



CONSTELLATION SOFTWARE INC.

Annual Information Form

March 26, 2009

**CONSTELLATION SOFTWARE INC.
ANNUAL INFORMATION FORM**

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All references in this Annual Information Form (“AIF”) to “CSI”, the “Company”, “we”, “us”, “our” and “our company” refer to Constellation Software Inc. and its subsidiaries, unless the context requires otherwise. Unless otherwise indicated, all references to dollar amounts herein are to United States dollars.

All information contained herein is as at December 31, 2008 unless otherwise noted.

CONSTELLATION SOFTWARE INC. ANNUAL INFORMATION FORM

FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Information Form may constitute “forward-looking” statements which involve risks (including those which may arise in the future), uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Annual Information Form, such statements use such words as “may”, “will”, “expect”, “believe”, “plan”, “intend” and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this Annual Information Form. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under “Risk Factors”. Although the forward-looking statements contained in this Annual Information Form are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements. These forward-looking statements are made as of the date of this Annual Information Form and, except as may be required by law, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

CORPORATE STRUCTURE

Name and Incorporation

The Company was incorporated under the Business Corporations Act (Ontario) on August 23, 1995. On March 7, 2000, the Company amalgamated with E2 Inc. and on June 29, 2000, the Company filed articles of arrangement, authorizing the transfer of all of the shares of Friedman Acquisition Corp., Creative Computer Solutions Inc. and Memory Lane Systems Inc., each a then wholly-owned subsidiary of the Company, to Constellation Software USA Inc. In connection with the arrangement, the Company issued 85,672 common shares in exchange for 259,595 common shares of N. Harris Computer Corporation and 667,013 common shares in exchange for 250,691 common shares of Trapeze Software Inc. The Company amalgamated with Constellation Justice Systems Inc. on March 1, 2002.

Concurrently with the closing of its Initial Public Offering on May 18, 2006, the Company's share capital was reorganized to remove the previously existing series 1 and series 2 common shares, and to redesignate the previously existing series 3 common shares as Common Shares (the "Common Shares").

The Company's head and registered office is located at 20 Adelaide Street East, Suite 1200, Toronto, Ontario, Canada, M5C 2T6, telephone: (416) 861-2279, Internet site: www.csisoftware.com. The contents of the Company's web site are not incorporated by reference into this Annual Information Form.

Intercorporate Relationships

The following chart outlines, as at March 26, 2009, our corporate structure and the jurisdiction of incorporation of CSI and each of our subsidiaries. Each subsidiary is wholly-owned by its parent except as indicated below:

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Constellation Software Inc. is a global provider of enterprise software solutions serving a variety of distinct vertical markets. The company is organized around two business segments: (i) the public sector segment, which primarily includes businesses focused on government and government-related customers, and (ii) the private sector segment, which primarily includes businesses focused on commercial customers. The vertical markets in which we participate in each sector include:

Public Sector

- public transit operators
- paratransit operators
- school transportation
- non-emergency medical
- ride share
- agri-business
- public safety
- local government
- electric utilities
- water utilities
- municipal systems
- school administration
- equipment rental
- public housing authorities
- housing finance agencies
- criminal justice
- law enforcement
- courts
- asset management

Private Sector

- private clubs
- daily fee golf courses
- construction
- winery management
- buy here pay here dealers
- homebuilders
- window manufacturers
- cabinet manufacturers
- multi-carrier shipping
- made-to-order manufacturers
- window and other dealers
- lease management
- food services

The Company entered the agri-business, equipment rental, court management, asset management, and buy here pay here car dealer verticals via acquisitions in 2008. The Company entered the public safety vertical via acquisition in 2009.

Acquisitions

During the fiscal year ended December 31, 2008 the Company completed twenty-one acquisitions for aggregate net initial cash consideration of \$62 million plus holdbacks of \$11 million compared to fifteen acquisitions for aggregate net initial cash consideration of \$48 million plus holdbacks of \$11 million in the prior year.

On September 30, 2008, Constellation acquired certain assets and liabilities of MAXIMUS Inc.'s Justice, Education, and Asset Solution businesses ('MAJES') for aggregate cash consideration of \$35 million plus a holdback of \$5 million resulting in total consideration of \$40 million. This acquisition was considered a significant acquisition for the purposes of Canadian securities law and, accordingly, a Business Acquisition Report in Form 51-102F4 was filed with the applicable securities regulatory authorities.

DESCRIPTION OF THE BUSINESS

Overview

We acquire, manage and build vertical market software (“VMS”) businesses. Generally, these businesses provide mission critical software solutions that address the specific needs of our customers in particular vertical markets. Our focus on acquiring businesses with growth potential, managing them well and then building them has allowed us to generate significant cash flow and revenue growth over the past several years.

Using a combination of proprietary software and market expertise, we provide software solutions designed to meet certain mission critical requirements of our customers. We believe that our software solutions enable our customers to boost productivity, operate more cost effectively, increase sales and improve customer service and satisfaction.

Our principal strategy is to acquire, manage and build VMS businesses. Most of the VMS businesses that we acquire have the potential to be leaders within their particular markets. We target the VMS sector because of the attractive economics that it provides and our belief that our management teams understand those economics better than most of our competitors.

Business Strategy

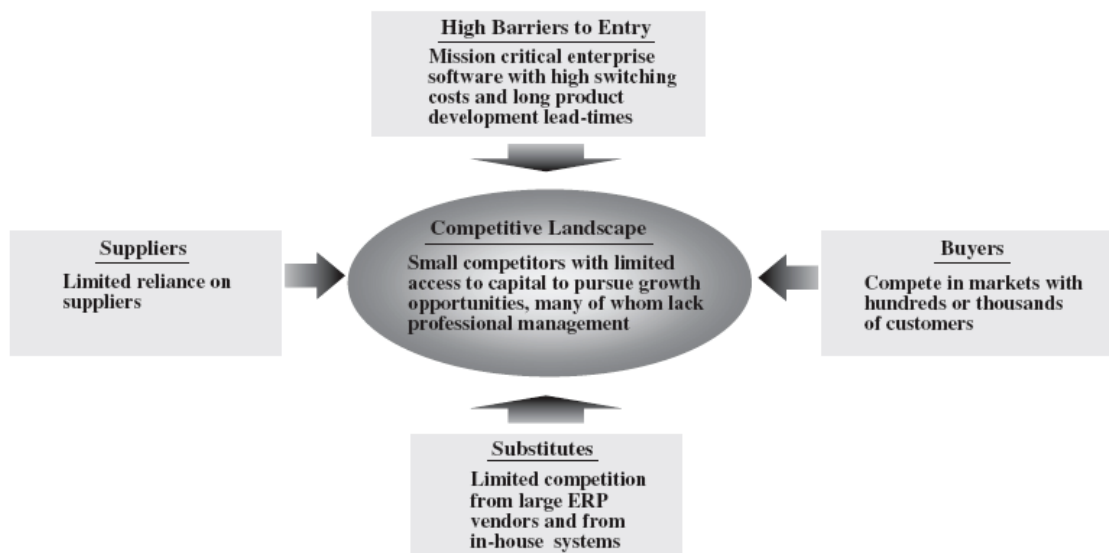
We seek acquisition targets that provide software solutions to either the public or private sectors, with as many of the following characteristics as possible:

- diversified customer base
- mission critical enterprise software solutions
- low customer attrition
- leading or increasing market share
- fragmented competition
- potential to grow through geographic expansion, product expansion, and/or acquisition

Once our acquired VMS businesses begin to achieve targeted profitability, we continue to build them through a disciplined combination of organic growth and acquisitions of other VMS businesses in the same vertical market (“tuck-in acquisitions”), further expanding their customer, geographic and product reach. Finally, we repeat the above process, entering new vertical markets through acquisitions of VMS businesses in markets in which we do not currently operate (“platform acquisitions”) and, in some cases, through organic initiatives, as we strive to maximize the return on the capital which we employ. Given our extensive acquisition experience and successful track record, we believe that we are well positioned to identify, acquire, manage and build attractive VMS businesses in new markets.

Market Opportunity

VMS businesses typically appeal to us for the following reasons:



We believe our future market opportunity is comprised of: (i) continuing to build our existing VMS businesses through organic growth initiatives and tuck-in acquisitions, and (ii) acquiring, managing and building new VMS businesses through platform acquisitions.

Continuing to Build Our Existing VMS Businesses through Organic Growth Initiatives and Tuck-in Acquisitions

We currently operate in markets in both the public and private sectors where the majority of the customer base is comprised of small and medium-sized enterprises, which we define as organizations with up to 1,000 employees. Management believes that small and medium sized enterprises are increasingly investing in software solutions to more effectively compete and manage their internal operations.

We believe that we will continue to expand our existing businesses through organic growth initiatives aimed at increasing our market share and product breadth. See “— Business Model — Build — Organic Initiatives”. Further, our objective is to complement and accelerate this expansion by continuing to successfully identify and complete tuck-in acquisitions. We believe that there are currently over 200 VMS businesses in North America servicing markets in which we currently operate, which we would consider as viable tuck-in acquisition candidates, and that there is a similar sized opportunity in the rest of the world. Our decentralized VMS management teams have extensive knowledge of their markets and deep customer relationships. This enables them, with the assistance of our head office, to successfully identify, pursue, structure and integrate tuck-in acquisitions.

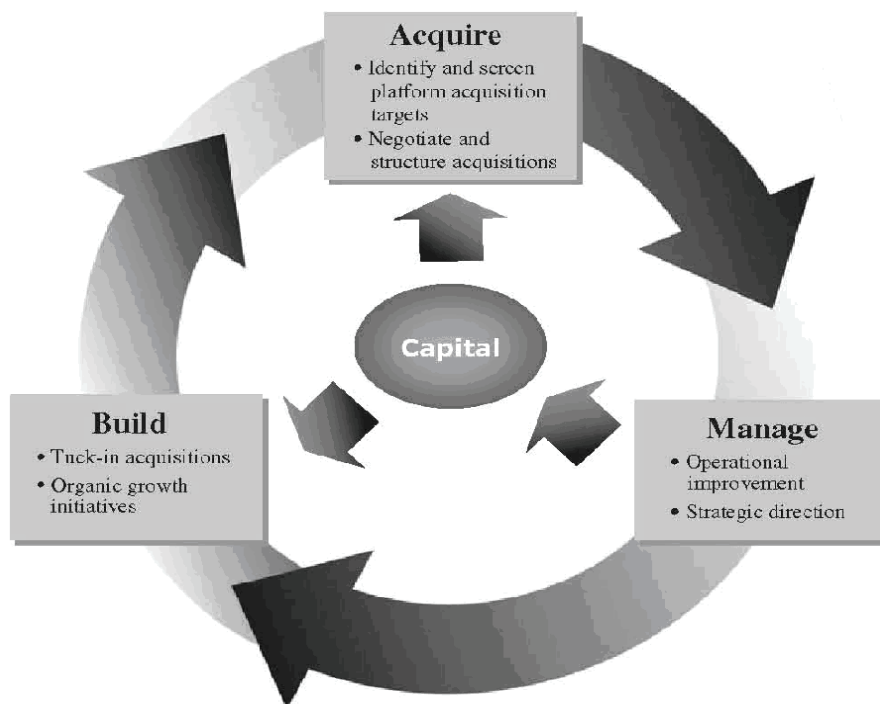
Acquiring, Managing and Building New VMS Businesses through Platform Acquisitions

We also seek to acquire attractive VMS businesses in new markets to maximize our return on invested capital (“ROIC”). We believe that there are currently over 1,000 VMS businesses in North America operating in markets in which we do not currently operate which we would consider as potential acquisition candidates, and we believe that there is a similar sized opportunity in the rest of the world.

To date we have acquired and successfully integrated over 19 platform acquisitions. The process of acquiring and integrating platform acquisitions is generally more challenging than that of tuck-in acquisitions given our limited knowledge of the new markets we are entering. Historically, we have retained the majority of the management teams from the businesses that we have acquired, which has allowed us to retain the knowledge needed to manage and successfully build these businesses.

Business Model

We acquire, manage and build VMS businesses. Generally, these businesses provide mission critical software solutions that address the specific needs of our customers in particular vertical markets. Our VMS businesses typically generate significant cash flows which we redeploy to build our existing VMS businesses and acquire new ones. We use a set of operating ratios and metrics to monitor the performance of each of our VMS businesses and to determine how to allocate capital amongst them.



Acquire

Our business model is focused on acquiring VMS businesses with the following characteristics:

Growing businesses with a diversified customer base, high relative market share and capital constrained competitors: We evaluate a business based upon its growth potential, the degree of fragmentation in its vertical market, the number of customers or potential customers that it serves, and the absence of large well-funded competitors. We are attracted to growing businesses because they allow us to deploy more of our capital with lower risk. We prefer to compete in markets contested by many smaller private VMS vendors, and those which have limited access to capital. Owning businesses in markets with these characteristics provides us with significant competitive advantages as well as attractive acquisition opportunities. Generally, we avoid buying businesses that operate in markets with well capitalized, dominant competitors.

Mission critical, enterprise software solutions: We target VMS businesses which offer mission critical enterprise software solutions that play a crucial role in managing their customers' businesses. These software solutions are relatively costly and time consuming to replace which reduces the likelihood that customers will switch software vendors once the solutions have been implemented.

Manage

Once we acquire a VMS business, we focus on managing it in accordance with the following strategies:

Monitor performance and improve operations: Once we acquire a VMS business, our focus is on managing the business to improve its financial performance. We use a set of operating ratios and metrics, as well as quarterly strategic reviews to track, monitor and manage the profitability of each of our VMS businesses. These operating ratios and metrics allow us to appropriately match costs, including sales and marketing, research and development, and general and administration, to revenues. Our quarterly strategic reviews allow our corporate head office and our operating group management teams to assess and advise VMS business managers. After the strategic reviews, our corporate and operating group managers assemble to allow peer review of the performance of the operating groups, acquisitions, capital allocation, and financing, and to discuss best practices. We have generated significant cash flows, which we have re-deployed in those VMS businesses that we believe will achieve the highest ROIC.

Decentralized Management Structure: Our decentralized management structure is key to our continued revenue growth. We have experienced management teams operating in each VMS business, backed by infrastructure at the operating group level and a small corporate head office. The corporate head office provides financial and strategic expertise with respect to capital allocation, acquisitions, finance, tax, compensation policy and recruitment, and attempts to share best practices.

We have six operating groups which currently service customers in over 30 different vertical markets worldwide. See “– Operating Groups”. There are generally several VMS businesses within each of our operating groups. Each VMS business has a manager, a long-term business plan and separately tracked financial reporting. Each of our operating group management teams, together with their corresponding VMS business managers, is familiar with our corporate culture and operating philosophy. We guide each of our teams to pursue key success factors including market share leadership and industry leading customer retention. We regularly monitor and measure each VMS businesses' performance through operating ratios and metrics including profitability as measured by ROIC and net revenue growth. The majority of our incentive compensation is linked to these two performance metrics.

Each of our VMS business managers is motivated to administer their business in a highly focused manner. They are encouraged to leverage their respective market knowledge in order to maximize the growth opportunities, profitability and return on capital employed within their business. Our corporate head office sets growth and profitability objectives and, with assistance from the operating group managers, determines how to best allocate capital among the VMS businesses by assessing their (i) operational track record, (ii) ability to generate organic growth, and (iii) potential for acquisitions.

Our decentralized management structure has allowed us to create management teams with key customer relationships and deep market knowledge that are more focused and responsive than would be the case under a centralized management model. These teams provide our corporate head office and operating group managers with the ability to concentrate on issues such as capital allocation and the tracking of overall performance, while the VMS business managers concentrate on maximizing profitability and pursuing organic initiatives and tuck-in acquisitions. This creates a high degree of scalability within our business model, and provides us with the opportunity to continue growing over both the short and long-term.

Build

Once an acquired VMS business begins to achieve targeted profitability, we focus on building the business through both organic and acquired growth as follows:

Organic “Initiatives”: One way that we accomplish our goals of building high market share and growing our share of our customers’ IT spending is through a series of investments in the development of new software solutions and/or new markets. We refer to these investments as “initiatives” and they are made with the intention of achieving positive cash flow within five years on average, and generating superior financial returns over a seven to ten year time frame. Initiatives generally involve considerable up-front spending on research and development and/or sales and marketing and are therefore managed and monitored with multi-scenario, multi-year business plans. Each initiative is championed by an employee who is primarily responsible for writing that initiative’s business plan and monitoring and updating it on a quarterly-basis, gathering and sharing market and competitive information and coordinating the resources invested in the initiative.

We establish, from time to time, what we consider to be an acceptable after tax internal rate of return (“IRR”) as a hurdle rate for all of our new initiatives and acquisitions. The importance of initiatives to our business model is reflected in the resources that we commit to them. Our gross expenditure on initiatives in 2008 exceeded \$51 million and we are currently managing more than 35 initiatives with over 250 full time equivalent employees dedicated to those initiatives.

Tuck-In Acquisitions: We believe that at times it can be more economical to acquire market share, additional products or technology and/or a complementary VMS business rather than build it or them. We regularly monitor acquisition targets in vertical markets in which we currently operate. Successful integration of tuck-in acquisitions enables us to offer a more comprehensive suite of products to our customers and/or service our customers at a lower cost, enhancing our competitive advantages.

Repeating the Process

Finally, we seek to enter new vertical markets through platform acquisitions and, in some cases, new organic initiatives that allow us to repeat the process above so as to further accelerate our growth, and maximize our ROIC. Given our extensive acquisition experience and successful track record, we believe that we are well positioned to acquire, manage and build attractive VMS businesses in new markets.

Capital Allocation

At the heart of our business model is the effective allocation of our capital. By acquiring, managing and building VMS businesses with the potential to achieve leading market share, we believe we have a higher probability of earning above average returns on our capital employed due to the economies of scale that we can achieve in:

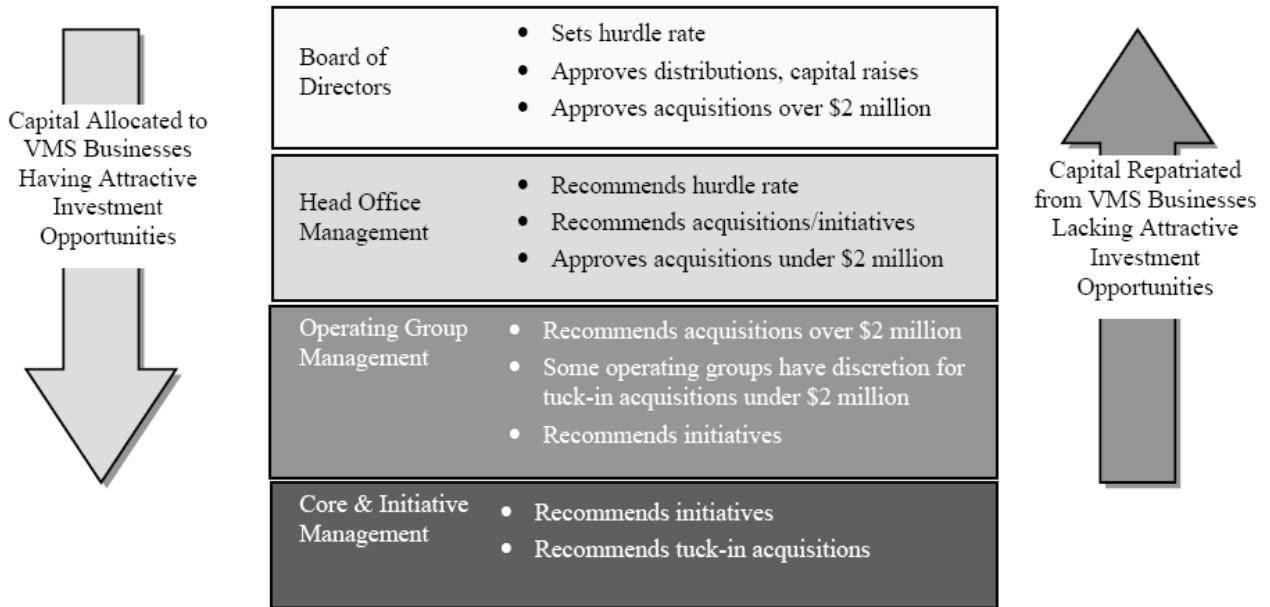
- research and development through the amortization of fixed development costs over a larger customer base
- sales and marketing by selling multiple products through the same sales and marketing infrastructure while benefiting from the network effect of increased market share
- general and administration expenses through the spreading of relatively fixed costs (such as accounting, premises, administration and human resources management) over a larger revenue base

We have developed and employ operating ratios, metrics, benchmarks and processes in order to maximize the IRR across our entire organization. Our implementation and use of capital allocation policies has enabled us to realize a strong lifetime IRR for our investors. We monitor and analyze performance at (i) the operating group level and (ii) the VMS business level and then use that analysis as a basis to make decisions about how best to deploy the capital that we generate.

We think about our VMS businesses as having (i) core businesses, which generally consist of our existing customers and products, that have stable growth and produce significant profits, (ii) organic initiatives that have the potential to generate significant growth and profitability in the future, and (iii) prospective tuck-in acquisitions that have the potential to enhance revenue growth.

Capital Allocation among Tuck-In Acquisitions and Organic Initiatives: Management teams within each of our operating groups and VMS businesses recommend how best to deploy capital. The following chart shows (i) the decision-making responsibilities and hierarchy that we use in deploying capital for tuck-in acquisitions and organic initiatives that have the prospect of generating high returns on incremental capital, and (ii) the repatriation of capital from those VMS businesses that do not have the prospect of generating high returns on capital:

Capital Allocation Framework



As an organization, we invest significant time and resources in tracking more than 2,000 acquisition prospects of interest to us and in building relationships with their owners and managers. We usually review the pool of potential tuck-in and platform acquisition opportunities each week.

All of our operating group cash flow is notionally available to our corporate head office. Our corporate head office aggregates the cash flows from the individual operating groups and then decides where to redeploy this capital in order to generate the highest IRR. Capital is allocated based upon projected IRR which is influenced by the relative attractiveness of a market, the strategic position of the VMS business and the management team's performance. Corporate head office approves all significant investments, whether they consist of acquisitions or initiatives. In practice, the operating group cash flow is offset against their approved investments in acquisitions and initiatives and only the remainder is returned to head office.

Capital Allocation and Our Compensation Plan: The objective of our compensation plan is to reward employees for working towards our corporate goal of increasing shareholder value. We believe that shareholder value is created by managing two financial components over the long term: profitability and growth. As such, our corporate bonus plan, which compensates employees at all levels of our organization, is based upon each operating group's ability to achieve a high ROIC, and to grow their revenues year-over-year. The long term focus is accomplished by mandating that a significant portion of the incentive compensation be reinvested in shares of the company that have sale restrictions of 3 to 5 years.

Our bonus plan encourages employees to balance our short-term and long-term objectives, while ensuring that they participate through share ownership in the value that they have created.

Operating Groups

During 2008, the Company reorganized into six operating groups from seven operating groups. The Justice Operating Group was merged into the Trapeze Operating Group to provide Trapeze the opportunity to take advantage of any synergies that may exist between the Justice vertical and the newly entered Court vertical. The following table shows, by operating segment, our six operating groups and the primary vertical and geographic markets in which they operate:

Operating Group	Primary and Vertical Markets	Primary Geographic Markets
<u>Public Sector</u>		
Trapeze Operating Group	Public Transit Operators	North America, UK, Continental Europe, Australia
	Paratransit Operators	North America, UK, Continental Europe, Australia
	School Transportation	North America, UK
	Non-emergency Medical	North America
	Ride Share	North America
	Local Government	UK
	Agri-business	UK
	Rental	North America, UK
	Court	North America, Australia
	Asset Management	North America, UK, Australia
Harris Operating Group	Criminal Justice	North America
	Law Enforcement	North America
	Electric Utilities	North America
	Water Utilities	North America
	Municipal Systems	North America
Emphasys Operating Group	School Administration	North America
	Public Safety	North America
	Public Housing Authorities Housing Finance Agencies	North America North America
<u>Private Sector</u>		
Jonas Operating Group	Private Clubs	North America, UK
	Daily Fee Golf Courses	North America
	Construction	North America
	Food Services	North America
Homebuilder Operating Group	Homebuilders	North America
	Lease Management	North America
	Winery	North America
	Buy Here Pay Here Dealers	North America
Friedman Operating Group	Window Manufacturers	North America, UK
	Cabinet Manufacturers	North America, UK
	Made-to-order	North America, UK

Operating Group	Primary and Vertical Markets	Primary Geographic Markets
	Manufacturers Window and Other Dealers Multi-Carrier Shipping	North America, UK North America

Products

We have numerous software products that we sell, service, support and enhance. We have at least one software product in each of our vertical markets and often develop and support multiple product lines in a particular vertical market. In addition, and as a complement to our internally developed software products, we license certain technologies used in our software products from third parties, generally on a non-exclusive basis. Our products are typically designed to assist our customers in automating as many aspects of their business processes as is practical. While our strategy is to provide mission critical software solutions to all of our customers, the particular software products that we develop can vary substantially across vertical markets. For example, in the public transit market one of the mission critical aspects of the business that we help automate is the scheduling and routing of vehicles. In the private club market we focus on providing membership accounting and point of sale solutions. Our goal is to continue to focus our efforts on software products specialized for specific vertical markets.

Sales and Distribution Strategy

We use direct sales forces in most of our major markets as our primary distribution channel. We believe that direct sales teams increase our visibility and market penetration, encourage long-term customer contact and facilitate sales of additional products. Our sales and marketing teams work primarily within dedicated sales groups for each of the vertical markets that we currently serve. Our sales and marketing strategy is to provide relevant business expertise directly to target customers by using sales representatives with strong industry specific knowledge. We use a combination of field sales and inside sales where appropriate. Generally, our field sales teams focus on identifying and selling to new customers, while our inside sales teams focus on selling additional software solutions to our existing customers. Part of our ongoing revenue growth is achieved through selling complementary products and/or services to existing customers. We also support our sales efforts with marketing that creates awareness of our products through appearances at major trade shows, advertising in trade magazines, staging user group meetings, and the creation of informative web-sites.

In some markets, we use value added resellers. We believe that the reseller channels complement our direct sales efforts and can accelerate our market penetration and customer acquisition in certain market segments. We intend to enter into reseller relationships where appropriate as a means of further accelerating market penetration.

For fiscal 2008 we employed an average of approximately 217 people worldwide in sales and marketing activities.

Research and Development

Our product development strategy combines innovation and the introduction of new technologies with our commitment to the long-term support of our customers' current systems. Our research and development activities are focused on designing, developing, testing and integrating new products as well as enhancing the features and functionality of our existing software solutions. We also seek to offer streamlined upgrade and migration tools for our customers.

We rely primarily on our in-house capabilities to develop our software solutions using industry standard software development tools. However, when it is not strategic to our business and is more cost effective, we will license certain technology components from third party providers.

For fiscal 2008, we had an average of approximately 536 employees involved in research and development.

Intellectual Property

In accordance with industry practice, we rely on a combination of contractual provisions and patent, copyright, trademark and trade secret laws to protect our proprietary rights in our products. We generally license the use of our products to our customers rather than transferring title to them. These licenses contain terms and conditions prohibiting the unauthorized reproduction, disclosure, reverse engineering or transfer of our products. In addition, we attempt to protect our trade secrets and other proprietary information through agreements with suppliers, employees and consultants.

The source code versions of our products are protected as trade secrets and as unpublished copyright works although effective copyright protection may not be available in some countries in which we license or market our products. We recognize that patent law may offer some protection for our current and future products, and we have embarked on a program to identify and seek patent protection for some elements of our products. We currently possess only a limited number of patents. All material components of our products have been developed by our employees or contractors most of whom have assigned all rights to us, except for commercially-available components.

Foreign Operations

For fiscal 2008, approximately 71% of our revenues were derived from the United States, 16% from Canada, 11% from UK/Europe and 2% from the rest of the world. No single customer accounted for more than 1.5% of our total revenues in fiscal 2008. For more details, see the financial statement note entitled "Segmented information" of the consolidated financial statements for the year ended December 31, 2008, a copy of which is filed and is available on SEDAR at www.sedar.com.

Competition

Competition for the licensing of vertical market software is generally based upon several factors including product features, the availability of high quality maintenance and support, price and the knowledge of the software vendor's sales team. We typically operate within vertical markets where there is limited competition from larger software vendors. While many of the larger software companies compete with us within select markets, they rarely have industry specific solutions that closely meet the needs of the customers we target.

We often target markets that have a fragmented competitive landscape. In those markets, we primarily compete against smaller software companies who lack the capital resources and long-term orientation to effectively grow their market share. Such companies typically offer a limited suite of software solutions and struggle to provide more comprehensive enterprise-wide software solutions.

Public Sector

Trapeze Operating Group: In the public transit operators market our competitors include Giro Inc., DDS Wireless International Inc., IVU Traffic Technologies AG, Affiliated Computer Systems, Inc. Transportation Management Solutions Group, Continental AG and Transched Systems Ltd. In the paratransit operators market, our main competitor is RouteMatch Software, Inc. In the school transportation market, our competitors include Education Logistics, Inc. and Tyler Technologies, Inc. In the non-emergency medical transportation market, our main competitors are LogistiCare Solutions, LLC and RouteMatch Software, Inc. In the ride share market, our main competitor is NuRide, Inc. In the local government market, our main competitor is Tribal Group plc. In the criminal justice market, our competitors include New Dawn Technologies Inc., CIBER, Inc.'s CRIMES Division, Judicial Dialog Systems, LegalEdge Software, Tyler Technologies, Inc., Affiliated Computer Services, Inc. and LT Court Tech LLC. In the law enforcement market, our competitors include New World Systems Corporation, SunGard HTE, Inc., Tiburon, Inc. - CompuDyne Corporation and Digital Solutions, Inc. In the asset management market our competitors include SAP, IBM-MRO Software, Inc., Infor-DataStream, CCG Systems, Inc., Minicom Limited, Ultramain Systems, Inc., Accruent, Inc. – FAMIS Software, Inc., TMA Systems, Indus, Micromain Corporation, Maintenance Connection, Inc., Tririga Inc., American Appraisal, Industrial Appraisal Company, Hirons & Associates, CBIZ, Inc. and RCI Appraisal.

Harris Operating Group: In the utilities market, our competitors include Tyler Technologies, Inc., SunGard HTE, Inc., Oracle Corporation, and SAP AG. In the municipal systems market, our competitors include Tyler Technologies, Inc., New World Systems Corporation and SunGard HTE, Inc. In the school administration market, our competitors include Tyler Technologies, Inc., Pearson Government Solutions, Inc and SunGard SCT, Inc.

Emphasys Operating Group: In the public housing authorities market, our competitors include Information Systems & Services, Inc. and Yardi Systems, Inc. In the housing finance agencies market, our competitors include The Mitas Group Inc. and Housing Development Software LLC. In the Treasury and Debt solutions for Governments and non-profits, our main competitor is SS&C Technologies, Inc.

Private Sector

Jonas Operating Group: In the private club market, our competitors include Integrated Business Systems, Inc., Clubsoft Inc., Club Technology Corporation and Northstar Technologies Inc. In the daily fee golf courses market, our competitors include Fore! Reservation Technology, LLC, The Active Network, Inc. and Club Prophet Systems Inc. (PSK). In the construction market, our competitors include Maxwell Systems, Inc., Sage Software Inc.'s Sage Timberline Office, and Dexter + Chaney, Inc. In the foodservices market, our competitors include Roper Industries, Inc. and Vision Software Technologies, Inc.

Homebuilder Operating Group: In the homebuilders market, our competitors include BuilderMT, Oracle Corporation, Sage Software, Inc. and Mark Systems. In the lease management market, our competitors include International Decision Systems, NetSol Technologies, Inc. and LeaseTeam, Inc. In the winery market, our competitors include Advanced Management Systems and The Winemaker's Database, Inc. In the automotive market our competitors include Automatic Data Processing, Inc. and The Reynolds & Reynolds Company.

Friedman Operating Group: In the window manufacturers market, our competitors include WTS Paradigm, Soft-Tech Corporation and FeneTech, Inc. In the cabinet manufacturers market, our competitors include QAD Inc., 20-20 Technologies GmbH and Oracle Corporation. In the made-to-order manufacturers market, our competitors include Oracle Corporation, PIC Business Systems, Inc. and TDCI Inc. With regards to dealers market, our competitors include WTS Paradigm and TDCI Inc. In the multi-carrier shipping market, our competitors include Logikor Inc. (Pfastship), United Parcel Service of America, Inc. (ConnectShip) and Manhattan Associates, Inc.

Employees

For fiscal 2008, we had an average of approximately 1,891 full-time employees globally, with approximately 11% in sales and marketing, 50% in customer support and services, 28% in research and development and 11% in general and administration positions. No union represents any of our employees in their employment relationship with us.

Facilities

Our head and registered office is located at 20 Adelaide Street East, Suite 1200, Toronto, Ontario, M5C 2T6. We also have more than 85 other offices worldwide including Burnaby, Richmond Hill, Markham, Mississauga, Montreal, Rimouski and Ottawa in Canada; Deerfield, Illinois; Miami, Florida; San Francisco, California; Petoskey, Michigan; Cleveland, Ohio and Cedar Rapids, Iowa in the U.S., Bath in the United Kingdom, Arhus in Denmark, Adelaide in Australia and Barbados.

Risk Factors

The Company's business is subject to a number of risk factors, including those risk factors set forth below. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of our securities to decline.

We cannot assure you that we will sustain profitability in the future. If we do not maintain profits our share price may decline.

Losses in a previous year resulted principally from significant charges to net income as a result of amortizing significant amounts of goodwill and other intangibles that we carry on our consolidated balance sheet as well as charges in respect of certain of our shares that were redeemable prior to completion of a public offering. We may experience fluctuations in our operating results in the future.

As we continue to grow our business, our operating expenses and capital expenditures may increase, and as a result, we will need to generate additional revenue to maintain profitability. If our revenues decline we may not be able to sustain profitability because many of our expenses are fixed in the short term and cannot be easily or quickly reduced. A failure to maintain profitability could materially and adversely affect our business.

We periodically review the value of acquired intangibles and goodwill to determine whether any impairment exists and we could write-down a portion of our intangible assets and goodwill as part of any such future review. We occasionally review opportunities to reorganize operations, and may record restructuring charges in connection with any such reorganization. Any write-down of intangible assets or goodwill or restructuring charges in the future could affect our results of operations materially and adversely and as a result our share price may decline.

Our quarterly revenues and operating results may fluctuate.

Factors which may cause our revenues and operating results to fluctuate include:

- the demand for our software products and the market conditions for technology spending;
- patterns of capital spending and changes in budgeting cycles by our customers;
- the timing of acquisitions and related costs;
- our ability to acquire or develop (independently or through strategic relationships with third parties), to introduce and to market new and enhanced versions of our software products on a timely basis;
- the number, timing and significance of new software product announcements and releases by us or our competitors;
- the level of software product and price competition;
- the geographical mix of our sales, together with fluctuations in foreign currency exchange rates;
- market acceptance of new and enhanced versions of our software products;
- changes in personnel and related costs;
- the amount and timing of operating costs and capital expenditures relating to the expansion of our business;
- changes in the pricing and the mix of software solutions that we sell and that our customers demand;
- seasonal variations in our sales cycles; and
- order cancellations and shipment delays;

In addition, we expect that a substantial portion of our revenue will continue to be derived from renewals of maintenance arrangements with our customers. These maintenance arrangements typically last from three months to 12 months, and the timing of cash collections of related revenues varies from quarter to quarter.

In addition, our new license revenue may fluctuate significantly on a quarterly and annual basis in the future, as a result of a number of factors, many of which are outside of our control. The sale of a new license generally requires a customer to make a purchase decision that involves a significant commitment of capital.

We may be unable to identify and complete suitable platform and tuck-in acquisitions.

We cannot be certain that we will be able to identify suitable new acquisition candidates that are available for purchase at reasonable prices. Even if we are able to identify such candidates, we may be unable to consummate an acquisition on suitable terms. When evaluating an acquisition opportunity, we cannot assure you that we will correctly identify the risks and costs inherent in the business that we are acquiring. If we were to proceed with one or more significant future acquisitions in which the consideration consisted of cash, a substantial portion of our available cash resources may be used or we may have to seek additional financing to complete such acquisitions. The current uncertainty and volatility in the credit markets could make it difficult to obtain financing, if required.

Any failure to manage our growth through acquisitions effectively or integrate other businesses we acquire may lead to a disruption in our operations and adversely affect our operating results.

Since our inception we have made more than 90 acquisitions and we plan to continue to make acquisitions in the future. Growth and expansion resulting from future acquisitions may place a significant demand on our management resources. Integration of our completed acquisitions and any future acquisitions involves a number of special risks, including the following:

- failure to integrate successfully the personnel, information systems, technology, and operations of the acquired business;
- failure to maximize the potential financial and strategic benefits of the transaction;
- failure to realize the expected synergies from acquired businesses;
- possible impairment of relationships with employees and customers as a result of any integration of new businesses and management personnel;
- impairment of assets related to resulting goodwill; and
- reductions in future operating results from amortization of intangible assets.

Future acquisitions are accompanied by the risk that the obligations and liabilities of an acquired company may not be adequately reflected in the historical financial statements of such company and the risk that such historical financial statements may be based on assumptions, which are incorrect or inconsistent with our assumptions or approach to accounting policies. We may not be able to manage such expansion effectively and any failure to do so could lead to a disruption in our business, a loss of customers and revenue, and increased expenses.

We may acquire contingent liabilities through acquisitions that could adversely affect our operating results.

We may acquire contingent liabilities in connection with acquisitions we have completed, which may be material. Although management uses its best efforts to estimate the risks associated with these contingent liabilities and the likelihood that they will materialize, their estimates could differ materially from the liabilities actually incurred. For example, the Company acquired certain long-term contracts from MAJES that contain certain contingent liabilities. Management believes that these liabilities are unlikely to exceed \$17 million, but the potential exposure could be higher.

Demand for our software solutions may fluctuate with market conditions which may reduce our profitability and market share in the future.

We depend upon the capital spending budgets of our customers. World and regional economic conditions have, in the past, adversely affected our licensing and support revenue. If economic or other conditions reduce our customers' capital spending levels, our business, results of operations and financial condition may be adversely affected. In addition, the purchase and implementation of our software solutions can constitute a major portion of our customers' overall IT budget, and the amount customers are willing to invest in acquiring and implementing such software solutions has tended to vary in response to economic, financial or other business conditions. Challenging economic conditions may also impair the ability of our customers to pay for software solutions they have purchased. As a result, reserves for doubtful accounts may increase.

If our customers demand performance guarantees, the costs and risks associated with offering our software solutions may increase.

We and our competitors are sometimes requested to provide specific performance guarantees with respect to the functionality of certain aspects of our software solutions. Similarly, we have been requested to quote fixed-price bids for our software solutions. These requests present risks, because no two implementations of our software solutions are identical, and therefore we cannot accurately predict precisely what will be required to meet these performance standards. If these guarantees and fixed price bids become more common, our profitability may be affected.

We face competition from other software solutions providers, which may reduce our market share or limit the prices we can charge for our software solutions.

Given that we serve numerous vertical markets, we face competition from a large number of competitors ranging in size from small private companies with annual revenues of less than \$1 million per year to the larger enterprise resource planning vendors. As a result in certain market segments, competition can be intense, and significant pricing pressure may exist. To maintain and improve our competitive position, we must continue to develop and to introduce, in a timely and cost-effective manner, new software solutions. In addition, we expect that a substantial portion of our revenue will continue to be derived from renewals of maintenance arrangements with our customers. Although we have experienced relatively stable and predictable attrition relating to these arrangements, increased competition could reduce the need for our maintenance services, as customers could decide to replace our software applications with a competitor's applications or discontinue maintenance services.

We anticipate additional competition as other established and emerging companies enter the market for our software products and as new products and technologies are introduced. For example, companies that historically have not competed in one of our market segments could introduce new applications based on newer product architectures that could provide for functionality similar to or better than that of our software products. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties, thereby increasing the ability of their products to better address the needs of our prospective customers. This risk has increased as our industry continues to trend toward consolidation. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and rapidly gain significant market share. This competition could result in price reductions, fewer customer orders, reduced gross margins and loss of market share for our software products.

Some of our competitors and potential competitors have greater financial, technical, marketing, and other resources, greater name recognition, and a larger installed base of customers than we do. The products of some of our competitors are based on more advanced product architectures or offer performance advantages compared with some of our more mature products. Our competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements or may devote greater resources to the development, promotion, and sale of their products than we do. Many competitive factors affect the market for our products and our ability to earn maintenance, professional services and new license revenue. Some of these factors are: vendor and product reputation; industry-specific expertise; cost of ownership; ease and speed of implementation; customer support; product architecture, quality, price and performance; product performance attributes, such as flexibility, scalability, compatibility, functionality and ease of use; and vendor financial stability.

If we cannot attract and retain qualified sales personnel, customer service personnel, and software developers, we may not be able to sell and to support our existing products or to develop new products.

We depend on key technical, sales, and senior management personnel. Many of these individuals would be difficult to replace if they were to leave our employment. In addition, our success is highly dependent on our continuing ability to identify, hire, train, assimilate, motivate, and retain highly qualified personnel, including recently hired officers and other employees. Any such new hire may require a significant transition period prior to making a meaningful contribution to the Company. Periodically, competition for qualified employees is intense in the technology industry, and we have in the past experienced difficulty recruiting qualified employees. Our failure to attract and to retain the necessary qualified personnel could seriously harm our operating results and financial condition.

Our future growth depends, in part, upon our ability to develop new products and to improve existing software products. Our ability to develop new software solutions and to enhance our existing software solutions will depend, in part, on our ability to recruit and to retain top quality software programmers. If we are unable to hire and to retain sufficient numbers of qualified programming personnel, we may not be able to develop new software solutions or to improve our existing software solutions in the time frame necessary to execute our business plan.

The loss of our rights to use software currently licensed to us by third parties could increase our operating expenses by forcing us to seek alternative technology and adversely affect our ability to compete.

We license certain technologies used in our products from third parties, generally on a non-exclusive basis. The termination of any of these licenses, or the failure of the licensors to adequately maintain or update their products, could delay our ability to ship our products while we seek to implement alternative technology offered by other sources and require significant unplanned investments on our part. In addition, alternative technology may not be available on commercially reasonable terms. In the future, it may be necessary or desirable to obtain other third-party technology licenses relating to one or more of our products or relating to current or future technologies to enhance our product offerings. There is a risk that we will not be able to obtain licensing rights to the needed technology on commercially reasonable terms, if at all.

Several members of our senior management team are important to our business and if these individuals do not remain with us in the future it may have a negative impact on our financial condition and results of operations.

Our future success depends on the continued efforts and abilities of our senior management team. Their skills, experience and industry contacts significantly benefit us. Although we have employment and non-competition agreements with members of our senior management team we cannot assure you that they or our other key employees will all choose to remain employed by us. If we lose the services of one or more of these individuals, or if one or more of them decide to join a competitor or otherwise compete directly or indirectly with us, our business, operating results, and financial condition could be harmed. We do not maintain key man life insurance on any of our employees.

Currency exchange rate fluctuations and other risks associated with our international operations may adversely affect our operating results.

We are subject to risks of doing business internationally, including fluctuations in currency exchange rates, increases in duty rates, difficulties in obtaining export licenses, difficulties in the enforcement of intellectual property rights and political uncertainties. Our most significant international operations are in the United States, and the United Kingdom. To date, we have not used forward exchange contracts to hedge exposures denominated in non-U.S. currencies or any other derivative financial instrument for trading, hedging, or speculative purposes.

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

Additional risks we face in conducting business internationally include longer payment cycles and difficulties in managing international operations. These include constraints associated with local laws regarding employment, difficulty in enforcing our agreements through foreign legal systems, complex international tax and financial reporting compliance requirements, and the adverse effects of tariffs, duties, price controls or other restrictions that impair trade.

We may have exposure to unforeseen tax liabilities.

We are subject to income taxes as well as non-income based taxes, in Canada, the United States and various foreign jurisdictions and our tax structure is subject to review by numerous taxation authorities. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. In the ordinary course of a global business, there are many inter-company transactions and calculations where the ultimate tax determination is uncertain. Although we strive to ensure that our tax estimates and filing positions are reasonable, we cannot assure you that the final determination of any tax audits and litigation will not be different from what is reflected in our historical income tax provisions and accruals, and any such differences may materially affect our operating results for the affected period or periods.

We also have exposure to additional non-income tax liabilities. We are subject to non-income taxes, such as payroll, sales, use, value-added, net worth, property and goods and services taxes, in Canada, the United States and various foreign jurisdictions.

Impact of geopolitical and other global or local events may have a significant effect on our operations.

Various events, including natural disasters, extreme weather conditions, labour disputes, civil unrest, war and political instability, terrorism, contagious illness outbreaks, and environmental disasters or the perceived threat of these events, may cause a disruption of our normal operations and may disrupt the domestic and international travel of our sales and other personnel. The sales cycle for our products includes a period of education for potential customers on the use and benefits of our software solutions, as well as the integration of our software solutions with additional applications utilized by individual customers. Any disruption in the ability of our personnel to travel could have a material and adverse impact on our ability to complete this process and to service these customers, which could, in turn, have a material adverse effect on our business, results of operations and financial condition. In addition, these events or the perceived threat of these events may require us to reorganize our day-to-day operations to minimize the associated risks. Any expense related to the reorganization of our day-to-day operations, even on a short-term basis, could also have a material adverse effect on our business, results of operations and financial condition.

We may experience customer attrition, which could affect our revenues more adversely than we expect, and we may be unable to adapt quickly to such attrition. Any significant reduction in revenues as a result of such attrition may have a material adverse effect on our business, results of operations or financial condition.

We expect that a substantial portion of our revenue will continue to be derived from renewals of quarterly and annual maintenance arrangements with our customers, and, to a lesser extent, from professional services engagements for these customers. Although we believe we have strong customer retention rates, attrition in our customer base does occur when existing customers elect not to renew their maintenance arrangements and cease purchasing professional services from us. Customer attrition occurs for a variety of reasons, including a customer's decision to replace our software product with that of a competing vendor, to purchase maintenance or consulting services from a third-party service provider, or to forego maintenance services altogether. It can also occur when a customer is acquired or ceases operations.

Historically, we have been able to replace more than the revenue lost through attrition with new revenue from maintenance services as well as from price increases for maintenance services. However, any factors that adversely affect the ability of our software products to compete with those available from others, such as availability of competitors' products offering more advanced product architecture, superior functionality or performance or lower prices, or factors that reduce demand for our maintenance services, such as intensifying price competition, could lead to increased rates of customer attrition.

Potential divestitures may reduce revenues in the short term and create uncertainty among our employees, customers and potential customers, which could harm our business.

We have in the past divested two majority owned businesses. We have not divested any businesses in the last six years. Any divestitures could result in a short-term reduction in revenue and could harm our results of operations if we were not able to reduce expenses accordingly or to generate offsetting sources of revenue. To the extent that our consideration of these potential divestitures became known prior to their completion, we could face the risk, among others, that customers and potential customers of the VMS business in question might be reluctant to purchase our software solutions during this period. In addition, we face the risk that we may be unable to retain qualified personnel within the applicable VMS business during this period. Poor economic conditions and a lack of access to the

credit markets may lead to difficulty in finding interested buyers for any proposed divestitures. These risks could prevent us from successfully completing on favourable terms, or at all, divestitures that would otherwise be beneficial to us, and may in the process weaken business divisions that we are considering for divestiture. Any of these events could result in a loss of customers, revenues, and employees and could harm our results of operations.

Some of the markets for our software products are characterized by periodic technological advances, and we must improve our software products to remain competitive.

Periodic technological change and associated new product introductions and enhancements characterize the software industry in general. Our current and potential customers increasingly require greater levels of functionality and more sophisticated product offerings. In addition, the life cycles of many of our software products are difficult to estimate. While we believe some of our software products may be nearing the end of their product life cycles, we cannot estimate the decline in demand from our customers of maintenance related to these software products. Accordingly, we believe that our future success depends upon our ability to enhance current software products and to develop and to introduce new products offering enhanced performance and functionality at competitive prices in a timely manner, and on our ability to enable our software products to work in conjunction with other products from other suppliers that our customers may utilize. Our failure to develop and to introduce or to enhance products in a timely manner could have a material adverse effect on our business, results of operations, and financial condition.

We may be unable to respond on a timely basis to the changing needs of our customer base and the new applications we design for our customers may prove to be ineffective. Our ability to compete successfully will depend in large measure on our ability to bring to market effective new products or services, to maintain a technically competent research and development staff, and to adapt to technological changes and advances in the industry. Our software products must remain compatible with evolving computer hardware and software platforms and operating environments. We cannot assure you that we will be successful in these efforts. In addition, competitive or technological developments and new regulatory requirements may require us to make substantial, unanticipated investments in new products and technologies, and we may not have sufficient resources to make these investments. If we were required to expend substantial resources to respond to specific technological or product changes, our operating results would be adversely affected.

If we are unable to protect our proprietary technology and that of the VMS businesses that we acquire, our competitive position could be adversely affected.

We have relied, and expect to continue to rely, on a combination of copyright, trademark and trade-secret laws, confidentiality procedures, and contractual provisions to establish, maintain, and protect our proprietary rights. Although patents generally provide greater protection of software products than do trade secrets or copyrights, we currently possess only a limited number of patents. We typically enter into agreements with our employees, consultants, customers, partners and vendors in an effort to control ownership of our intellectual property and access to and distribution of our software, documentation and other proprietary information. Despite these precautions, there may be authors of some of the intellectual property that form parts of our software products who have not assigned their intellectual property rights to us and who have not waived their moral rights with respect thereto. The steps we take may not prevent misappropriation of our intellectual property, and the agreements we enter into may not be enforceable. Despite our efforts to protect our proprietary rights in our intellectual property and that of other businesses we may acquire, unauthorized parties may copy or otherwise obtain and use our proprietary technology or obtain information we regard as proprietary. Policing unauthorized use of our technology, if required, may be difficult, time-consuming, and costly. Our means of protecting our technology may be inadequate.

Third parties may apply for and obtain patent protection for products and services that are similar to our software solutions. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or services or to obtain and to use information that we regard as proprietary. Third parties may also independently develop similar or superior technology without violating our proprietary rights. In addition, the laws of some foreign countries do not protect proprietary rights to the same extent, as do the laws of Canada and the United States.

Trademark protection is an important factor in establishing product recognition. Our inability to protect our trademarks from infringement could result in injury to any goodwill which may be developed in our trademarks. Moreover, we may be unable to use one or more of our trademarks because of successful third-party claims.

Claims of infringement are becoming increasingly common as the software industry develops and legal protections, including patents, are applied to software products. Although we believe that our software products and technology do not infringe proprietary rights of others, litigation may be necessary to protect our proprietary technology and third parties may assert infringement claims against us with respect to their proprietary rights.

Any claims or litigation can be time consuming and expensive regardless of their merit. Infringement claims against us could cause product release delays, require us to redesign our products or to enter into royalty or license agreements that may not be available on terms acceptable to us, or at all.

Software product development delays could harm our competitive position and reduce our revenues.

If we experience significant delays in releasing new or enhanced software products, our position in the market could be harmed and our revenue could be substantially reduced, which would adversely affect our operating results. We have experienced software product development delays in the past and may experience delays in the future. In particular, we may experience software product development delays associated with the integration of recently acquired software products and technologies. Delays may occur for many reasons, including the inability to hire a sufficient number of developers, discovery of bugs and errors, or the inability of our current or future software products to conform to customer and industry requirements.

Our software products may contain errors or defects that could result in lost revenue, delayed or limited market acceptance, or product liability claims with substantial litigation costs.

As a result of their complexity, software products may contain undetected errors or failures when entering the market. Despite testing performed by us and testing and use by current and potential customers, defects and errors may be found in new software products after commencement of commercial shipments or the offering of a network service using these software products. In these circumstances, we may be unable to successfully correct the errors in a timely manner or at all. The occurrence of errors and failures in our software products could result in negative publicity and a loss of, or delay in, market acceptance of those software products. Such publicity could reduce revenue from new licenses and lead to increased customer attrition. Alleviating these errors and failures could require significant expenditure of capital and other resources by us. The consequences of these errors and failures could have a material adverse effect on our business, results of operations, and financial condition.

Because many of our customers use our software products for business-critical applications, any errors, defects, or other performance problems could result in financial or other damage to our customers. Our customers or other third parties could seek to recover damages from us in the event of actual or alleged failures of our software solutions. We have in the past been, and may in the future continue to be, subject to these kinds of claims. Although our license agreements with customers typically contain provisions designed to limit our exposure to potential claims, as well as any liabilities arising from these claims, the provisions may not effectively protect against these claims and the liability and associated costs. Accordingly, any such claim could have a material adverse effect upon our business, results of operations, and financial condition. In addition, defending this kind of claim, regardless of its merits, or otherwise satisfying affected customers, could entail substantial expense and require the devotion of significant time and attention by key management personnel.

The hosting services of some of our products are dependent on the uninterrupted operation of data centers. Any unexpected interruption in the operation of data centers used could result in customer dissatisfaction and a loss of revenues.

Some of our VMS businesses provide hosting services in respect of some of our software products. These hosting services depend upon the uninterrupted operation of data centers and the ability to protect computer equipment and information stored in these data centers against damage that may be caused by natural disaster, fire, power loss, telecommunications or internet failure, unauthorized intrusion, computer viruses and other similar damaging events. If any of the data centers we use were to become inoperable for an extended period, we might be unable to provide our customers with contracted services. Although we take what we believe to be reasonable precautions against such occurrences, we can give no assurance that damaging events such as these will not result in a prolonged interruption of our services, which could result in customer dissatisfaction, loss of revenue and damage to our business.

As a provider of hosted services, we receive confidential information, including credit card and other financial and accounting data. There can be no assurance that this information will not be subject to loss, destruction, computer break-ins, theft, or other improper activity that could jeopardize the security of information for which we are responsible. Any such lapse in security could expose us to litigation, loss of customers, or otherwise harm our business. In addition, any person who is able to circumvent our security measures could misappropriate proprietary or confidential customer information or cause interruptions in our operations.

We are currently, and may in the future become, subject to civil litigation, which if decided against us, could require us to pay judgments, settlements or other penalties and could potentially result in the dilution of our Common Shares.

In addition to being subject to litigation in the ordinary course of business, we may become subject to class actions, securities litigation or other actions, including anti-trust and anti-competitive actions.

Any litigation may be time consuming, expensive and distracting from the conduct of our daily business. The adverse resolution of any specific lawsuit could have a material adverse effect on our financial condition and liquidity.

In addition, the resolution of those matters may require us to issue additional Common Shares, which could potentially result in the dilution of our Common Shares. Expenses incurred in connection with these matters (which include fees of lawyers and other professional advisors and potential obligations to indemnify officers and directors who may be parties to such actions) could adversely affect our cash position.

The market price of the Common Shares will fluctuate.

The market price of the Common Shares will fluctuate due to a number of factors, including:

- actual or anticipated changes in our results of operations;
- changes in estimates of our future results of operations by management or securities analysts;
- announcements of technological innovations or new software products by us or our competitors; or
- general industry changes.

In addition, the financial markets have experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many software companies and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the software industry specifically, may adversely affect the market price of the Common Shares.

Sales of substantial amounts of Common Shares by our existing shareholders, or the perception that these sales will occur, may cause the market price of the Common Shares to fall.

Our significant shareholders will have the ability to control certain corporate actions.

As at March 26, 2009, our officers, directors, principal shareholders and their affiliates beneficially own or control, directly or indirectly, approximately 9,816,234 Common Shares, which in the aggregate represents approximately 58.1% of the outstanding Common Shares. In addition one of our principal shareholders owns all of the 4,288,000 Class A non-voting shares. As a result, if some of these persons or entities act together, they will likely have the ability to control all matters submitted to shareholders for approval, including the election and removal of directors, amendments to our articles of incorporation and by-laws and the approval of business combinations.

Our dividend policy may change. We may not pay dividends in the future.

Although we have paid dividends on the Common Shares in the past, and, subject to approval of the Board of Directors, intend to pay dividends in the future, there may be circumstances where we may change our position on paying dividends. There is no guarantee we will pay dividends in future years. The dividend policy will be reviewed from time to time by our Board of Directors in the context of our earnings, financial condition and other relevant factors.

DIVIDENDS

We declared cash dividends in the following amounts for each of the last three financial years ending December 31. These dividends were based on our financial performance in each year and were payable in each case in the next financial year:

Year	Amount of Dividend Per Share	Class(es) of Shares
2008	US\$0.216	Common & Class A Non-Voting
2007	US\$0.18	Common & Class A Non-Voting
2006	US\$0.15	Common & Class A Non-Voting

Our policy is to pay annual dividends, subject to Board approval, based on our financial results. The Board of Directors will determine if and when dividends should be declared and paid in the future based on all relevant circumstances, including the desirability of financing further growth of the Company and our financial position at the relevant time. There is no guarantee that dividends will continue to be paid in the future. In addition, we are restricted, pursuant to financial covenants under our operating line of credit, from paying dividends of more than 20% of our consolidated adjusted net income as defined in the agreement.

DESCRIPTION OF SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Common Shares and an unlimited number of Class A Non-Voting Shares.

Common Shares

The holders of the Common Shares are entitled to receive notice of and to attend all of our annual and special meetings of the shareholders and to one vote in respect of each Common Share held at all such meetings. The holders of the Common Shares are entitled, at the discretion of the Board of Directors, to receive out of any or all of our profits or surplus properly available for the payment of dividends, any dividend declared by the Board of Directors and payable on the Common Shares provided a dividend is paid rateably on the Class A Non-Voting Shares at the same time. The holders of the Common Shares will participate rateably with the holders of the Class A Non-Voting Shares in any distribution of assets, or liquidation, dissolution or winding-up or other distribution of our assets among shareholders for the purpose of winding up our affairs.

Class A Non-Voting Shares

The holders of the Class A Non-Voting Shares are entitled, at the discretion of the Board of Directors, to receive out of any and all of our profits or surplus property available for the payment of dividends, any dividend declared by the Board of Directors and payable on the Class A Non-Voting Shares provided an equivalent dividend is paid rateably on the Common Shares at the same time. The holders of the Class A Non-Voting Shares will participate rateably with the holders of the Common Shares in any distribution of assets, or liquidation, dissolution or winding-up or other distribution of our assets among shareholders for the purposes of winding-up our affairs. The holders of the Class A Non-Voting Shares are not entitled to receive notice of or to attend any annual and special meeting of our shareholders and are not entitled to vote in respect of any matters at any such meeting, except in respect of certain fundamental changes, in which case the Class A Non-Voting Shares will vote together with the Common Shares, and not as a separate class (other than as provided below). Each Class A Non-Voting Common Share is convertible into one Common Share at any time at the option of the holder. In addition, each Class A Non-Voting Share will automatically convert into one Common Share (i) on a sale of such Class A Non-Voting Shares where the transferee of such shares is not an affiliate of OCP CSI Investment Holdings Inc. ("OCP Holdings"), (ii) on a sale of Common Shares by OCP Holdings or any of its affiliates such that, directly or indirectly, OCP Holdings, and its affiliates, would otherwise hold fewer Common Shares, but only to the extent of the number of Common Shares sold, and (iii) on any change of control transaction involving the Company. The Class A Non-Voting Shares also include customary anti-dilution provisions.

In the event that the holders of Class A Non-Voting Shares are entitled to a class vote in respect of a matter arising at law, OCP Holdings will vote such shares together with the Common Shares and will waive any entitlement to a separate vote as a class except in circumstances where the Class A Non-Voting Shares are treated differently than the Common Shares or as may otherwise be required by law.

MARKET FOR SECURITIES

The Common Shares are listed on the Toronto Stock Exchange (“TSX”) under the symbol “CSU”. As at March 26, 2009, there were 16,903,530 Common Shares outstanding. The monthly price ranges and total monthly trading volumes for the Common Shares during the most recently completed fiscal year were as follows:

Month	Share Price (C\$ per share)		Total Monthly Volumes (# of Shares)
	High	Low	
January 2008	25.00	23.25	149,800
February 2008	24.24	23.01	70,600
March 2008	24.10	22.50	84,500
April 2008	23.20	22.55	248,700
May 2008	26.88	22.90	103,700
June 2008	29.00	27.00	85,200
July 2008	28.24	27.00	32,400
August 2008	29.50	27.39	27,200
September 2008	29.50	26.70	115,400
October 2008	25.43	22.50	207,800
November 2008	25.49	24.60	53,900
December 2008	26.74	25.00	155,300
Total			1,334,500

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Designation of Class	Number of Securities Held in Escrow or Subject to a Contractual Restriction on Transfer	Percentage of Class
Common Shares	1,029,438	6.1%

CIBC Mellon Trust Company is acting as escrow agent for all of the above securities pursuant to the terms of our employee bonus plan and our key employee loan program. Under our bonus plan, one third of the Common Shares acquired pursuant to the plan will be released from escrow on each of the third, fourth and fifth anniversaries of the date of acquisition. Under our key employee loan program, 12.5% of the Common Shares acquired pursuant to the plan will be released from escrow in each year.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The following table sets out, for each of our directors and executive officers, the person's name, municipality of residence, position(s) with CSI, principal occupation and, if a director, the year in which the person became a director. Our directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders. As of March 26, 2009, our directors and executive officers (as a group) owned, or exerted direction or control over, a total of 2,769,424 Common Shares representing 16.4% of our total outstanding Common Shares. Organizations that employ certain of our directors or affiliates or related entities of these organizations beneficially owned, directly or indirectly or exerted direction or control over, a total of 7,046,810 Common Shares representing 41.7% of our total outstanding Common Shares.

<u>Name and Place of Residence</u>	<u>Positions with CSI</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Common Shares Beneficially Held or Over Which Control is Exercised</u>
J. BRIAN AUNE ⁽¹⁾ Magog, Quebec, Canada	Director	Private Investor	2000	311,090
STEPHEN DENT ⁽²⁾⁽³⁾ Toronto, Ontario, Canada	Director	Chairman and Partner, Birch Hill Equity Partners	2000	See Notes 4 and 5
MARK LEONARD Toronto, Ontario, Canada	President and Chairman of the Board	President and Chairman of the Board of CSI	1995	1,420,189
MICHAEL MAZAN ⁽¹⁾ Toronto, Ontario, Canada	Director and Chairman of the Audit Committee	Partner, Birch Hill Equity Partners	2000	See Note 4
IAN MCKINNON Toronto, Ontario, Canada	Director	Consultant	2006	2,607
LISA MELCHIOR ⁽²⁾ Toronto, Ontario, Canada	Director	Managing Director, OMERS Private Equity	2005	See Note 6
STEPHEN R. SCOTCHMER ⁽²⁾ Oakville, Ontario, Canada	Director, Lead Independent Director and Chairman of the Compensation, Nominating and Human Resources Committee	Private Investor	2000	63,100 ⁽⁵⁾
JOHN YOUNG ⁽¹⁾ Toronto, Ontario, Canada	Director	Managing Director, OMERS Private Equity	2004	See Note 6
JOHN BILLOWITS Toronto, Ontario, Canada	Chief Financial Officer	Chief Financial Officer of CSI	N/A	29,342
MARK MILLER Oakville, Ontario, Canada	Chief Operating Officer of CSI and Chief Executive Officer, Trapeze Operating Group and Friedman Operating Group	Chief Operating Officer of CSI and Chief Executive Officer, Trapeze Operating Group	N/A	258,795
DEXTER SALNA Toronto, Ontario, Canada	President, Homebuilding Operating Group	President, Homebuilder Operating Group	N/A	216,942
BARRY SYMONS Toronto, Ontario, Canada	Chief Executive Officer, Jonas Operating Group	Chief Executive Officer, Jonas Operating Group	N/A	156,000

<u>Name and Place of Residence</u>	<u>Positions with CSI</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Common Shares Beneficially Held or Over Which Control is Exercised</u>
BERNARD ANZAROUTH Montreal, Quebec, Canada	Vice President, Mergers & Acquisitions	Vice President, Mergers and Acquisitions of CSI	N/A	162,077
JEFF BENDER..... Ottawa, Ontario, Canada	Chief Executive Officer, Harris Operating Group	Chief Executive Officer, Harris Operating Group	N/A	107,961
MICHAEL BYRNE Miramar, Florida, USA	Chief Executive Officer, Emphasys Operating Group	Chief Executive Officer, Emphasys Operating Group	N/A	41,321

(1) Member of Audit Committee.

(2) Member of Compensation, Nominating and Human Resources Committee.

(3) Mr. Dent was previously employed by TD Capital Canadian Private Equity Partners. In such capacity, Mr. Dent was a representative director of The Locator Group Inc. at the time of its voluntary assignment into bankruptcy in March, 1999. The Locator Group Inc. was a private company within TD Capital's investment portfolio at such time.

(4) 3,438,533 Common Shares are held by Birch Hill Equity Partners II, which fund is managed by Birch Hill Equity Partners Management Inc. Messrs. Dent and Mazan are employees of Birch Hill Equity Partners Management Inc.

(5) Messrs. Dent and Scotchmer are also directors of Manitou Capital Corporation, a shareholder of the Company.

(6) 3,608,277 Common Shares and 4,288,000 Class A Non-Voting Shares are held by OCP Holdings. Ms. Melchior and Mr. Young are employed by OMERS Private Equity, an affiliate of OCP Holdings.

Biographies

The following are brief profiles of our executive officers and directors, including a description of each individual's principal occupation within the past five years.

J. Brian Aune — Director

Mr. Aune, a chartered accountant, joined our Board in 2000. He joined Nesbitt Thomson Inc. in 1966 and served as Chairman and Chief Executive Officer from 1980 to 1990 when he left to become Chairman of St. James Financial Corporation and President, Alderprise Inc., private investment companies. Mr. Aune is a director of a number of Canadian public and private corporations including Teck Cominco Limited and Power Financial Corporation.

Stephen Dent — Director

Mr. Dent joined our Board in 2000. He is currently Chairman and a Partner with Birch Hill Equity Partners, a leading Canadian private equity firm. Prior to founding Birch Hill in 2005, Mr. Dent spent 18 years in private equity and investment banking, most recently as a Managing Director and Group Head of TD Capital, Canadian Private Equity Partners. Mr. Dent holds a BBA (Honours) from Wilfrid Laurier University and an MBA from the Ivey Business School, University of Western Ontario.

Mark Leonard — President and Chairman of the Board

Mr. Leonard founded CSI in 1995. Prior to founding CSI, Mr. Leonard worked in the venture capital business for eleven years. Mr. Leonard holds a BSc. from the University of Guelph, and a MBA from the University of Western Ontario.

Michael Mazan — Director

Mr. Mazan joined our Board in 2000 and has 16 years of experience in private equity, investment banking and consulting. He is currently a Partner of Birch Hill Equity Partners. Prior to joining Birch Hill in 2005, he was a Vice President and Director of TD Capital from 1999 to 2005. Mr. Mazan has also worked in investment banking with Credit Suisse First Boston and in management consulting with McKinsey & Company. Mr. Mazan received his MBA from the Ivey Business School, University of Western Ontario.

Ian McKinnon — Director

Mr. McKinnon joined our board in March 2006. He currently provides consulting services to technology company executives covering a broad range of management and leadership topics. Most recently he was President and Chief Executive Officer of TSX listed Certicom Corporation from 2002 to 2007. Prior to that he was President and Chief Executive Officer for two privately owned software companies from 2000 to 2002. From 1995 to 2000 he held the position of President and Chief Executive Officer at TSX listed Promis Systems Corporation where he received the Ernst and Young Entrepreneur of the Year award in 1998. Previously Mr. McKinnon was with Digital Equipment Corporation from 1981 to 1994 in various sales and senior management positions in both Canada and Singapore. He holds an Honours BA from McMaster University and attended the INSEAD Advanced Management Program.

Lisa Melchior — Director

Ms. Melchior joined our Board in 2005. She is a Managing Director at OMERS Private Equity, the manager of the private equity assets of OMERS Administration Corporation and has 15 years of experience in private equity and investment banking. She has been at OMERS Administration Corporation since 1999. Before that she was a director with CIBC Capital Partners from 1996 to 1999. Prior to that, she was an Associate with CIBC Wood Gundy from 1993 to 1996. Ms. Melchior holds a Bachelor of Arts degree (Economics) from the University of Western Ontario and a Master of Business Administration from York University.

Stephen R. Scotchmer — Director and Lead Independent Director

Mr. Scotchmer has been a member of our Board since 2000. He is currently a director of Manitou Investment Management Ltd., which he co-founded in 1999. From 1982 until 1987, he served as President of Bay Mills Ltd., a TSX listed company in the business of manufacturing engineered materials. Mr. Scotchmer is an engineering graduate of Queen's University.

John Young — Director

Mr. Young has been a member of the Board since 2004. He is currently a Managing Director at OMERS Private Equity, the manager of the private equity assets of the OMERS Administration Corporation. Prior to joining OMERS Private Equity, he was senior solicitor of British Energy plc, responsible for their mergers and acquisitions in North America. Mr. Young has over 13 years of mergers and acquisitions experience. Mr. Young also sits on the boards of portfolio companies owned by OMERS Administration Corporation. He is also a member of the Executive Committee of the Ontario Chapter of the Institute of Corporate Directors and a graduate of the Directors College at the Rotman School of Business. Mr. Young received his LLB (honours) from the University of Dundee and his Diploma in legal practice from Glasgow University.

John Billowits – Chief Financial Officer and Secretary

Mr. Billowits has been with CSI since 2003 when he joined as the CFO of Jonas Operating Group. Mr. Billowits is currently the Chief Financial Officer of CSI. Prior to assuming this role, he held numerous positions within CSI, including President of Jonas Club Division. Prior to joining CSI, Mr. Billowits held a number of roles with Bain & Company, Dell Computers and PriceWaterhouse. Mr. Billowits is a Chartered Accountant, holds an MBA with Distinction from the London Business School and Honours BBA with Distinction from Wilfrid Laurier University.

Mark Miller – Chief Operating Officer, CSI and Chief Executive Officer, Trapeze Operating Group

Mr. Miller has been with CSI, holding positions with us and our subsidiaries for over 14 years. Mr. Miller currently spends the majority of his time as the Chief Executive Officer of Trapeze Operating Group and Friedman Corporation, but also acts as our Chief Operating Officer. Mr. Miller received a B.Sc. in Statistics and a B.Sc. in Mathematics from McMaster University in Hamilton, Ontario. In addition, Mr. Miller has attended the Executive Marketing Program at the Ivey Business School at the University of Western Ontario. Mr. Miller is also on the Board of Directors of Emerging Information Systems Inc., a private software company headquartered in Winnipeg, Manitoba.

Dexter Salna – President, Homebuilder Operating Group

Mr. Salna has spent much of the last 13 years with CSI. Mr. Salna is currently the President of Homebuilder Operating Group. Prior to his current role, Mr. Salna held various senior executive positions with our Trapeze Operating Group since 1995. From January 2000 to March 2001, Mr. Salna took a leave of absence from Trapeze to pursue other business opportunities. Mr. Salna received a B.A.Sc. in Civil Engineering from the University of Toronto, an M.S. in Construction Management and Engineering from Stanford University and an M.B.A. from Harvard Business School.

Barry Symons – Chief Executive Officer, Jonas Operating Group

Mr. Symons joined CSI in 1997. During his tenure with CSI, Mr. Symons has held various senior financial and operational management positions within CSI and our subsidiaries. In August 2007 Mr. Symons was appointed to the role of Chief Executive Officer of our Jonas Operating Group. Prior to this appointment he was the Chief Financial Officer of CSI from 2004 to 2007. Before joining CSI, Mr. Symons was with a major international accounting firm in varying roles of increasing responsibility. Mr. Symons holds a Chartered Accountancy designation and a BBA (Honours) degree from Wilfrid Laurier University both of which were received with distinction.

Bernard Anzarouth – Vice President, Mergers & Acquisitions

Mr. Anzarouth joined CSI in 1995. He works closely with our VMS businesses to identify and pursue opportunities for platform and tuck-in acquisitions and to establish licensing or distribution arrangements. Before joining CSI, Mr. Anzarouth was AVP Business Development for Ascom Inc., a Swiss-based technology corporation from 1993 to 1994. Prior to that Mr. Anzarouth held various positions with IBM. Mr. Anzarouth holds a B.Eng. in Electrical/Computer Engineering from McGill University and an MBA from the European Institute of Business Administration (INSEAD).

Jeff Bender – Chief Executive Officer, Harris Operating Group

Mr. Bender joined CSI in 1999. Before his appointment as Chief Executive Officer of Harris Operating Group, he held various senior management positions with that operating group, including Director of Finance, Chief Financial Officer and Chief Operating Officer. Prior to joining Harris, Mr. Bender spent seven years at Deloitte & Touche in their technology business practice. He earned his Bachelor of Commerce degree at Carleton University and is a member of the Ontario Institute of Chartered Accountants.

Michael Byrne — Chief Executive Officer, Emphasys Operating Group

Mr. Byrne joined Emphasys in March 2002 as VP of Operations and was appointed Chief Executive Officer in August 2003. Before coming to Emphasys, Mr. Byrne was a director at our Trapeze Operating Group, where he was in charge of product management and professional services. Mr. Byrne has a Bachelor of Commerce degree from McMaster University.

Committees of the Board of Directors

The Board of Directors has an audit committee and a compensation, nominating and human resources committee.

Audit Committee

The audit committee assists the Board of Directors in fulfilling its responsibilities for oversight and supervision of financial and accounting matters. The committee supervises the adequacy of internal accounting controls and financial reporting practices and procedures and the quality and integrity of audited and unaudited financial statements, which includes discussions with external auditors. The committee monitors the management of risk throughout our organization.

Audit Committee Charter

Our audit committee operates under a written charter that sets out its responsibilities and composition requirements. A copy of this charter is attached as Appendix “A” to this Annual Information Form.

Relevant Education and Experience

All members of the audit committee meet the independence criteria set out in *Multilateral Instrument 52-110 – Audit Committees* (“MI 52-110”). The following sets out the relevant education and experience of each director relevant to the performance of his duties as a member of the audit committee:

Mr. Aune is a Chartered Accountant and has been a director and audit committee member of several public and private companies.

Mr. Mazan holds an MBA from the Ivey Business School, University of Western Ontario and has 16 years of experience in private equity, investment banking and consulting.

Mr. Young is a Managing Director of OMERS Private Equity, and sits on the boards of several portfolio companies owned by the OMERS Administration Corporation.

Based on the above information provided by each director, we believe that all members of the audit committee are “financially literate” as that term is defined in MI 52-110.

Pre-Approval Policies and Procedures

The audit committee reviews and approves all non-audit services performed by our auditors.

Auditor Fee Disclosure

The following table sets forth the various services provided by KPMG LLP and its affiliates to the Company during the Company's last two fiscal years, together with the fees billed or accrued during each year for such services:

Services	Fees Accrued During the Year Ended (C\$)	
	December 31, 2008	December 31, 2007
Audit Fees	370,630	617,500
Audit-Related Fees	90,000	195,000
Tax Fees	213,100	210,051
All Other Fees	-	81,438
Total	673,730	1,103,989

Audit fees relate to professional services rendered for audits of the Company's annual financial statements. Audit-related fees generally relate to the reviews of our interim consolidated financial statements for the first three quarters of the year. Tax fees relate to fees associated with tax compliance, advice and planning. All other fees generally relate to fees associated with our attempted secondary offering of Common Shares. The amounts indicated above are exclusive of disbursements and GST.

Compensation, Nominating and Human Resources Committee ("CNHR")

The CNHR committee ensures that we have a high caliber executive management team in place and a total compensation plan that is competitive, motivating and rewarding for participants. The committee also advises the Board of Directors in filling vacancies on the Board. The committee reviews and makes recommendations to the Board of Directors regarding the appointment of executive officers, and the establishment of, and any material changes to, executive compensation programs, including that of the President. This committee also reviews management succession plans and is responsible for overseeing employee compensation.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

TD Securities Inc. ("TDSI") acted as an underwriter in the Company's initial public offering of Common Shares, which closed on May 18, 2006. At that time, affiliates of TDSI were shareholders of the Company (the "Affiliate Shareholders") and were selling shareholders in the Company's initial public offering. In addition, employees or partners of the Affiliate Shareholders are directors of the Company.

LEGAL PROCEEDINGS

We and our subsidiaries are engaged in legal actions from time to time, arising in the ordinary course of business. None of these actions, individually or in the aggregate, are expected to have a material adverse effect on our consolidated financial position or results of operations.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is CIBC Mellon Trust Company at its principal transfer office in Toronto, Ontario.

INTERESTS OF EXPERTS

Names of Experts

The financial statements of the Company for the year ended December 31, 2008 have been audited by KPMG LLP.

Interests of Experts

KPMG LLP are the external auditors of the Company and have confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, where applicable, are contained in the management information circular for its most recent annual meeting of shareholders that involved the election of directors, and additional financial information is provided in the Company's comparative financial statements and management discussion and analysis for its most recently completed financial year.

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

APPENDIX A

CONSTELLATION SOFTWARE INC.

AUDIT COMMITTEE MANDATE

Responsibilities

Reporting to the Board of Directors, the Audit Committee shall be responsible for assisting in the Board of Directors' oversight of the reliability and integrity of the accounting principles and practices, financial statements and other financial reporting, and disclosure practices followed by management of the Corporation and its subsidiaries. The Audit Committee shall also have oversight responsibility for

- (i) the qualifications, independence and performance of the **independent auditors**,
- (ii) the establishment by management of an adequate system of **internal controls** and
- (iii) the preparation by management of annual **financial statements** and
- (iv) the maintenance by management of practices and processes to assure **compliance with applicable laws**.

Composition

The Committee shall be composed of not less than three Directors of the Corporation, all of whom are not officers or employees of the Corporation or any of its affiliates. Each member of the Committee shall be financially literate¹ or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

Meetings

The committee shall regularly meet four times each year; to approve the financial statements for the first three quarters as well as the annual financial statements. Special meetings of the Committee may be called by the Chairman of the Board, any member of the Committee, or by the independent auditors. The independent auditors shall receive notice of every meeting of the Committee and the independent auditors are entitled to attend and participate in such meetings. Minutes of Committee meetings shall be prepared and circulated to the Board of Directors.

Nomination of Independent Auditors

The Board of Directors, after consideration of the recommendation of the Committee, shall nominate the independent auditors for appointment by the shareholders of the Corporation in accordance with applicable law. The independent auditors are ultimately accountable to the Committee and the Board of Directors as representatives of shareholders.

Specific Oversight Duties

In carrying out its responsibilities, the Committee shall have the following specific oversight duties:

I) INDEPENDENT AUDITORS

- a) review, at least annually, the performance of the independent auditors, and annually recommend to the Board of Directors, for approval by the shareholders, the appointment of the independent auditors of the Corporation in accordance with the Act;
- b) engage in an active dialogue with the independent auditors on their independence from the

¹ "Financially literate" shall mean that the Director is able to critically read and understand a balance sheet, an income statement, a cash flow statement and the notes attached thereto.

Corporation, and where it is determined that independence no longer exists recommend that the Board of Directors take appropriate action;

- c) review and approve the terms of any annual audit engagement of the independent auditors, including the appropriateness of the proposed audit fees with respect to the engagement of the independent auditors for any audit related services;
- d) approve in advance any non-audit services to be provided by the firm of the independent auditors;
- e) review and approve annually the overall scope of the independent auditors' annual audit program;

II) INTERNAL CONTROLS

- f) periodically review the status and findings of the independent auditors' audit program and the adequacy of internal controls established by management and, where appropriate, make recommendations or reports thereon to the Board of Directors;
- g) understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses;
- h) annually, and at any time in response to a specific request by management or the independent auditors, meet separately with the relevant parties with respect to such matters as the effectiveness of the system of internal controls established by management, the adequacy of the financial reporting process, the quality and integrity of the financial statements, the evaluation of the performance of the independent auditor and any other matter that may be appropriate;

III) FINANCIAL STATEMENTS

- i) review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- j) review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles;
- k) review significant changes in the accounting principles to be observed in the preparation of the accounts of the Corporation and its subsidiaries, or in their application, and in financial statement presentation;
- l) review and, following discussion with the independent auditors (following their review of the financial statements) and management, recommend to the Board of Directors, approval of audited annual consolidated financial statements of the Corporation;

IV) COMPLIANCE WITH APPLICABLE LAWS

- m) review and monitor practices and procedures adopted by management to assure compliance with applicable laws, and, where appropriate, make recommendations or reports thereon to the

Board of Directors;

Specific Issue Examinations

In discharging its duties and responsibilities, the Committee may direct that the independent auditors examine or consider a specific matter or area and report to the Committee on the findings of such examination. The Committee may direct the independent auditors or other party to perform supplemental reviews or audits as the Committee deems desirable.

Authority

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Retain outside counsel, accountants or others to advise the committee or assist in the conduct of an investigation
- Seek any information it requires from employees – all of whom are directed to cooperate with the committee’s request – or external parties
- Meet with company officers, external auditors or outside counsel as necessary

Mandate Review

The Committee shall review and assess the adequacy of the Committee mandate annually, and recommend any proposed changes to the Board of Directors for approval.

Limitation of Responsibilities

While the Committee has the responsibilities and powers set forth in this mandate, it is not the duty of the Committee to plan or conduct audits, to determine that the Corporation’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles, or to design or implement an effective system of internal controls. Such matters are the responsibility of management and the independent auditors, as the case may be. Nor is it the duty of the Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditors or to assure compliance with applicable accounting standards, laws and regulations.