Currency

All references to currency herein are to lawful money of Canada.

1.06 Schedules

The following are the Schedules annexed hereto and incorporated by reference and deemed to be part hereof:

Schedule A - Shareholdings in the Corporation

Schedule B - Share Conditions

Schedule C - Disclosure Schedule

Schedule D - Financial Statements

Schedule E - Obligations of the Corporation and Subsidiary

Schedule F - Accounts Receivable
Schedule G - Equipment
Schedule H - Employment and Independent Contractor Agreements
Schedule I - Insurance Policies
Schedule J - Bank Accounts
Schedule K - Form of Non-Competition Agreement

ARTICLE 2 - PURCHASE AND SALE

2.01 Purchase and Sale and Purchase Price

Subject to the terms and conditions hereof, the Purchaser agrees to purchase the Shares from the Shareholder and the Shareholder agrees to sell the Shares to the Purchaser. Subject to adjustment (if any) pursuant to the terms of Section 2.02 and any Claims by the Purchaser under the representations and warranties, the aggregate purchase price (the “**Purchase Price**”) payable by the Purchaser to the Shareholder for the Shares shall be paid as follows:

- (a) a fixed payment of \$1.00 on the Closing Date, to be paid and satisfied by a wire transfer in accordance with the instructions provided by the Shareholder at the Time of Closing against delivery to the Purchaser of share certificates evidencing the Shares owned by the Shareholder duly endorsed for transfer to the Purchaser;
- (b) the Holdback 1 Amount on the Holdback 1 Release Date, subject to adjustment (if any) pursuant to the terms of Section 2.02; and
- (c) the Holdback 2 Amount on the Holdback 2 Release Date.

2.02 Payment of Holdback 1 Amount

- (1) Within sixty (60) days of the Closing Date, the Purchaser undertakes to cause the Corporation to deliver to the Shareholder the Closing Date Balance Sheet, along with any required schedules and supporting documentation required for the determination of the value of the Tangible Net Assets of the Corporation and the Subsidiary as at the Closing Date. The Purchaser shall work cooperatively with the Shareholder during the ninety (90) day period following the delivery of the Closing Date Balance Sheet to verify the amounts on the Closing Date Balance Sheet. If the Shareholder and the Purchaser have not been able to agree upon a resolution of any dispute within ninety (90) days of receipt by the Shareholder of the Closing Date Balance Sheet, then any such dispute shall be resolved by an independent accounting firm (the “**Reviewing Accountant**”) selected jointly by the Shareholder and the Purchaser. If the parties cannot agree on a Reviewing Accountant within 10 days, either of them may apply to a court to have one appointed by the court. The Reviewing Accountant shall be instructed to resolve any matters in dispute as promptly as practicable, but in no event more than thirty (30) days after submission. The fees of the Reviewing Accountant will be borne equally by the Shareholder (on the one hand) and the Purchaser (on the other hand). The determination of the dispute by the Reviewing Accountant shall be resolved fully, finally and

exclusively by the Reviewing Accountant and shall be final and binding on the parties hereto.

- (2) If the Closing Date Balance Sheet (as finally agreed or determined pursuant to this Article 2) shows Tangible Net Assets as at the Closing Date to be equal to or greater than the TNA Expected Amount (any excess over \$1 being the “**Excess**”), then the Purchaser will pay the Shareholder the Holdback 1 Amount together with the amount of the Excess on the Holdback 1 Release Date and the Purchase Price will be increased by the amount of the Excess.
- (3) If the Closing Date Balance Sheet (as finally agreed or determined pursuant to this Article 2) shows Tangible Net Assets as at the Closing Date to be less than the TNA Expected Amount (the difference, expressed as a positive number, being referred to as the “**Shortfall**”), then the Purchaser shall, unless the Shortfall is equal to or greater than the Holdback 1 Amount, pay to the Shareholder an amount equal to the Holdback 1 Amount less the amount of the Shortfall on the Holdback 1 Release Date and the Purchase Price will be reduced by the amount of the Shortfall.
- (4) If the Shortfall (as defined in Section 2.02(3) above) is greater than the Holdback 1 Amount, then the Purchaser shall be entitled to retain the Holdback 1 Amount and the Shareholder shall, on the Holdback 1 Release Date, pay to the Purchaser the full amount of the Shortfall less the Holdback 1 Amount and the Purchase Price will be reduced by the amount of the Shortfall.

2.03 Closing

The closing of the sale of the Shares by the Shareholder to the Purchaser (the “**Closing**”) shall take place as soon as practicable but no later than three (3) business days after the satisfaction or waiver of each of the conditions set forth in Article 5 hereof, or at such other time as the parties hereto agree (the “**Closing Date**”), provided that the Closing Date shall occur no later than the Termination Date. The Closing shall be completed at the Time of Closing at the offices of the Purchaser’s legal counsel in Vancouver, British Columbia.

ARTICLE 3 - REPRESENTATIONS AND WARRANTIES

3.01 Representations and Warranties of the Shareholder.

Knowing that the Purchaser relies thereon, the Shareholder represents and warrants to the Purchaser, subject to the disclosures set out in Schedule C, that:

- (a) (i) the Corporation is a corporation duly incorporated, organized and subsisting under the laws of the Province of British Columbia, with the corporate power to own or lease its assets and to carry on its business and has made all necessary filings under all applicable corporate, securities and taxation laws and any other Applicable Laws to which the Corporation is subject. The Corporation is in good standing in its jurisdiction of organization. The Corporation is duly registered to carry on

business in the Province of British Columbia and all other jurisdictions in which it currently conducts business;

- (ii) the Subsidiary is a corporation duly incorporated, organized and subsisting under the laws of the State of Colorado and does not carry on any active business other than employing certain of the Corporation's employees resident in the United States. The Subsidiary has made all necessary filings under all Applicable Laws to which the Subsidiary is subject. The Subsidiary is in good standing in its jurisdiction of organization;
- (b) the Shareholder has good and sufficient power, authority and right to enter into and deliver this Agreement and, subject to the terms hereof, to transfer the legal and beneficial title and ownership of the Shares to the Purchaser free and clear of all liens, charges, encumbrances or any other rights of others (other than the Liens), and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated under this Agreement have been duly and validly authorized and approved by all necessary corporate action on the part of the Shareholder, other than the approval of the transactions contemplated by this Agreement that are to be sought from the shareholders of the Shareholder at the Meeting;
- (c) this Agreement constitutes a valid and legally binding obligation of the Shareholder, enforceable against the Shareholder in accordance with its terms, subject to applicable bankruptcy and insolvency laws, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity, including commercial reasonableness and fair dealing;
- (d) the authorized capital of the Corporation and the Subsidiary are as set out on Schedule A;
- (e) the rights, privileges, restrictions and conditions attached to the Shares are as set out in Schedule B attached hereto;
- (f) all of the currently issued and outstanding Shares are owned by the Shareholder and are validly issued and outstanding, fully paid and non-assessable. The Shareholder is the beneficial and registered owner of the Shares free and clear of all liens and any other rights of others (other than the Liens). All of the currently issued and outstanding shares of the Subsidiary are owned by the Corporation and are validly issued and outstanding, fully paid and non-assessable. The Corporation is the beneficial and registered owner of all of the shares of the Subsidiary free and clear of all liens and any other rights of others (other than the Liens);
- (g) there is no contract, option or any other right of another binding upon or which at any time in the future may become binding upon:

- (i) the Corporation or the Subsidiary to allot or issue any of the unissued shares of the Corporation or the Subsidiary or to create any additional class of shares;
 - (ii) the Shareholder to sell, transfer, assign, pledge, charge, mortgage or in any other way dispose of or encumber any of the Shares (except by this Agreement); or
 - (iii) the Corporation to sell, transfer, assign, pledge, charge, mortgage or in any other way dispose of or encumber any of the shares of the Subsidiary;
- (h) there are no shareholder agreements, voting trust or similar agreements to which the Shareholder, the Corporation or the Subsidiary are a party in respect of the Shares or the shares of the Subsidiary;
- (i) except for the Asset Purchase Agreement, there is no contract, option or any other right of another binding upon or which at any time in the future may become binding upon the Corporation or the Subsidiary to sell, transfer, assign, pledge, charge, mortgage or in any other way dispose of or encumber any of the Corporation's assets or the Subsidiary's assets, except pursuant to purchase orders for end user licenses accepted by the Corporation or the Subsidiary in the usual and ordinary course of its business;
- (j) neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Shareholder or the Corporation will result in the violation of:
 - (i) any of the provisions of the constating documents of the Shareholder, the Corporation or the Subsidiary;
 - (ii) any material agreement or other material instrument to which the Shareholder, the Corporation or the Subsidiary is a party or by which the Shareholder, the Corporation or the Subsidiary is bound; or
 - (iii) any Applicable Law;
- (k) the books and records of the Corporation and the Subsidiary are true and correct in all material respects and present fairly and disclose in all material respects the financial position of the Corporation and the Subsidiary, and all material financial transactions of the Corporation and the Subsidiary have been accurately recorded in such books and records and such books and records have been prepared in accordance with GAAP, consistently applied. Schedule J is an accurate and complete list of the Bank Accounts, trust company accounts, other accounts, certificates of deposit, marketable securities, other investments, safe deposit boxes, lock boxes and safes of the Corporation and the Subsidiary and the names of all officers, employees or other individuals who have access thereto or are authorized to make withdrawals therefrom or dispositions thereof;

- (l) (i) the audited consolidated financial statements of the Shareholder, the Corporation and the Subsidiary, consisting of the Balance Sheet and statements of income, retained earnings and changes in financial position for the period ended on the Balance Sheet Date (hereinafter collectively referred to as the “**Financial Statements**”), a copy of which is attached hereto as Schedule D:
 - (A) are in accordance with the books and accounts of the Shareholder, the Corporation and the Subsidiary as at the Balance Sheet Date;
 - (B) are true and correct in all material respects and present fairly the financial position of the Shareholder, the Corporation and the Subsidiary as at the Balance Sheet Date;
 - (C) have been prepared in accordance with GAAP, consistently applied; and
 - (D) present fairly all of the assets and liabilities of the Shareholder, the Corporation and the Subsidiary, as at the Balance Sheet Date, including, without limiting the generality of the foregoing, all contingent liabilities of the Shareholder, the Corporation and the Subsidiary as at the Balance Sheet Date;
- (ii) the unaudited consolidated financial statements of the Shareholder, the Corporation and the Subsidiary for the three (3) months ended March 31, 2008 (the “**Interim Date**”), a copy of which is attached hereto as Schedule D:
 - (A) are in accordance with the books and accounts of the Shareholder, the Corporation and the Subsidiary as at the Interim Date;
 - (B) are true and correct in all material respects and present fairly the financial position of the Shareholder, the Corporation and the Subsidiary as at the Interim Date;
 - (C) have been prepared in accordance with GAAP, consistently applied; and
 - (D) present fairly all of the assets and liabilities of the Shareholder, the Corporation and the Subsidiary as at the Interim Date, including, without limiting the generality of the foregoing, all contingent liabilities of the Shareholder, the Corporation and the Subsidiary as at the Interim Date;
- (m) since the Balance Sheet Date, each of the Corporation and the Subsidiary has carried on its business in the usual and ordinary course and neither the

Corporation nor the Subsidiary has entered into any transaction (including any transfer or sale of assets) out of the usual and ordinary course of business;

- (n) since the Balance Sheet Date, there has been no Material Adverse Effect;
- (o) no single capital expenditure in excess of \$5,000 or capital expenditures in the aggregate in excess of \$25,000 have been made or authorized by the Corporation or the Subsidiary since the Balance Sheet Date;
- (p) there have been no non-arms' length transactions in excess of \$5,000 since the Balance Sheet Date;
- (q) no dividends have been declared or paid on or in respect of the shares of the Corporation or the Subsidiary and no other distribution on any of its securities or shares has been made by the Corporation or the Subsidiary since the Balance Sheet Date, and all dividends which to the date hereof have been declared or paid by the Corporation or the Subsidiary have been duly and validly declared or paid;
- (r) Schedule E includes detailed lists of all obligations of the Corporation and the Subsidiary reflected on the Balance Sheet, itemized by balance sheet account, and with aggregate net balances equal to the balances on the Balance Sheet, including: (a) accounts payable; (b) accrued expenses and reserves, itemized by category and with appropriate explanation; (c) deferred revenues, itemized by customer and time periods; and (d) other current and long-term liabilities. Neither the Corporation nor the Subsidiary has any obligations, other than: (i) obligations reflected on the Balance Sheet; (ii) obligations set forth in Schedule E; or (iii) obligations under Contracts of the type listed on Schedule E, provided that as of the Balance Sheet Date, no such obligation consisted of or resulted from a default under or violation of any such Contract and there are no outstanding liabilities against the Corporation or the Subsidiary except debts incurred in the usual and ordinary course of business and shown on the Financial Statements and on the list of obligations set out in Schedule E;
- (s) any and all Contracts to which the Corporation or the Subsidiary is a party are not in material default or material breach but are in good standing and there exists no condition, event or act that, with the giving of notice or lapse of time or both, would constitute such a material default or material breach. All such Contracts are in full force and effect without amendment thereto and either the Corporation or the Subsidiary is entitled to all benefits thereunder, and the Corporation or the Subsidiary, as the case may be, has performed all material obligations required to be performed by it under such Contracts. Neither the Corporation nor the Subsidiary has received notice of the intention of any customer to make any warranty claims in respect of the Software materially in excess of current reserves provided therefor or to terminate any such customer Contracts. Neither the Corporation nor the Subsidiary has made any commitments to release or develop any updates, versions or releases of the Software except as may be provided in such customer Contracts;

- (t) Schedule C contains a list of each current employee of and consultant to the Corporation or the Subsidiary, and, except as disclosed in Schedule C, the Shareholder and the Corporation are not aware of any breaches of any related employment or consulting agreements. The employment by the Corporation or the Subsidiary of any of such employees does not, to the best of the Shareholder's knowledge, violate any non-disclosure or non-competition agreement between an employee and a third party;
- (u) there are no actions, suits or proceedings pending or, to the best of the Shareholder's knowledge, threatened against or adversely affecting, or which could adversely affect the Corporation, the Subsidiary, or any assets of the Corporation or the Subsidiary or before or by any federal, provincial, state, municipal or other governmental court, department, commission, board, bureau, agency or instrumentality, domestic or foreign, whether or not insured;
- (v) there are no outstanding orders, notices or similar requirements relating to the Corporation or the Subsidiary issued by any building, environmental, fire, health, labour or police authorities or from any other federal, state or municipal authority including, without limitation, occupational health and safety authorities and there are no matters under discussion with any such authorities relating to orders, notices or similar requirements;
- (w) the accounts receivable (net of allowances for doubtful accounts) of the Corporation and the Subsidiary as listed in Schedule F attached hereto are good accounts receivable collectible within ninety (90) days of the Closing Date and otherwise in accordance with the respective customer contract and are not subject to any defence, counterclaim or setoff;
- (x) Schedule G sets out a list of the material equipment used in the Business of the Corporation and the Subsidiary; all such material equipment is owned by the Corporation or the Subsidiary free and clear of all liens (other than the Liens), and such equipment comprises the only equipment used by the Corporation and the Subsidiary to carry on the Business of the Corporation and the Subsidiary prior to the Closing Date;
- (y) except for obligations relating to the office lease (the "**Lease**") in respect of the property located at Suite 1108 – 4464 Markham Street, Victoria, British Columbia, a copy of which has been provided to the Purchaser, neither the Corporation nor the Subsidiary is a party to any contract or commitment outside the usual and ordinary course of business of the Corporation or the Subsidiary, nor is the Corporation or the Subsidiary a party to any contract or commitment relating to the Corporation or the Subsidiary extending for a period of time longer than 12 months or involving expenditures by the Corporation or the Subsidiary in the aggregate in excess of \$5,000;

- (z) neither the Corporation nor the Subsidiary is a party to or bound by any guarantee, indemnification, surety or similar obligation pertaining to the Corporation or the Subsidiary;
- (aa) except for the Subsidiary, neither the Corporation nor the Subsidiary has any subsidiaries or any agreements, options or commitments to acquire any securities of any corporation or to acquire or lease any real property or assets, other than, in the latter case, those assets that are to be used in the usual and ordinary course of business of the Corporation or the Subsidiary;
- (bb) neither the Corporation nor the Subsidiary is a party to or bound by any contract or commitment to pay any royalty, license fee, consulting fee or management fee pertaining to the Corporation or the Subsidiary;
- (cc) Employment Matters:
 - (i) neither the Corporation nor the Subsidiary has an employment Contract with any person whomsoever except such employment Contracts as are listed in Schedule H attached hereto and such Schedule correctly sets out whether such Contracts are in writing and the employee's most recent salary with the Corporation or the Subsidiary, and his or her start date with the Corporation or the Subsidiary. Schedule H also sets out a complete list of the Contracts between independent contractors and either of the Corporation or the Subsidiary;
 - (ii) except for remuneration paid to employees, directors and independent contractors in the ordinary course of business and made at current rates of remuneration, no payments have been made or authorized since the Balance Sheet Date by the Corporation or the Subsidiary to officers, directors, employees or independent contractors of the Corporation or the Subsidiary. No current or former director, officer, shareholder, employee or independent contractor of the Corporation or the Subsidiary or any person not dealing at arm's length within the meaning of the *Income Tax Act* (Canada) or the Internal Revenue Code with any such person is indebted to the Corporation or the Subsidiary;
 - (iii) Schedule C hereto contains a complete list of all benefit plans provided by the Corporation or the Subsidiary to their respective directors, officers or employees. No promises or commitments have been made by the Corporation or the Subsidiary to amend any benefit plan or compensation plan;
 - (iv) except as disclosed in Schedule C, all of the benefit plans of the Corporation or Subsidiary are duly registered where required by Applicable Law (including registration with the relevant taxation authorities where such registration is required to qualify for tax exemption

or other beneficial tax status) and have always been administered in compliance with their terms and all Applicable Laws;

- (v) neither the execution, delivery or performance of this Agreement, nor the consummation of any of the other the transactions contemplated by this Agreement, will result in any bonus, golden parachute, severance or other payment or obligation to any current or former employee or director of the Corporation or the Subsidiary (whether or not under any benefit plan), materially increase the benefits payable or provided under any benefit plan, result in any acceleration of the time of payment or vesting of any such benefit, or increase or accelerate employer contributions thereunder;
- (vi) all employer and employee obligations in respect of all benefit plans, including payments, contributions and premiums required under Applicable Law and their terms have been satisfied and there are no outstanding defaults or violations in respect thereof and, in particular, all employer and employee contribution holidays have been permitted by the terms of the benefit plans and have been in accordance with Applicable Law;
- (vii) there is no pending or threatened claim against or otherwise involving any benefit plan, or any fiduciary thereof, by or on behalf of any participant or beneficiary under any benefit plan (other than routine claims for benefits), nor is there any pending or threatened claim by or on behalf of any of the plans, which has or could have an adverse effect on the Corporation or the Subsidiary;
- (viii) other than any obligation on the Balance Sheet, both the Corporation and the Subsidiary have withheld from any amount paid or credited by it to or for the account or benefit of any person, including any employee, shareholder, creditor, non-resident person or other third party, the amount of all taxes and other deductions required by any applicable laws to be withheld from any such amount and has remitted the same to the appropriate authority;
- (ix) since the Balance Sheet Date, except in the ordinary course of business or as required by law and consistent with the Corporation's or the Subsidiary's past practices, there have been no increases or decreases in staffing levels of the Corporation or the Subsidiary and neither have there been any changes in the terms and conditions of employment of any employees of the Corporation or the Subsidiary, including their salaries, remuneration, benefits and any other payments to them, and there have been no changes in any remuneration payable or benefits provided to any officer, director, consultant, independent or dependent contractor or agent of the Corporation or the Subsidiary, and neither the Corporation or the Subsidiary has agreed or otherwise become committed to change any of the foregoing since that date;

- (x) with respect to the employees and former employees of the Corporation and the Subsidiary, there are no employee post-employment life insurance, medical or health plans in effect;
 - (xi) subject to any applicable governmental statutes, rules or regulations, nothing in the terms and conditions of the benefit plans listed in Schedule C, or otherwise, prohibits or limits the ability of the Purchaser, the Corporation, or the Subsidiary to terminate all such benefit plans;
 - (xii) the Corporation and the Subsidiary have complied with all Applicable Laws relating to the employment of labour, including those relating to wages, hours, overtime, occupational safety, discrimination and the payment of social security and other payroll related taxes, and has not received any notice alleging failure to comply in any material respect with any such laws, rules or regulations. No claims, controversies, disputes, or proceedings are pending or, to the knowledge of the Shareholder, threatened, between the Corporation and any employee of the Corporation, or between the Subsidiary and any employee of the Subsidiary, nor, to the knowledge of the Shareholder, do any circumstances exist which could give rise to the foregoing. There is no labour strike, dispute, slowdown, representation campaign or work stoppage actually pending or threatened with respect to the Corporation's employees or the Subsidiary's employees;
- (dd) no trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent:
- (i) holds bargaining rights with respect to any employees of the Corporation or the Subsidiary by way of certification, interim certification, voluntary recognition, designation or successor rights;
 - (ii) has applied to be certified as the bargaining agent of any employees of the Corporation or the Subsidiary; or
 - (iii) has applied to have the Corporation or the Subsidiary declared a related employer or successor employer pursuant to applicable labour legislation;
- (ee) the Corporation and the Subsidiary are conducting Business in compliance with all Applicable Laws in which they conduct Business, and are not in material breach of any Applicable Laws. The Corporation and the Subsidiary are qualified in the Provinces and States in which each conducts Business, to carry on their Business as now conducted and to own their assets, and all such qualifications are valid and subsisting and in good standing and none of the same contains any term, provision, condition or limitation which has or may have an adverse effect on the operation of the Corporation or the Subsidiary or which may be affected by the completion of the transactions contemplated hereby;

- (ff) all tax returns required to be filed by the Corporation or the Subsidiary pursuant to all Applicable Laws have been timely filed and all such tax returns were in all respects true, complete and correct and prepared in accordance with the requirements of the income tax or other tax laws applicable to the Corporation and the Subsidiary. The Corporation and the Subsidiary have paid all taxes that are or have been due and payable, including without limitation, income and sales taxes, and any other federal, provincial, state or local taxes, required to be paid and has filed all related tax returns required to be filed. Neither the Corporation nor the Subsidiary has any liability, obligation or commitment for the payment of income taxes, corporation taxes, sales taxes or any other taxes or duties of whatever nature or kind, or interest or penalties with respect thereto, except such as are disclosed in the Financial Statements or such taxes or duties not yet due as have arisen since the Balance Sheet Date in the usual and ordinary course of business and for which adequate provision in the accounts of the Corporation or the Subsidiary has been made, and neither the Corporation nor the Subsidiary is in arrears with respect to any required withholdings or instalment payments of any tax or duty of any kind and has not waived any statute of limitations in respect of taxes for a taxation year of the Corporation or the Subsidiary under all Applicable Laws imposing tax on the Corporation or the Subsidiary. There are no pending audits by any federal, provincial, state, local or foreign taxing authority of any payment, return or report made or filed by the Corporation or the Subsidiary, nor has there been any claimed failure to pay or report any kind of tax which may be assessed by any such taxing authority against the Corporation or the Subsidiary. Neither the Corporation nor the Subsidiary will be required to recognize after the Closing Date any taxable income with respect to the period prior to the Closing Date in respect of any accounting method adjustments required to be made under the Code. Any accrual for taxes on the Balance Sheet will be adequate to pay all tax liabilities of the Corporation and the Subsidiary if its current tax year were treated as ending on the date of such Balance Sheet and the Corporation and the Subsidiary are entitled to the entire amount of and has made proper claim for any refund of taxes included in the Balance Sheet, whether as a receivable, a prepaid expense or as a reduction of a liability. Neither the Corporation nor the Subsidiary has ever been a member of a group filing a consolidated Canadian or United States federal income tax return;
- (gg) there are no pending reassessments of the Corporation's taxes or the Subsidiary's taxes that have been previously conducted or been issued and are outstanding and there are no outstanding issues in respect of taxes which have been raised and communicated to the Corporation, the Subsidiary or to the Shareholder by any governmental body for any taxation year in respect of which a tax return of the Corporation, the Subsidiary or the Shareholder have been audited. No claim has ever been made by any taxing authority in any jurisdiction where the Corporation or the Subsidiary does not file a tax return that the Corporation or the Subsidiary, as the case may be, is or may be subject to taxes assessed by such jurisdiction or a filing requirement in that jurisdiction;

- (hh) attached hereto as Schedule I is a true and complete list of all insurance policies maintained by the Corporation or the Subsidiary that also specifies the insurer, the amount of the coverage, the type of insurance, the policy number and any pending claims thereunder. None of the Corporation, the Subsidiary or the Shareholder has received notice of cancellation with respect to any such current insurance policy, and there is no basis for the insurer thereunder to terminate any such current insurance policy. There are no claims that are pending under any of the insurance policies described on Schedule I;
- (ii) except for the Lease, there are no real estate leases, personal property leases, loans, guarantees, Contracts, accounts receivable, transactions, understandings or other arrangements or obligations of any nature between or among (i) the Corporation or the Subsidiary on the one hand, and (ii) the Shareholder or any other current or former partner, owner, shareholder, director, officer or controlling person of the Corporation, the Subsidiary or any other person affiliated with the Corporation or the Subsidiary on the other;
- (jj) neither the Corporation nor the Subsidiary has engaged any broker or finder in connection with the transactions contemplated by this Agreement, and no person or entity is entitled to any fee or other compensation from the Corporation or the Subsidiary with respect to this Agreement or the transactions it contemplates;
- (kk) no order has been made or petition presented or resolution passed for the winding up of the Corporation or the Subsidiary nor has any distress execution or other process been levied against the Corporation or the Subsidiary or action taken to repossess goods in the possession of the Corporation or the Subsidiary. No steps have been taken for the appointment of an administrator or receiver of any part of the property of the Corporation or the Subsidiary. Neither the Corporation nor the Subsidiary has been party to any transaction which could be avoided in a winding up. Neither the Corporation nor the Subsidiary has made or proposed any arrangement or composition with its creditors or any class of its creditors. Neither the Corporation nor the Subsidiary has been party to a transaction pursuant to or as a result of which an asset owned, purportedly owned or otherwise held by it is liable to be transferred or re-transferred to another person or which gives or may give rise to a right of compensation or other payment in favour of another person under the provisions of any Applicable Laws;
- (ll) Environmental Compliance:
 - (i) the Corporation's leased premises ("**Leased Premises**") are in material compliance with any environmental laws and related environmental permits;
 - (ii) there are no Hazardous Substances brought in or produced by the Corporation or the Subsidiary existing at, in, on, below or within the Leased Premises, or at, in, on, below or within any adjoining properties that causes or may cause any adverse environmental effects on or in regard

to the Leased Premises, the use thereof including any environmental conditions which may be considered to be hazardous to the health of any employees of the Corporation;

- (iii) the Shareholder is not aware of any notices of non-compliance, complaints, summons, legal actions, charges, work orders, control orders, stop orders, remedial and waste removal or other orders relating to the natural environment made against the Corporation or the Subsidiary under environmental laws by any court, governmental authority or third party and there is no judicial, governmental or third party complaint, action or investigation, and there are no facts of which the Shareholder, the Subsidiary or the Corporation have written notice which could give rise to any such complaint, action or investigation, in respect of the existence on the Leased Premises of Hazardous Substances brought on or introduced by the Corporation or the Subsidiary; and
- (iv) the Shareholder and the Corporation are not aware of any asbestos or asbestos containing materials in or on the Leased Premises;
- (mm) since December 31, 2007, each of the Corporation and the Subsidiary has carried on business in the ordinary course and has not entered into any transaction (including any transfer or sale of assets) out of the ordinary course of business;
- (nn) none of the Corporation, the Subsidiary, and to the knowledge of the Shareholder, any of the Corporation's or Subsidiary's officers, directors, employees or agents or other people acting on behalf of any of them have engaged in any activity prohibited by the United States Foreign Corrupt Practices Act of 1977 or any other similar Applicable Law;
- (oo) there are no actions, suits or proceedings (whether or not purportedly on behalf of the Corporation or the Subsidiary):
 - (i) pending or, to the knowledge of the Shareholder, threatened against or materially adversely affecting, or which could materially adversely affect, the Corporation, the Subsidiary or any of their assets; or
 - (ii) before or by any governmental authority,except such actions, suits or proceedings as are disclosed in Schedule C;
- (pp) the collection, use and retention of the Personal Information by the Corporation or the Subsidiary, the disclosure or transfer of the Personal Information by the Corporation or Subsidiary to any third parties and transfer of the Personal Information by the Corporation or the Subsidiary to the Purchaser as part of the Purchaser's due diligence and as contemplated by this Agreement or any ancillary agreement complies with all Privacy Laws and is consistent with the Corporation's and the Subsidiary's respective privacy policies;

- (qq) there are no restrictions on the Corporation's or the Subsidiary's collection, use, disclosure and retention of the Personal Information except as provided by Privacy Laws and the Corporation's and the Subsidiary's privacy policies;
- (rr) there are no investigations, inquiries, actions, suits, claims, demands or proceedings, whether statutory or otherwise, pending, ongoing, or to the Shareholder's knowledge, threatened, with respect to the Corporation's or the Subsidiary's collection, use, disclosure or retention of the Personal Information;
- (ss) no decision, judgment or order, whether statutory or otherwise, is pending or has been made, and no notice has been given pursuant to any Privacy Laws, requiring the Corporation or the Subsidiary to take (or to refrain from taking) any action with respect to the Personal Information; and
- (tt) no representation, warranty or statement of the Shareholder in this Agreement contains or will contain at the Time of Closing any untrue statement of a material fact or omits or will omit to state any material fact necessary to make the statements contained herein or therein, in light of the circumstances under which made, not misleading.

3.02 Survival of Shareholder's Representations and Warranties

- (a) The representations and warranties of the Shareholder relating to taxes or ownership of the Shares, including without limiting the generality of the foregoing, the representations and warranties set forth in Sections 3.01(b), (d), (f), (g), (h), (u), (ff) and (gg), shall survive the completion of the sale and purchase of the Shares herein provided for and, notwithstanding such completion shall continue in full force and effect for the benefit of the Purchaser until the later of the following:
 - (i) the first Business Day eighteen (18) months from the Closing Date; or
 - (ii) the date on which all Claims of the Purchaser are fully and finally resolved, provided that notice of any such Claim has been provided by the Purchaser within eighteen (18) months from the Closing Date.
- (b) The remaining representations and warranties of the Shareholder set forth in Section 3.01 shall survive the completion of the sale and purchase of the Shares herein provided for and, notwithstanding such completion shall continue in full force and effect for the benefit of the Purchaser until the later of the following:
 - (i) the first Business Day three (3) months from the Closing Date; or
 - (ii) the date on which all Claims of the Purchaser are fully and finally resolved, provided that notice of any such Claim has been provided by the Purchaser within three (3) months from the Closing Date.

3.03 Purchaser's Representations and Warranties

The Purchaser represents and warrants to the Shareholder that:

- (a) the Purchaser is a corporation duly incorporated, organized and subsisting under the laws of the Province of Ontario;
- (b) the Purchaser has good and sufficient power, authority and right to enter into and deliver this Agreement and to complete the transactions to be completed by the Purchaser contemplated hereby and the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated under this Agreement have been duly and validly authorized and approved by all necessary corporate action on the part of the Purchaser;
- (c) this Agreement constitutes a valid and legally binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, subject to applicable bankruptcy and insolvency laws, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to general principles of equity, including commercial reasonableness and fair dealing;
- (d) neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Purchaser will result in the violation of:
 - (i) any of the provisions of the constating documents of the Purchaser;
 - (ii) any material agreement or other material instrument to which the Purchaser is a party or by which the Purchaser is bound; or
 - (iii) any Applicable Law.

3.04 Survival of Purchaser's Representations and Warranties

The representations and warranties of the Purchaser set forth in Section 3.03 shall survive the completion of the sale and purchase of the Shares herein provided for and, notwithstanding such completion, shall continue in full force and effect for the benefit of the Shareholder until the later of the following:

- (a) the first Business Day eighteen (18) months from the Closing Date; or
- (b) the date on which all Claims of the Shareholder are fully and finally resolved, provided that notice of any such Claim has been provided by the Shareholder within eighteen (18) months from the Closing Date.

ARTICLE 4 - COVENANTS

4.01 Payment of Taxes

The parties acknowledge that, notwithstanding any other provision hereof:

- (a) the Purchaser does not assume and shall not be liable for any taxes under any Applicable Laws or any other taxes whatsoever which may be or become payable by the Shareholder as a result of the sale of the Shares by the Shareholder in accordance with the terms hereof;
- (b) notwithstanding Section 4.01(a), the Shareholder shall not be liable for any taxes which may be or become payable under any Applicable Laws as a result of the purchase of the LGM Software from the Corporation by the Shareholder, provided that the Shareholder causes the Corporation to record such sale as a capital gain on the sale of assets and provided further that the Shareholder causes the Corporation to apply all available tax losses against such capital gain, such losses not to exceed the total amount of \$188,000. In the event the foregoing sale and purchase of the Assets is deemed by the tax authorities to be other than a capital gain for the Corporation, then the Corporation shall apply all available tax losses to such income amount;
- (c) notwithstanding Section 4.01(a), the Shareholder shall not be liable for any other taxes whatsoever which may be or become payable by the Shareholder, Purchaser, the Corporation or the Subsidiary as a result of the completion of any Reorganization Transaction or other transaction contemplated hereby, with the exception of the sale of the Shares by the Shareholder, including, for greater certainty, any binding decision made under Applicable Law by the appropriate taxing authority with respect thereto; and
- (d) notwithstanding Section 4.01(a), the Shareholder shall not be liable for any taxes under any Applicable Laws or any other taxes whatsoever which may be or become payable by the Purchaser, the Corporation or the Subsidiary as a result of the purchase of the Shares by the Purchaser.

4.02 Covenants of the Shareholder

The Shareholder covenants and agrees that, until the earlier of the Time of Closing and the time that this Agreement is terminated in accordance with its terms, unless the Purchaser otherwise consents in writing (to the extent that such consent is permitted by Applicable Law), which consent will not be unreasonably withheld or delayed, or as is otherwise expressly permitted or specifically contemplated by this Agreement or as is otherwise required by Applicable Law:

- (1) The Shareholder will and will ensure that the Corporation and the Subsidiary will:
 - (a) carry on the Business in the usual and ordinary course, consistent with past practice, provided that all acts and proceedings taken by the Corporation and the

Subsidiary in the management and operation of the Business involving a commitment in excess of \$10,000 and/or any payment in excess of \$10,000 made by the Corporation or the Subsidiary will be subject to the prior approval of the Purchaser, which approval will not be unreasonably withheld and will be delivered in a timely manner;

- (b) use all reasonable commercial efforts to preserve intact the Business and the organization and goodwill of the Business, to keep available the employees of the Business as a group and to maintain satisfactory relationships with suppliers, distributors, customers and others with whom the Corporation or the Subsidiary has business relationships;
- (c) use all reasonable commercial efforts to cause their current insurance policies not to be cancelled or terminated or any other coverage thereunder to lapse, unless simultaneously with such terminations, cancellation or lapse, replacement policies underwritten by insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies, and where possible, for substantially similar premiums, are in full force and effect;
- (d) promptly advise the Purchaser in writing of the occurrence of any Material Adverse Effect in respect of the Corporation or the Subsidiary or of any facts that come to their attention which would cause any of the Shareholder's representations and warranties herein contained to be untrue in any respect;
- (e) maintain the books, records and accounts of the Corporation and the Subsidiary in the usual and ordinary course, consistent with past practice and record all transactions on a basis consistent with that practice;
- (f) use its commercially reasonable efforts to obtain all necessary waivers, consents and approvals required to be obtained by the Shareholder, the Corporation or the Subsidiary in connection with the transactions contemplated hereby from other parties to the Contracts; notwithstanding anything to the contrary in this Agreement, in connection with obtaining any approval or consent from any person (other than a governmental authority) with respect to any transaction contemplated by this Agreement, none of the Shareholder, the Corporation or the Subsidiary will be required to pay or commit to pay to such person whose approval or consent is being solicited any cash or other consideration, make any commitment or incur any liability or other obligation due to such person;
- (g) apply for and use its commercially reasonable efforts to obtain all appropriate regulatory approvals, including the approval of the Exchange, relating to the Shareholder, the Corporation or the Subsidiary which are necessary pursuant to Applicable Laws and, in doing so, keep the Purchaser reasonably informed as to the status of the proceedings related to obtaining such regulatory approvals, including providing the Purchaser with copies of all related applications and

notifications, in draft form, in order for the Purchaser to provide its comments thereon; and

- (h) defend all lawsuits or other legal, regulatory or other proceedings against the Shareholder, the Corporation or the Subsidiary challenging or affecting this Agreement or the consummation of the transactions contemplated hereby.
- (2) The Shareholder will not cause or permit the Corporation or the Subsidiary to, directly or indirectly:
- (a) alter or amend their constating documents;
 - (b) declare, set aside or pay any dividend on or make any distribution or payment or return of capital in respect of the Shares in cash, shares, property or assets or otherwise;
 - (c) split, divide, consolidate, combine, exchange or reclassify any of their shares or other equity securities or issue or authorize the issuance of any other securities in lieu of or in substitution for, any of their shares or other equity securities;
 - (d) issue, grant, sell, pledge or encumber or agree to issue, grant, sell, pledge or encumber any securities of the Corporation or securities of the Subsidiary, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, securities of the Corporation or the securities of the Subsidiary;
 - (e) redeem, purchase or otherwise acquire or subject to an encumbrance any of their outstanding shares or other equity securities or securities convertible or exchangeable into or exercisable for any such securities;
 - (f) amend or modify any of their shares or other equity securities or any securities convertible or exchangeable into or exercisable for any such securities or any of the instruments or agreements governing such securities;
 - (g) adopt a plan or agreement of, or resolutions providing for or authorizing, complete or partial liquidation, dissolution, arrangement, amalgamation, consolidation, restructuring, recapitalization or other reorganization of the Corporation or the Subsidiary;
 - (h) make any changes to any of their accounting policies, principles, methods, practices or procedures (including by adopting any new accounting policies, principles, methods, practices or procedures), except as required by Applicable Laws or under GAAP;
 - (i) make or change any material tax election, change any annual tax accounting period, adopt or change any method of tax accounting, amend any material tax returns or file claims for tax refunds, enter into any closing agreement, enter into (or offer to enter into) any agreement (including any waiver) with any

governmental authority relating to taxes, settle (or offer to settle) any tax claim, audit or assessment, or surrender any right to claim a tax refund, offset or other reduction in tax liability; or

- (j) enter into, modify or terminate any Contract with respect to any of the foregoing.
- (3) Except as required under the Asset Purchase Agreement, the Shareholder will not cause or permit the Corporation or the Subsidiary to, directly or indirectly, except in the ordinary course of business and consistent with past practice:
- (a) sell, pledge, lease, licence, dispose of or encumber any assets or properties (including the Shares or other equity securities) of the Corporation or the Subsidiary;
 - (b) acquire (by merger, amalgamation, consolidation or acquisition of shares or other equity securities or interests or assets or otherwise) any corporation, partnership, association or other business organization or division thereof or any property or asset, or make any investment either by the purchase of securities, contributions of capital, property transfer, or purchase of any property or assets of any other person, enter into or extend any option to acquire, or exercise an option to acquire any real estate projects;
 - (c) incur any indebtedness or issue any debt securities or assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other person, or make any loans or advances to, or investments in, any person, except pursuant to existing credit facilities or debt instruments (or the agreements, indentures or guarantees governing or relating to such facilities or instruments);
 - (d) pay, discharge or satisfy any material claim, liability or obligation, other than the payment, discharge or satisfaction of liabilities reflected or reserved against in the Financial Statements;
 - (e) waive, release, grant or transfer any rights of material value;
 - (f) enter into a new line of business; or
 - (g) authorize any of the foregoing, or enter into or modify any Contract to do any of the foregoing.
- (4) Except as required under the Asset Purchase Agreement, the Shareholder will not cause or permit the Corporation or the Subsidiary to, directly or indirectly, except in the ordinary course of business:
- (a) enter into, or amend in any material respect, any material Contract or series of material Contracts resulting in a new material Contract or series of related new material Contracts or modifications to an existing material Contracts or series of related existing material Contracts, that would result in any Contract having a term in excess of 12 months and which is not terminable by the Corporation or the

Subsidiary upon notice of 90 days or less from the date of the relevant material Contract or modification of material Contract or impose payment or other obligations on the Corporation subsidiaries in excess of \$10,000;

- (b) enter into any material Contract that would limit or otherwise restrict the Corporation or the Subsidiary or any of their successors, or that would, after the Time of Closing, limit or otherwise restrict the Purchaser or any of its affiliates or any of their successors, from engaging or competing in any line of business or in any geographic area; or
 - (c) terminate, cancel or amend in any material respect any material Contract, where entering into, amending or terminating or cancelling such material Contract or series of related material Contracts has a Materially Adverse Effect.
- (5) The Shareholder will not cause or permit the Corporation or the Subsidiary to, except in the ordinary course of business, or pursuant to any existing Contracts or benefit plans in effect on the date hereof, and except as is necessary to comply with Applicable Laws:
- (a) grant to any employee, officer or director of the Corporation or the Subsidiary an increase in compensation in any form;
 - (b) grant any general salary increase to the employees of the Corporation or the Subsidiary;
 - (c) take any action with respect to the grant of any severance or termination or change of control pay or benefits;
 - (d) enter into any employment, deferred compensation or other similar agreement or amend any such existing agreement, with any employee, officer or director of the Corporation or the Subsidiary;
 - (e) increase any benefits payable under their current severance or termination or change of control pay policies; or
 - (f) adopt or materially amend or make any contribution to any benefit plan or other similar plan, agreement, trust, fund or arrangement or take any action to accelerate any rights or benefits or fund or secure the payment of compensation or benefits under any benefit plan, or make any person a beneficiary of any retention or severance plan which would entitle such person to payments, vesting, acceleration or any other right as a consequence of consummation of the transactions contemplated by this Agreement or the Asset Purchase Agreement and/or termination of employment.
- (6) Except as required under the Asset Purchase Agreement, the Shareholder will not cause or permit the Corporation or the Subsidiary to, except in the ordinary course of business, voluntarily waive, release, assign, settle or compromise (i) any material proceeding or any material claim or material liability or (ii) any proceeding that is brought by any

current, former or purported holder of any securities of the Corporation or the Subsidiary and that (A) requires any payment to such security holders by the Corporation or the Subsidiary or any subsidiary or (B) adversely affects in any material respect the ability of the Corporation or the Subsidiary taken as a whole to conduct the Business in a manner consistent with past practice.

- (7) The Shareholder will and will cause the Corporation and the Subsidiary to:
- (a) prepare and timely file all material tax returns required to be filed by them on or before the Time of Closing (“**Post-Signing Returns**”) in a manner consistent, in all material respects, with past practice, except as otherwise required by Applicable Laws;
 - (b) fully and timely pay all taxes due and payable in respect of such Post-Signing Returns that are so filed;
 - (c) properly reserve (and reflect such reserve in their books and records and financial statements), for all taxes payable by them for which no Post-Signing Return is due prior to the Time of Closing in a manner consistent with past practice; and
 - (d) if requested by the Purchaser, cooperate in the preparation of, and file or cause to be filed, a scientific research and experimental development tax credit claim by no later than June 30, 2008, provided that the reasonable expenses of the Corporation in connection with the preparation and filing of such claim shall be borne by the Purchaser.
- (8) The Shareholder will:
- (a) in accordance with Applicable Laws, as soon as reasonably practicable, but in no event later than July 15, 2008, convene and hold the Meeting for the purpose of having the shareholders of the Shareholder consider the transactions contemplated hereby and the transaction contemplated by the Asset Purchase Agreement. The Meeting will be held regardless of whether the Shareholder’s board of directors determines at any time to withdraw, modify, qualify or change its recommendation to the shareholders of the Shareholder in respect of the transactions contemplated hereby and the transaction contemplated by the Asset Purchase Agreement and the Meeting will not be adjourned, postponed or cancelled without the prior written consent of the Purchaser;
 - (b) subject to the terms of this Agreement and compliance by the directors and officers of the Shareholder with their fiduciary duties: (i) use reasonable best efforts to solicit from the shareholders of the Shareholder proxies in favour of the approval of the transactions contemplated hereby and the transaction contemplated by the Asset Purchase Agreement; (ii) through the Shareholder’s board of directors, recommend the shareholders of the Shareholder vote in favour of the transactions contemplated hereby and the transaction contemplated by the Asset Purchase Agreement and include such recommendation in the Circular; (iii)

use commercially reasonable efforts to take all other actions necessary or desirable to secure the requisite approval; and (iv) fully co-operate with the Purchaser including providing such information as it reasonably requests and doing such other things as it may reasonably request;

- (c) as soon as reasonably practicable, prepare the Circular and cause the Circular to be sent to the shareholders of the Shareholder as required by Applicable Laws. The Circular will include the recommendation of the board of directors of the Shareholder that the shareholders of the Shareholder vote in favour of the transactions contemplated hereby and the transaction contemplated by the Asset Purchase Agreement unless such recommendation has been withdrawn, modified or amended in accordance with the terms of this Agreement;
 - (d) provide the Purchaser and its representatives with a reasonable opportunity to review and comment on the Circular and any other relevant documentation and will incorporate all reasonable comments made by the Purchaser and its legal counsel. The Circular will be reasonably satisfactory to the Purchaser before it is filed or distributed to the shareholders of the Shareholder; and
 - (e) ensure that the Circular complies with all Applicable Laws and, without limiting the generality of the foregoing, that the Circular does not contain any misrepresentation or any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made.
- (9) The Shareholder shall ensure that the representations and warranties of the Shareholder are true and correct at the Time of Closing and the conditions of closing for the benefit of the Purchaser set out in Section 5.01(1) have been satisfied at the Time of Closing.
- (10) The Shareholder shall permit the Purchaser, through its agents and representatives, to make such reasonable investigation prior to the Time of Closing of the assets of the Corporation and the Subsidiary, of the Business and of its financial and legal condition as the Purchaser considers necessary or advisable to familiarize itself with such assets and other matters and the Shareholder shall supply any and all documents and records of the Corporation and the Subsidiary to the Purchaser and its agents and representatives as they may reasonably require, including facilitating interviews by the Purchaser's representatives of employees or customers of the Corporation or Subsidiary. The Shareholder shall also permit the inspection of the assets of the Corporation and the Subsidiary prior to the Time of Closing by such federal, provincial, state or municipal authorities as the Purchaser may require. Such investigations and inspections shall not, however, affect or mitigate the Shareholder's covenants, representations and warranties hereunder or under the Asset Purchase Agreement which shall continue in full force and effect.
- (11) The Shareholder shall take the steps necessary to cause the LGM Software to be transferred from the Corporation to the Shareholder as a partial repayment of the debt

currently owed by the Corporation to the Shareholder, using a value for the LGM Software equal to \$375,000.

- (12) The Shareholder shall cause the full amount of the purchase price payable by the Purchaser to the Corporation under the terms of the Asset Purchase Agreement to be transferred by or on behalf of the Corporation to the Shareholder, either in repayment of existing debt obligations, or otherwise on terms acceptable to the Shareholder and the Purchaser, acting reasonably.
- (13) In consideration of the completion of the transaction contemplated hereunder and the transaction contemplated by the Asset Purchase Agreement, the Shareholder agrees that the Shareholder will not, directly or indirectly, or through any person or entity, for a period of three (3) years following the Closing Date in the United States, Canada, or anywhere else where the Corporation or the Subsidiary sells its products or services at the Time of Closing:
 - (i) own, manage, operate, join, control, finance or participate in the ownership (exclusive of holding 5% or less of the shares of a publicly traded company with which the Shareholder is otherwise not associated), management, operation, control or financing of any business or enterprise that develops or markets products or services competitive with the products or services offered by the Corporation or the Subsidiary at the Time of Closing, provided that, subject to the LGM Non-Competition Agreement, the Shareholder shall be permitted to continue to own and develop the LGM Software; or
 - (ii) develop, sell, offer or provide products or services that are competitive with the products or services of the Corporation or the Subsidiary at the Time of Closing, provided that, subject to the LGM Non-Competition Agreement, the Shareholder shall be permitted to continue to own and develop the LGM Software and products relating thereto.
- (14) The Shareholder agrees that the Shareholder will not, directly or indirectly, disclose, divulge or communicate orally, in writing or otherwise any confidential information, trade secrets or confidential data of the Corporation, the Subsidiary or the Purchaser to any other person, firm or corporation, and this obligation of non-disclosure will survive in perpetuity.
- (15) The Shareholder agrees that, except as described below, the Shareholder shall not solicit or offer employment to or retain as an independent contractor any of the employees or independent contractors of the Corporation or the Subsidiary as at the Closing Date, for a period of three (3) years after the Closing Date. Notwithstanding the foregoing, the Shareholder shall be entitled to enter into employment, consulting or similar agreements with each of the following employees (the “**Remaining Employees**”) of the Corporation at any time at or after the Time of Closing:
 - (a) [Redacted];

(b) [Redacted]; and

(c) [Redacted],

provided that the Purchaser, the Corporation and the Subsidiary shall not be liable for any salary, benefit, bonus, golden parachute, severance or other payment or obligation to any of the Remaining Employees whether arising before or after the Time of Closing.

- (16) The Shareholder shall be responsible for any bonus, golden parachute, severance or other payment or obligation payable to any employee, including, but not limited to, any payment payable to Clive Daniel or Dennis Asbury, arising as a result of the completion of the transactions contemplated hereby or the transactions contemplated by the Asset Purchase Agreement.
- (17) Except with respect to the sale of products relating to the LGM Software, and subject to the LGM Non-Competition Agreement, the Shareholder agrees that for a period of three (3) years after the Closing Date the Shareholder shall not solicit, approach or sell to entities that were customers of the Corporation or the Subsidiary as at the Closing Date, or Prospects of the Corporation or the Subsidiary, products or services that are competitive with the products or services produced, licensed or sold by the Corporation or the Subsidiary as at the Closing Date. For the purposes of this Section 4.01(17), “**Prospects**” means organizations or persons that appear on the Corporation’s or the Subsidiary’s list of sales leads at or prior to the Closing Date and which organizations or persons have the potential to license software or purchase services from the Corporation or the Subsidiary.
- (18) The Shareholder will not and will not cause or permit the Corporation or the Subsidiary to, in the event that this Agreement is terminated in accordance with its terms, solicit or offer employment to or retain as an independent contractor any of the employees or independent contractors of the Purchaser as at the date of termination, for a period of 18 months from the date of termination of this Agreement.
- (19) The Shareholder agrees that the Shareholder will, and will cause the Corporation and the Subsidiary to, use its commercially reasonable efforts to (a) effect such reorganizations of its business, operations and assets as the Purchaser may request, acting reasonably, prior to the Time of Closing (each a “**Reorganization Transaction**”) and (b) cooperate with the Purchaser and its advisors to determine the nature of the Reorganization Transaction that might be undertaken and the manner in which they most effectively be undertaken provided that any such Reorganization Transaction does not materially prejudice the interests of the Shareholder or its shareholders. The Purchaser will provide notice to the Shareholder of any proposed Reorganization Transaction and upon receipt of such notice, and if such proposed Reorganization Transaction does not materially prejudice the interests of the Shareholder or its shareholders, the Shareholder and the Purchaser will work cooperatively and use commercially reasonable efforts to prepare prior to the Time of Closing all documentation necessary and do such other acts and things as are necessary to give effect to such Reorganization Transaction. The Purchaser shall be responsible for

the reasonable costs incurred by the Shareholder in connection with the Reorganization Transaction, such costs not to exceed \$5,000.

- (20) The Shareholder will pay the amount of all costs of, and Claims against, the Purchaser, the Corporation or the Subsidiary in connection with the agreement between the Corporation and the City of Encinitas. However, to the extent that any such costs and Claims remain outstanding at the Time of Closing:
 - (a) the Purchaser shall designate Dennis Asbury as the sole representative of the Corporation in negotiating any potential settlement with the City of Encinitas and will not change such designation without the prior consent of the Shareholder;
 - (b) the Purchaser shall not incur additional costs, including but not limited to legal and accounting fees, associated with assessing, negotiating or settling such Claims without the prior consent of the Shareholder; and
 - (c) the Purchaser will not permit the Corporation to voluntarily settle any such Claims without the prior consent of the Shareholder.
- (21) The Shareholder will pay the amount of all costs of, and Claims against, the Purchaser, the Corporation or the Subsidiary in connection with the obligation of the Corporation to file a California corporation tax return.
- (22) The Shareholder will pay the amount of all costs of, and Claims against, the Purchaser, the Corporation or the Subsidiary in connection with the obligations of the Corporation to Robert Bennett and Iain McLean, two former officers of the Corporation.
- (23) The Shareholder will take all steps and do all things necessary or desirable to cause the Liens, other than the Permitted Liens, to be fully discharged at the Time of Closing.

4.03 Covenants of the Purchaser

- (1) The Purchaser shall ensure that the representations and warranties of the Purchaser are true and correct at the Time of Closing and that the conditions of closing for the benefit of the Shareholder set out in Section 5.02(1) have been performed or complied with by the Time of Closing.
- (2) The Purchaser agrees that the Purchaser will not, directly or indirectly disclose, divulge or communicate orally, in writing or otherwise any confidential information, trade secrets or confidential data of the Shareholder to any other person, firm or corporation, and this obligation of non-disclosure will survive in perpetuity.
- (3) The Purchaser will not, in the event this Agreement is terminated in accordance with its terms, solicit or offer employment to or retain as an independent contractor any of the employees or independent contractors of the Shareholder, the Corporation or the Subsidiary as at the date of termination, for a period of 18 months from the date of termination of this Agreement.

4.04 Cease Solicitation

The Shareholder will, and will direct and cause its officers, directors, employees, agents, financial and legal advisors, accountants and other representatives (collectively, the “**Representatives**”) to, and will direct and cause the Corporation and the Subsidiary and their Representatives to, immediately cease and cause to be terminated any solicitation, encouragement, activity, discussion or negotiation with any parties that may be ongoing with respect to an Acquisition Proposal whether or not initiated by the Shareholder, the Corporation or the Subsidiary and in connection therewith, the Shareholder will request (and exercise all rights it has to require) the return of any non-public information regarding the Shareholder, the Corporation and the Subsidiary previously provided to such parties and will request (and exercise all rights it has to require) the destruction of all materials including or incorporating any confidential information regarding the Shareholder, the Corporation and the Subsidiary. The Shareholder also agrees not to allow access (and to terminate any existing access) by any third party to any data room of due diligence materials in respect of the Shareholder, the Corporation or the Subsidiary, except in accordance with the terms hereof.

4.05 No Solicitation

Subject to Sections 4.07 and 4.11, the Shareholder will not, and will not authorize or permit the Corporation or the Subsidiary or any of its or their Representatives, directly or indirectly, to (i) solicit, initiate, encourage or facilitate, including by way of furnishing information or entering into any form of agreement, arrangement or understanding, any inquiries or the making of any proposals regarding an Acquisition Proposal, (ii) participate in any discussions or negotiations regarding any Acquisition Proposal, (iii) withdraw, modify, qualify or change in a manner adverse to the Purchaser, or publicly propose to withdraw, modify, qualify or change in a manner adverse to the Purchaser the approval, recommendation or declaration of advisability of the board of directors of the Shareholder, the Corporation or the Subsidiary of the transactions contemplated hereby and by the Asset Purchase Agreement (it being understood that failing to affirm the approval or recommendation of the board of directors of the Shareholder, the Corporation or the Subsidiary of the transactions contemplated hereby after an Acquisition Proposal has been publicly announced will be considered an adverse modification), (iv) approve or recommend any Acquisition Proposal, or (v) enter into any agreement, arrangement or understanding related to any Acquisition Proposal or requiring the Shareholder to abandon, terminate or fail to consummate the Agreement or the Asset Purchase Agreement or providing for the payment of any break, termination or other fees or expenses to any person in the event that the Shareholder, the Corporation or the Subsidiary completes the transactions contemplated hereby or by the Asset Purchase Agreement or any other transaction with the Purchaser agreed to prior to any termination of this Agreement.

4.06 Release from Standstill

The Shareholder will not, and will not authorize or permit the Corporation or the Subsidiary or any of its or their Representatives, directly or indirectly, to release any third party from any confidentiality agreement or standstill agreement or standstill provisions in any confidentiality agreement that the Shareholder, the Corporation or the Subsidiary entered into prior to the date hereof with any person.

4.07 Superior Proposal

Notwithstanding Section 4.05 and any other provisions of this Agreement, the board of directors of the Shareholder may, prior to the Time of Closing, consider, participate in any discussions or negotiations with, or provide information in accordance with the last sentence of this Section 4.07 to any person who has delivered a *bona fide* written Acquisition Proposal which was not solicited or encouraged after the date of this Agreement and did not otherwise result from a breach of this Section 4.07 or breach Section 4.11 and that the board of directors of the Shareholder determines in good faith, after consultation with its financial advisors and outside legal counsel, is a Superior Proposal; provided, however, that prior to taking any such action, (i) the board of directors of the Shareholder must receive written advice of outside counsel that it is necessary for the board of directors of the Shareholder to take such action in order to discharge properly its fiduciary duties, and (ii) the Shareholder must obtain a confidentiality agreement from the person making such Acquisition Proposal that is substantively the same as the confidentiality provisions of this Agreement, and on terms no more favourable to such person than such confidentiality provisions including a standstill provision at least as stringent as contained in this Agreement. The Shareholder will not, during the period that is 24 hours prior to the Closing Date, consider, negotiate, accept, approve or recommend an Acquisition Proposal or provide information to any person proposing an Acquisition Proposal. If the Shareholder receives a request for material non-public information from a person who has made an unsolicited *bona fide* written Acquisition Proposal and the Shareholder is permitted by the terms of this Section 4.07 to negotiate the terms of such Acquisition Proposal, then, and only in such case, the board of directors of the Shareholder may, subject to the execution by such person of the confidentiality agreement as described in (ii) above, provide such person with access to information regarding the Shareholder; provided that the Shareholder sends a copy of any such confidentiality agreement to the Purchaser promptly upon its execution and the Purchaser is provided with a list of, and copies of, the information provided to such person and is immediately provided with access to similar information as that which such person was provided.

4.08 Notification to the Purchaser

From and after the date of this Agreement, the Shareholder will promptly (and in any event within 24 hours) notify the Purchaser, at first orally and then in writing, of any inquiries, proposals or offers (whether or not relating to or constituting an Acquisition Proposal) or any request for non-public information relating to the Shareholder, the Corporation or the Subsidiary. Such notice will include a description of the terms and conditions of any proposal, inquiry or offer, the identity of the person making such proposal, inquiry or offer and provide such other details of the proposal, inquiry or offer as the Purchaser may reasonably request. The Shareholder will keep the Purchaser fully informed on a prompt basis of the status, including any change to the material terms, of any such inquiry, proposal or offer.

4.09 Withdrawal of Approval

Nothing contained in Section 4.03, 4.05 or 4.07 will prohibit the board of directors of the Shareholder from withdrawing, modifying, qualifying or changing its recommendation to the Shareholder's shareholders in respect of the transactions contemplated hereby and by the Asset

Purchase Agreement prior to the approval of the Agreement and the Asset Purchase Agreement by the Shareholder's shareholders, if the board of directors of the Shareholder determines, in good faith (after receiving written advice of outside counsel) that such withdrawal, modification, qualification or change is necessary for the board of directors of the Shareholder to act in a manner consistent with its fiduciary duties or Applicable Laws; provided that (i) not less than 48 hours before the board of directors of the Shareholder considers any proposal in respect of any such withdrawal, modification, qualification or change, the Shareholder will give the Purchaser written notice of such proposal and promptly advise the Purchaser of the proposed consideration of such proposal, including a summary of the reasons for the proposal withdrawal, modification, qualification or change, a copy of the written opinion of outside counsel and all other materials to be presented to the board of directors of the Shareholder in respect of its consideration of such proposal, and (ii) the foregoing will not relieve the Shareholder from its obligation to proceed to call and hold the Meeting and to hold the vote on the resolutions approving this Agreement, the Asset Purchase Agreement and the transactions contemplated hereby or thereby, except in circumstances where this Agreement is terminated in accordance with the terms hereof.

4.10 Awareness of Representatives

The Shareholder will ensure that its officers, directors and employees and the Corporation and the Subsidiary and their officers, directors and employees and any financial advisors or other advisors or representatives retained by them are aware of the provisions of Sections 4.04 through 4.12, inclusive, and it will be responsible for any breach of Sections 4.04 through 4.13, inclusive, by such officers, directors, employees, financial advisors or other advisors or representatives.

4.11 Right to Accept a Superior Proposal and Right to Match

(a) Accepting a Superior Proposal

If the Shareholder has complied with Section 4.04 through 4.10 inclusive with respect thereto, the Shareholder may accept, approve, recommend or enter into any agreement, understanding or arrangement in respect of a Superior Proposal prior to the approval of the Agreement and the Asset Purchase Agreement by the Shareholder's shareholders and terminate this Agreement if, and only if (with the exception of a confidentiality agreement the execution of which will not be subject to the conditions of this Section 4.11): (i) the Shareholder has provided the Purchaser with a copy of the Superior Proposal document, (ii) four Business Days will have elapsed from the later of (A) the date the Purchaser received written notice (a "**Section 4.11 Notice**") advising the Purchaser that the Shareholder's board of directors has resolved, subject only to compliance with this Section 4.11, to accept, approve, recommend or enter into an agreement in respect of such Superior Proposal, specifying the terms and conditions of such Superior Proposal and identifying the person making such Superior Proposal, and (B) the date the Purchaser received a copy of such Superior Proposal, (iii) the Shareholder's board of directors has determined in good faith (based upon the written opinion of its outside legal counsel) that it is necessary for the board of directors of the Shareholder to take such action in order to discharge properly its fiduciary duties and thereby withdrawing or modifying its approval or recommendation of this Agreement and the Asset Purchase Agreement and approving or recommending such Superior Proposal, (iv) such Superior Proposal does not provide for the payment of any break, termination or other fees or expenses to the other party in the event that the Shareholder, the Corporation or

the Subsidiary completes the transactions contemplated by this Agreement or the Asset Purchase Agreement or any similar other transaction with the Purchaser agreed to prior to any termination of this Agreement, (v) taking into account any revised proposal made by the Purchaser since receipt of the Section 4.11 Notice, such Superior Proposal remains a Superior Proposal and the Shareholder board of directors has again made the determinations referred to in this Section 4.11(a), and (vi) the Shareholder has previously or concurrently will have paid to the Purchaser the termination fee, if any, payable under Section 4.12. In the event that the Shareholder provides the Purchaser with a Section 4.11 Notice on a date that is less than four Business Days prior to the Meeting, the Shareholder will adjourn the Meeting (without notice on the Agreement or any related matters) to a date that is not less than five Business Days and not more than 10 Business Days after the date of the Section 4.11 Notice.

(b) Right to Match

During the four Business Day period referred to in Section 4.11(a), the Shareholder agrees that the Purchaser will have the right, but not the obligation, to offer to amend the terms of this Agreement and the Asset Purchase Agreement. The board of directors of the Shareholder will review any proposal by such parties to amend the terms of this Agreement and the Asset Purchase Agreement in good faith in order to determine, in its discretion in the exercise of its fiduciary duties, whether the amended proposal upon acceptance by the Shareholder would result in such Superior Proposal ceasing to be a Superior Proposal. If the board of directors of the Shareholder so determines, it will enter into an amended agreement with the Purchaser reflecting the amended proposal. If the board of directors of the Shareholder continues to believe, in good faith and after consultation with financial advisors and outside counsel, that such Superior Proposal remains a Superior Proposal and therefore rejects the amended proposal, the Shareholder may, on termination of this Agreement in accordance with Section 6.01 and payment of the termination fee as required pursuant to Section 4.12, accept, approve, recommend or enter into an agreement, understanding or arrangement in respect of such Superior Proposal.

(c) New Acquisition Proposals

The Shareholder also acknowledges and agrees that each successive material modification of any Acquisition Proposal will constitute a new Acquisition Proposal for purposes the requirement under Section 4.11 to initiate an additional four Business Day notice period.

4.12 Payments to the Purchaser

If at any time after the execution of this Agreement:

- (a) the Shareholder terminates this Agreement pursuant to Section 6.01(c);
- (b) the Purchaser terminates this Agreement pursuant to: (i) Section 6.01(d); (ii) 6.01(e); or (iii) 6.01(f), if and only if the termination under Section 6.01(f) results from a failure of any of the conditions contained in Sections 5.01(c), (d), (f), (g), (h), (n), (p), (q), (s), (u) or (v) to be satisfied at the Time of Closing;
- (c) the Purchaser terminates this Agreement pursuant to Section 6.01(b) if:

- (i) the board of directors of the Shareholder will have failed to recommend approval of the transactions contemplated by this Agreement and the Asset Purchase Agreement or withdrawn or modified or changed in a manner adverse to the Purchaser, its approval or recommendation of the transactions contemplated by this Agreement and the Asset Purchase Agreement or has failed to publicly reaffirm its support after another Acquisition Proposal has been announced or the Purchaser has asked them to make such reaffirmation; or
 - (ii) through the fault of the Shareholder (whether by commission or omission) the transaction contemplated by this Agreement and the Asset Purchase Agreement is not submitted for the approval of the shareholders of the Shareholder at the Meeting on or before July 15, 2008;
- (d) either the Shareholder or the Purchaser terminates this Agreement pursuant to Section 6.01(b)(ii) in circumstances where the transactions contemplated by this Agreement and the Asset Purchase Agreement have not been approved at the Meeting, and:
 - (i) (A) a *bona fide* written Acquisition Proposal has been made and publicly announced by any person (the “**Acquisition Proposal Offeror**”) other than the Purchaser after the date hereof and prior to the Meeting and not withdrawn at least five days prior to the vote of the shareholders of the Shareholder on the transactions contemplated by this Agreement and the Asset Purchase Agreement; and (B) the Shareholder consummates an Acquisition Proposal with the Acquisition Proposal Offeror, or a person acting jointly or in concert with the Acquisition Proposal Offeror (within the meaning of that expression as used in the Applicable Laws), prior to the expiration of 365 days following the termination of this Agreement, or enters into a definitive agreement with respect to an Acquisition Proposal with the Acquisition Proposal Offeror, or a person acting jointly or in concert with the Acquisition Proposal Offeror, prior to the expiration of 365 days following the termination of this Agreement, and thereafter consummates such Acquisition Proposal and the Acquisition Proposal referred to in this Section 4.12(d)(i)(B) does not need to be the Acquisition Proposal referred to in 4.12(d)(i)(A); or
 - (ii) a person other than the Purchaser has acquired a portion of the Shares and has publicly announced that they intend to influence control or make an Acquisition Proposal,

then in any such case the Shareholder will pay to the Purchaser (or as it may direct) \$114,000 in immediately available funds. Such payment will be due (i) in the case of a termination specified in Section 4.12(a), at the time of termination of this Agreement, (ii) in the case of a termination specified in Section 4.12(b) or 4.12(c), within five Business Days after written notice of termination by the Purchaser or (iii) in the case of a termination specified in Section 4.12(d)(i), on the day of the consummation of the transaction referred to therein or with respect to Section

4.12(d)(ii), within five Business Days of such public announcement. The Shareholder will not be obligated to make more than one payment pursuant to this Section 4.12.

4.13 Effect of Payments

The Shareholder acknowledges that all of the payment amounts set out in this Article 4 and Section 6.01 are payments of liquidated damages which are a genuine pre-estimate of the damages which the Purchaser will suffer or incur as a result of the event giving rise to such payment and the resultant termination of this Agreement and the Asset Purchase Agreement and are not penalties. The Shareholder irrevocably waives any right that it may have to raise as a defence that any such liquidated damages are excessive or punitive. Nothing contained herein will preclude the Purchaser from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement and the Asset Purchase Agreement or otherwise to obtain specific performance of any such acts, covenants or agreements.

ARTICLE 5 - CONDITIONS

5.01 Conditions for the Benefit of the Purchaser

- (1) The sale by the Shareholder and the purchase by the Purchaser of the Shares is subject to the following conditions, which are for the exclusive benefit of the Purchaser, to be performed or complied with at or prior to the Time of Closing:
 - (a) the representations and warranties of the Shareholder set forth in Section 3.01 shall be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;
 - (b) the Shareholder shall have performed or complied in all material respects with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Shareholder at or prior to the Time of Closing;
 - (c) the Purchaser shall be furnished with such certificates, affidavits or statutory declarations of the Corporation, the Subsidiary and of the Shareholder or of officers of the Corporation, the Subsidiary and of the Shareholder as the Purchaser or the Purchaser's counsel may request in order to establish that the terms, covenants and conditions contained in this Agreement to have been performed or complied with by the Shareholder or the Corporation, as the case may be, at or prior to the Time of Closing have been performed and complied with and that the representations and warranties of the Shareholder herein given are true and correct at the Time of Closing;
 - (d) the Purchaser and the Purchaser's legal counsel shall be furnished with an opinion of the Shareholder's legal counsel, in a form satisfactory to the Purchaser and Purchaser's legal counsel, acting reasonably;

- (e) no damage by fire or other hazard to the assets of the Corporation or the Subsidiary shall have occurred from the date hereof to the Time of Closing which would cause a material adverse effect on the Corporation's business;
- (f) all directors and officers of the Corporation and the Subsidiary shall resign from such positions, in writing effective as of the Time of Closing;
- (g) the Shareholder and all directors and officers of the Corporation and the Subsidiary in office immediately prior to the Time of Closing shall release the Corporation and the Subsidiary from any and all possible claims against the Corporation or the Subsidiary arising from any act, matter or thing arising at or prior to the Time of Closing. For greater certainty, the terms of such releases shall not require any directors and officers who remain continuously employed by the Corporation immediately prior to and immediately following the Time of Closing to release the Corporation from any accrued benefits or other amounts payable to such directors and officers by the Corporation in respect of any continuing employment arrangements between the Corporation and such directors and officers, except that the Shareholder will be responsible for any amounts payable to Dennis Asbury arising as a result of the completion of the transactions contemplated hereby or the transaction contemplated by the Asset Purchase Agreement;
- (h) all necessary steps and proceedings shall have been taken to permit the Shares to be duly and regularly transferred to and registered in the name of the Purchaser free and clear of any Liens other than the Permitted Liens;
- (i) the form and legality of all matters incidental to the sale by the Shareholder and the purchase by the Purchaser of the Shares shall be subject to the approval of the Purchaser's counsel;
- (j) the Purchaser shall have been provided with a release of the Corporation and the Subsidiary by the Royal Bank of Canada from any and all liens or Claims as of the Date of Closing (other than liens relating to the lease facility currently maintained by the Corporation with the Royal Bank of Canada), in a form reasonably satisfactory to the Purchaser;
- (k) the Purchaser shall be provided with evidence satisfactory to the Purchaser that all Liens have been fully discharged, other than the Permitted Liens;
- (l) the Purchaser shall have been provided with a statement from the Royal Bank of Canada demonstrating that no amounts are owed to such bank by the Corporation or the Subsidiary as of the Closing Date (other than amounts owing in respect of the lease facility currently maintained by the Corporation with the Royal Bank of Canada), in a form reasonably satisfactory to the Purchaser;
- (m) there will be a non-competition agreement entered into between each of the Key Employees and the Purchaser substantially in the form attached as Schedule K;

- (n) persons designated by the Purchaser shall have been granted exclusive control of the Bank Accounts effective as of the Time of Closing;
 - (o) the Purchaser and the Shareholder shall have entered into an assignment agreement relating to the Lease for the Corporation's current business premises and the landlord of such premises shall have provided all necessary consents, waivers or other approvals necessary to permit such assignment to be effective;
 - (p) the Purchaser, the Shareholder, the Corporation and the Subsidiary, as the case may be, shall have completed all Reorganization Transactions required to be completed prior to the Time of Closing;
 - (q) prior to the Time of Closing, the Corporation shall have sold to the Shareholder the LGM Software and all intellectual property rights worldwide in the LGM Software;
 - (r) the transactions contemplated by this Agreement shall have been duly approved by the shareholders of the Shareholder at the Meeting in accordance with Applicable Laws;
 - (s) this Agreement and the transactions contemplated hereby have been duly approved by each of the board of directors of the Shareholder, the Corporation and the Subsidiary;
 - (t) all necessary consents and third party or regulatory approval, including the approval of the Exchange, in respect of this Agreement and the transactions contemplated hereby shall have been obtained;
 - (u) the full amount of the purchase price payable by the Purchaser to the Corporation under the terms of the Asset Purchase Agreement shall have been transferred by or on behalf of the Corporation to the Shareholder, either in repayment of existing debt obligations, or otherwise on terms acceptable to the Shareholder and the Purchaser, acting reasonably; and
 - (v) the execution and delivery by the Shareholder and the Corporation of all applicable documentation contemplated by, and the fulfillment of all applicable conditions precedent stipulated in, the Asset Purchase Agreement, with all such documentation held in escrow by solicitors for the Shareholder and the Purchaser, pending the completion of the transactions contemplated by this Agreement and the Asset Purchase Agreement.
- (2) In case any term or covenant of the Shareholder or condition to be performed or complied with for the benefit of the Purchaser at or prior to the Time of Closing shall not have been performed or complied with at or prior to the Time of Closing, the Purchaser may, without limiting any other right that the Purchaser may have, at its sole option, either:

- (a) rescind this Agreement by notice to the Shareholder, and in such event the Purchaser shall be released from all obligations hereunder; or
- (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part, or any of its rights to indemnification described in Article 7.

5.02 Conditions for the Benefit of the Shareholder

- (1) The sale by the Shareholder and the purchase by the Purchaser of the Shares is subject to the following conditions which are for the exclusive benefit of the Shareholder to be performed or complied with at or prior to the Time of Closing:
 - (a) the representations and warranties of the Purchaser set forth in Section 3.03 shall be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;
 - (b) the Purchaser shall have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Purchaser at or prior to the Time of Closing;
 - (c) the Shareholder shall be furnished with such certificates, affidavits or statutory declarations of the Purchaser or of officers of the Purchaser as the Shareholder or the Shareholder's counsel may reasonably think necessary in order to establish that the terms, covenants and conditions contained in this Agreement to have been performed or complied with by the Purchaser at or prior to the Time of Closing have been performed and complied with and that the representations and warranties of the Purchaser herein given are true and correct at the Time of Closing;
 - (d) the Shareholder and the Shareholder's legal counsel shall have been furnished with an opinion of the Purchaser's legal counsel, in form and substance satisfactory to the Shareholder and the Shareholder's legal counsel, acting reasonably;
 - (e) the Purchaser and the Shareholder shall have entered into:
 - (i) an assignment agreement relating to the Lease relating to the Corporation's current business premises and the Shareholder shall have been released by the landlord from any and all liabilities in respect of its obligations under such existing lease agreement; and
 - (ii) an assignment agreement relating to the existing sub-lease agreement relating to a portion of the Corporation's current business premises between the Shareholder and Priority Automation Inc.;

- (f) the transactions contemplated by this Agreement shall have been duly approved by the shareholders of the Shareholder at the Meeting in accordance with Applicable Laws;
 - (g) this Agreement and the transactions contemplated hereby have been duly approved by the board of directors of the Purchaser;
 - (h) all necessary consents and third party or regulatory approvals, including approval of the Exchange, in respect of this Agreement and the transactions contemplated hereby shall have been obtained;
 - (i) the Shareholder shall have been unconditionally released from all existing obligations it has to the Royal Bank of Canada in respect of both its existing lease facility and operating loan facilities previously provided to the Shareholder by the Royal Bank of Canada;
 - (j) the full amount of the purchase price payable by the Purchaser to the Corporation under the terms of the Asset Purchase Agreement shall have been transferred by or on behalf of the Corporation to the Shareholder, either in repayment of existing debt obligations, or otherwise on terms acceptable to the Shareholder and the Purchaser, acting reasonably;
 - (k) the total number of shares of the Shareholder in respect of which statutory dissent rights have been exercised by the holders thereof in connection with the transactions contemplated by this Agreement and the Asset Purchase Agreement shall not exceed 34% of the total number of shares of the Shareholder issued and outstanding at the Time of Closing; and
 - (l) the execution and delivery by the Purchaser of all applicable documentation contemplated by, and the fulfillment of all applicable conditions precedent stipulated in, the Asset Purchase Agreement, with all such documentation held in escrow by solicitors for the Shareholder and the Purchaser, pending the completion of the transactions contemplated by this Agreement and the Asset Purchase Agreement.
- (2) In case any term or covenant of the Purchaser or condition to be performed or complied with for the benefit of the Shareholder at or prior to the Time of Closing shall not have been performed or complied with at or prior to the Time of Closing, the Shareholder may, without limiting any other right that the Shareholder may have, at its sole option, either:
- (a) rescind this Agreement by notice to the Purchaser, and in such event the Shareholder shall be released from all obligations hereunder; or
 - (b) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or

condition in whole or in part, or any of its rights to indemnification described in Article 7.

ARTICLE 6 - TERMINATION

6.01 Termination

This Agreement may be terminated at any time before the Time of Closing:

- (a) by agreement in writing executed by the Shareholder and the Purchaser;
- (b) by either the Shareholder or the Purchaser, upon notice by either one to the other:
 - (i) if the Time of Closing does not occur on or before the Termination Date;
 - (ii) if the Meeting is held and the transactions contemplated by this Agreement and the Asset Purchase Agreement are not approved by the shareholders of the Shareholder in accordance with Applicable Laws; or
 - (iii) if any Applicable Law makes the consummation of the transactions contemplated by this Agreement or the Asset Purchase Agreement illegal or otherwise prohibited, and such Applicable Law has become final and non-appealable;
- (c) by the Shareholder upon notice to the Purchaser at any time after the notice period in respect of any Superior Proposal, subject to the payment by the Shareholder (if applicable) of the amount payable to the Purchaser under Section 4.12(a);
- (d) by the Purchaser if there is an intentional, wilful or deliberate breach of the covenants in Sections 4.01 or 4.04 through 4.11, inclusive, by the Shareholder, the Corporation or the Subsidiary or any of their respective Representatives;
- (e) by the Purchaser if the Shareholder has wilfully breached its representations, warranties and covenants and the breach would give rise to the failure of a condition in favour of the Purchaser;
- (f) if any condition contained in Section 5.01 is not satisfied at or before the Time of Closing to the reasonable satisfaction of the Purchaser, then the Purchaser may, by notice to the Shareholder, terminate this Agreement and the obligations of the parties hereunder (except as otherwise herein provided) but without detracting from the rights of the Purchaser arising from any breach by the Shareholder but for which the condition would have been satisfied; and
- (g) if any condition contained in Sections 5.02 is not satisfied at or before the Time of Closing to the reasonable satisfaction of the Shareholder, then the Shareholder may by notice to the Purchaser terminate this Agreement and the obligations of the parties hereunder (except as otherwise herein provided) but without detracting

from the rights of the Shareholder arising from any breach by the Purchaser but for which the condition would have been satisfied.

6.02 Void upon Termination

If this Agreement is terminated, it will, except as specifically provided herein and except for obligations of confidentiality in Article 4, become void and of no force and effect and no party will have any liability or further obligation to the other party hereunder.

ARTICLE 7 - INDEMNIFICATION

7.01 Indemnity in favour of the Purchaser, the Corporation and the Subsidiary

Subject to the terms hereof, the Shareholder will indemnify and hold harmless the Purchaser from and against all Claims suffered or incurred by the Purchaser, the Corporation, the Subsidiary or their Representatives as a result of, arising out of, or relating to:

- (a) any breach of, or inaccuracy or misrepresentation in, any representation and warranty of the Shareholder contained in this Agreement or the Asset Purchase Agreement;
- (b) any failure of the Shareholder to perform or fulfill any of its covenants contained in this Agreement or the Asset Purchase Agreement;
- (c) all liabilities (whether accrued, actual, contingent or otherwise), including legal fees, claims and demands whatsoever including, without limiting the generality of the foregoing, liabilities, claims and demands for income, sales, excise or other taxes, of or in connection with the Corporation or the Subsidiary existing or incurred up to the Closing Date which:
 - (i) are not disclosed in the Financial Statements;
 - (ii) have not arisen in the usual and ordinary course of the Business since the Balance Sheet Date; or
 - (iii) have arisen in the usual and ordinary course of the Business since the Balance Sheet Date but for which adequate provision in the Closing Date Balance Sheet has not been made;
- (d) any taxes referred to in Section 4.01(a) and, if applicable, Section 4.01(b);
- (e) the payments or obligations to individuals or employees of the Corporation or the Subsidiary referred to in Section 4.02(15) or (16); or
- (f) the costs and Claims referred to in Section 4.02(20), (21) or (22).

7.02 Indemnity in favour of the Shareholder

Subject to the terms hereof, the Purchaser will indemnify and hold harmless the Shareholder from and against all Claims suffered or incurred by the Shareholder as a result of, or arising out of, or relating to:

- (a) any breach of, or inaccuracy or misrepresentation in, any representation and warranty of the Purchaser contained in this Agreement;
- (b) any failure of the Purchaser to perform or fulfill any of its covenants contained in this Agreement; or
- (c) any taxes referred to in Section 4.01(b), (c) and (d).

7.03 Time Limitations

- (a) Any Claim by either the Purchaser or the Shareholder for a breach of or inaccuracy or misrepresentation in a representation or warranty by the other party must be made prior to the end of the survival period for the representation or warranty involved in such claim as specified in Sections 3.02 and 3.04 or Sections 3.2 or 3.4 of the Asset Purchase Agreement, except in the case of fraud or fraudulent misrepresentation by a party, in which case the liability of such party shall continue indefinitely.
- (b) Any Claim by either the Purchaser or the Shareholder pursuant to Section 7.01(b), (c) or (d) or 7.02(b) or (c), respectively, must be made prior to the Holdback 2 Release Date, except in the case of fraud or fraudulent misrepresentation by a party, in which case the liability of such party shall continue indefinitely.
- (c) In respect of any Claim by the Purchaser pursuant to Sections 7.01(e) or (f), the liability of the Shareholder shall continue indefinitely.
- (d) If no Claim has been made under this Agreement or the Asset Purchase Agreement for any breach or inaccuracy of any representation, warranty or covenant contained in this Agreement or the Asset Purchase Agreement prior to the expiry of such survival periods, the party having made such representation, warranty or covenant will have no further liability under this Agreement or the Asset Purchase Agreement with respect thereto.

7.04 Limitations on Indemnity Claims

The indemnification obligations of the Purchaser and the Shareholder pursuant to Sections 7.01 and 7.02, except for the indemnification obligations of the Shareholder pursuant to Sections 7.01(e) and 7.01(f), shall:

- (a) not be applicable to any Claim until the aggregate amount of all Claims claimed hereunder and pursuant to the Asset Purchase Agreement exceeds \$25,000. However, if the aggregate amount of Claims claimed exceeds \$25,000, the party

making such claim may claim for the full amount of the Claims and will not be limited to only claiming the amount in excess of \$25,000; and

- (b) the total amount of all Claims payable by an Indemnifying Party to an Indemnified Party hereunder and pursuant to the Asset Purchase Agreement shall not exceed \$1,000,000, provided that:
 - (i) for Claims for which notice has been provided by the Indemnified Party prior to the first Business Day three (3) months from the Closing Date, the Indemnified Party shall only be entitled to make Claims up to \$1,000,000; and
 - (ii) for Claims for which notice has been provided by the Indemnified Party on or after the first Business Day three (3) months from the Closing Date, the Indemnified Party shall only be entitled to make Claims up to \$750,000 less the amount by which any Claims made pursuant to Section 7.04(b)(i) exceeds \$250,000,

provided that such amounts shall be reduced, on a dollar-for-dollar basis, in order to reflect any Shortfall under Section 2.02 hereof to a maximum reduction of \$250,000, except in the case of fraud or fraudulent misrepresentation of the Indemnifying Party.

7.05 Indemnification: Notice

Promptly upon obtaining knowledge thereof, the party making a claim pursuant to Sections 7.01 or 7.02 (the “Indemnified Party”) against the other party (the “Indemnifying Party”) shall give notice to the Indemnifying Party of any facts or events which the Indemnified Party has determined has given or could give rise to such claim (the “Notice”). The Notice shall specify the facts or events which have given or could give rise to a claim pursuant to Sections 7.01 or 7.02, the nature of the claim and the amount claimed. The omission so to notify the Indemnifying Party shall not relieve the Indemnifying Party from any obligation to indemnify and hold harmless which otherwise might exist with respect to such facts or events unless the notification occurs after the expiration of the applicable time limit referred to in Section 7.03 or (and only to that extent) the omission to notify prejudices the ability of the Indemnifying Party to dispute any liability or quantum of liability or to mitigate the claim against the Indemnified Party.

7.06 Other Indemnification Principles

For the purposes of calculating a Claim pursuant to this Article 7:

- (a) any payment made by any party pursuant to this Article 7 shall be treated as an adjustment of the equivalent amount, whether upward or downward, to the Purchase Price;
- (b) no Claim pursuant to this Article 7 shall lie against the Indemnifying Party under any representation and warranty contained in this Agreement to the extent that the Claim is wholly or partly attributable to any voluntary act, omission, transaction,

or arrangement carried out at the request of or with the consent of the Indemnified Party prior to the Time of Closing;

- (c) no matter shall be the subject of a Claim for breach or inaccuracy of any representation or warranty contained in this Agreement pursuant to this Article 7 to the extent that allowance, provision or reserve in respect of that matter shall have been adequately made in the Closing Date Balance Sheet; and
- (d) the Indemnified Party shall make commercially reasonable efforts to mitigate damages suffered by it for which it is seeking indemnification under this Article 7.

7.07 Sole Remedies

The provisions of this Article 7 shall be the sole remedies of the parties with respect to the subject matter of this Agreement, subject however, to the right of any party to seek specific performance or any extraordinary remedy in court of competent jurisdiction for breaches or inaccuracies which would give rise to such extraordinary remedies.

ARTICLE 8 - RESOLUTION OF DISPUTES

8.01 Dispute Resolution

With respect to any dispute or disagreement hereunder, either party may initiate negotiations by providing written notice to the other party, setting forth the subject of the dispute and the relief requested. The recipient shall respond in writing within seven (7) days of receipt with its position and recommended solution to the dispute. If the dispute is not resolved by this exchange of correspondence, then representatives of each party with full settlement authority shall meet at a mutually agreeable time and place within thirty (30) days of the date of the initial notice, to attempt to resolve the dispute.

8.02 Mediation

If the dispute has not been resolved by negotiation as provided in Section 8.01 within forty five (45) days from receipt of the initial notice, the parties shall attempt to settle the dispute through mediation under the rules of the Canadian Commercial Arbitration Centre, or its successor, in effect on the date of this Agreement. The parties shall jointly appoint a mutually acceptable mediator. If the dispute is not resolved by mediation within ninety (90) days after the filing of this request for mediation, either party may file suit as set forth in Section 8.03.

8.03 Litigation

In the event the parties are unsuccessful in resolving any dispute under Section 8.01 and 8.02, the courts of the Province of British Columbia shall have jurisdiction to settle all disputes relating to this Agreement.

ARTICLE 9 - GENERAL

9.01 Further Assurances

The Shareholder and the Purchaser shall from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may, either before or after the Closing Date, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

9.02 Time of the Essence

Time shall be of the essence of this Agreement.

9.03 Commissions

The Shareholder shall indemnify and save harmless the Purchaser from and against any claims whatsoever for any commission or other remuneration payable or alleged to be payable to any person in respect of the sale and purchase of the Shares, whether such person purports to act or have acted for the Shareholder or the Purchaser in connection with the sale of the Shares.

9.04 Short Period Returns and Amendments to Prior Year Returns

The Shareholder shall prepare or cause to be prepared all tax returns with respect to the Corporation or the Subsidiary for taxable periods ending on or before the Closing Date (“**Short-Period Returns**”) and shall provide the Short-Period Returns to the Purchaser at least thirty (30) days before the due date therefore (if the due date will fall after the Closing Date). The Shareholder shall include on the Short-Period Returns the income of the Corporation or the Subsidiary as the case may be for all applicable periods ending on or before the Closing Date hereof. The Purchaser may review the Short-Period Returns but shall not change their content without the Shareholder’ consent, and shall cause the Corporation or the Subsidiary, as the case may be, to timely file the Short-Period Returns.

9.05 Fees

Each of the parties hereto shall pay their respective legal and accounting costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant hereto and any other costs and expenses whatsoever and howsoever incurred.

9.06 Public Announcements

No public announcement or press release concerning the sale and purchase of the Shares shall be made by the Shareholder without the prior consent and approval of the Purchaser, which consent will not to be unreasonably withheld.

9.07 Benefit of the Agreement

This Agreement shall enure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

9.08 Entire Agreement

This Agreement, together with the Asset Purchase Agreement, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement. This Agreement and the Asset Purchase Agreement shall be read together so as to avoid any conflict as between the two, the execution of which are continual one to the other.

9.09 Amendments and Waiver

No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by both of the parties hereto and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived.

9.10 Assignment

This Agreement may not be assigned by the Shareholder without the written consent of the Purchaser but may be assigned by the Purchaser without the consent of the Shareholder to an affiliate of the Purchaser, provided that such affiliate enters into a written agreement with the Shareholder to be bound by the provisions of this Agreement in all respects and to the same extent as the Purchaser is bound and provided that the Purchaser shall continue to be bound by all the obligations hereunder as if such assignment had not occurred and perform such obligations to the extent that such affiliate fails to do so.

9.11 Notices

Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery, by registered mail or by electronic means of communication addressed to the recipient as follows:

To the Shareholder:
Municipal Solutions Group, Inc.
c/o Borden Ladner Gervais LLP
1200 – 200 Burrard Street
Vancouver, B.C.
V7X 1T2
Fax No.: (604) 687-1415
Attention: Warren Learmonth

To the Purchaser:
N. Harris Computer Corporation
1 Antares Drive, Suite 400
Ottawa, Ontario, Canada K2E 8C4
Fax No.: (613) 226-3377
Attention: Jeff Bender, Chief Executive Officer

or to such other address, individual or electronic communication number as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the fifth Business Day following the deposit thereof in the mail and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system which might affect the delivery of mail, any such demand, notice or other communication shall not be mailed but shall be given by personal delivery or by electronic communication.

9.12 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia.

9.13 Jurisdiction

For the purpose of all legal proceedings this Agreement shall be deemed to have been performed in the Province of British Columbia and the courts of the Province of British Columbia shall have jurisdiction to entertain any action arising under this Agreement. The Shareholder and the Purchaser each hereby consents to the jurisdiction of the courts of the Province of British Columbia.

9.14 Counterparts

This Agreement may be executed by the parties in separate counterparts each of which when so executed and delivered (by facsimile transmission or otherwise) shall be an original, but all such counterparts shall together constitute one and the same instrument.

9.15 Knowledge of the Shareholder

For the purposes of this Agreement, "to the Shareholder's knowledge" and all similar phrases means the actual knowledge, or awareness of the existence or absence of a fact, after reasonable investigation of the directors, officers and managers of the Shareholder, the Corporation and the Subsidiary.

IN WITNESS WHEREOF the parties have executed this Agreement.

N. Harris Computer Corporation

Per: (signed) *Jeff Bender*

Name: Jeff Bender

Title: President

Municipal Solutions Group, Inc.

Per: (signed) *Dennis Asbury*

Name: Dennis Asbury

Title: Chief Executive Officer

SCHEDULE A
SHAREHOLDINGS IN THE CORPORATION

Municipal Software Corporation

The authorized share capital of Municipal Software Corporation consists of ten thousand (10,000) common shares without par value.

The authorized share capital of the Municipal Software U.S. Inc. consists of fifty thousand (50,000) common stock shares with no par value.

SCHEDULE B
SHARE CONDITIONS

The Shares are without par value and without special rights or restrictions.

SCHEDULE C DISCLOSURE SCHEDULE

This Disclosure Schedule forms part of the Share Purchase Agreement dated June 3, 2008 among N. Harris Computer Corporation and Municipal Solutions Group, Inc. (the “Share Purchase Agreement”). All capitalized terms used in this Disclosure Schedule not otherwise defined herein shall have the same meanings herein as are assigned thereto in the Share Purchase Agreement.

Section numbers have been inserted in this Disclosure Schedule for convenience of reference and refer to the corresponding sections of the Share Purchase Agreement. Inclusion of information in one or more Sections of this Disclosure Schedule, or in any other schedules to the Share Purchase Agreement, shall also be deemed to constitute inclusion of such information in respect of all other Sections of the Share Purchase Agreement, provided and only to the extent that it is clear from a plain reading of such information that such information is applicable to such other Sections of this Disclosure Schedule or such other Schedules to the Share Purchase Agreement.

For purposes of the Share Purchase Agreement, the following are “**Liens**”:

- (i) liens reflected or reserved against in the Balance Sheet as at March 31, 2008 which has been made available to the Purchaser and publicly disclosed by the Shareholder under applicable Canadian securities laws;
- (ii) the following liens registered under the *Personal Property Security Act* (British Columbia):

Registered Against the Shareholder:

- (a) registration in favour of Royal Bank of Canada and filed under Base Registration Number 183000B;
- (b) registration in favour of Equirex Leasing Corp. and filed under Base Registration Number 371136B;
- (c) registration in favour of National Leasing Group Inc. and filed under Base Registration Number 515173B;
- (d) registration in favour of De Lage Landen and CIT Financial Ltd. and filed under Base Registration Number 388024D;
- (e) registration in favour of Pender Growth Fund (VCC) Inc. and filed under Base Registration Number 875492D; and
- (f) registration in favour of Pender Growth Fund (VCC) Inc. and Entrepreneurial Strategic Planners (ESP) Inc. and filed under Base Registration Number 159448E.

Registered Against the Corporation:

- (a) registration in favour of Royal Bank of Canada and filed under Base Registration Number 127171B;

- (b) registration in favour of Royal Bank of Canada and filed under Base Registration Number 182999B;
- (c) registration in favour of Equirex Leasing Corp. and filed under Base Registration Number 371136B;
- (d) registration in favour of National Leasing Group Inc. and filed under Base Registration Number 515173B;
- (e) registration in favour of GMAC Leaseco Corporation and filed under Base Registration Number 756988B;
- (f) registration in favour of Dave Wheaton Pontiac Buick GMC Ltd. and filed under Base Registration Number 769549B;
- (g) registration in favour of National Leasing Group Inc. and filed under Base Registration Number 973956B;
- (h) registration in favour of GMAC Leaseco Corporation and filed under Base Registration Number 073740C;
- (i) registration in favour of Xerox Canada Ltd. and filed under Base Registration Number 057887D;
- (j) registration in favour of Dell Financial Services Canada and filed under Base Registration Number 306424D;
- (k) registration in favour of Pender Growth Fund (VCC) Inc. and filed under Base Registration Number 875475D;
- (l) registration in favour of Pender Growth Fund (VCC) Inc. and Entrepreneurial Strategic Planners (ESP) Inc. and filed under Base Registration Number 159423E;
- (iii) liens securing taxes, assessments or other governmental charges or obligations, the payment of which is not at this time due or delinquent, which are being contested in good faith by appropriate proceedings; provided that adequate reserves with respect thereto are maintained on the books of the Corporation or the Subsidiary in conformity with GAAP;
- (iv) liens which are undetermined or inchoate and incidental to the operations of the Shareholder, the Corporation and the Subsidiary, which have not at this time been filed under applicable laws or which relate to obligations neither due nor delinquent, provided however, that if any such lien shall have been filed, the Shareholder, the Corporation or the Subsidiary shall be contesting the same in good faith;
- (v) liens which are carriers', warehousemen's, mechanics, material-men's, repairmen's or other similar encumbrances arising in the ordinary course of business of the Shareholder, the Corporation and the Subsidiary, the payment of which is neither due nor delinquent; provided that neither the Shareholder, the Corporation nor the Subsidiary has received any notice of intention of any party to enforce such a lien;

- (vi) liens which are public or statutory obligations that are not due or delinquent incurred in the ordinary course of business of the Shareholder, the Corporation and the Subsidiary; and
- (vii) liens with respect to the right reserved to or vested in any municipality or government, or any statutory or public authority or landlord by the terms of any lease, licence, franchise, grant or permit acquired by the Shareholder, the Corporation or the Subsidiary, or under any statutory provision, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other periodic payments as a condition to the continuance thereof, which do not, individually or in the aggregate, materially detract from the use or value of the property subject thereto.

For purposes of the Share Purchase Agreement, the following are “**Permitted Liens**”:

All “Liens” described above other than:

Registered Against the Shareholder:

- (a) registration in favour of Royal Bank of Canada and filed under Base Registration Number 183000B;
- (b) registration in favour of Pender Growth Fund (VCC) Inc. and filed under Base Registration Number 875492D; and
- (c) registration in favour of Pender Growth Fund (VCC) Inc. and Entrepreneurial Strategic Planners (ESP) Inc. and filed under Base Registration Number 159448E.

Registered Against the Corporation:

- (a) registration in favour of Royal Bank of Canada and filed under Base Registration Number 182999B;
- (b) registration in favour of Pender Growth Fund (VCC) Inc. and filed under Base Registration Number 875475D;
- (c) registration in favour of Pender Growth Fund (VCC) Inc. and Entrepreneurial Strategic Planners (ESP) Inc. and filed under Base Registration Number 159423E;

3.01 (o)

Server Room Heat Pump
Island Temperature Controls
March 25, 2008 \$5,560.49

3.01 (p)

Renewal of \$100,000 shareholder loan from David Kramer, Director
February 25/08. In addition, in February 2008: (a) a company controlled by David Kramer acquired \$50,000 principal amount of 12% secured convertible notes issued by the Shareholder;

and (b) Pender Growth Fund (VCC) Inc. acquired \$950,000 principal amount of such convertible secured notes.

3.01 (s)

[Confidential information relating to outstanding claims redacted]

3.01 (u)

See disclosure related to 3.01 (s)

3.01 (y)

Vendor	Description	Type of Lease	Expiry Date	Lease payment	
				Frequency	Amount
City Financial	Office equipment	capital	12/19/2008	monthly	501.87
RBC	Capital lease re workstations and leasehold improvements	capital	2/19/2009	monthly	25,398.49
Dell	3 Servers	operating	9/26/2009	monthly	361.98
Dell	Server	operating	10/26/2010	monthly	151.30
GMAC	Pontiac G6 - driven by Kai Haasler	operating	11/26/2008	monthly	367.81
Dell	7 Latitude laptops	operating	10/30/2009		407.68
Microsoft GP	Lease for accounting software	capital	10/27/2008	monthly	1,246.67
Microsoft GP	Lease for accounting software	Capital	2/27/2009	monthly	628.33
Dynamics Xerox	photocopier	operating	5/31/2011	quarterly	1273.44

Also, see Schedule I for a list of subcontractor contracts.

Salesforce.com Value-Added Reseller Agreement dated September 5, 2007.

3.01 (z)

Bank Guarantee Support Agreement – among the Municipal Solutions Group Inc., Municipal Software Corporation and Greg Peet dated September 5, 2007

Performance Bond – Contractor: Municipal Software Corporation, Owner: City of Oakland, Surety: Westchester Fire Insurance Company dated November 14, 2005. USD \$750,356.

Performance Bond – Contractor: Municipal Software Corporation, Owner: City of Augusta, Surety: Westchester Fire Insurance Company dated February 1, 2007. USD \$397,108.

Continuing Guarantee/Indemnity – RE: RBC Lease Agreement dated June 25, 2003 - Debtor: Municipal Software Corporation, Gurantor: British Columbia Buildings Corporation (Vancouver Island Technology Park)

Documents related to the RBC credit facility, copies of which have been made available to the Purchaser:

- General Security Agreement signed by Municipal Software Corporation constituting a first ranking security interest in all personal property of Municipal Software Corporation
- Guarantee and postponement of claim in the amount of \$1,770,000 signed by Municipal Software U.S. Inc.
- General security agreement signed by Municipal Software U.S. Inc.

Documents related to the convertible debt financing of Municipal Solutions Group Inc. on February 25, 2008, copies of which have been made available to the Purchaser:

- General Security Agreement by Municipal Software Corporation in favour of Pender Growth Fund (VCC) Inc. and Entrepreneurial Strategic Planners (ESP) Inc.
- Guarantee granted by Municipal Software Corporation to Pender Growth Fund (VCC) Inc. and to Entrepreneurial Strategic Planners (ESP) Inc.,
- Intercreditor Agreement between Municipal Solutions Group Inc. and Municipal Software Corporation and Pender Growth Fund (VCC) Inc. and Entrepreneurial Strategic Planners (ESP) Inc.

3.01 (cc) (iii)

Great West Life Group Benefits Plan (policy number 160994)

- Life, Health and Dental Insurance

RBC Insurance (policy number 904297)

- Long term disability

Group Retirement Savings Plan (policy number 20001595)

- service provider – Manulife Financial
- matching of employee contributions up to 3% of regular salary
- only for employees who have completed 5 years of service
- the following employees currently receive this benefit: [Names redacted]

3.01 (cc) (v)

Retention agreements in place as follows:

- Dennis Asbury, 3 months of salary upon completion of a transaction to sell all or substantially all of the assets of the Shareholder and/or Corporation
- Clive Daniel, 3 months of salary upon completion of a transaction to sell all or substantially all of the assets of the Shareholder and/or Corporation

3.01 (cc) (x)

[Confidential and personal information redacted]

3.01 (ff)

Notice to file a California corporation tax return received by Municipal Software Corporation on May 26, 2008. Management is currently working with KPMG to file this return.

3.01 (ii)

[Confidential and personal information redacted]

3.01 (oo)

See disclosure related to 3.01 (s)

SCHEDULE D
FINANCIAL STATEMENTS

Consolidated Financial Statements of

MUNICIPAL SOLUTIONS GROUP INC.

Years ended December 31, 2007 and 2006

MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of management and have been prepared by management in accordance with the accounting policies outlined in the notes to the financial statements. The preparation of financial statements necessarily includes amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles.

Management has responsibility to maintain appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safe-guarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The board of directors has responsibility to oversee management's performance of its financial reporting responsibilities and to review and approve the financial statements. The board carries out this responsibility through the audit committee who review the Company's annual consolidated financial statements and recommends their approval by the Board of Directors. The shareholders' auditors have full access to the audit committee, with and without the presence of management.

KPMG LLP, the external auditors, conducts an independent examination in accordance with Canadian generally accepted auditing standards in order to express their opinion on the consolidated financial statements.

The audit committee of the Board of Directors, with a majority of its members being outside directors, has reviewed the consolidated financial statements, including notes thereto, with management and KPMG LLP. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the audit committee.

March 7, 2008

KPMG LLP
Chartered Accountants
St. Andrew's Square II
800 - 730 View Street
Victoria BC V8W 3Y7

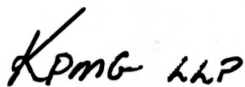
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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Municipal Solutions Group Inc. as at December 31, 2007 and 2006 and the consolidated statements of operations; comprehensive loss, and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP". The signature is stylized, with the letters "KPMG" in a larger, more prominent font and "LLP" in a smaller font to the right.

Chartered Accountants

Victoria, Canada
March 7, 2008

MUNICIPAL SOLUTIONS GROUP INC.

Consolidated Balance Sheets

December 31, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 53,927	\$ 387,164
Accounts receivable	807,491	1,207,047
Work in progress	572,332	265,348
Prepaid expenses	23,016	62,993
	<u>1,456,766</u>	<u>1,922,552</u>
Equipment and leasehold improvements (note 2)	677,531	882,449
	<u>\$ 2,134,297</u>	<u>\$ 2,805,001</u>
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Bank indebtedness (note 3)	\$ -	\$ 127,419
Accounts payable and accrued liabilities	691,665	418,102
Advances from related parties (note 8)	1,008,063	-
Deferred customer service revenue	259,923	421,647
Deferred license revenue	825,849	435,831
Non-refundable advances on maintenance contracts	1,081,001	1,149,515
Current portion of deferred rent inducement	12,696	12,696
Current portion of obligations under capital leases	290,467	278,534
	<u>4,169,664</u>	<u>2,843,744</u>
Deferred rent inducement	38,089	50,786
Obligations under capital lease (note 4)	105,264	387,823
Shareholders' deficiency:		
Share capital, warrants and contributed surplus (note 6)	7,694,953	6,680,619
Deficit	(9,873,673)	(7,157,971)
	<u>(2,178,720)</u>	<u>(477,352)</u>
Commitments (note 9)		
Contingencies (note 13)		
	<u>\$ 2,134,297</u>	<u>\$ 2,805,001</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Dennis Asbury" Director

"David Roberts" Director

MUNICIPAL SOLUTIONS GROUP INC.

Consolidated Statements of Operations, Comprehensive Loss, and Deficit

Years ended December 31, 2007 and 2006

	2007	2006
Revenue	\$ 4,813,035	\$ 4,204,812
Expenses:		
Customer service	1,664,386	1,232,344
Sales and marketing	1,034,028	1,036,861
Research and development	1,954,784	1,812,982
General and administrative	1,693,946	1,795,950
Restructuring costs (note 12)	500,314	-
	6,847,458	5,878,137
Loss before the following	(2,034,423)	(1,673,325)
Amortization	252,164	208,571
Interest	99,887	140,151
Loss (gain) on foreign exchange	318,058	(50,736)
Loss on equipment disposal	11,170	-
Accreted interest (note 5)	-	258,513
Net loss and comprehensive loss for the year	(2,715,702)	(2,229,824)
Deficit, beginning of year	(7,157,971)	(4,323,277)
Early conversion premium - convertible debentures (note 5)	-	(604,870)
Deficit, end of year	\$(9,873,673)	\$(7,157,971)
Loss per share:		
Basic and fully diluted	\$ (0.16)	\$ (0.18)
Weighted average number of shares outstanding:		
Basic and fully diluted	17,283,934	12,306,159

See accompanying notes to consolidated financial statements.

MUNICIPAL SOLUTIONS GROUP INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2007 and 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (2,715,702)	\$ (2,229,824)
Items not involving cash:		
Amortization	252,164	208,571
Stock compensation expenses	167,118	168,600
Accreted interest	-	258,513
Amortization of rent inducement	(12,697)	(12,696)
Interest payable in shares	-	(64,378)
Loss on equipment disposal	11,170	-
Changes in non-cash operating working capital:		
Accounts receivable	399,556	(355,102)
Work in progress	(306,984)	147,200
Prepaid expenses	39,977	(7,692)
Accounts payable and accrued liabilities	273,563	(130,620)
Deferred customer service revenue	(161,724)	165,497
Deferred license revenue	390,018	136,968
Non-refundable advances on maintenance contracts	(68,514)	106,213
	(1,732,055)	(1,608,750)
Investing:		
Additions to equipment and leasehold improvements	(45,459)	(90,539)
Financing:		
Bank indebtedness	(127,419)	(119,581)
Payments on capital lease obligations	(283,583)	(285,168)
Advances (repayments) of related party loans	1,008,063	(91,500)
Issuance of convertible debentures	-	400,000
Private placement of common shares	863,200	2,101,541
Equity issuance costs	(15,984)	(44,848)
	1,444,277	1,960,444
Increase (decrease) in cash and cash equivalents	(333,237)	261,155
Cash and cash equivalents, beginning of year	387,164	126,009
Cash and cash equivalents, end of year	\$ 53,927	\$ 387,164
Supplemental cash flow information:		
Interest paid	\$ 99,887	\$ 70,274
Income taxes paid	10,438	874
Non-cash financing activity:		
Equipment acquired by capital lease	12,957	25,836
Conversion of debentures to common shares	-	2,146,911
Conversion of Series D debentures to Series E	-	200,000

See accompanying notes to consolidated financial statements.

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

Municipal Solutions Group Inc. (the "Company") is engaged in the development, distribution and support of business process software for local government organizations.

1. Significant accounting policies:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies used in the preparation of the consolidated financial statements.

(a) Basis of presentation and consolidation:

These consolidated financial statements are prepared on a going concern basis and include the accounts of the Company and its wholly owned subsidiary, Municipal Software Corporation. The accounts of Municipal Software Corporation include its wholly owned foreign subsidiary, Municipal Software US Inc. All significant intercompany transactions and balances have been eliminated.

The Company expects to require additional financing to support continuing operations in 2008. A shareholder has indicated to the Company that it intends to provide this financial support in 2008, including providing any necessary working capital funding to the Company.

(b) Cash and cash equivalents:

Cash and cash equivalents are defined as cash and highly liquid investments consisting of term deposits with remaining maturities at the date of purchase of three months or less.

(c) Revenue recognition:

The Company's revenues are derived from the sale of software licenses, related services for implementation and training, and annual service maintenance ("ASM") fees for ongoing customer support.

The Company recognizes revenue in accordance with Canadian generally accepted accounting principles under the provisions of Emerging Issues Committee ("EIC") Abstract 141, Revenue Recognition and EIC 142, Revenue Arrangements with Multiple Deliverables.

The Company recognizes revenue from software and license fees when the software is delivered, title has passed and customer acceptance has occurred, there is persuasive evidence that an arrangement exists, the fee is fixed and determinable, and collection is probable.

Revenue from ASM contracts is recognized ratably over the contract term, which is usually one year. Implementation service and training revenue is recognized on a percentage of completion basis based on actual hours incurred as compared to the estimated total hours for the services under the arrangement.

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

The Company's multiple element sales arrangements include arrangements where software licenses and other services such as training, implementation services and the associated ASM are sold together.

In those contracts where payment for license fees is coincident with the implementation services of the software or where milestones or customer-specific acceptance criteria affect the realizability of the software license revenue or when the implementation services involve significant customization to the software, license fees and services (excluding ASM) are recognized as revenue over the period of the software implementation using the percentage of completion method. Under this method, the percentage of completion is calculated based on actual hours incurred compared to the estimated total hours for the services under the arrangement.

The Company has established vendor specific objective evidence ("VSOE") of the fair value of the undelivered ASM element based on the stated renewal rate included in the original multiple element sales arrangement, and as substantiated by the Company's ASM renewal experience from its existing customer base. The Company uses the residual method to allocate revenue between ASM and the other deliverables in the multiple element arrangements.

Where the implementation and training services are not essential to the functionality of the software license, the Company determines VSOE of the fair value for these services based upon normal pricing and discounting practices for these services when sold separately. In such cases, the Company recognizes revenue on these services based on the revenue recognition policy for these services when such services are sold separately, as disclosed above.

Amounts invoiced in advance of the satisfaction of the Company's revenue recognition policies are recorded as deferred license revenue, deferred customer service revenue or as non-refundable advances on maintenance contracts.

(d) Equipment and leasehold improvements:

Equipment and leasehold improvements are recorded at cost and are amortized at rates that will reduce original cost to the estimated residual value over the useful life of each asset.

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(d) Equipment and leasehold improvements (continued):

Amortization is provided for using the following basis and annual rates:

Asset	Basis	Rate
Computer equipment	Declining balance	30%
Computer software	Declining balance	100%
Office furniture and equipment	Declining balance	20%
Leasehold improvements	Straight-line	Term of lease

(e) Foreign currency translation:

The Company's functional currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Non-monetary items are translated at rates of exchange in effect when the amounts were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are recognized in the determination of net earnings (loss) in the year in which they arise.

(f) Research and development expenses:

Research costs are expensed as incurred. Development costs including applicable overhead are expensed as incurred unless certain criteria for deferral, as specified by the Canadian Institute of Chartered Accountants, have been met. These criteria primarily relate to the establishment of technical feasibility, identification of specified markets, and availability of adequate resources to complete the project under development. Costs of product development, net of any applicable research and development tax credits, are capitalized until project completion or commencement of commercial sales of the product.

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(g) Future income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets (including loss carry forwards) and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable earnings in the year in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the date of substantive enactment. A valuation allowance is established and deducted from future tax assets if realization of the tax assets is not considered to be more likely than not.

(h) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. Items requiring the use of significant judgment include the estimates for determining percentage of completion for revenue recognition, the recoverability of deferred software development costs and the determination of a valuation allowance to reduce the carrying value of future income tax assets. Actual results could differ from these estimates.

(i) Impairment of long-lived assets:

The Company monitors the recoverability of long-lived assets, including equipment and leasehold improvements, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company reviews factors such as current market value, future asset utilization and business climate and compares the carrying value of the assets to the future undiscounted cash flows expected to result from the use of the related asset. If such cash flows are less than the carrying value, the impairment charge to be recognized equals the amount by which the carrying amount of the asset exceeds its fair value.

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(j) Loss per share:

Loss per share is computed by dividing net loss by the weighted average shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of share purchase warrants and share purchase options, if dilutive. The number of additional shares is calculated by assuming that outstanding share purchase warrants and share purchase options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period. For the years ended December 31, 2007 and 2006 all potential dilutive items were anti-dilutive.

(k) Stock-based compensation plans:

The Company has a stock-based compensation plan which is described in note 6(e). The Company accounts for all stock-based payments and awards under the fair value method. Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

Under the fair value based method, compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period. Compensation cost attributable to awards to employees that call for settlement in cash or other assets is measured at intrinsic value and recognized over the vesting period. Changes in intrinsic value between the grant date and the measurement date result in a change in the measure of compensation cost. Compensation expense is generally charged to earnings on a straight-line basis over the vesting period.

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(l) Financial instruments:

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530 Comprehensive Income, Section 3251 Equity, Section 3855 Financial Instruments – Recognition and Measurement and Section 3861 Financial Instruments – Disclosure and Presentation. These new Handbook sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but are excluded from net income calculated in accordance with generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value, except for loan and receivables, held-to-maturity investments, and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

As a result of the adoption of these new standards, the Company has classified its cash and cash equivalents as held-for-trading. Accounts receivable are classified as loans and receivables. Bank indebtedness, accounts payable and accrued liabilities and advances from related parties are classified as other liabilities, all of which are measured at amortized cost.

The adoption of these new standards had no impact on the Company's deficit position as at January 2, 2007 and no impact on current year earnings. Carrying value and fair value of financial assets and liabilities are summarized as follows:

Classification	Carrying value	Fair value
Held-for-trading	\$ 53,927	\$ 53,927
Loans and receivables	807,491	807,491
Other liabilities	1,699,728	1,699,728

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

1. Significant accounting policies (continued):

(m) Future accounting changes:

Commencing with the fiscal year beginning January 1, 2008, the Company will be adopting CICA Handbook Section 3863, Financial Instruments—Presentation, 3862, Financial Instruments—Disclosures, and HB 1535, Capital Disclosures. The impact of the adoption of these standards has not been determined although any impact to the balance sheet and income statement is not expected to be material.

2. Equipment and leasehold improvements:

December 31, 2007	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 379,848	\$ 257,498	\$ 122,350
Computer software	106,797	102,880	3,917
Office furniture and equipment	538,097	305,170	232,927
Leasehold improvements	636,701	318,364	318,337
	\$ 1,661,443	\$ 983,912	\$ 677,531

December 31, 2006	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 426,319	\$ 260,581	\$ 165,738
Computer software	66,868	28,433	38,435
Office furniture and equipment	533,772	253,420	280,352
Leasehold improvements	636,701	238,777	397,924
	\$ 1,663,660	\$ 781,211	\$ 882,449

Included in equipment and leasehold improvements are assets under capital lease with net book value of \$400,202 (2006 - \$704,703).

Amortization of equipment under capital lease of \$140,774 (2006 - \$154,484) is included in amortization expense.

3. Bank indebtedness:

The bank indebtedness of \$ nil (2006 - \$127,419) represents the Company's partial utilization of a \$300,000 credit facility that is due on demand and secured by a general security agreement registered against all of the Company's assets excluding those assets secured by capital leases. Amounts borrowed under the credit facility bear interest at prime plus 4% (December 31, 2007 - 10%).

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

4. Obligations under capital lease:

Years ending December 31:	
2008	\$ 306,397
2009	106,152
Total minimum lease payments	412,549
Less amount representing interest (at rates ranging from 5% to 13%)	16,818
Present value of net minimum capital lease payments	395,731
Current portion of obligations under capital leases	290,467
	<u>\$ 105,264</u>

Interest of \$34,341 (2006 - \$51,264) relating to capital lease obligations has been included in interest expense.

5. Convertible debentures:

On March 15, 2006, the Series D debentures were converted to \$200,000 principal amount Series E 6% convertible secured debentures with a maturity date of March 15, 2007.

On February 23, 2006, the Company issued \$400,000 principal amount Series F 12% convertible secured debentures and 1,212,121 common share purchase warrants convertible into common shares at a price of \$0.33. The debenture, which matured on May 24, 2006, will automatically convert into common shares upon completion of a financing by the Company.

On April 27, 2006, all convertible debentures were converted to common shares in connection with the private placement described in note 6(a). Immediately prior to conversion the conversion price was revised to \$0.33 per share for all the debentures and the 3,444,263 warrants that were issued in connection with the convertible debentures were cancelled. The value of the additional shares issued in relation to the reduction in conversion price has been allocated to the equity and liability elements of the convertible debenture with a resulting change to deficit of \$604,870.

The convertible debentures are being accounted for in accordance with their substance, and presented in the consolidated financial statements in their component parts measured at their respective fair values at the time of issue. Over the term of the debt obligation, the debt component was accreted to the face value of the note by the recording of additional interest expense.

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

5. Convertible debentures (continued):

	Series A	Series C	Series D	Series E	Series F	Total
Book value, December 31, 2005	\$ 681,471	230,566	167,959	-	-	1,079,996
Issue price	-	-	-	200,000	400,000	600,000
Less proceeds attributed to warrants	-	-	-	-	(195,129)	(195,129)
Less proceeds attributed to conversion element	-	-	-	-	(3,981)	(3,981)
	681,471	230,566	167,959	200,000	200,890	1,480,886
Accretion to December 31, 2006	94,073	6,296	32,041	-	126,103	258,513
Conversion March 16, 2006	-	-	(200,000)	-	-	(200,000)
Conversion April 27, 2006	(775,544)	(236,862)	-	(200,000)	(326,993)	(1,539,399)
Book value, December 31, 2006 and 2007	\$ -	-	-	-	-	-

6. Share capital:

(a) Authorized:

Unlimited number of common shares, without par value
 100,000,000 Class A preferred shares, par value \$1.00 each
 100,000,000 Class B preferred shares, par value \$5.00 each
 Unlimited number of preferred shares

On April 27, 2006, the Company completed a private placement for 5,670,276 common shares at an issue price of \$0.33 per share for total gross proceeds of \$1,871,191 prior to related issue costs of \$44,848. In addition, as part of the terms of this private placement, the Company issued 5,311,038 common shares at an issue price of \$0.33 per share in connection with the conversion of \$1,750,000 convertible debentures and accrued interest thereon and cancelled 3,444,263 warrants that were issued in connection with the convertible debentures.

On May 12, 2006, the Company completed a second and final tranche of the private placement which consisted of the issuance of an additional 698,031 common shares at an issue price of \$0.33 per share for total additional gross proceeds of \$230,350.

On July 6, 2007, the Company completed a non-brokered private placement and raised gross proceeds of \$863,200. As part of this financing, the Company issued a total of 2,538,823 units, each unit consisting of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share of the Company at the price of \$0.50 for a period of two years.

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

6. Share capital (continued):

(b) Issued and outstanding:

There are no preferred shares issued.

	Common shares		Warrants		Contributed surplus and other paid in capital	Total
	Number	Amount	Number	Amount		
Balance, December 31, 2005	4,367,603	\$ 1,389,569	2,673,521	\$ 546,628	\$ 173,108	\$ 2,109,305
Issue of Series F debentures	-	-	1,212,121	195,129	3,981	199,110
Stock compensation expenses	-	-	-	-	168,600	168,600
Private placement for cash at \$0.33 per share	6,368,307	2,101,541	-	-	-	2,101,541
Cancelled warrants	-	-	(3,444,263)	-	-	-
Debentures converted	5,311,038	2,901,975	-	(741,757)	(13,307)	2,146,911
Equity issuance costs	-	(44,848)	-	-	-	(44,848)
Shares cancelled	(1,125)	(453)	-	-	453	-
Balance, December 31, 2006	16,045,823	\$ 6,347,784	441,379	\$ -	\$ 332,835	\$ 6,680,619
Stock compensation expenses	-	-	-	-	167,118	167,118
Expired warrants	-	-	(441,379)	-	-	-
Private placement for cash at \$0.34 per share	2,538,823	476,231	2,538,823	386,969	-	863,200
Equity issuance costs	-	(15,984)	-	-	-	(15,984)
Balance, December 31, 2007	18,584,646	\$ 6,808,031	2,538,823	\$ 386,969	\$ 499,953	\$ 7,694,953

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

6. Share capital (continued):

(c) Escrow:

Of the common shares exchanged on the acquisition of Municipal Software Corporation, 19,027 common shares remain subject to a surplus escrow agreement. These shares were released in January 2008.

Further consideration of 1,000,000 common shares of the Company was to be issued upon the Company attaining certain performance criteria. As at December 31, 2007, 997,077 shares have been issued into escrow under the above terms (2006 - 997,077). These shares are subject to a surplus security escrow agreement whereby they will be released from escrow over a six-year period according to a time-release formula. As at December 31, 2007, 100,826 of these shares remain in escrow. These shares were released in January 2008.

(d) Share purchase warrants:

On February 23, 2006, 1,212,121 warrants were issued in connection with Series F convertible debentures (note 6(a)). The warrants are exercisable at \$0.33 for a two year period and expire February 23, 2008.

On April 27, 2006, 3,444,263 warrants were cancelled in connection with the private placement described in note 6(a) and the conversion of debentures described in note 5.

On July 6, 2007, 2,538,823 share purchase warrants were issued in connection with an equity private placement. Each warrant entitles the holder to acquire a common share of the Company at \$0.50 for a period of two years and expires July 6, 2009.

Information related to the share purchase warrants outstanding at December 31, 2007 is presented below:

Exercise price	Share class	Outstanding at December 31, 2007	Expiry date
\$0.50	Common shares	2,538,823	July 6, 2009

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

6. Share capital (continued):

(e) Share purchase options:

In April 2005, the Company adopted a new stock option plan (the "Stock Option Plan") pursuant to which the Company is able to grant options to purchase common shares of the Company to directors, officers, employees and service providers. The maximum number of common shares which may be issuable pursuant to options granted under the Stock Option Plan is 2,302,337. The options are granted at prices not less than the Discounted Market Price of the underlying shares at the date of grant and expire no later than five years from that date. All issuances of options to date have been at market price.

On June 27, 2006, the Company issued 1,533,391 options on common shares to directors and officers under the Stock Option Plan at \$0.40, the market price of the stock on the grant date. These options vest evenly every six months over a four year period and expire five years from the grant date. The fair value of each option granted was \$0.34.

On February 21, 2007, the Company issued 125,000 options on common shares to an officer of the Company under the Stock Option Plan at \$0.40. The market price of the stock on the grant date was \$0.33. These options vest evenly every six months over a four year period and expire five years from the grant date. The fair value of each option granted was \$0.28.

On June 18, 2007, the Company issued 60,000 options on common shares to directors of the Company under the Stock Option Plan at \$0.34. The market price of the stock on the grant date was \$0.31. These options were fully vested when granted and they expire five years from the grant date. The fair value of each option granted was \$0.26.

On June 18, 2007, the Company issued 313,571 options on common shares to officers of the Company under the Stock Option Plan at \$0.34. The market price of the stock on the grant date was \$0.31. These options vest evenly every six months over a four year period and expire five years from the grant date. The fair value of each option granted was \$0.26.

A summary of the status of the options are as follows:

	Number	Weighted average exercise price
Balance, December 31, 2005	521,000	\$ 0.79
Granted	1,533,391	0.40
Cancelled	(93,750)	0.68
Balance, December 31, 2006	1,960,641	0.50
Granted	498,571	0.36
Expired	(118,750)	0.88
Cancelled	(153,125)	0.44
Balance, December 31, 2007	2,187,337	\$ 0.45

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

6. Share capital (continued):

(e) Share purchase options (continued):

Exercise price	Number outstanding at December 31, 2007	Weighted average remaining contractual life (years)	Number exercisable at December 31, 2007
\$ 0.34	373,571	2.4	99,196
0.40	1,533,391	2.4	543,772
0.64	101,875	2.1	59,141
0.80	97,647	0.1	97,647
1.00	12,500	0.3	10,417
1.20	39,059	0.1	-
1.60	29,294	0.1	-
	2,187,337		810,173

Of the options outstanding on December 31, 2007, 833,575 pertain to employees who were terminated during the year and whose options expired on January 23, 2008. The calculation of the weighted average remaining contractual life for these options was adjusted to reflect this early expiry date.

The compensation costs reflected in the consolidated statements of operations and comprehensive loss were calculated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2007	2006
Risk free interest rate	4.50%	4.00%
Expected dividend yield	0%	0%
Stock price volatility	126%	124%
Expected life of options	5.0 years	5.0 years

The weighted average fair value of options granted during the year was \$0.27 (2006 - \$0.34).

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

7. Future income taxes:

The tax effects of temporary differences that give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2007 and 2006 are presented below.

	2007	2006
Future tax assets:		
Non-capital losses carry forward, mining deductions, deferred revenue and share issue costs	\$ 3,364,000	\$ 2,737,000
Future tax liabilities:		
Capital assets	(54,000)	(13,000)
Net future tax asset before valuation allowance	3,310,000	2,724,000
Valuation allowance	(3,310,000)	(2,724,000)
Net future tax asset	\$ -	\$ -

The Company's provision for income taxes is comprised of:

	2007	2006
Provision for income taxes based on combined basic Canadian and US federal, provincial and state income tax rate of 33.7% (2006 – 34.1%)	\$ (915,331)	\$ (760,370)
Increase in taxes resulting from:		
Non-deductible expenses	66,894	152,003
Change in valuation allowance	586,000	306,000
Effect of change in tax rates in future tax assets	224,344	302,367
Other	38,093	-
	915,331	760,370
Actual provision for income taxes	\$ -	\$ -

The Company has tax losses and mining deductions totaling approximately \$9,775,000 (2006 - \$6,173,000) that are available to offset future taxable income. The tax losses and mining deductions may be subject to review and change by tax authorities. The tax losses begin to expire in 2009.

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

8. Related party transactions:

In May 2007 loans in the amount of \$300,000 were advanced to the Company by the controlling shareholder of the Company, Pender Growth Fund (VCC) Inc. ("Pender"), at an interest rate of 12%, payable on demand. These loans were converted to common shares in July as part of the equity financing (note 13).

In September 2007, the Company entered into a loan facility agreement with Pender and borrowed \$750,000 under the facility. Amounts outstanding under the Loan Agreement bear interest at a rate of 18% per annum and the facility is repayable in full on February 28, 2008. In addition, to secure repayment of all amounts owing under the loan facility agreement, the Company entered into a general security agreement with Pender pursuant to which it granted to Pender a security interest over all of its present and after acquired property. As at December 31, 2007, \$750,000 plus accrued interest of \$29,084 was owing to Pender under this facility. On February 25, 2008 the principal amount owing under this facility became part of the proceeds of the convertible debenture financing (note 13) and the facility was cancelled.

Additional loans in the amount of \$402,500 were advanced to the Company by various officers, directors and parties related to officers of the Company at interest rates ranging from 10.5% to 12.0%, calculated and paid monthly. Of these advances, \$50,000 were repaid in the year and \$127,500 were converted to common shares as part of the equity financing in July 2007. As at December 31, 2007, \$225,000 of the advances plus accrued interest of \$3,979 were outstanding.

During the year, \$18,400 (2006 - \$14,400) was paid to a party related to an officer of the Company to guarantee the bank indebtedness of the Company.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the consideration established and agreed to by the related parties.

9. Commitments:

- a) Committed minimum annual payments under operating leases for equipment, premises and vehicles are estimated as follows:

2008	\$	391,909
2009		399,646
2010		393,172
2011		387,906
	\$	1,572,633

- b) During the period the Company generated sublease revenue of \$46,000. This revenue has been recorded as a reduction in the associated lease expense.

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

10. Financial instruments:

(a) Fair value:

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities, the carrying amounts approximate fair value due to their immediate or short-term maturity. The fair value of obligations under capital leases, calculated at the present value of future payments and discounted at the current market rates of interest available to the Company for debt instruments with similar terms and maturity, approximate their carrying values. It is not practicable to determine the fair value of advances from related parties due to the absence of market for such instruments.

(b) Currency risk:

The Company's major sales contracts are concluded in U.S. dollars and, as such, the Company is exposed to exchange rate fluctuations in that currency. Foreign exchange losses recognized were \$318,058 (2006 – gain of \$50,736). The Company has not entered into any foreign exchange contracts to hedge this risk.

(c) Concentrations of credit risk:

To reduce credit risk, cash equivalents are only held at major financial institutions and management performs ongoing credit evaluations of its customers' financial condition. The Company's historical bad debts have been nominal as the Company provides services to government organizations under contractual arrangements.

11. Segmented information:

The Company operates one business segment with significantly all of the assets related to the Company's operations located in North America. Net revenue is attributable to geographic location based on the location of the customer, as follows:

	2007	2006
United States	\$ 4,467,067	\$ 3,823,761
Canada	345,968	381,051
	<u>\$ 4,813,035</u>	<u>\$ 4,204,812</u>

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

11. Segmented information (continued):

Revenues by component are as follows:

	2007	2006
Software licenses	\$ 920,334	\$ 1,041,512
Annual service maintenance fees	1,427,555	1,483,118
Services	2,324,806	1,613,932
Other	140,340	66,250
	<u>\$ 4,813,035</u>	<u>\$ 4,204,812</u>

Revenues from transactions during the year with one of the Company's customers located in the United States represent approximately 16% of the revenues reported above.

12. Restructuring costs:

The restructuring costs pertain to severance costs for employees who were terminated during 2007. A total of \$130,911 remains unpaid at December 31, 2007 and is included in accounts payable and accrued liabilities.

13. Contingencies:

In the normal course of its business activities, the Company is subject to various claims and legal actions that may be made by customers, suppliers and others. While the final outcome with respect to actions outstanding or pending as at December 31, 2007 cannot be predicted with certainty, the Company believes either an adequate provision has been made or the resolution will not have a material effect on the Company's financial position, earnings or cash flows.

14. Subsequent events:

On February 25, 2008 the Company completed an agreement with Pender Growth Fund (VCC) Inc. and a company controlled by a director of the Company whereby the two investors purchased an aggregate of \$1,000,000 principal amount of 12% secured, convertible debentures (the "Debentures") issued by the Company. Of the \$1,000,000 principal amount, a total of \$800,000 had been previously advanced by way of loan facility from these investors and was recorded as advances from related parties at December 31, 2007.

The Debentures bear interest at the rate of 12% per annum and interest is payable monthly, in arrears. The Debentures mature on August 25, 2009 and the repayment of all principal and interest is secured by a general security interest over all of the assets of the Company.

Beginning on August 25, 2008 the Debentures are convertible, at the option of the holder, into common shares of the Company at a price of \$0.25 per share, subject to adjustment in certain specified circumstances. The Debentures may be prepaid by the Company at any time, without penalty, subject to certain notification and minimum prepayment requirements.

Consolidated Interim Financial Statements of

MUNICIPAL SOLUTIONS GROUP INC.

Three months ended March 31, 2008 and 2007 (unaudited)

Municipal Solutions Group Inc.

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

MUNICIPAL SOLUTIONS GROUP INC.

Consolidated Balance Sheets

	March 31, 2008	Dec 31, 2007
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,598	\$ 53,927
Accounts receivable	950,762	807,491
Work in progress	716,349	572,332
Prepaid expenses	27,272	23,016
	1,702,981	1,456,766
Equipment and leasehold improvements (note 4)	638,742	677,531
	\$ 2,341,723	\$ 2,134,297
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Bank indebtedness (note 5)	\$ 190,000	\$ -
Accounts payable and accrued liabilities	537,803	691,665
Advances from related parties	156,091	1,008,063
Deferred customer service revenue	174,012	259,923
Deferred license revenue	1,123,847	825,849
Non-refundable advances on maintenance contracts	1,050,452	1,081,001
Current portion of deferred rent inducement	12,696	12,696
Current portion of obligations under capital leases	328,664	290,467
Accrued interest on convertible debentures (Note 6)	11,644	-
	3,585,209	4,169,664
Deferred rent inducement	34,915	38,089
Obligations under capital lease	-	105,264
Convertible debentures (note 6)	902,012	-
Shareholders' deficiency:		
Share capital, warrants and contributed surplus (note 7)	7,827,568	7,694,953
Deficit	(10,007,981)	(9,873,673)
	(2,180,413)	(2,178,720)
Commitments (note 9)		
Subsequent events (note 14)		
	\$ 2,341,723	\$ 2,134,297

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_____ "David Roberts"	Director
_____ "Dennis Asbury"	Director

MUNICIPAL SOLUTIONS GROUP INC.

Consolidated Statements of Operations, Comprehensive Loss, and Deficit (unaudited)

Three months ended March 31, 2008 and 2007

	Mar 31, 2008	Mar 31, 2007
Revenue	\$ 1,170,516	\$ 1,138,977
Expenses:		
Customer service	392,542	431,387
Sales and marketing	167,166	269,056
Research and development	343,871	540,831
General and administrative	348,806	377,450
	1,252,385	1,618,724
Income (loss) before the following	(81,869)	(479,747)
Amortization	44,084	64,912
Interest	49,412	22,899
Loss (gain) on foreign exchange	(46,008)	58,022
Accreted interest (Note 6)	4,951	-
Net loss and comprehensive loss for the period	(134,308)	(625,580)
Deficit, beginning of period	(9,873,673)	(7,157,971)
Deficit, end of period	\$(10,007,981)	\$ (7,783,551)
Loss per share:		
Basic and diluted	\$ (0.01)	\$ (0.04)
Weighted average number of shares outstanding:		
Basic and diluted	18,584,646	16,045,823

See accompanying notes to consolidated financial statements.

MUNICIPAL SOLUTIONS GROUP INC.

Consolidated Statements of Cash Flows (unaudited)

Three months ended March 31, 2008 and 2007

	Mar 31, 2008	Mar 31, 2007
Cash provided by (used in):		
Operations:		
Net loss for the period	\$ (134,308)	\$ (625,580)
Items not involving cash:		
Amortization:		
Equipment and leasehold improvements	44,084	64,912
Stock compensation expense	29,676	43,104
Accreted interest	4,951	-
Amortization of rent inducement	(3,174)	(3,175)
Interest payable in shares	-	-
Changes in non-cash operating working capital:		
Accounts receivable	(143,271)	142,918
Work in progress	(144,017)	(124,756)
Prepaid expenses	(4,256)	37,594
Accounts payable and accrued liabilities	(153,862)	132,492
Deferred customer service revenue	(85,911)	(76,050)
Deferred license revenue	297,998	192,160
Non-refundable advances on maintenance contracts	(30,549)	(95,586)
Accrued interest on convertible debentures	11,644	-
	(310,995)	(311,967)
Investing:		
Additions to equipment and leasehold improvements	(5,295)	(46,715)
Financing:		
Bank indebtedness	190,000	162,581
Payments on capital lease obligations	(67,067)	(74,735)
Repayment of related party loans	(851,972)	-
Issuance of convertible debentures	1,000,000	-
Equity issuance costs	-	-
	270,961	87,846
Decrease in cash and cash equivalents	(45,329)	(270,836)
Cash and cash equivalents, beginning of period	53,927	387,164
Cash and cash equivalents, end of period	\$ 8,598	\$ 116,328
Supplemental cash flow information:		
Interest paid	\$ 37,768	\$ 22,924
Income taxes paid	-	4,561

See accompanying notes to consolidated financial statements.

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Three months ended March 31, 2008 and 2007 (unaudited)

Municipal Solutions Group Inc. (the "Company") is engaged in the development, distribution and support of business process software for local government organizations.

1. Basis of presentation:

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The interim financial statements include normal recurring adjustments, which in management's opinion, are necessary for a fair presentation of the financial results of the interim period presented.

The disclosures in these statements do not conform in all aspects to the requirements of Canadian GAAP for annual financial statements. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's audited financial statements for the year ended December 31, 2007.

2. Changes in accounting policies:

Effective January 1, 2008, the Company adopted the recommendations of CICA Handbook Section 1535, "Capital Disclosures". This section establishes standards for disclosing information about a company's capital and how it is managed in order that a user of the financial statements may evaluate the company's objectives, policies, and processes for managing capital. Beyond additional disclosure, these new standards did not have an effect on our financial position or results of operations. The new disclosures are contained in Note 10.

CICA Handbook Section 3862, "Financial Instruments - Disclosures", and Section 3863, "Financial Instruments- Presentation", replaced Section 3861, "Financial Instruments - Disclosure and Presentation" and were adopted by the Company effective January 1, 2008. The new standards revise and enhance the disclosure requirements on the nature and extent of risks arising from financial instruments and how a company manages those risks. Beyond additional disclosure, the adoption of these new pronouncements did not have an effect on the Company's financial position or results of operations. The new disclosures are included in Note 11.

3. Future changes in accounting standards:

CICA Handbook Section 1400, "General Standards of Financial Statement Presentation", has been amended for new requirements relating to the assessment of an entity's ability to continue as a going concern. The Company will adopt the amendments to this section beginning January 1, 2009. Beyond additional disclosure, the adoption of this new pronouncement is not expected to have an effect on the Company's financial position or results of operations.

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Three months ended March 31, 2008 and 2007 (unaudited)

3. Future changes in accounting standards (continued):

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Section 3064, which replaces Section 3062, "Goodwill and Other Intangible Assets", and section 3450, "Research and Development Costs", establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's fiscal year commencing January 1, 2009. The Company is currently assessing the impact of this new standard on its consolidated financial statements

The CICA plans to converge Canadian GAAP for public companies with International Financial Reporting Standards ("IFRS") over a transition period that is expected to end in 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

4. Equipment and leasehold improvements:

March 31, 2008	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 379,848	\$ 266,447	\$ 113,401
Computer software	106,797	106,665	132
Office furniture and equipment	543,392	316,623	226,769
Leasehold improvements	636,701	338,261	298,440
	\$ 1,666,738	\$ 1,027,996	\$ 638,742

December 31, 2007	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 379,848	\$ 257,498	\$ 122,350
Computer software	106,797	102,880	3,917
Office furniture and equipment	538,097	305,170	232,927
Leasehold improvements	636,701	318,364	318,337
	\$ 1,661,443	\$ 983,912	\$ 677,531

Included in equipment and leasehold improvements are assets under capital lease with net book value of \$361,253 (2007 - \$400,202).

Amortization of equipment and leasehold improvements under capital leases of \$26,005 (2007 - \$36,811) is included in amortization expense.

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Three months ended March 31, 2008 and 2007 (unaudited)

5. Bank indebtedness:

The bank indebtedness of \$ 190,000 (2007 - nil) represents the Company's partial utilization of a \$300,000 credit facility that is due on demand and secured by a general security agreement registered against all of the Company's assets excluding those assets secured by capital leases. Amounts borrowed under the credit facility bear interest at prime plus 4% (March 31, 2008 – 9.25%).

6. Convertible debentures:

On February 25, 2008 the Company completed an agreement with Pender Growth Fund (VCC) Inc. and a company controlled by a director of the Company whereby the two investors purchased an aggregate of \$1,000,000 principal amount of 12% secured, convertible debentures (the "Debentures") issued by the Company. Of the \$1,000,000 principal amount, a total of \$800,000 had been previously advanced by way of loan facility from these investors and was recorded as advances from related parties at December 31, 2007.

The Debentures bear interest at the rate of 12% per annum and interest is payable monthly, in arrears. The Debentures mature on August 25, 2009 and the repayment of all principal and interest is secured by a general security interest over all of the assets of the Company.

Beginning on August 25, 2008 the Debentures are convertible, at the option of the holder, into common shares of the Company at a price of \$0.25 per share, subject to adjustment in certain specified circumstances. The Debentures may be prepaid by the Company at any time, without penalty, subject to certain notification and minimum prepayment requirements.

	Mar 31, 2008	Dec 31, 2007
February 25, 2008 issue of \$1,000,000 principal amount 12% convertible secured debentures. Convertible to common shares at \$0.25 per share. Mature on August 25, 2009.	\$ 902,012	-
Current portion	-	-
	\$ 902,012	\$ -

The convertible debenture is being accounted for in accordance with its substance, and is presented in the consolidated financial statements in its component parts measured at their respective fair values at the time of issue. Over the term of the debt obligation, the debt component will be accreted to the face value of the note by the recording of additional interest expense.

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Three months ended March 31, 2008 and 2007 (unaudited)

6. Convertible debentures (continued):

	Mar 31, 2008	Dec 31, 2007
Issue price	\$ 1,000,000	-
Less proceeds attributed to conversion element	(102,939)	-
	897,061	-
Accretion to March 31, 2008	4,951	-
Book value, March 31, 2008	\$ 902,012	-

7. Share capital:

(a) Authorized:

Unlimited number of common shares, without par value
 100,000,000 Class A preferred shares, par value \$1.00 each
 100,000,000 Class B preferred shares, par value \$5.00 each
 Unlimited number of preferred shares

(b) Issued and outstanding:

There are no preferred shares issued.

	Common shares		Warrants		Contributed surplus and other paid in capital	Total
	Number	Amount	Number	Amount		
Balance, December 31, 2007	18,584,646	\$ 6,808,031	2,583,823	\$ 386,969	\$ 499,953	\$ 7,694,953
Stock compensation expenses	-	-	-	-	29,676	29,676
Issue of debentures	-	-	-	-	102,939	102,939
Balance, March 31, 2008	18,584,646	\$ 6,808,031	2,583,823	\$ 386,969	\$ 632,568	\$ 7,827,568

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Three months ended March 31, 2008 and 2007 (unaudited)

7. Share capital (continued):

(c) Escrow:

Of the common shares exchanged on the acquisition of Municipal Software Corporation, no common shares remain subject to a surplus escrow agreement. The final release of these shares occurred in January 2008.

Further consideration of 1,000,000 common shares of the Company was to be issued upon the Company attaining certain performance criteria. As at March 31, 2008, 997,077 shares have been issued into escrow under the above terms (2007 - 997,077). These shares are subject to a surplus security escrow agreement whereby they will be released from escrow over a six-year period according to a time-release formula. In January 2008 the final release of these shares was made and as at March 31, 2008, there were no shares in escrow.

(d) Share purchase warrants:

Information related to the share purchase warrants outstanding at March 31, 2008 is presented below:

Exercise price	Share class	Outstanding at March 31, 2008	Expiry date
\$0.50	Common shares	2,538,823	July 6, 2009

(e) Share purchase options:

On January 24, 2008, the Company issued 945,450 options on common shares to officers and management of the Company under the Stock Option Plan at \$0.25. The market price of the stock on the grant date was \$0.16. These options vest evenly every six months over a four year period and expire five years from the grant date. The fair value of each option granted was \$0.12.

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Three months ended March 31, 2008 and 2007 (unaudited)

7. Share capital (continued):

(e) Share purchase options (continued):

A summary of the status of the options are as follows:

	Number	Weighted average exercise price
Balance, December 31, 2006	1,960,641	\$ 0.50
Granted	498,571	0.36
Expired	(118,750)	0.88
Cancelled	(153,125)	0.44
Balance, December 31, 2007	2,187,337	\$ 0.45
Granted	945,450	0.25
Cancelled	(846,075)	0.52
Balance, March 31, 2008	2,286,712	\$ 0.35

Exercise price	Number outstanding at March 31, 2008	Weighted average remaining contractual life (years)	Number exercisable at March 31, 2008
\$ 0.25	945,450	4.8	-
0.34	200,000	2.2	77,500
0.40	1,039,387	3.3	374,145
0.64	89,375	2.2	55,078
1.00	12,500	0.1	10,417
	2,286,712		517,140

MUNICIPAL SOLUTIONS GROUP INC.

Notes to Consolidated Financial Statements

Three months ended March 31, 2008 and 2007 (unaudited)

7. Share capital (continued):

(e) Share purchase options (continued):

The compensation costs reflected in the consolidated statements of operations and comprehensive loss were calculated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2008	2007
Risk free interest rate	4.00%	4.50%
Expected dividend yield	0%	0%
Stock price volatility	117%	126%
Expected life of options	5.0 years	5.0 years

The weighted average fair value of options granted during the period was \$0.12 (2007 - \$0.40).

8. Related party transactions:

On February 25, 2008 the Company completed a convertible debenture financing with Pender Growth Fund (VCC) Inc., the controlling shareholder of the Company, as described in Note 6.

In November 2007, a loan in the amount of \$150,000 was advanced to the Company by a company controlled by a director of the Company at an interest rate of 12%. On February 25, 2008 \$50,000 of this loan became part of the proceeds of the convertible debenture financing on February 25, 2008 and the remaining \$100,000 was renewed until May 25, 2008 at an interest rate of 14%.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the consideration established and agreed to by the related parties.

9. Commitments:

- a) Committed minimum annual payments under operating leases for equipment, premises and vehicles are estimated as follows:

Years ending December 31, as at March 31, 2008:	
2008	\$ 290,829
2009	399,646
2010	393,172
2011	387,906
	\$ 1,471,553

- b) During the period the Company generated sublease revenue of \$21,000. This revenue has been recorded as a reduction in the associated lease expense.

SCHEDULE E

[Proprietary and confidential information contained in this Schedule redacted]

SCHEDULE F

[Proprietary and confidential information contained in this Schedule redacted]

Product Type	Resource Name	Asset Tag	Product	Acquisition Date
Monitor				
Monitor	M106	M106	DELL 1906FP	23-11-2006 0:00
Monitor	M107	M107	DELL 1906FP	23-11-2006 0:00
Monitor	M005	M005	JC-1575VMA	27-04-1998 0:00
Monitor	M108	M108	DELL 1906FP	23-11-2006 0:00
Monitor	M99	M99	DELL 1901FP	01-10-2004 0:00
Monitor	M82	M82	1220F 21"	27-03-2003 1:00
Monitor	M06	M06	JC-1575VMA	14-01-1999 0:00
Monitor	M10	M10	3FGe	Not Assigned
Monitor	M24	M24	JC-1575VMA	19-04-1999 0:00
Monitor	M47	M47	CPD-G400	28-11-2000 0:00
Monitor	M126	M126	DELL 1907FPV	01-09-2006 0:00
Monitor	M60	M60	CPD-G410R	28-11-2000 0:00
Monitor	M127	M127	DELL 1907FPV	01-09-2006 0:00
Monitor	M78	M78	DF17J5BU	11-03-2002 1:00
Monitor	M42	M42	CPD-G400	28-11-2000 0:00
Monitor	M109	M109	DELL 1907FPV	23-01-2007 0:00
Monitor	M90	M90	FP2141SB-BK33'	17-03-2003 1:00
Monitor	M80	M80	G2201 21"	27-03-2003 1:00
Monitor	M81	M81	VGH800 18"	27-03-2003 1:00
Monitor	M04	M04	ViewSonic GS773	29-04-1998 0:00
Monitor	M64	M64	DF17J5BU	01-09-2002 0:00
Monitor	M61	M61	GS733	28-11-2000 0:00
Monitor	MNTFS2	MNTFS2	Visual Sensation	Not Assigned
Monitor	M02	M02	Visual Sensations	Not Assigned
Monitor	M77	M77	DF17J5BU	01-09-2002 0:00
Monitor	M37	M37	JC-1575VMA	19-04-1999 0:00
Monitor	M08	M08	Visual Sensations	14-01-1998 0:00
Monitor	M45	M45	DELL 1906FP	18-05-2006 0:00
Monitor	M003	M003	DF17JSBU	26-04-2002 0:00
Monitor	M006	M006	VLCDS23896-1W	27-03-2003 1:00
Monitor	M46	M46	DELL 1906FP	18-05-2006 0:00
Monitor	M89	M89	VLCDS23896-1W	27-03-2003 1:00
Monitor	M70	M70	DELL 1906FP	18-05-2006 0:00
Monitor	M110	M110	DELL 1906FP	08-02-2007 0:00
Monitor	M92	M92	NECLCD1720M-BK	26-04-2002 0:00
Monitor	M83	M83	VLCDS23896-1W	27-03-2003 1:00
Monitor	M71	M71	DELL 1906FP	29-04-1998 0:00
Monitor	M111	M111	DELL 1906FP	08-02-2007 0:00
Monitor	M84	M84	VLCDS23896-1W	27-03-2003 1:00
Monitor	M97	M97	DELL 1906FP	01-10-2004 0:00
Monitor	M112	M112	DELL 1906FP	08-02-2007 0:00
Monitor	M86	M86	VLCDS23896-1W	27-03-2003 1:00
Monitor	M98	M98	DELL 1906FP	01-10-2004 0:00
Monitor	M113	M113	DELL 1906FP	08-02-2007 0:00
Monitor	M87	M87	VLCDS23896-1W	27-03-2003 1:00
Monitor	M004	M004	VS-5	Not Assigned
Monitor	M114	M114	DELL 1906FP	08-02-2007 0:00
Monitor	M88	M88	VLCDS23896-1W	27-03-2003 1:00
Monitor	M94	M94	VX800-3 17"	Not Assigned
Monitor	M115	M115	DELL 1906FP	08-02-2007 0:00
Monitor	M96	M96	VLCDS23896-1W	27-03-2003 1:00
Monitor	M95	M95	VX800-3 17"	24-10-2003 0:00

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Product Type	Resource Name	Asset Tag	Product	Acquisition Date
Monitor	M116	M116	DELL 1906FP	15-02-2007 0:00
Monitor	M93	M93	VX800-3 17"	24-10-2003 0:00
Monitor	M103	M103	DELL 1906FP	01-08-2006 0:00
Monitor	DELL 1907FPV - PO# IT20070022[1]	M125	DELL 1907FPV	27-07-2007 0:00
Monitor	M117	M117	DELL 1906FP	15-02-2007 0:00
Monitor	M118	M118	DELL 1906FP	15-02-2007 0:00
Monitor	M102	M102	DELL 1906FP	01-09-2006 0:00
Monitor	M121	M121	DELL 1906FP	15-02-2007 0:00
Monitor	M101	M101	DELL 1906FP	01-08-2006 0:00
Monitor	M48	M48	DELL 1906FP	18-05-2006 0:00
Monitor	M122	M122	DELL 1906FP	15-02-2007 0:00
Monitor	M100	M100	DELL 1906FP	01-09-2006 0:00
Monitor	M119	M119	DELL 1906FP	15-02-2007 0:00
Monitor	M49	M49	DELL 1906FP	18-05-2006 0:00
Monitor	M104	M104	DELL 1906FP	01-09-2006 0:00
Monitor	M120	M120	DELL 1906FP	15-02-2007 0:00
Monitor	M105	M105	DELL 1906FP	01-09-2006 0:00
Monitor	M91	M91	NECLCD1720M-BK	26-04-2002 0:00
Monitor	M124	M124	DELL 1906FP	01-09-2006 0:00
Monitor	M123	M123	DELL 1906FP	01-09-2006 0:00
PDA				
PDA	H004	H004	BB7250	15-07-2005 0:00
PDA	S134	S134	R957M-2-5	26-04-2002 0:00
PDA	H005	H005	BB7250	15-07-2005 0:00
PDA	H009	H009	BB7250	15-07-2005 0:00
PDA	H002	H002	IPAQ 3870 pocket PC	11-03-2002 1:00
PDA	H006	H006	BB7250	15-07-2005 0:00
PDA	H007	H007	BB7250	15-07-2005 0:00
PDA	H011	H011	BB7250	15-07-2005 0:00
PDA	Blackberry 8703 - PO# IT20070032[1]	Not Assigned	Blackberry 8703	12-09-2007 0:00
Photocopier				
Photocopier	MSGI 98	MSGI 98	Canon F133200	Not Assigned
Power Supplies and Adapters				
Power Supplies and Adapters	Fujitsu Power Adapter - PO# IT20070036[1]	Not Assigned	Fujitsu Power Adapter	09-10-2007 0:00
Power Supplies and Adapters	Fujitsu Power Adapter - PO# IT20070036[2]	Not Assigned	Fujitsu Power Adapter	09-10-2007 0:00
Power Supplies and Adapters	Fujitsu Power Adapter - PO# IT20070036[3]	Not Assigned	Fujitsu Power Adapter	09-10-2007 0:00
Power Supplies and Adapters	Dell 65 Watt travel adapter - PO# IT20070042[1]	Not Assigned	Dell 65 Watt travel adapter	19-11-2007 0:00
Power Supplies and Adapters	Dell 65 Watt travel adapter - PO# IT20070042[2]	Not Assigned	Dell 65 Watt travel adapter	19-11-2007 0:00
Power Supplies and Adapters	Fujitsu Power Adapter - PO# 4804[1]	Not Assigned	Fujitsu Power Adapter	18-04-2008 0:00
Printer				
Printer	Z001	Z001	Xerox Workcenter Pro	19-06-2006 0:00
Printer	Z002	Z002	HP Deskjet 940CVR	04-01-2002 0:00
Printer	S133	S133	C11C393121	17-03-2003 1:00
Printer	Z003	Z003	HP Deskjet 940CVR	04-01-2002 0:00
Printer	Z005	Z005	HP 3150	Not Assigned
Printer	Z006	Z006	SLP-220	28-09-1998 0:00

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Product Type	Resource Name	Asset Tag	Product	Acquisition Date
Printer	Z007	Z007	Office Jet G55XI	Not Assigned
Printer	Z008	Z008	Q0145394	Not Assigned
Printer	Z009	Z009	C3990A	Not Assigned
Printer	S139	S139	HP Deskjet 940CVR	04-01-2002 0:00
Printer	P07	P07	HP4000N	01-02-1998 0:00
Printer	P3	P3	Laserjet 4000N	01-02-1998 0:00
Printer	P4	P4	LaserJet4	Not Assigned
Printer	S131	S131	Phaser 6250DP	22-04-2004 0:00
Projector				
Projector	S146	S146	1100MP Projector	31-10-2005 1:00
Projector	S147	S147	1100MP Projector	31-10-2005 1:00
Projector	Z099	Z099	VPLCS4 Projector	01-09-2002 0:00
Projector	S141	S141	VPLCS5	Not Assigned
Projector	S143	S143	VPL-EX1	24-10-2003 0:00
Projector	S140	S140	LP425Z	06-03-2000 0:00
Projector	S142	S142	LX	28-11-2000 0:00
Projector Accessories				
Projector Accessories	P1	P1	DALWS0300	10-12-1999 0:00
Projector Accessories	P2	P2	DALWS0330	01-02-1998 0:00
Projector Accessories	Z010	Z010	Projector Screen 60x60	14-11-2002 0:00
Tape Drive				
Tape Drive	S109	S109	Powervault 110T	05-10-2004 0:00
Telephone				
Telephone	P024	P024	Mitel 5140IP	18-12-2003 0:00
Telephone	P059	P059	Mitel 5220IP	18-12-2003 0:00
Telephone	P056	P056	Mitel 5220IP	18-12-2003 0:00
Telephone	P025	P025	Mitel 5140IP	18-12-2003 0:00
Telephone	Mitel 5212 - PO# IT20070033[1]	Not Assigned	Mitel 5212	25-10-2007 0:00
Telephone	P052	P052	Mitel 5310IP Conference Unit	18-12-2003 0:00
Telephone	P053	P053	Mitel 5310IP Conference Unit	18-12-2003 0:00
Telephone	P026	P026	Mitel 5140IP	18-12-2003 0:00
Telephone	P049	P049	Mitel 5448 PKM	18-12-2003 0:00
Telephone	P027	P027	Mitel 5140IP	18-12-2003 0:00
Telephone	Mitel 5212 - PO# IT20070033[2]	Not Assigned	Mitel 5212	25-10-2007 0:00
Telephone	P028	P028	Mitel 5140IP	18-12-2003 0:00
Telephone	P030	P030	Mitel 5140IP	18-12-2003 0:00
Telephone	Mitel 5224IP - PO# IT20070010[1]	P060	Mitel 5224IP	24-04-2007 0:00
Telephone	P031	P031	Mitel 5140IP	18-12-2003 0:00
Telephone	P032	P032	Mitel 5140IP	18-12-2003 0:00
Telephone	Mitel 5224IP - PO# IT20070005[1]	P061	Mitel 5224IP	26-04-2007 0:00
Telephone	P033	P033	Mitel 5140IP	18-12-2003 0:00
Telephone	Mitel 5224IP - PO# IT20070005[2]	P062	Mitel 5224IP	26-04-2007 0:00
Telephone	P034	P034	Mitel 5140IP	18-12-2003 0:00
Telephone	P035	P035	Mitel 5140IP	18-12-2003 0:00
Telephone	S145	S145	3300 CONTROLLER	18-12-2003 0:00
Telephone	P036	P036	Mitel 5140IP	18-12-2003 0:00
Telephone	S144	S144	3300 USU	18-12-2003 0:00

**SCHEDULE G
EQUIPMENT**

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Product Type	Resource Name	Asset Tag	Product	Acquisition Date
Telephone	Mitel 5224IP - PO# IT20070017[1]	P063	Mitel 5224IP	09-05-2007 0:00
Telephone	P037	P037	Mitel 5140IP	18-12-2003 0:00
Telephone	P038	P038	Mitel 5140IP	18-12-2003 0:00
Telephone	P057	P057	EX Speaker Phone	26-09-2002 0:00
Telephone	P039	P039	Mitel 5140IP	18-12-2003 0:00
Telephone	Teleworker Compression License (5) - PO# IT20070012[1]	Not Assigned	Teleworker Compression License (5)	21-06-2007 9:09
Telephone	P058	P058	EX Speaker Phone	25-04-2002 0:00
Telephone	P040	P040	Mitel 5140IP	18-12-2003 0:00
Telephone	IP Device License - PO# IT20070017[1]	Not Assigned	IP Device License	21-06-2007 9:13
Telephone	P041	P041	Mitel 5140IP	18-12-2003 0:00
Telephone	P009	P009	Mitel 5140IP	18-12-2003 0:00
Telephone	P042	P042	Mitel 5140IP	18-12-2003 0:00
Telephone	P010	P010	Mitel 5140IP	18-12-2003 0:00
Telephone	IP Device License - PO# IT20070010[1]	Not Assigned	IP Device License	21-06-2007 9:13
Telephone	P043	P043	Mitel 5140IP	18-12-2003 0:00
Telephone	P011	P011	Mitel 5140IP	18-12-2003 0:00
Telephone	P003	P003	Mitel 5215IP	18-12-2003 0:00
Telephone	Mitel 5235IP - PO# IT20070005[1]	P064	Mitel 5235IP	13-06-2007 0:00
Telephone	P044	P044	Mitel 5140IP	18-12-2003 0:00
Telephone	P012	P012	Mitel 5140IP	18-12-2003 0:00
Telephone	P005	P005	Mitel 5220IP	18-12-2003 0:00
Telephone	P065	P065	Mitel 5220IP	18-12-2003 0:00
Telephone	P045	P045	Mitel 5140IP	18-12-2003 0:00
Telephone	P013	P013	Mitel 5140IP	18-12-2003 0:00
Telephone	P006	P006	Mitel 5220IP	18-12-2003 0:00
Telephone	P046	P046	Mitel 5140IP	18-12-2003 0:00
Telephone	P014	P014	Mitel 5140IP	18-12-2003 0:00
Telephone	P015	P015	Mitel 5140IP	18-12-2003 0:00
Telephone	P008	P008	Mitel 5220IP	18-12-2003 0:00
Telephone	P047	P047	Mitel 5140IP	18-12-2003 0:00
Telephone	P016	P016	Mitel 5140IP	18-12-2003 0:00
Telephone	P029	P029	Mitel 5140IP	18-12-2003 0:00
Telephone	P051	P051	Mitel 5220IP	18-12-2003 0:00
Telephone	P048	P048	Mitel 5140IP	18-12-2003 0:00
Telephone	P017	P017	Mitel 5140IP	18-12-2003 0:00
Telephone	P001	P001	Mitel 5215IP	18-12-2003 0:00
Telephone	P018	P018	Mitel 5140IP	18-12-2003 0:00
Telephone	P002	P002	Mitel 5215IP	18-12-2003 0:00
Telephone	P019	P019	Mitel 5140IP	18-12-2003 0:00
Telephone	P004	P004	Mitel 5215IP	18-12-2003 0:00
Telephone	P020	P020	Mitel 5140IP	18-12-2003 0:00
Telephone	P007	P007	Mitel 5220IP	18-12-2003 0:00
Telephone	P021	P021	Mitel 5140IP	18-12-2003 0:00
Telephone	P050	P050	Mitel 5220IP	18-12-2003 0:00
Telephone	P022	P022	Mitel 5140IP	18-12-2003 0:00
Telephone	P054	P054	Mitel 5220IP	18-12-2003 0:00
Telephone	P023	P023	Mitel 5140IP	18-12-2003 0:00
Telephone	P055	P055	Mitel 5220IP	18-12-2003 0:00

SCHEDULE G EQUIPMENT

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Product Type	Resource Name	Asset Tag	Product	Acquisition Date
UPS				
UPS	Z039	Z039	Smart UPS 1000	28-11-2000 0:00
UPS	S118	S118	Rack Mount UPS 1500	24-10-2003 0:00
UPS	Z038	Z038	Smart UPS 1400 2U rack Mount	30-07-2002 0:00
UPS	Z016	Z016	Enviromental monitoring unit	24-10-2003 0:00
UPS	S106	S106	Smart UPS 1500	24-10-2003 0:00
UPS	UPS1	UPS1	SmartUPS1000	Not Assigned
UPS	s125	s125	SU1400RM24	28-11-2000 0:00
UPS	APC Battery #24 - PO# IT20070011[1]	Not Assigned	APC Battery #24	25-04-2007 0:00
UPS	S107	S107	ups 1500	24-10-2003 0:00
Workstation				
Workstation	WS029	W57	OptiPlex GX620	01-09-2006 0:00
Workstation	N103	N103	LifeBook C-2210E	21-05-2003 0:00
Workstation	WS015	W63	Evo D510 CMT	27-03-2003 1:00
Workstation	N107	N107	LifeBook C-2210E	21-05-2003 0:00
Workstation	W64	W64	Evo D510 CMT	27-03-2003 1:00
Workstation	mscas4	S164	PowerEdge SC1435	12-04-2007 0:00
Workstation	nb002	N159	Latitude D620	20-05-2006 0:00
Workstation	N108	N108	LifeBook C-2210E	21-05-2003 0:00
Workstation	W47	W47	Evo D500	27-05-2002 0:00
Workstation	WS002	W77	Evo D500	27-05-2002 0:00
Workstation	NB023	N149	Latitude D620	18-05-2006 0:00
Workstation	N109	N109	LifeBook C-2210E	21-05-2003 0:00
Workstation	W56	W56	d5m/p1.7/20/p253c/6 us	26-04-2002 0:00
Workstation	WS004	W62	Evo D510 CMT	27-03-2003 1:00
Workstation	NB018	N158	Latitude D620	23-06-2006 0:00
Workstation	N110	N110	LifeBook C-2210E	21-05-2003 0:00
Workstation	W51	W51	D5PM/1.5/20J/6/128C/6 US	11-03-2002 1:00
Workstation	NB032	N155	Latitude D620	03-05-2007 0:00
Workstation	ws028	W36	OptiPlex GX620	18-05-2006 0:00
Workstation	N150	N150	LifeBook C-2210E	21-05-2003 0:00
Workstation	pdserver	W58	EVO	11-03-2002 1:00
Workstation	WS013	W73	Precision WorkStation 360	01-10-2004 0:00
Workstation	N151	N151	LifeBook C-2210E	21-05-2003 0:00
Workstation	NB026	N101	Latitude D620	18-05-2006 0:00
Workstation	NB012	N156	FPC03069AL	13-05-2003 0:00
Workstation	NB010	N116	2681GGU	13-05-2003 0:00
Workstation	qadc1.qa	W48	Evo D500	27-05-2002 0:00
Workstation	NB003	N102	Latitude D620	18-05-2006 0:00
Workstation	msc64bit	W81	OptiPlex GX620	01-09-2006 0:00
Workstation	mscv3	W98	PowerEdge 2600	01-10-2004 0:00
Workstation	NETLINK COMPUTER SYSTEM - PO# IT20070035[1]	Not Assigned	NETLINK COMPUTER SYSTEM	13-11-2007 8:34
Workstation	NB021	N160	LifeBook T4010	26-05-2005 0:00
Workstation	qaserver2.qa	W50	EVO	03-11-2002 1:00
Workstation	NETLINK COMPUTER SYSTEM - PO# IT20070035[2]	Not Assigned	NETLINK COMPUTER SYSTEM	13-11-2007 8:34

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Product Type	Resource Name	Asset Tag	Product	Acquisition Date
Workstation	WS030	W103	OptiPlex GX620	01-09-2006 0:00
Workstation	qaserver3.qa	W78	EVO	03-11-2002 1:00
Workstation	NB001	N153	Latitude D620	16-02-2007 0:00
Workstation	qadc.qa	W17	Deskpro EN Series	19-04-1999 0:00
Workstation	WS027	W67	OptiPlex GX620	01-09-2006 0:00
Workstation	mscas3	S161	PowerEdge 2850	17-03-2006 1:00
Workstation	NB014	N118	FPC03101AK	24-10-2003 0:00
Workstation	mscas2	S103	ProLiant ML350	11-03-2002 1:00
Workstation	mscex	S160	PowerEdge 2950	10-10-2006 0:00
Workstation	mscas1	S101	PowerEdge 2650	01-10-2004 0:00
Workstation	mscvs2	S159	PowerEdge 1950	10-10-2006 0:00
Workstation	mscex1	S105	ProLiant DL380	11-03-2002 1:00
Workstation	mscad2.qa	W99	PowerEdge 2600	01-10-2004 0:00
Workstation	webserver	S108	ProLiant DL380 G2	30-07-2002 0:00
Workstation	mscvs1	S158	PowerEdge 1950	10-10-2006 0:00
Workstation	N200	N200	C-2210E	21-05-2003 0:00
Workstation	mscad1	S102	PowerEdge 2650	01-10-2004 0:00
Workstation	TARDIS	Not Assigned	Unknown Workstation	15-10-2007 0:00
Workstation	S120	S120	GXT2-1000RT120	01-01-2004 0:00
Workstation	WS011	W66	Evo D510 CMT	27-03-2003 1:00
Workstation	N201	N201	C-2210E	21-05-2003 0:00
Workstation	WS026	W53	OptiPlex GX620	18-05-2006 0:00
Workstation	NB020	N111	Latitude D620	28-10-2006 0:00
Workstation	N202	N202	C-2201E	21-05-2003 0:00
Workstation	mscts	S163	PowerEdge 1950	10-07-2006 0:00
Workstation	Z015	Z015	PIII/733 PROCESSOR	Not Assigned
Workstation	NB004	N121	Latitude D620	28-10-2006 0:00
Workstation	NB017	N157	Latitude D620	23-06-2006 0:00
Workstation	S126	S126	System 30E Server X200	Not Assigned
Workstation	MSCDEV	S162	PowerEdge 2850	17-03-2006 1:00
Workstation	WS032	W104	OptiPlex GX620	01-09-2006 0:00
Workstation	A104	A104	DL360	Not Assigned
Workstation	NB025	N141	Latitude D620	28-10-2006 0:00
Workstation	NB006	N143	Latitude D620	28-10-2006 0:00
Workstation	W46	W46	DESKPRO EN	28-11-2000 0:00
Workstation	NB027	N144	Latitude D620	28-10-2006 0:00
Workstation	nb007	N100	Latitude D620	18-05-2006 0:00
Workstation	N152	N152	LifeBook C-2210E	21-05-2003 0:00
Workstation	S100	S100	DELL PowerEdge 2650	05-10-2004 0:00
Workstation	NB028	N145	Latitude D620	28-10-2006 0:00
Workstation	N104	N104	LifeBook C-2210E	21-05-2003 0:00
Workstation	NB029	N148	Latitude D620	25-12-2006 0:00
Workstation	ws020	W70	hp workstation xw4000	17-03-2003 1:00
Workstation	W76	W76	DeskPro	28-11-2000 0:00
Workstation	NB030	N147	Latitude D620	25-12-2006 0:00
Workstation	WS008	W68	Evo D510 CMT	24-10-2003 0:00
Workstation	WS022	W38	DeskPro	28-11-2000 0:00
Workstation	WS001	6Y22JYFZJ01A	EVO	Not Assigned
Workstation	W60	W60	Evo D510 CMT	27-03-2003 1:00
Workstation	W100	W100	OptiPlex 745	08-02-2007 0:00

**SCHEDULE G
EQUIPMENT**

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Product Type	Resource Name	Asset Tag	Product	Acquisition Date
Workstation	NB011	N126	Lifebook T4020	25-11-2005 0:00
Workstation	NB022	N136	Portege 3500	27-03-2003 1:00
Workstation	S148	S148	broadband	15-11-2005 0:00
Workstation	W65	W65	Evo D510 CMT	27-03-2003 1:00
Workstation	S129	S129	M010KVJ51V	31-01-2004 0:00
Workstation	WS035	W101	OptiPlex 745	08-02-2007 0:00
Workstation	ws014	W72	Precision WorkStation 360	05-10-2004 0:00
Workstation	WS025	W74	Precision WorkStation 360	01-10-2004 0:00
Workstation	N119	N119	LifeBook C-2210E	21-05-2003 0:00
Workstation	W54	W54	Evo D500	26-04-2002 0:00
Workstation	WS036	W102	OptiPlex 745	08-02-2007 0:00
Workstation	WS018	W61	Evo D510 CMT	27-03-2003 1:00
Workstation	NB024	N122	Latitude D620	28-10-2006 0:00
Workstation	N105	N105	LifeBook C-2210E	21-05-2003 0:00
Workstation	W49	W49	EVO	28-11-2000 0:00
Workstation	NB016	N146	Latitude D620	14-07-2006 0:00
Workstation	ws012	W43	Evo D500	26-04-2002 0:00
Workstation	N106	N106	LifeBook C-2210E	21-05-2003 0:00
Workstation	W69	W69	Evo D510 CMT	24-10-2003 0:00
Workstation	NB008	N154	Latitude D620	23-06-2006 0:00

SCHEDULE H

[Proprietary and confidential information contained in this Schedule redacted]

SCHEDULE I

[Proprietary and confidential information contained in this Schedule redacted]

SCHEDULE J

[Proprietary and confidential information contained in this Schedule redacted]