CONSTELLATION SOFTWARE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

The following discussion and analysis should be read in conjunction with the unaudited consolidated interim financial statements for the three and nine month periods ended September 30, 2009 and the accompanying notes, and with our consolidated annual financial statements and our annual MD&A for the year ended December 31, 2008. Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "Forward-Looking Statements" and "Risks and Uncertainties".

Unless otherwise indicated, all dollar amounts are expressed in U.S. dollars. All references to "$" are to U.S. dollars and all references to "C$" are to Canadian dollars.

Additional information about the Company, including our most recently filed Annual Information Form ('AIF'), is available on SEDAR at www.sedar.com.

Forward Looking Statements

Certain statements in this report may contain "forward looking" statements that involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Words such as "may", "will", "expect", "believe", "plan", "intend", "should", "anticipate" and other similar terminology are intended to identify forward looking statements. These statements reflect current assumptions and expectations regarding future events and operating performance and speak only as of the date of this MD&A, November 3, 2009. 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 vary significantly from the results discussed in the forward looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties". Although the forward looking statements contained in this MD&A 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 MD&A and the Company assumes no obligation, except as required by law, to update any forward looking statements to reflect new events or circumstances. This report should be viewed in conjunction with the Company's other publicly available filings, copies of which can be obtained electronically on SEDAR at www.sedar.com.

Non-GAAP Measures

This MD&A includes certain measures which have not been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") such as Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income and Adjusted Net Income margin.

The term ''Adjusted EBITDA'' refers to net income before deducting interest, taxes, depreciation, and amortization, and before including gain (loss) on sale of short-term investments, marketable securities, other assets, and foreign exchange. The Company believes that Adjusted EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and the other items listed above. ''Adjusted EBITDA margin'' refers to the percentage that Adjusted EBITDA for any period represents as a portion of total revenue for that period.

‘‘Adjusted Net Income’’ means net income plus amortization of intangible assets and future income taxes. The Company believes that Adjusted Net Income is useful supplemental information as it provides an indication of the results generated by the Company’s main business activities prior to taking into consideration amortization of intangibles and future income taxes as these are non-cash expenses that do not necessarily reflect the decrease in economic value of acquisitions. The majority of future income taxes relate to the amortization of intangible assets, and thus are being added back to more closely match the non-cash future tax recovery with the amortization of intangibles. ‘‘Adjusted Net Income margin’’ refers to the percentage that Adjusted Net Income for any period represents as a portion of total revenue for that period.

Adjusted EBITDA and Adjusted Net Income are not recognized measures under GAAP and, accordingly, shareholders are cautioned that Adjusted EBITDA and Adjusted Net Income should not be construed as alternatives to net income determined in accordance with GAAP as an indicator of the financial performance of the Company. The Company’s method of calculating Adjusted EBITDA and Adjusted Net Income may differ from other issuers and, accordingly, Adjusted EBITDA and Adjusted Net Income may not be comparable to similar measures presented by other issuers. See ‘‘Results of Operations —Adjusted EBITDA’’ and ‘‘— Adjusted Net Income’’ for a reconciliation of Adjusted EBITDA and Adjusted Net Income to net income.

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 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 during the past several years.

Our revenue consists primarily of software license fees, maintenance fees, and professional service fees. Software license revenue is comprised of license fees charged for the use of our software products generally licensed under single-year, multiple-year or perpetual arrangements in which the fair value of maintenance and/or professional service fees are determinable. Maintenance revenue primarily consists of fees charged for customer support on our software products post-delivery. Maintenance fee arrangements generally include ongoing customer support and rights to certain product updates “if and when available” and products sold on a subscription basis. Professional service revenue consists of fees charged for product training, consulting and implementation services. Our customers typically purchase a combination of software, maintenance and professional services, although the types, mix and quantity of each varies by customer and by product.

Cost of revenue consists primarily of the costs directly related to revenues including third party costs and internal costs related to the delivery of professional services and maintenance. Cost of revenue is generally expected to increase in the future as a result of increases in revenue.

Research and development expenses include personnel and related costs associated with our research and development efforts.

Sales and marketing expenses consist primarily of personnel and related costs associated with our sales and marketing functions, including advertising, commissions, trade shows and other promotional materials.

General and administration expenses include personnel and related costs associated with the administration of our business, rental of office space, legal and professional fees and insurance.

Results of Operations

(In thousands of dollars, except percentages and per share amounts)

	Three months ended Sep. 30, 2009	Three months ended Sep. 30, 2008	Period-Over-Period Change $	Period-Over-Period Change %	Nine months ended Sep. 30, 2009	Nine months ended Sep. 30, 2008	Period-Over-Period Change $	Period-Over-Period Change %
Revenue	**107,279**	**80,790**	**26,489**	**33%**	**306,046**	**232,135**	**73,911**	**32%**
Cost of Revenue	40,115	29,722	10,393	35%	112,934	86,974	25,960	30%
Gross Profit	67,164	51,068	16,096	32%	193,112	145,161	47,951	33%
Expenses								
Research and development	16,478	11,856	4,622	39%	46,460	34,813	11,647	33%
Sales and marketing	10,714	8,930	1,784	20%	31,494	26,812	4,682	17%
General and administration	16,968	14,539	2,429	17%	49,260	41,389	7,871	19%
Total Expenses (pre amortization)	44,160	35,325	8,835	25%	127,214	103,014	24,200	23%
Adjusted EBITDA	**23,004**	**15,743**	**7,261**	**46%**	**65,898**	**42,147**	**23,751**	**56%**
Depreciation	1,067	883	184	21%	2,706	2,509	197	8%
Total Expenses	45,227	36,208	9,019	25%	129,920	105,523	24,397	23%
Income before the undernoted	**21,937**	**14,860**	**7,077**	**48%**	**63,192**	**39,638**	**23,554**	**59%**
Amortization of intangible assets	15,583	9,709	5,874	61%	44,271	27,006	17,265	64%
Other expenses	0	0	0	NA	1,474	0	1,474	NA
Loss (gain) on sale of short-term investments, marketable securities and other assets	0	15	(15)	-100%	(33)	(9)	(24)	267%
Loss on held for trading investments related to mark to market adjustments	0	134	(134)	-100%	0	134	(134)	-100%
Interest expense	542	120	422	352%	1,908	517	1,391	269%
Foreign exchange (gain) loss	2,022	176	1,846	1049%	624	(487)	1,111	NA
Income before income taxes	3,790	4,706	(916)	-19%	14,948	12,477	2,471	20%
Income taxes (recovery)								
Current	4,806	2,083	2,723	131%	11,463	4,035	7,428	184%
Future	(3,722)	(670)	(3,052)	456%	(6,749)	(2,582)	(4,167)	161%
	1,084	1,413	(329)	-23%	4,714	1,453	3,261	224%
Net income	**2,706**	**3,293**	**(587)**	**-18%**	**10,234**	**11,024**	**(790)**	**-7%**
Adjusted net income	**14,567**	**12,332**	**2,235**	**18%**	**47,756**	**35,448**	**12,308**	**35%**
Weighted avg # of shares outstanding (000's)								
Basic	21,171	21,153			21,163	21,130		
Diluted	21,192	21,192			21,192	21,192		
Net income per share								
Basic	$ 0.13	$ 0.16	$ (0.03)	-19%	$ 0.48	$ 0.52	$ (0.04)	-8%
Diluted	$ 0.13	$ 0.16	$ (0.03)	-19%	$ 0.48	$ 0.52	$ (0.04)	-8%
Adjusted EBITDA per share								
Basic	$ 1.09	$ 0.74	$ 0.35	47%	$ 3.11	$ 1.99	$ 1.12	56%
Diluted	$ 1.09	$ 0.74	$ 0.35	47%	$ 3.11	$ 1.99	$ 1.12	56%
Adjusted net income per share								
Basic	$ 0.69	$ 0.58	$ 0.11	19%	$ 2.26	$ 1.68	$ 0.58	35%
Diluted	$ 0.69	$ 0.58	$ 0.11	19%	$ 2.25	$ 1.67	$ 0.58	35%

Comparison of the third quarter and nine months ended September 30, 2009 and 2008

Revenue:

Total revenue for the quarter ended September 30, 2009 was $107 million, an increase of 33%, or $26 million, compared to $81 million for the comparable period in 2008. For the first nine months of 2009 total revenues were $306 million, an increase of 32%, or $74 million, compared to $232 million for the comparable period in 2008. The increase for both the third quarter and nine month periods compared to the same periods in the prior year, was entirely attributable to growth from acquisitions, as organic growth from our existing businesses was 0% for the third quarter and declined by 2% for the first nine months.

Software license revenue for the quarter ended September 30, 2009 was $10 million, an increase of 15%, or $1 million compared to $9 million for the comparable period in 2008. During the nine months ended September 30, 2009, license revenue increased by 12% or $3 million to $30 million, from $27 million for the same period in 2008. Professional services and other services revenue for the quarter ended September 30, 2009 increased by 25%, or $5 million to $25 million, from $20 million for the same period in 2008. During the nine months ended September 30, 2009, professional services and other services revenue increased by 38% or $21 million to $75 million, from $54 million for the same period in 2008. Hardware and other revenue for the quarter ended September 30, 2009 increased by 127%, or $5 million to $9 million from $4 million for the same period in 2008. During the nine months ended September 30, 2009, hardware and other revenue increased by 66% or $9 million to $23 million, from $14 million for the same period in 2008. Maintenance revenues for the quarter ended September 30, 2009 increased by 31%, or $15 million to $63 million, from $48 million for the same period in 2008. During the nine months ended September 30, 2009, maintenance revenue increased by 30% or $41 million to $178 million, from $137 million for the same period in 2008. The following table displays the breakdown of our revenue according to revenue type:

	Three months ended Sep. 30,				Nine months ended Sep. 30,			
	2009	2008	2009	2008	2009	2008	2009	2008
	($000)		(% of total revenue)		($000)		(% of total revenue)	
Licenses	10,468	9,064	10%	11%	30,350	26,993	10%	12%
Professional services and other:								
Services	24,757	19,750	23%	24%	74,713	54,117	24%	23%
Hardware and other	9,184	4,045	9%	5%	22,844	13,764	7%	6%
Maintenance	62,870	47,931	59%	59%	178,139	137,261	58%	59%
	107,279	80,790	100%	100%	306,046	232,135	100%	100%

We aggregate our business into two distinct segments for financial reporting purposes: (i) the public sector segment, which includes businesses focused on government and government-related customers, and (ii) the private sector segment, which includes businesses focused on commercial customers.

The following table displays our revenue by reporting segment and the percentage change for the three and nine months ended September 30, 2009 compared to the same periods in 2008:

	Three months ended Sep. 30,		Period-Over-Period Change		Nine months ended Sep. 30,		Period-Over-Period Change	
	2009	2008	$	%	2009	2008	$	%
	($000, except percentages)				($000, except percentages)			
Public Sector								
Licenses	8,052	6,204	1,848	30%	24,195	17,595	6,600	38%
Professional services and other:								
Services	21,805	15,648	6,157	39%	65,631	42,189	23,442	56%
Hardware and other	8,117	3,108	5,009	161%	20,100	10,695	9,405	88%
Maintenance	43,131	30,399	12,732	42%	123,431	85,963	37,468	44%
	81,105	55,359	25,746	47%	233,357	156,442	76,915	49%
Private Sector								
Licenses	2,416	2,860	(444)	-16%	6,155	9,399	(3,244)	-35%
Professional services and other:								
Services	2,952	4,102	(1,150)	-28%	9,082	11,928	(2,846)	-24%
Hardware and other	1,066	937	129	14%	2,745	3,069	(324)	-11%
Maintenance	19,740	17,532	2,208	13%	54,707	51,297	3,410	7%
	26,174	25,431	743	3%	72,689	75,693	(3,004)	-4%

Public Sector

For the quarter ended September 30, 2009, total revenue in the public sector segment increased 47%, or $26 million, to $81 million, compared to $55 million for the quarter ended September 30, 2008. For the nine months ended September 30, 2009, total revenue increased by 49% or $77 million, to $233 million, compared to $156 million for the comparable period in 2008. The increases for both the three and nine month periods were significant across all revenue types. Revenue growth from acquired businesses was significant for both the three and nine month periods as we completed sixteen acquisitions since the beginning of 2008 in our public sector segment. It is estimated that acquisitions completed since the beginning of 2008 contributed approximately $23 million to our Q3 2009 revenues and $73 million to our revenues in the nine months ended September 30, 2009. In calculating our organic growth, we assume that the companies we've acquired continue, during the 12 months following their acquisition, to achieve revenues at a level consistent with the revenues they achieved during the 12 months preceding their acquisition by Constellation. Actual revenues achieved by each company acquired could be higher or lower than the amounts estimated, however Constellation believes that this method of calculating organic growth provides a reasonable estimate of actual organic growth achieved. Revenues increased organically by $4 million in Q3 2009 and $6 million in the nine months ended September 30, 2009 compared to the same periods in 2008. The organic revenue increase was primarily driven by the following:

- **Trapeze operating group** (increase of approximately $1.8 million for Q3 and $1.9 million for the first nine months). For both the quarter and the first nine months, Trapeze experienced an organic increase in maintenance revenues primarily due to continued strong bookings in their North American transit business.

- **Harris operating group** (increase of approximately $2.4 million for Q3 and $3.2 million for the first nine months). Harris had strong sales both to existing clients and to new customers as well as a strong increase in maintenance revenues from completed implementations.

Private Sector

For the quarter ended September 30, 2009, total revenue in the private sector segment increased 3%, or $1 million, to $26 million, compared to $25 million for the quarter ended September 30, 2008. For the nine months ended September 30, 2009 total revenue decreased by 4% or $3 million, to $73 million, compared to $76 million for the comparable period in 2008. Revenue growth from acquired businesses was significant for both the three and nine month periods as we completed fifteen acquisitions since the beginning of 2008 in our private sector segment. It is estimated that acquisitions completed since the beginning of 2008 contributed approximately $4 million to our Q3 2009 revenues and $8 million to our revenues in the nine months ended September 30, 2009. Revenues decreased organically by $4 million in Q3 2009 and $11 million in the nine months ended September 30, 2009 compared to the same periods in 2008. The organic revenue decline was primarily driven by the following:

- **Homebuilder and Friedman operating groups** (decrease of approximately $2.6 million for Q3 and $8.7 million for the first nine months). These operating groups continued to feel the effects of the housing slowdown in the U.S. The decline was apparent across all revenue streams as many of our existing and prospective clients have delayed purchasing decisions. Our Homebuilding and Friedman operating groups are significantly affected by decreasing demand for new housing and building products. These groups continue to see decreased demand for their products and services and we are uncertain when demand will stop decreasing given the weakness in the underlying industries that they serve.

- **Jonas operating group** (decrease of approximately $0.9 million for Q3 and $2.2 million for the first nine months). Jonas experienced decreased demand in their construction, club and food services verticals. The decline was apparent in licenses and services as many existing and prospective clients delayed purchasing decisions.

Gross Profit by Source:

The following table displays the breakdown of our gross profit by revenue source and as a percentage of total revenue:

	Three months ended Sep. 30,				Nine months ended Sep. 30,			
	2009	2008	2009	2008	2009	2008	2009	2008
			($000)				($000)	
Gross profit licenses	91%	91%	9,538	8,243	92%	91%	27,894	24,493
Gross profit services & maintenance	63%	62%	55,265	42,083	63%	62%	159,832	117,745
Gross profit hardware & other	26%	18%	2,361	742	24%	21%	5,387	2,923
Gross profit on total revenue	63%	63%	67,164	51,068	63%	63%	193,113	145,161

Gross profit increased for the quarter ended September 30, 2009 to $67 million, or 63% of total revenue, from $51 million, or 63% of total revenue, for the quarter ended September 30, 2008. The increase in gross margin dollars is attributable to the overall increase in total revenue. For the first nine months of 2009, our gross profit increased to $193 million or 63% of total revenue, from $145 million or 63% of total revenue for the comparable period in 2008. The increase in gross margin dollars is attributable to the overall increase in total revenue. Our licenses, services and maintenance revenue margins experienced minimal change vs. 2008 in both the three and nine month periods. Hardware and other revenue margins can fluctuate significantly, given the relatively small size of this category and its diverse product mix.

Operating Expenses:

The following table displays the breakdown of our operating expenses by category:

	Three months ended Sep. 30,		Period-Over-Period Change		Nine months ended Sep. 30,		Period-Over-Period Change	
	2009	2008	$	%	2009	2008	$	%
	($000, except percentages)				($000, except percentages)			
Research and development	16,478	11,856	4,622	39%	46,460	34,813	11,647	33%
Sales and marketing	10,714	8,930	1,784	20%	31,494	26,812	4,682	17%
General and administration	16,968	14,539	2,429	17%	49,260	41,389	7,871	19%
Depreciation	1,067	883	184	21%	2,706	2,509	197	8%
	45,227	36,208	9,019	25%	129,920	105,523	24,397	23%

Overall operating expenses for the quarter ended September 30, 2009 increased 25%, or $9 million, to $45 million, compared to $36 million during the same period in 2008. As a percentage of total revenue, operating expenses decreased from 45% in the quarter ended September 30, 2008 to 42% in the quarter ended September 30, 2009. During the nine months ended September 30, 2009, operating expenses increased 23%, or $24 million, to $130 million, compared to $106 million during the same period in 2008. As a percentage of total revenue, operating expenses decreased from 45% in the nine months ended September 30, 2008 to 42% in the nine months ended September 30, 2009. The growth in expenses for the three and nine month periods is primarily due to the growth in the number of employees offset by the depreciation of the Canadian dollar versus the U.S. dollar. Our average employee headcount associated with operating expenses grew 29% from 939 in the quarter ended September 30, 2008 to 1,213 in the quarter ended September 30, 2009 primarily due to acquisitions. During the nine months ended September 30, 2009, headcount associated with operating expenses was up 27% to an average headcount of 1,160 compared to an average of 910 during the same period in 2008. Deterioration of the Canadian dollar vs. the U.S. dollar has a significant positive impact on operating expenses as a disproportionate amount of our total expenses, including costs of goods sold, are originated in Canadian dollars (See "Foreign Currency Exposure" below). The average exchange rate for the Canadian dollar changed significantly in the periods being measured, as evidenced by a 5% decrease in Q3 2009 vs. Q3 2008 and a 13% decrease for the comparable nine month periods.

Research and development – Research and development expenses increased 39%, or $5 million, to $17 million for the quarter ended September 30, 2009 compared to $12 million for the same period in 2008. During the nine months ended September 30, 2009, research and development expense increased 33%, or $12 million, to $47 million, compared to $35 million over the same period in 2008. As a percentage of total revenue, research and development expense remained consistent at 15% for both the three and nine month periods ended September 30, 2009 compared to the same periods in 2008. The increase in expenses as a dollar amount for the three and nine month periods is largely attributable to our growth in headcount from both acquisitions and internal hiring. For Q3 2009, we averaged 688 staff compared to 517 in the same period in 2008, representing a 33% increase in headcount. For the nine months ending September 30, 2009, we averaged 665 staff compared to 506 in the same period in 2008, representing a 31% increase in headcount.

We currently do not have any capitalized software development costs. All of our software development costs are expensed as incurred.

Sales and marketing – Sales and marketing expenses increased 20%, or $2 million to $11 million, in the quarter ended September 30, 2009 compared to $9 million for the same period in 2008. As a percentage of total revenue, sales and marketing expenses decreased to 10% in the quarter ended September 30, 2009 from 11% for the same period in 2008. During the nine months ended September 30, 2009, sales and marketing expense increased 17%, or $5 million, to $32 million, compared to $27 million over the same period in 2008. As a percentage of total revenue, sales and marketing decreased to 10% from 12% in the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008. The increase in expenses as a dollar amount during the quarter is largely attributable to our growth in headcount from both acquisitions and internal hiring. For Q3 2009, we averaged 272 staff compared to 212 in the same period in 2008, representing a 28% increase in headcount. For the nine months ending September 30, 2009, we averaged 259 staff compared to 209 in the same period in 2008, representing a 24% increase in headcount.

General and administration – General and administration ("G&A") expenses increased 17%, or $2 million, to $17 million in the quarter ended September 30, 2009 from $15 million for the same period in 2008. As a percentage of total revenue, G&A expenses decreased to 16% in Q3 2009 from 18% in Q3 2008. During the nine months ended September 30, 2009, G&A expense increased 19%, or $8 million, to $49 million, compared to $41 million during the same period in 2008. As a percentage of total revenue, G&A decreased to 16% from 18% in the nine months ended September 30, 2009 compared to the nine months ended September 30, 2008. The increase in expenses as a dollar amount during the quarter is largely attributable to our growth in headcount from both acquisitions and internal hiring. For Q3 2009, we averaged 253 staff compared to 210 in the same period in 2008, representing a 20% increase in headcount. For the nine months ending September 30, 2009, we averaged 237 staff compared to 195 in the same period in 2008, representing a 22% increase in headcount. The decrease in G&A expense as a percentage of revenue for both the three and nine month periods ended September 30 2009 compared to the same periods in 2008 is largely due to the positive impact of the deterioration of the Canadian dollar and due to lower bonuses as a percent of revenue in both the three and nine month periods ended September 30 2009.

Depreciation of property and equipment – Depreciation of property and equipment for the quarter and nine months ended September 30, 2009 did not change materially from the comparable periods in 2008.

Non-Operating Expenses:

The following table displays the breakdown of our non-operating expenses by category:

	Three months ended Sep. 30,		Period-Over-Period Change		Nine months ended Sep. 30,		Period-Over-Period Change	
	2009	2008	$	%	2009	2008	$	%
	($000, except percentages)				($000, except percentages)			
Amortization of intangible assets	15,583	9,709	5,874	61%	44,271	27,006	17,265	64%
Other expenses	0	0	0	NA	1,474	0	1,474	NA
Loss (gain) on sale of short term investments, marketable securities and other assets	0	15	(15)	-100%	(33)	(9)	(24)	267%
Loss on held for trading investments related to mark to market adjustments	0	134	(134)	-100%	0	134	(134)	-100%
Interest expense	542	120	422	352%	1,908	517	1,391	269%
Foreign exchange (gain) loss	2,022	176	1,846	1049%	624	(487)	1,111	-228%
Income taxes	1,084	1,413	(329)	-23%	4,714	1,453	3,261	224%
	19,231	11,567	7,664	66%	52,958	28,614	24,344	85%

Amortization of intangible assets – Amortization of intangible assets was $16 million for the quarter ended September 30, 2009 compared to $10 million for the same period in 2008, representing an increase of 61%. For the nine months ended September 30, 2009, amortization of intangibles increased 64%, to $44 million, compared to $27 million over the same period in 2008. Both the three and nine month increases are attributable to the increases in our intangible asset balance (on a cost basis) over the twelve month period ended September 30, 2009 as a result of the acquisitions that we completed during this period.

Other expense – Other expense was nil for the quarter ended September 30, 2009 compared to nil for the same period in the previous year. For the nine months ended September 30, 2009, other expense was $1.5 million compared to nil for the comparable period in 2008. The increase in other expense for the nine months ended September 30, 2009 is primarily due to a non-cash write-down of a UK sterling denominated investment. Although the investment is classified as available for sale, which requires fair value adjustments be recorded in other comprehensive income, it was determined that a holding loss relating to the depreciation of the UK sterling is other than temporary and as such a loss was recorded in the statement of operations for the decline in value of the investment relating to the depreciation of the UK sterling since the investment was made.

Interest expense – Net interest expense was $0.5 million for the quarter ended September 30, 2009 compared to $0.1 million for the same period in the previous year. For the nine months ended September 30, 2009, interest expense was $1.9 million compared to $0.5 million for the comparable period in 2008. The increase in interest expense for both periods is due to the increase in our borrowings to fund acquisitions. At the end of the third quarter of 2007, we completed an investment in VCG Inc. which generates approximately $0.1 million per quarter in interest income. Our excess cash balances (to the extent that we have excess cash) also generate interest income. These sources of interest income are offset by periodic borrowings on our line of credit to fund acquisitions. As a result, we expect interest income / expense to fluctuate significantly in the future depending upon the timing of acquisitions and the amount we borrow against our line of credit to complete them.

Foreign exchange loss (gain) – Most of our businesses are organized geographically so that many of our expenses are incurred in the same currency as our revenues, which mitigates some of our exposure to currency fluctuations. For the quarter ended September 30, 2009, our foreign exchange loss was $2.0 million compared to a loss of $0.2 million for Q3 2008. For the nine months ended September 30, 2009, our foreign exchange loss was $0.6 million versus a gain of $0.5 million during the same period in 2008. The foreign exchange loss for the three months ended September 30, 2009 is partly attributable to an increase in the closing rate for the Canadian dollar vs. the US dollar at September 30, 2009 vs. December 31, 2008. As we generally run our business with negative working capital and we had a portion of our net liabilities denominated in Canadian dollars, when we re-valued Canadian dollar net liabilities to US dollars (our functional currency) at quarter end, we recorded a foreign exchange loss. For the nine months ended September 30, 2009, the foreign exchange loss due to the revaluation of our foreign denominated liabilities was offset by a gain realized on Canadian dollar liabilities settled in Q1 2009 at an exchange rate that was favourable to the rate used to value the liabilities at December 31, 2008.

Income taxes – We operate globally and we calculate our tax provision in each of the jurisdictions in which we conduct business. Our tax rate is, therefore, affected by the realization and anticipated relative profitability of our operations in those various jurisdictions, as well as different tax rates that apply and our ability to utilize tax losses. For the quarter ended September 30, 2009, the income tax expense was $1.1 million, compared to $1.4 million for the same period in 2008. For the nine months ended September 30, 2009, the provision for income taxes was $4.7 million, compared to $1.5 million in 2008. The significant increase in the tax expense for the nine months ended September 30, 2009 compared to the same period in 2008 is mainly attributable to an increase in taxable income and due to the utilization of tax losses in certain jurisdictions in 2008 that were not available in the same periods in 2009. The decrease in tax expense for the quarter ended September 30, 2009 compared to the same period in 2008 is primarily due to future tax recovery relating to timing differences between accounting and taxable income.

Net Income:

Net income for the quarter ended September 30, 2009 was $2.7 million compared to net income of $3.3 million for the same period in 2008. On a per share basis this translated into a net income per diluted share of $0.13 in Q3 2009 vs. a net income per diluted share of $0.16 in Q3 2008. For the first nine months of 2009, net income was $10.2 million or $0.48 per diluted share compared to $11 million or $0.52 per diluted share in the first nine months of 2008. Net income in Q3 2009 was positively impacted by the growth in our Adjusted EBITDA offset by increases in amortization of intangibles, interest expense, and foreign exchange loss offset by a decrease in income tax expense. Net income for the first nine months of 2009 was positively impacted by the growth in our Adjusted EBITDA offset by increases in amortization of intangibles, other expenses, interest expense, and income tax expense.

Adjusted EBITDA:

For Q3 2009, Adjusted EBITDA increased by $7 million to $23 million compared to $16 million in Q3 2008, representing an increase of 46%. Adjusted EBITDA margin was 21% in the third quarter of 2009 and was 19% in the comparable period in 2008. For the first nine months of 2009, Adjusted EBITDA increased by $24 million to $66 million compared to $42 million during the same period in 2008, representing an increase of 56%. Adjusted EBITDA margin was 22% in the first nine months of 2009, compared to 18% of total revenue for the same period in 2008. The increase in Adjusted EBITDA margin for the three and nine months ended September 30, 2009 is largely due to revenues increasing at a rate greater than total expenses. For the three months ended September 30, 2009, total headcount increased by 30% but total expenses increased by only 25% as operating expenses were favourably impacted by a lower bonus as a percent of revenue and by the depreciation of the Canadian dollar and UK sterling over the same period in 2008. For the nine months ended September 30, 2009, total headcount increased by 31% but total expenses increased by only 23% as operating expenses were favourably impacted by a lower bonus as a percent of revenue and the depreciation of the Canadian dollar and UK sterling over the same period in 2008. See "Non-GAAP Measures" for a description of Adjusted EBITDA and Adjusted EBITDA margin.

The following table reconciles Adjusted EBITDA to net income:

	Three months ended Sep. 30,		Nine months ended Sep. 30,	
	2009	2008	2009	2008
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 107,279	$ 80,790	$ 306,046	$ 232,135
Net income	2,706	3,293	10,234	11,024
Add back:				
Income taxes	1,084	1,413	4,714	1,453
Foreign exchange loss (gain)	2,022	176	624	(487)
Interest expense	542	120	1,908	517
Loss on held for trading investments related to mark to market adjustments	0	134	0	134
Loss (gain) on sale of short-term investments, marketable securities and other assets	0	15	(33)	(9)
Other expenses	0	0	1,474	0
Amortization of intangible assets	15,583	9,709	44,271	27,006
Depreciation	1,067	883	2,706	2,509
Adjusted EBITDA	23,004	15,743	65,898	42,147
Adjusted EBITDA margin	21%	19%	22%	18%

Adjusted net income:

For Q3 2009, Adjusted Net Income increased by $2.3 million to $14.6 million compared to $12.3 million in Q3 2008, representing an increase of 18%. Adjusted Net Income margin was 14% in the third quarter of 2009, compared to 15% of total revenue for the same period in 2008. For the first nine months of 2009, Adjusted net income increased by $12 million to $48 million compared to $35 million during the same period in 2008, representing an increase of 35%. Adjusted net income margin was 16% in the first nine months of 2009, compared to 15% of total revenue for the same period in 2008. See "Non-GAAP Measures" for a description of Adjusted Net Income and Adjusted Net Income margin.

The following table reconciles Adjusted net income to net income:

	Three months ended Sep. 30, 2009	Three months ended Sep. 30, 2008	Nine months ended Sep. 30, 2009	Nine months ended Sep. 30, 2008
	($000, except percentages)		($000, except percentages)	
Total revenue	$ 107,279	$ 80,790	$ 306,046	$ 232,135
Net income	2,706	3,293	10,234	11,024
Add back:				
Amortization of intangible assets	15,583	9,709	44,271	27,006
Future income taxes (recovery)	(3,722)	(670)	(6,749)	(2,582)
Adjusted net income	14,567	12,332	47,756	35,448
Adjusted net income margin	14%	15%	16%	15%

Quarterly Results

	Quarter Ended Dec. 31, 2007	Mar. 31, 2008	Jun. 30, 2008	Sep. 30, 2008	Dec. 31, 2008	Mar. 31, 2009	Jun. 30, 2009	Sep. 30 2009
	($000, except per share amounts)							
Revenue	66,068	73,603	77,742	80,790	98,397	97,252	101,515	107,279
Net Income	1,640	4,329	3,402	3,293	3,970	3,781	3,738	2,706
Net Income per share								
Basic	0.08	0.21	0.16	0.16	0.19	0.18	0.18	0.13
Diluted	0.08	0.20	0.16	0.16	0.19	0.18	0.18	0.13

We do not generally experience significant seasonality in our operating results from quarter to quarter. However, our quarterly results may fluctuate as a result of the various acquisitions which may be completed by the Company in any given quarter. We may experience variations in our net income on a quarterly basis depending upon the timing of certain one-time expenditures or gains which may include loss (gain) on the sale of short-term investments, marketable securities and other assets.

Acquisition of certain software assets and liabilities from MAXIMUS Inc.

On September 30, 2008, Constellation acquired certain assets and liabilities of MAXIMUS Inc.'s Asset, Justice, and Education businesses ('MAJES') for net cash consideration of $34 million. Previous to Q3 2009, Constellation reported total consideration of $40 million for the acquisition of MAJES. The actual consideration paid was reduced by $6 million after adjusting for claims under the representations and warranties of the agreement.

In Q3 2009, Constellation also finalized the allocation of the purchase price to the fair value of assets acquired and liabilities assumed. A reconciliation of the purchase price allocation reported as of September 30, 2008 to the final purchase price allocation can be found in the Q3 2009 interim financial statements. The company increased the amount allocated to contract liabilities by $7.2 million in Q3 2009 from Q2 2009 as a result of clarifying the amount and likelihood of certain contractual liabilities related to long-term contracts that existed at the time of acquisition.

As part of the MAJES acquisition, Constellation also assumed certain long-term contracts that contain contingent liabilities that may, but in management's opinion are unlikely to, exceed $11 million in the aggregate. The company decreased the amount of contingent liabilities from $16 million as reported in Q2 2009 to $11 million in Q3 2009 due to revised estimates of the unrecorded liabilities relating to these contracts. As the likelihood of loss is not determinable, these amounts have not been recorded in the interim financial statements.

The table below provides certain supplemental income statement and cash flow information regarding MAJES for the three and nine months ended September 30, 2009. MAJES is not considered a reportable operating segment of Constellation, however, management has chosen to provide certain supplemental financial information to provide greater clarity into the operating performance and cash flow from operations of MAJES. Management believes cash flow from operations is useful supplemental information about the performance of the underlying business as certain purchase price adjustments and contract accounting under GAAP may result in reported earnings that differ materially from cash flow from operations. Certain contracts acquired as part of the MAJES business are being accounted for using the completed contract method of accounting. As a result, the revenue and costs on these contracts will not be reflected in the statement of operations until such contracts are complete. In the interim, the impact on cash flow will be reflected in the statement of cash flow from operating activities.

Statement of Operations
For the three and nine months ended September 30, 2009

(Unaudited)	For the 3 months ended September 30, 2009 Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated	For the 9 months ended September 30, 2009 Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Revenue	$ 88,674	$18,605	$ 107,279	$ 249,886	$56,160	$ 306,046
Cost of revenue	33,338	6,777	40,115	91,962	20,972	112,934
Gross Profit	55,336	11,828	67,164	157,924	35,188	193,112
Total Expenses (pre amortization)	37,416	6,744	44,160	107,381	19,833	127,214
Adjusted EBITDA	17,920	5,084	23,004	50,543	15,355	65,898
EBITDA as % Total Revenue	20%	27%	21%	20%	27%	22%
Depreciation	912	155	1,067	2,446	260	2,706
Income before the undernoted	17,008	4,929	21,937	48,097	15,095	63,192
Amortization of intangible assets	12,956	2,627	15,583	37,195	7,076	44,271
Other expenses (income)	1,895	669	2,564	3,319	654	3,973
Income before income taxes	2,157	1,633	3,790	7,583	7,365	14,948
Income taxes	861	223	1,084	2,298	2,416	4,714
Net Income	$ 1,296	$ 1,410	$ 2,706	$ 5,285	$ 4,949	$ 10,234

Cash flow from operating activities
For the three and nine months ended September 30, 2009

(Unaudited)	For the 3 months ended September 30, 2009 Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated	For the 9 months ended September 30, 2009 Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Cash flows from operating activities:						
Net income	$ 1,296	$ 1,410	$ 2,706	$ 5,285	$ 4,949	$ 10,234
Adjustments to reconcile net income to net cash flows from operations:						
Depreciation	912	155	1,067	2,446	260	2,706
Amortization of intangible assets	12,956	2,627	15,583	37,195	7,076	44,271
Future income taxes	(1,587)	(2,135)	(3,722)	(4,569)	(2,180)	(6,749)
Other non-cash items	1,435	645	2,080	1,007	645	1,652
Change in non-cash operating working capital	8,223	3,695	11,918	(9,589)	5,046	(4,543)
Cash flows from operating activities	$ 23,235	$ 6,397	$ 29,632	$ 31,775	$15,796	$ 47,571

Adjusted EBITDA to net income reconciliation

For the three and nine months ended September 30, 2009

(Unaudited)	For the 3 months ended September 30, 2009 Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated	For the 9 months ended September 30, 2009 Constellation Software Inc. (excluding MAJES)	MAJES	Consolidated
Total revenue	$ 88,674	$18,605	$ 107,279	$ 249,886	$56,160	$ 306,046
Net income	1,296	1,410	2,706	5,285	4,949	10,234
Add back:						
Income tax expense	861	223	1,084	2,298	2,416	4,714
Other expenses	1,895	669	2,564	3,319	654	3,973
Amortization of intangible assets	12,956	2,627	15,583	37,195	7,076	44,271
Depreciation	912	155	1,067	2,446	260	2,706
Adjusted EBITDA	17,920	5,084	23,004	50,543	15,355	65,898
Adjusted EBITDA margin	20%	27%	21%	20%	27%	22%

Liquidity

Our cash position (net of borrowings on our line of credit) at September 30, 2009 decreased to negative $37 million, from negative $30 million at December 31, 2008. Borrowings on our line of credit decreased by $6 million offset by a decrease in cash of $13 million.

Total assets increased $28 million, from $386 million at December 31, 2008 to $414 million at September 30, 2009. The majority of the increase can be explained by increases in: a) intangible assets and goodwill of $12 million due to acquisitions, b) short term investments and marketable securities of $6 million due to an increase in the market value of investments and due to further investments made during the period, c) accounts receivable and work in progress of $9 million due to an increase in revenue and projects in process, and d) future income taxes of $8 million. These increases were offset by a decrease in cash of $13 million.

Current liabilities were $253 million at both December 31, 2008 and September 30, 2009. There were decreases in a) bank indebtedness of $6 million b) accounts payable and accrued liabilities of $5 million primarily due to the payment of 2008 employee bonuses in Q1 2009 and c) acquisition holdback payments of $6 million primarily due to finalizing the holdback associated with acquisition of the MAJES businesses. These decreases were offset by an increase in deferred revenue of $16 million, due to the growth in our business and due to acquisitions.

Net Changes in Cash Flow	**Nine months ended September 30, 2009** (in millions of $)
Net cash provided by operating activities	$48
Net cash used by financing activities	(11)
Net cash used in investing activities	(51)
Effect of currency translation	1
Net decrease in cash and cash equivalents	($13)

The net cash flow from operating activities was $48 million for the nine months ended September 30, 2009. The $48 million provided by operating activities resulted from $10 million in net income, plus adjustments for $43 million of non-cash expenses included in net income, offset by $5 million of cash used by changes in our non-cash operating working capital.

The net cash used in financing activities in the nine months ended September 30, 2009 was $11 million. The cash was used to reduce our borrowings on our line of credit by $6 million and to pay a dividend of $0.216 per share (cash usage of $5 million).

The net cash used in investing activities in the nine months ended September 30, 2009 was $51 million. The cash used in investing activities was primarily due to acquisitions for an aggregate of $46 million (including payments for holdbacks relating to prior acquisitions).

We believe we have more than sufficient cash and cash equivalents to continue to operate for the foreseeable future. Generally our VMS businesses operate with negative working capital as a result of the collection of maintenance payments and other revenues in advance of the performance of the related services. As such, management anticipates that it can continue to grow the business organically without any additional funding. If we continue to acquire VMS businesses we may need additional external funding depending upon the size and timing of the acquisitions.

Capital Resources and Commitments

Effective October 2, 2009, we increased our credit facility from $130 million to $160 million. The credit facility is collateralized by substantially all of our assets including the assets of the majority of our material Canadian and U.S. subsidiaries. Certain other subsidiaries also guarantee this facility. The facility is available for acquisitions, working capital needs, and other general corporate purposes and for the needs of our subsidiaries. As of September 30, 2009, we had drawn $54 million on this facility and issued letters of credit for $1 million which limits our borrowing capacity dollar for dollar.

Commitments include operating leases for office equipment and facilities, letters of credit, bank guarantees, and performance bonds issued on our behalf by financial institutions in connection with facility leases and contracts with public sector customers. Also, occasionally we structure some of our acquisitions with “earn out” payments based on the future performance of the acquired business. Aside from the aforementioned, we do not have any other business arrangements, derivative financial instruments, or any equity interests in unconsolidated companies (aside from our shareholdings in publicly traded companies included in our short term investments and our investment in VCG Inc.) that would have a significant effect on our assets and liabilities as at September 30, 2009.

Foreign Currency Exposure

We operate internationally and have foreign currency risks related to our revenue, operating expenses, assets and liabilities denominated in currencies other than the U.S. dollar. Consequently, we believe movements in the foreign currencies in which we transact could significantly affect future net earnings. Currently, we do not use hedging techniques to mitigate such currency risks. 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.

The following table provides an approximate breakdown of our revenue and expenses by currency, expressed as a percentage of total revenue/expenses, as applicable, for the three and nine month periods ending September 30, 2009:

	Three Months Ended Sep. 30, 2009		Nine Months Ended Sep. 30, 2009	
Currencies	% of Revenue	% of Expenses	% of Revenue	% of Expenses
USD	82%	65%	83%	67%
CAD	9%	26%	9%	24%
GBP	6%	7%	6%	7%
Others	3%	2%	2%	2%
Total	100%	100%	100%	100%

Off-Balance Sheet Arrangements

As a general practice, we have not entered into off-balance sheet financing arrangements. Except for operating leases, bank guarantees, letters of credit and other low probability and/or contingent liabilities for which we cannot reasonably estimate the outcome (not accrued in accordance with Canadian GAAP), all of our commitments are reflected on our balance sheet.

Transactions with Related Parties

Aside from our Key Employee Loan Program ("KELP"), we had no material related party transactions during 2009. The outstanding balance of loans granted under the KELP as of September 30, 2009 was $0.7 million as compared to $1.1 million as of December 31, 2008.

Proposed Transactions

We seek potential acquisition targets on an ongoing basis and may complete several acquisitions in any given fiscal year.

Changes in Accounting Policies

Effective January 1, 2009, the Company adopted CICA Handbook, Section 3064 "Goodwill and Intangible Assets". Section 3064 replaces Section 3062 "Goodwill and Intangible Assets", Section 3450, "Research and Development Costs". It establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. There was no impact to the Company's financial statements as a result of adopting this new standard.

Recent Accounting Pronouncements

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board announced the adoption of International Financial Reporting Standards for publicly accountable enterprises in Canada. Effective January 1, 2011, companies must convert from Canadian GAAP to IFRS. IFRS is effective for our first quarter of 2011. We have initiated an IFRS transition project with a formal project plan and a project manager. Regular reporting is provided to our senior executive management and to our Board of Directors on the project's progress. We have completed the diagnostic phase of our project, which involved an initial assessment and scoping of the significant differences between existing Canadian GAAP and IFRS.

The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed throughout 2009. Based on the analysis of expected accounting differences conducted so far, following is a non-exhaustive list of the IFRS accounting policies that could have a potential impact on the financial statements of the Company:

First Time adoption
IFRS 1 provides guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principal of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- Optional exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet; and
- Mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, to ensure financial statements contain high-quality information that is transparent to users,
IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

Impairment
IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step test under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss). IFRS requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under Canadian GAAP. Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as part of a Cash Generating Unit ("CGU").

Recognizing and measuring goodwill or a gain from a bargain purchase
Under IFRS, negative goodwill does not result in the proportionate reduction of certain acquired assets, or the inclusion of contingent liabilities. Rather, negative goodwill is recorded in the P&L.

Provisions
Under IFRS a provision is recognized in the financial statements if it is probable. Probable is defined under IFRS as "more likely than not". This is a lower threshold than "likely" under Canadian GAAP.

Income Taxes
For integrated subsidiaries and foreign-denominated purchases of capital assets, IFRS requires a deferred tax asset/liability to be recorded based on foreign exchange movements, whereby an amount arises based on the difference between the historical rate and the current rate. Under its current structure, Constellation has a significant number of integrated subsidiaries that could be impacted by this difference.

Information systems:
The accounting processes of the Company are not heavily dependent on information systems and based on the initial scoping exercise no significant modifications to information systems are anticipated. The Company has yet to establish if historical data will have to be regenerated to comply with some of the choices to be made under IFRS 1. As the Company will perform its accounting under Canadian GAAP for fiscal 2010, the Company is currently working to determine how it will generate in parallel the accounting under IFRS during fiscal 2010. Once the extent of the adjustments needed to convert to IFRS are established, processes will be put in place effective January 2010 to generate the dual accounting.

At this time, we cannot reasonably estimate the impact of adopting IFRS on our consolidated financial statements.

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. We will consider the impact of adopting this standard on future business combinations.

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. We will consider the impact of adopting this standard on our consolidated financial statements.

In January 2009, the CICA issued Handbook Section 1602, "Noncontrolling interests in Consolidated Financial Statements'. This section specifies that noncontrolling interests be treated as a separate component of equity, not as a liability or other item outside of equity. Section 1602 is effective for periods beginning on or after January 1, 2011 and will be applied prospectively to all noncontrolling interests, including any that arose before the effective date. We will consider the impact of adopting this standard on our consolidated financial statements.

In June 2009, the CICA amended Section 3862, "Financial Instruments - Disclosures", to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. We will consider the impact of adopting this standard on our consolidated financial statements.

Share Capital

As at November 3, 2009, there were 21,191,530 total shares outstanding comprised of 17,503,530 common shares and 3,688,000 class A non-voting shares.

Outlook

Although we anticipate that our annual revenue and Adjusted EBITDA will vary from year to year, management's objective is to grow each of our annual revenue per share and Adjusted EBITDA per share at an average rate, in the five year period commencing January 1, 2006 and ending December 31, 2010, in excess of 20% per annum. While the mix of organic growth and growth from acquisitions will change from year to year, we anticipate that approximately one half to three quarters of our growth will be attributable to acquisitions over this five year period. The foregoing objectives are based on various assumptions of management, including, without limitation, that (i) there will be a sufficient number of reasonably-priced acquisitions available, and (ii) we will continue to declare modest dividends. See ''Forward-Looking Statements'' and ''Risks and Uncertainties".

Risks and Uncertainties

The risks and uncertainties affecting the Company are described in the Company's most recently filed AIF. 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 the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

Controls and Procedures

Evaluation of disclosure controls and procedures:

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At September 30, 2009, the President and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company, including its subsidiaries, was made known to them and was recorded, processed, summarized and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting:

In accordance with National Instrument 52-109 respecting certification of disclosure in issuers' interim filings, the President and Chief Financial Officer have designed or caused it to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that (i) information required to be disclosed by the Company in its quarterly filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the prescribed time periods, and (ii) material information regarding the Company is accumulated and communicated to the Company's management, including its President and Chief Financial Officer in a timely manner.

In addition, the President and Chief Financial Officer have designed or caused it to be designed under their supervision internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. The control framework the President and the Chief Financial Officer used to design the Company's ICFR is recognized by the Committee of Sponsoring Organizations of the Treadway Commission.

The President and the Chief Financial Officer have evaluated whether or not there were changes to its ICFR during the three-month period ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect the Company's ICFR. No such changes were identified through their evaluation.