



NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") For the fiscal year ended March 31, 2008

Management's Discussion and Analysis (MD&A) supplements, but does not form part of the consolidated financial statements and notes of Nightingale Informatix Corporation ("Nightingale" or the "Company") for the period.

This MD&A, prepared as of July 28, 2008, should be read in conjunction with the Company's March 31, 2008 Audited Consolidated Annual Financial Statements and Notes.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") For the Fiscal Year Ended March 31, 2008

This MD&A provides an overview of significant developments that have affected Nightingale Informatix Corporation's ("Nightingale" or "the Company") performance during the fiscal year ended March 31, 2008.

The audited consolidated financial statements referred to in this MD&A have been prepared in accordance with Canadian generally accepted accounting principles.

All figures herein are expressed in Canadian dollars unless otherwise noted.

This MD&A contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Cautionary Note Regarding Forward-Looking Statements

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Nightingale to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the speculative nature of the medical software industry, which is affected by numerous factors beyond Nightingale's control; the Company's ability to succeed in the US market, a new market for the Company; the existence of present and possible future government regulation; Nightingale's ability to successfully integrate its acquisitions and any liabilities arising as a result of such acquisitions; the significant and increasing competition that exists in the medical software industry; and the early stage of Nightingale's business. The Company is subject to the risks associated with early stage companies, including uncertainty of revenues, markets and profitability and the ability to access debt or equity financing, as necessary. Although Nightingale has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. All material assumptions used in making forward-looking statements are based on management's knowledge of current business conditions and expectations of future business conditions and trends, including their knowledge of the current sales trends, spending on healthcare and general economic conditions affecting Nightingale and the Canadian and US economies. Although Nightingale believes the assumptions used to make such statements are reasonable at this time and has attempted to identify in its continuous disclosure documents important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Certain material factors or assumptions are applied by the Company in making forward-looking statements, including without limitation, factors and assumptions regarding, acceptance of its products in the marketplace, as well as its operating cost structure and current and future trends in healthcare spending. Accordingly, readers should not place undue reliance on forward-looking statements. Nightingale does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

The Company internally measures its performance and results of initiatives through a number of measures that are not recognized under Canadian generally accepted accounting principles (GAAP) and may not be comparable to similar measures used by other companies. Measures such as EBITDA and

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Recurring and Non-Recurring Revenue are used by the Company, as it believes this information would be useful to investors to help evaluate the performance of the Company. Investors should be cautioned, however, that EBITDA and Recurring and Non-Recurring Revenue should not be construed as an alternative to total revenues or net loss as determined in accordance with GAAP (see section 6 under Non-GAAP Measures for more information).

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1. OVERVIEW

Business Description

Established in 2002, Nightingale (TSX-V: NGH) has become one of the fastest growing healthcare service and software providers in North America, with more than 13,000 healthcare practitioners on its technology platform. With 5.3 million patient records under management on its flagship Application Service Provider (ASP) Electronic Medical Record (EMR) solution, Nightingale is a recognized industry leader in Web-based clinician and community-based EMR. The Company's comprehensive suite of EMR, Electronic Health Records (EHR), integrated practice management, transcription and revenue cycle management products and services enable physicians at primary care practices, multi-physician outpatient clinics, hospitals, government and regional health organizations to automate business and clinical functions. Nightingale provides healthcare practitioners with the tools to effectively migrate from a paper-based environment to a secure digital platform, enhancing patient care, increasing revenue opportunities and optimizing operations.

Nightingale's Strategy

As an early entrant into the market with a unique EMR technology solution, Nightingale has established itself as a leading healthcare software and service provider in Canada, boasting contract wins with a key hospital, provincial and territory governments and a large-scale provincial government funding agency. Through a series of strategic acquisitions, the Company has positioned itself as an emerging player in the U.S. healthcare industry, and has already begun to build customer momentum with clients such as a 203-bed hospital, a 45-physician group practice and a regional healthcare facility in New York State. Nightingale has grown an extensive North American footprint, developed a comprehensive suite of complementary healthcare software solutions and associated services and put the team in place to take advantage of the increasing opportunities within the Canadian and U.S. healthcare market. To leverage the value Nightingale has created in the business, the Company is primarily focused on three organic growth objectives:

1. Increase the number of healthcare practitioners on the Nightingale platform

In Canada, Nightingale is targeting provincial funding initiatives and other enterprise opportunities. In the U.S., the Company continues to work to build brand equity, establish regional beachheads where there are industry catalysts, and build relationship with large buying groups to sell its suite of offerings to primary care practices, multi-physician outpatient clinics, hospitals, government and regional health organizations.

2. Leverage the broad client base to cross-sell its products:

In addition to technology, Nightingale's most valuable asset is its current client base of healthcare providers. This client base represents a material recurring revenue opportunity. The Company offers an extensive suite of healthcare service and software solutions to meet the varying needs of the 13,000 healthcare practitioners on its technology platform. Nightingale is leveraging its ability to serve as an end-to-end solution provider to further penetrate its existing customer base. As Nightingale's healthcare practitioner base is comprised of physicians, specialist and other healthcare professionals, the Company views approximately 50% of its existing 13,000 customers as addressable cross-sell opportunities.

3. Establish new revenue streams

Nightingale will work to extend the reach of its healthcare technology solutions to meet the needs of patients. Starting in fiscal 2009, Nightingale plans to launch patient-centric product and service

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offerings throughout North America. The Company will primarily focus on capitalizing on the more than 5.3 million patients whose records are already managed on the Company's ASP EMR.

Revenue Model

Nightingale's revenue model is based primarily on generating revenue from physicians and health-care providers directly or indirectly through their buying groups, such as hospitals, health-care associations and government agencies through the delivery of proprietary software and services.

Nightingale's revenue is derived from a variety of software and related service offerings. For its software solutions, Nightingale has typically charged an up-front software licence fee along with support and maintenance fees charged monthly, quarterly or annually. The Company also offers a utilization fee model which combines software license, support and maintenance fees in a single monthly fee. Implementation and training services are offered under both licensing models and are typically recognized as services are rendered. For data management and transcription services, Nightingale charges per report or per minute transcribed and for billing services, a percentage of amounts collected. For electronic transactions, Nightingale charges a flat monthly fee per provider or a per claim fee and for statements, a per statement fee. For both transcription and electronic transactions revenue is recognized as the services are provided.

Fiscal 2008 Highlights

- Completed US\$13 million acquisition of VantageMed Corporation in Q1, and in Q4, sold Therapist Helper (one of four VantageMed business units) for US\$12.3 million (US\$10.8 million net of deferred revenue and transaction costs). The performance of this division, including revenue of \$4.2 million and income of \$0.5 million, is excluded from results of continuing operations. Unless otherwise indicated, the information throughout this report is presented net of discontinued operations.
- Revenue from continuing operations for fiscal 2008 was \$18.9 million, compared to \$14.0 million in fiscal 2007. The change in the U.S. dollar negatively affected revenue for fiscal 2008 by 9%, or \$1.4 million.
- Recurring Revenue increased \$3.3 million, or 33.2%, to \$13.1 million for the year ended March 31, 2008 compared to the year ended March 31, 2007 (see definition of recurring revenue in section 6b under Non-GAAP Measures).
- Gross profit improved to 72.6% of revenues for the year ended March 31, 2008 from 68.4% for the year ended March 31, 2007.
- EBITDA for fiscal 2008 was a loss of \$3.5 million, compared to a loss of \$3.8 million, for fiscal 2007 (see definition in section 6a under Non-GAAP Measures).
- Net loss from continuing operations for fiscal 2008 was \$14.3 million, compared to a loss of \$5.7 million for fiscal 2007.
- Grew number of healthcare practitioners on technology platform to 13,000 from 5,000 in 2007
- Increased number of patient records under management on Company's ASP EMR to 5.3 million from 2.5 million in 2007.
- Secured a 15-year contract with OntarioMD to be one of three funding approved ASP EMR providers in Ontario. Subsequent to year-end, completed the OntarioMD certification process

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enabling eligible primary care physicians across Ontario to receive funding when implementing Nightingale's hosted EMR solution.

- Won a three-year US\$3.1 million revenue cycle management agreement with Baltimore, Maryland-based Harbor Hospital.
- Signed a three-year agreement with the Medical Society of the State of New York (MSSNY) to be one of three preferred ASP EMR providers for MSSNY's 30,000 members.

Q4 Financial Highlights

- The sale of Therapist Helper reduced Q4 fiscal 2008 reported revenue and net income by \$0.72 million and \$0.09 million, respectively.
- Revenue from continuing operations for Q4 fiscal 2008 was \$4.2 million, compared to \$3.4 million in Q4 fiscal 2007. The change in the U.S. dollar negatively affected Q4 revenue for fiscal 2008 by 14%, or \$0.5 million.
- Recurring Revenue for Q4 fiscal 2008 was \$3.2 million, compared to \$2.5 million in Q4 fiscal 2007 (see definition of recurring revenue in section 6b under Non-GAAP Measures).
- Gross profit for Q4 fiscal 2008 improved to 71.3% of revenues, up from 67.9% of revenues for Q4 fiscal 2007.
- EBITDA for Q4 fiscal 2008 was a loss of \$1.2 million, compared to a loss of \$1.6 million, for Q4 fiscal 2007 (see definition in section 6a under Non-GAAP Measures).
- Net loss from continuing operations for Q4 fiscal 2008 was \$7.3 million, compared to a loss of \$2.0 million for Q4 fiscal 2007.

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2. DISCUSSION OF OVERALL PERFORMANCE, RESULTS OF OPERATIONS AND FINANCIAL CONDITION*

Results of Continuing Operations	Fiscal Year Ended	Q1 Ended	Q2 Ended	Q3 Ended	Q4 Ended	Fiscal Year Ended	Q1 Ended	Q2 Ended	Q3 Ended	Q4 Ended	Fiscal Year Ended
In \$ 000's (Except per Share Amounts)	March 31, 2006	June 30, 2006	Sept 30, 2006	Dec 31, 2006	March 31, 2007	March 31, 2007	June 30, 2007	Sept 30, 2007	Dec 31, 2007	March 31, 2008	March 31, 2008
Recurring Revenue	\$679	\$2,419	\$2,524	\$2,376	\$2,509	\$9,828	\$3,213	\$3,399	\$3,229	\$3,247	\$13,088
Non-Recurring Revenue	3,513	563	943	1,778	903	4,187	1,786	2,358	713	931	5,788
Total Revenue	4,192	2,982	3,467	4,154	3,412	14,014	4,998	5,757	3,942	4,178	18,876
Gross Profit	3,587	1,739	2,486	3,046	2,317	9,589	3,750	4,318	2,660	2,979	13,706
Expenses	6,588	3,610	3,584	3,396	4,266	14,856	4,913	5,084	5,220	4,739	19,957
EBITDA Loss (non-GAAP measure)	(2,101)	(1,484)	(710)	(12)	(1,636)	(3,841)	(381)	(158)	(1,799)	(1,186)	(3,524)
Operating Loss	(3,001)	(1,871)	(1,097)	(349)	(1,949)	(5,267)	(1,162)	(766)	(2,561)	(1,761)	(6,250)
Loss from Continuing Operations	\$(3,000)	\$(2,321)	\$(1,084)	\$(352)	\$(1,956)	\$(5,713)	\$(1,914)	\$(1,602)	\$(3,431)	(7,342)	(14,289)
Loss per Common Share	\$(0.11)	\$(0.07)	\$(0.03)	\$(0.01)	\$(0.05)	\$(0.14)	\$(0.03)	\$(0.02)	\$(0.05)	\$(0.11)	\$(0.22)
Weighted Avg. Common Shares	27,651	34,552	41,818	41,945	41,926	40,120	63,345	66,914	66,914	67,460	66,228
Total Assets	\$9,522	\$18,550	\$17,825	\$18,825	\$17,531	\$17,531	\$39,469	\$38,499	\$36,201	\$23,992	\$23,992
Total Long Term Liabilities	\$1,796	\$1,826	\$1,572	\$1,585	\$2,014	\$2,014	\$11,398	\$11,831	\$12,097	\$6,948	\$6,948

*certain balances have been reclassified to conform with current year presentation

Results of Discontinued Operations	Q1 Ended	Q2 Ended	Q3 Ended	Q4 Ended	Fiscal Year Ended
In \$ 000's	June 30, 2007	Sept 30, 2007	Dec 31, 2007	March 31, 2008	March 31, 2008
Revenue	\$1,083	\$1,229	\$1,130	\$716	\$4,158
Earnings for the Period	\$127	\$174	\$107	\$92	\$501
Total Assets	\$13,442	\$13,147	\$12,838	N/A	N/A
Total Liabilities	\$1,793	\$1,557	\$1,398	N/A	N/A

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3. FISCAL 2008 RESULTS OF OPERATIONS COMPARED TO FISCAL 2007

Revenue: Fiscal 2008 revenue from continuing operations increased 34.7% to \$18.9 million from \$14.0 million for fiscal 2007. Revenue attributed to the acquired VantageMed continuing operations totaled \$6.0 million for the year ended March 31, 2008. Absent the contribution from continuing VantageMed operations, revenue for the year ended March 31, 2008 was \$12.9 million compared \$14.0 million for the year ended March 31, 2007. This represents a 7.9% decrease, which was due primarily to a reduction in transcription revenue which was partially offset by an increase in professional services revenues. The strengthening of the Canadian dollar throughout the fiscal year had a negative impact on U.S. denominated revenues.

The Company believes that a presentation of Recurring and Non-Recurring Revenue, both of which are non-GAAP measures defined below, helps investors better understand the performance of the Company.

Recurring Revenue, comprised of support and maintenance revenue, data management and transcription services, billing and financial management services and transactional fees, was \$13.1 million, or 69.3% of revenue for the year ended March 31, 2008, compared to \$9.8 million, or 70.1% of revenue for the year ended March 31, 2007. This represents a 33.2% year-over-year increase, which was primarily a result of additional support, maintenance and electronic transaction revenue that were part of the VantageMed Acquisition. Absent the VantageMed Acquisition, recurring revenues decreased \$2.1 million, or 21.1%, due primarily to the loss of a transcription customer during the year ended March 31, 2008.

Non-Recurring Revenue, comprised of revenue generated from sales of software and systems and related training, data conversion and installation services, was \$5.8 million, or 30.7% of revenue for the year ended March 31, 2008, compared to \$4.2 million, or 29.9% of revenue for year ended March 31, 2007. This represents a 38.2% year-over-year increase, which primarily reflects an increase in software and related training, data conversion and installation services revenue attributable to the VantageMed Acquisition. Excluding the VantageMed Acquisition, non-recurring revenues increased \$0.97 million or 23.2%, substantially all of which was related to an increase in professional services revenues.

Gross Profit: For fiscal 2008, gross profit was \$13.7 million, or 72.6% of revenue (gross profit margin), compared to \$9.6 million, with gross profit margin of 68.4% for fiscal 2007. Absent the VantageMed Acquisition gross profit would have improved to 72.0% of revenues from 68.4% of revenues in the prior year.

Expenses: Expenses for the year ended March 31, 2008, were \$20.0 million, or 105.7% of total revenue, compared to \$14.9 million or 106.0% of total revenue for the year ended March 31, 2007, representing a \$5.1 million, or 34.3%, increase over the previous year. The higher level of expenses is primarily due to the combination of operating expenses resulting from the acquisition of VantageMed. The Company has implemented cost reductions through a number of post acquisition integration initiatives and it will continue to focus on prudent expense management. However, it should be noted as part of its growth strategy, the Company will continue to re-deploy resources and may invest in new employees for select job functions as it expands its product offering, sales and marketing programs and delivery capabilities in support of revenue generating initiatives.. Absent the VantageMed Acquisition, expenses would have decreased \$0.65 million, or 4.3%, from 2007 to 2008. This decrease was the result of decreases across several expense categories which was partially offset by an increase in spending on client services.

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Sales and marketing expenses (excluding commission expenses which is reflected in cost of goods sold) for the year ended March 31, 2008 increased 10.7% to \$3.2 million from \$2.9 million for the year ended March 31, 2007. The year-over-year increase reflects the Company's continued investment in sales and marketing capabilities to support its growing US operations and the additional sales and marketing expenses as a result of the VantageMed Acquisition. Absent the VantageMed Acquisition, sales and marketing expenses decreased \$0.54 million or 18.8% from 2007 to 2008.

General and administration expenses for fiscal 2008 were \$3.8 million, compared to \$3.8 million for fiscal 2007. During fiscal 2008, while Nightingale's general and administration costs increased due to the VantageMed Acquisition, the Company also reduced the number of employees focused on general and administration activities. Absent the VantageMed Acquisition, general and administration expenses decreased \$0.78 million, or 20.4% from 2007 to 2008.

Research and development expenses for the year ended March 31, 2008 increased \$0.8 million, or 20.9%, to \$4.6 million from \$3.8 million for the year ended March 31, 2007. VantageMed contributed \$1.4 million of additional expense year-over-year. Excluding the VantageMed Acquisition research and development expenses decreased \$0.60 million, or 15.7% from 2007 to 2008.

Client services expenses for fiscal 2008 increased \$2.7 million, or 94.5%, to \$5.7 million from \$2.9 million for fiscal 2007. The increase was primarily the result of combining the operations of Nightingale and continuing operations of VantageMed. In fiscal 2008, costs from the VantageMed Acquisition contributed approximately \$1.6 million to client services expenses, with the balance of this increase, \$1.1 million, attributed to an increase in investment in client services by the Company.

Stock-based compensation for fiscal 2008 was \$0.5 million, compared to \$0.6 million for fiscal 2007.

Depreciation and amortization for the year ended March 31, 2008, was \$2.2 million, compared to \$0.9 million for the year ended March 31, 2007. The increases can be mostly attributed to the acquisition of VantageMed and associated amortization of the related intangible assets.

EBITDA (non-GAAP measure, see note 6a for a definition): EBITDA for fiscal 2008 was a loss of \$3.5 million, or 18.7% of revenue. This compares to a loss of \$3.8 million, or 27.4% of revenue, for fiscal 2007.

Operating Loss: Fiscal 2008 operating loss was \$6.3 million, or 33.1% of revenue, compared to \$5.3 million or 37.6% of revenue, for fiscal 2007.

Interest and Foreign Currency Loss/Gain: Interest charges for the year ended March 31, 2008 were \$3.3 million, compared to \$0.64 million for the year ended March 31, 2007. This increase over last fiscal year is largely a result of interest on subordinated debt of \$1.5 million, associated transaction costs of \$0.54 million and non-cash interest accretion of \$1.1 million, which are all related to the Debt Financing (see section 9c for a definition).

Foreign currency loss was \$0.14 million or 0.8% of revenue for fiscal 2008. This compares to foreign currency gain of \$0.19 million, or 1.40% of revenue, for fiscal 2007.

Tax Expense: Upon the sale of Helper in the fiscal 2008 fourth quarter the Company incurred tax expenses of approximately \$4.6 million comprised of the following components: a \$3.3 million non-cash income tax expense relating to the expected realization of previously unrecognized tax losses acquired

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on the acquisition of VantageMed, a \$0.9 million current tax provision and a \$0.4 million tax provision related to estimated withholding taxes payable.

Loss from Continuing Operations: Fiscal 2008 loss from continuing operations was \$14.3 million, or 75.7% of revenue. This compares to a loss of \$5.7 million, or 40.8% of revenue for fiscal 2007. The increase in loss from continuing operations can be primarily attributed to lower data management and transcription revenues, increased amortization of intangible assets associated with the acquisition of VantageMed and increased interest expenses related to our Debt Financing (see section 9c) , and the tax expense described above. Combined, these factors contributed approximately \$10 million to the Company's loss position during the fiscal year.

Earnings from Discontinued Operations: For the year ended March 31, 2008, earnings from discontinued operations, reflecting earnings related to the Helper product line from the date of the VantageMed Acquisition to the date of disposition in the fourth quarter of fiscal 2008, were \$0.50 million. These earnings were comprised of revenues of approximately \$4.2 million net of expenses of \$3.7 million.

Loss and Comprehensive Loss: Loss and comprehensive loss was \$12.8 million for fiscal 2008, compared to a loss of \$5.7 million for fiscal 2007. Included in loss and comprehensive loss are \$0.50 million related to earnings from the discontinued Helper operations and \$0.98 million from the gain on the sale of the Helper product line.

US Dollar Exchange Rate Impact: During fiscal 2008, the Company generated 69% of its revenue from the US market. With the decline in value of the US dollar relative to the Canadian dollar in fiscal 2008, the Company estimates that revenue in fiscal 2008 was negatively impacted by approximately \$1.4 million, or 9.4%, versus the same period during the previous fiscal year.

For the year ended March 2008, Nightingale incurred approximately 53% of its expenses (including cost of goods sold) in the US, providing the Company with a natural hedge position that has helped offset some of the effects of the reduction in value of the US dollar.

Going forward, the combination of the continued decrease in the value of the US dollar since the end of the second quarter of fiscal 2008 compared to the Canadian dollar is expected to have a continued adverse impact on the Company's financial results.

Comparability of Financial Results: With the completion of a full fiscal year of operations, post VantageMed Acquisition and the removal of Helper product line results from Continuing Operations, future period over period comparisons of financial results will focus on the integrated operations of Nightingale.

4. FOURTH QUARTER FISCAL 2008 RESULTS OF OPERATIONS COMPARED TO THIRD QUARTER FISCAL 2008 AND FOURTH QUARTER 2007

Revenue: For the the fourth quarter of fiscal 2008, revenue from continuing operations increased 22.5% to \$4.2 million from \$3.4 million for the fourth quarter of fiscal 2007. Revenue attributed to the acquired VantageMed continuing operations totaled \$1.5 million for the fourth quarter of fiscal 2008. Absent the contribution from continuing VantageMed operations, revenue for the fourth quarter of fiscal 2008, decreased 20.6% to \$2.7 million compared to the fourth quarter of fiscal 2007, primarily as a result of decreases in transcription revenues and professional services revenues.

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Revenue generated in the fourth quarter of fiscal 2008 increased 6.0% over \$3.9 million generated in the third quarter of fiscal 2008. This increase is primarily related to an increase in software and related training and implementation services during the fourth quarter.

Recurring Revenue, comprised of support and maintenance revenue, data management and transcription services, billing and financial management services and transactional fees, was \$3.2 million, or 77.7% of revenue, for the fourth quarter of fiscal 2008. This represents a 29.4% increase compared to \$2.5 million, or 73.5% of revenue, for the fourth quarter of fiscal 2007, primarily as a result of greater support and maintenance and electronic transactional revenue, from the VantageMed Acquisition.

Recurring Revenue for the fourth quarter of fiscal 2008 was unchanged at \$3.2 million compared to the third quarter fiscal 2008 and was 77.7% of revenue for the fourth quarter of fiscal 2008 and 81.9% for the third quarter of fiscal 2008.

Non-Recurring Revenue, comprised of revenue generated from sales of software and systems and related training, data conversion and installation services, was \$0.9 million, or 22.3% of revenue, for the fourth quarter of fiscal 2008, compared to \$0.9 million, or 26.5% of revenue, for the fourth quarter ended fiscal 2007, representing a 3.1% increase. This increase can be mostly attributed to an increase in software sales, versus the same quarter last fiscal year, which has been mostly offset by a decrease in professional services over the same periods.

Non-Recurring Revenue for the fourth quarter of fiscal 2008 was \$0.9 million, or 22.3% of revenue, which compares to \$0.7 million, or 18.1% of revenue for the third quarter of fiscal 2008. This increase in Non-Recurring Revenue is primarily related to an increase in software license revenue which was partially offset by a decrease in training and implementation services.

Gross Profit: For the fourth quarter of fiscal 2008, gross profit was \$3.0 million, or 71.3% of revenue (gross profit margin), compared to \$2.3 million, with gross profit margin of 67.9% for the same quarter last fiscal year. The increase in gross profit margin relates primarily to an increase in software sales, which inherently carry the highest margins and a decrease in the proportion of revenue generated from data management and transcription services, which carry lower margins. Gross profit for the fourth quarter of fiscal 2008 also improved over gross profit of \$2.7 million and a gross profit margin of 67.5% for the third quarter of fiscal 2008, as a result of increased higher margin software sales.

Expenses: Expenses for the fourth quarter of fiscal 2008 were \$4.7 million, or 113.4% of total revenue, an 11.1% increase compared to \$4.3 million, or 125.0% of total revenue for the fourth quarter of fiscal 2007. The higher level of expenses is primarily due to combining operations with VantageMed.

Expenses for the fourth quarter of fiscal 2008 were \$4.7 million, or 113.4% of total revenue, a 9.2% decrease compared to \$5.2 million, or 132.4% of total revenue for the third quarter of fiscal 2008. The lower level of expenses is primarily due to decreased stock compensation.

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Sales and marketing expenses for the fourth quarter of fiscal 2008, were \$0.7 million, in line with sales and marketing expenses of \$0.7 million for the fourth quarter of fiscal 2007, and a 18.9% decrease from \$0.9 million in the third quarter of fiscal 2008.

General and administration expenses for the fourth quarter of fiscal 2008 were \$1.0 million, compared to \$1.3 million for the fourth quarter of fiscal 2007, representing a \$0.3 million, or 24.1% decrease. Although the Company has added general and administration costs due to the VantageMed Acquisition, the Company has also reduced the number of employees focused on general and administration activities.

For the fourth quarter of fiscal 2008, general and administration expenses increased \$0.07 million or 7.3% over general and administration expenses of \$1.0 million for the third quarter of fiscal 2008. This increase was partially the result of an increase in professional services expenses including legal and regulatory costs.

Research and development expenses for the fourth quarter of fiscal 2008, were \$1.0 million. This compares to \$1.0 million for the fourth quarter of fiscal 2007, representing a \$0.05 million, or 4.6% increase. For the fourth quarter of fiscal 2008 research and development expenses decreased \$0.2 million from \$1.2 million for the third quarter of fiscal 2008.

Client services expenses for the fourth quarter of fiscal 2008, were \$1.4 million. This compares to \$0.9 million for the fourth quarter of fiscal 2007, representing a \$0.5 million, or 56.5% increase. The increase was primarily a result of combining the operations of Nightingale and continuing operations of VantageMed. Client services expenses for the fourth quarter of fiscal 2008 were in line with the third quarter of fiscal 2008.

Stock-based compensation for the fourth quarter of fiscal 2008, was \$0.02 million, compared to \$0.05 million for the fourth quarter of fiscal 2007.

Depreciation and amortization for the fourth quarter of fiscal 2008, was \$0.55 million, compared to \$0.26 million for the fourth quarter of fiscal 2007. Depreciation and amortization for the fourth quarter of fiscal 2008, was \$0.55 million compared to \$0.52 million for the third quarter of fiscal 2008. The higher level of amortization versus last fiscal year primarily relates to the amortization of intangibles assets purchased on the VantageMed acquisition.

During the fourth quarter of fiscal 2008 the Company finalized its allocation of the purchase price to the fair value of the assets and liabilities acquired under the VantageMed Acquisition. As a result the allocation of quarterly amortization expense between Continuing and Discontinuing Operations was reclassified for fiscal 2008.

EBITDA (non-GAAP measure, see section 6a for a definition): EBITDA for the fourth quarter of fiscal 2008, was a loss of \$1.2 million, or 28.4% of revenue, compared to a loss of \$1.6 million, or 47.9% of revenue, for the fourth quarter of fiscal 2007 and compared to a loss of \$1.8, or 45.6% of revenue, for the third quarter of fiscal 2008.

Operating Loss: For the fourth quarter of fiscal 2008, operating loss was \$1.8, or 42.1% of revenue, compared to an operating loss of \$1.9 million, or 57.1% of revenue, for the fourth quarter of fiscal 2007 and compared to an operating loss of \$2.6 million, or 65% of revenue, for the third quarter of fiscal 2008.

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Interest and Foreign Currency Loss/Gain: Interest charges for the fourth quarter of fiscal 2008 were \$1.1 million compared to \$0.05 million for the fourth quarter of fiscal 2007. This increase is largely a result of interest on subordinated debt of \$0.37 million and non-cash interest accretion of \$0.52 million, both related to the Debt Financing (see section 9c). Interest charges for the fourth quarter of fiscal 2008, increased \$0.16 million over the third quarter of fiscal 2008. The reason for this increase is due to recognition of non-cash interest accretion related to the repayment of \$6 million on the subordinated debt during the fourth quarter of fiscal 2008.

Foreign currency gain was \$0.03 million, or 0.6% of revenue for the fourth quarter of fiscal 2008. This compares to foreign currency gain of \$0.03 million, or 1.0% of revenue, for the fourth quarter of fiscal 2007 and foreign currency loss of 0.02 million or 0.4% of revenue for the third quarter of fiscal 2008.

Tax Expense: Upon the sale of Helper in the fiscal 2008 fourth quarter the Company incurred tax expenses of approximately \$4.6 million comprised of the following components: a \$3.3 million non-cash income tax expense relating to the expected realization of previously unrecognized tax losses acquired on the acquisition of VantageMed, a \$0.9 million current tax provision and a \$0.4 million tax provision related to estimated withholding taxes payable.

Loss from Continuing Operations: For the fourth quarter of fiscal 2008, loss from continuing operations was \$7.3 million, or 175.7% of revenue. This compares to a loss of \$2.0 million, or 57.3% of revenue, for the fourth quarter of fiscal 2007. The increase in loss from continuing operations can be primarily attributed to lower data management and transcription revenues, increased amortization of intangible assets associated with the acquisition of VantageMed and increased interest expense related to our Debt Financing (see section 9c). As well, the Company incurred a \$4.6 million tax expense, with \$3.3 million related to the sale of the Helper division and \$1.3 million related to income tax on the VantageMed subsidiary. Combined, these factors contributed approximately \$6.1 million to the Company's loss position during the fiscal quarter.

Earnings from Discontinued Operations: For the fourth quarter of fiscal 2008, earnings from discontinued operations, reflecting earnings related to the Helper product line which the Company sold during the period, were \$0.09 million. For the third quarter of fiscal 2008, earnings from discontinued operations were \$0.11 million.

Loss and Comprehensive Loss: For the fourth quarter of fiscal 2008, loss and comprehensive loss was \$6.3 million compared to a loss and comprehensive loss of \$2.0 million for the fourth quarter of fiscal 2007. Included in loss and comprehensive loss are \$0.09 million related to earnings from the discontinued Helper operations and \$0.98 million from the gain on the sale of the Helper product line.

US Dollar Exchange Rate Impact: During the fourth quarter of fiscal 2008, the Company generated 75% of its revenue in the US. With the decline in the value of the US dollar relative to the Canadian dollar, the Company estimates that revenue was negatively impacted by approximately 14.3%, or \$0.5 million over the quarter compared to the same period during the previous fiscal year.

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5. LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2008, Nightingale had cash and cash equivalents of \$5.0 million.

Cash Flow from Operating Activities – Continuing Operations: Cash flow used in operating activities for the year ended March 31, 2008 was \$6.9 million, compared to \$4.5 million for the year ended March 31, 2007. In determining cash flow used in operating activities, the most significant adjustments to the Company's loss from continuing operations included a decrease in accounts receivable of \$0.50 million, a decrease in deferred costs of \$0.42 million and an increase in other receivables, mostly related to amounts due on the sale of the Helper product line, of \$0.93 million.

Cash Flow from Investing Activities – Continuing Operations: During the year ended March 31, 2008, cash flow used in investing activities was \$3.1 million, including \$13.5 million used for the VantageMed Acquisition and approximately \$10.8 million in cash generated from the sale of the Helper product line. This compares to \$3.2 million during the same period last fiscal year.

Cash Flow from Financing Activities – Continuing Operations: Cash flow from financing activities for the year ended March 31, 2008 totalled \$12.0 million, compared to \$9.1 million for the year ended March 31, 2007. This was primarily due to an increase in capital stock of \$8.7 million as a result of securities issued in connection with the public offering that closed on April 13, 2007. The Company made a \$1.5 million repayment towards the retirement of the Greenfield line of credit facility and proceeds from the Debt Financing (see section 9c) totalled \$11.1 million. The Company used a portion of the proceeds from the sale of its Helper division to pay down \$6 million of its subordinated debt, reduce its interest expense and strengthen its working capital position.

Net Cash Flow from Discontinued Operations: Cash flow from discontinued operations, comprised entirely of cash flow from operating activities, was \$1.3 million for the year ended March 31, 2008.

During the year ended March 31, 2008, current assets increased by \$4.9 million to \$10.0 million while current liabilities increased by \$3.5 million to \$9.9 million, resulting in an increase in total working capital of \$1.5 million.

In the fourth quarter of fiscal 2008, the term of the subordinated debt was extended to March 2010, and following receipt of a waiver from its lenders, certain quarterly and cumulative financial covenants were amended. Management expects to meet these amended covenants over the remaining term of the debt agreement. If the Company is in breach of any of the covenants over the remaining term of the subordinated debt, management intends to work with the lenders to obtain a waiver or renegotiate the terms of the covenants.

The Company believes that under its current business plan it has sufficient cash to sustain its operations for the foreseeable future. It should be noted however, that to date, Nightingale has not consistently generated positive cash flow from operating activities and is still highly dependent on new sales to minimize and eventually eliminate its cash usage. Up until the point where the Company is able to generate and predict continued positive cash flows from Recurring Revenue on a consistent basis, the Company may require further cash infusions from investors to maintain its operations.

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6. NON-GAAP MEASURES

The Company internally measures its performance and results of initiatives through a number of measures that are not recognized under Canadian generally accepted accounting principles (GAAP) and may not be comparable to similar measures used by other companies.

a. EBITDA

EBITDA is a non-GAAP measure that management believes this information would be useful to investors to help evaluate the performance of the Company. However, investors should be cautioned that EBITDA should not be construed as an alternative to net earnings as determined in accordance with GAAP. The Company's method of calculating EBITDA may differ from the methods used by other companies and, accordingly, it may not be comparable to similarly titled measures used by other companies.

EBITDA is a supplemental measure of operating performance prior to other loss (income), interest, income taxes, depreciation, amortization, and stock-based compensation. Management believes it is useful to exclude these items as they are either non-cash expenses, items that cannot be influenced by management in the short term, or items that do not impact core operating performance. Management uses this information internally for forecasting and budgeting purposes.

The following provides a reconciliation of EBITDA to Loss and Comprehensive Loss:

Definition	Fiscal Quarter Ended March 31, 2008	Fiscal Quarter Ended March 31, 2007	Year Ended March 31, 2008	Year Ended March 31, 2007
Loss and Comprehensive Loss	\$ (6,273)	\$ (1,956)	\$ (12,811)	\$ (5,713)
<i>Adjustments for:</i>				
Gain on Sale of Discontinued Operations	\$ (977)	\$ -	\$ (977)	\$ -
Earnings from Discontinued Operations	(92)	-	(501)	-
Current Tax Expense	1,299	-	1,299	-
Future Tax Expense	3,300	-	3,300	-
Other Loss (Income)	(26)	(34)	144	(192)
Interest	1,008	46	3,297	639
Depreciation and Amortization	552	257	2,190	867
Stock-based Compensation	23	52	535	558
EBITDA	\$ (1,186)	\$ (1,635)	\$ (3,524)	\$ (3,841)

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b. Recurring and Non-Recurring Revenue

The Company has included a Recurring Revenue and a Non-Recurring Revenue measurement since it believes that this information would be useful to investors to help evaluate the performance of the Company. However, Investors should be cautioned that Recurring Revenue and Non-Recurring Revenue should not be construed as an alternative to revenue as determined in accordance with GAAP.

Non-Recurring Revenue includes software, hardware and client services revenue from training, implementation and customization services. Recurring Revenue consists of support and maintenance revenue, data management and transcription services, billing and financial management services and transactional fees.

The following provides a reconciliation of Recurring Revenue and Non-Recurring Revenue to Revenue:

Definition	Fiscal Quarter Ended March 31, 2008	Fiscal Quarter Ended March 31, 2007	Year Ended March 31, 2008	Year Ended March 31, 2007
Non-Recurring Revenue	\$ 931	\$ 903	\$ 5,788	\$ 4,187
Recurring Revenue	\$ 3,247	\$ 2,509	\$ 13,088	\$ 9,828
Revenue	\$ 4,178	\$ 3,412	\$ 18,876	\$ 14,015

7. CONTRACTUAL OBLIGATIONS

Nightingale continued its primary facilities lease obligation, as per its lease dated March 29, 2005, (amended on August 21, 2006) with RedCliff Realty Management Inc. for the lease of its head office at Suite 100, 3762 Fourteenth Avenue, Markham, Ontario L3R 0G7. In addition, there are a number of capital and operating leases held by the Company, including the lease of several facilities across Canada and the United States.

The Company has not entered into off-balance sheet financing arrangements. Except for operating leases and other low probability and/or unmeasurable contingent liabilities (not accrued in accordance with Canadian GAAP), all commitments are reflected on the Company's balance sheet.

The minimum rentals payable under long-term operating leases for all equipment and premises, exclusive of certain operating costs for which the Company is responsible, are as follows:

Fiscal Year	Amount
2009	\$ 655,571
2010	501,639
2011	503,453
2012	436,884
2013	223,512
2014 and thereafter	305,877

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The minimum lease commitments payable under capital leases for all equipment are as follows:

Fiscal Year	Amount
2009	\$ 331,508
2010	257,494
2011	236,723
2012 and thereafter	-

8. TRANSACTIONS WITH RELATED PARTIES

In September 2007, the Company entered into a six month consulting agreement with a company that is affiliated with one of the Company's directors. The \$60,000 cost of this agreement was recognized as expense over the service period and Nightingale made a cash payment of \$30,000 during the year. The balance due of \$30,000 was paid in April 2008.

The Company has entered into a number of four-year leases for computer equipment with a company that is affiliated with one of the Company's directors and officers. The total obligation remaining on these leases at March 31, 2008 is \$17,124 and the company made payments pursuant to these agreements totaling \$40,151 in each of the years ended March 31, 2008 and 2007. The leases expire at various dates through September 2008.

At March 31, 2007 the Company had deferred compensation balance of \$98,861 payable to an officer and director of the Company. This amount was paid in the first quarter of fiscal 2008.

These transactions were recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. RECENT EVENTS

The following significant events impacted the Company during the fiscal year ended March 31, 2008.

a. VantageMed Acquisition

On April 18, 2007, the Company completed its acquisition ("the VantageMed Acquisition") of all the outstanding shares of VantageMed, a provider of practice management software and services to the healthcare industry in the U.S. market. Total consideration including transaction costs was \$14,750,560 (US\$13,316,478 or US\$0.75 per share) for all of the outstanding shares of VantageMed. Cash of \$1,217,473 was included in the acquired assets of VantageMed, resulting in net cash paid of \$13,533,087.

This acquisition was accounted for by the purchase method. Effective April 19, 2007, the Company consolidated the operations of VantageMed in its financial statements.

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b. Public Offering

On April 13, 2007, Nightingale completed an equity financing, in conjunction with its proposed acquisition of VantageMed, comprised of a total of 25 million subscription receipts (the "Subscription Receipts") of the Company at a price of \$0.40 per Subscription Receipt for aggregate gross proceeds of \$10 million. Each Subscription Receipt entitled the holder thereof to acquire one Nightingale common share for no additional consideration. On April 19, 2007, in conjunction with the closing of the VantageMed Acquisition, the Subscription Receipts were converted into common shares of the Company.

c. Subordinated Debt Financing

On April 19, 2007, Nightingale closed a \$12 million subordinated debt financing. The financing was led by Wellington Financial LP and included Export Development Canada, a Limited Partner in Wellington Financial Fund III (the "Lenders"). On November 23, 2007, certain terms and covenants of the subordinated debt were amended. The credit facility is a secured 29-month term loan facility. The subordinated debt bears interest at a rate of 12.75% per annum, payable monthly. Nightingale also provided the lenders with 7,994,186 special warrants ("Warrants"). Each Warrant is convertible into common share purchase warrants, each entitling the holder to purchase one common share of Nightingale at a price of \$0.43 per share for five years from the date of closing. These Warrants and, as applicable, the warrants and common shares, are subject to a four-month hold period, pursuant to securities laws. The transaction costs related to the subordinated debt financing and the November 2007 amendment totaled \$1,160,188 which includes a commitment fee equal to 3.75% of the available facility and a \$250,000 amendment fee. The amendment fee is payable on November 23, 2008 and bears interest at the rate of 12.75% per annum, payable monthly.

Conditions of the subordinated debt include a number of quarterly and cumulative financial covenants. In February 2008, the term of the subordinated debt was extended to March 2010, and following receipt of a waiver for certain quarterly and cumulative financial covenants, the covenants were amended. Management expects to meet these amended covenants over the remaining term of the debt agreement. If the Company is in breach of any of the covenants over the remaining term of the subordinated debt, management intends to work with the lenders to obtain a waiver or renegotiate the terms of the covenants. However there is no guarantee that this could be achieved (see Risks and Uncertainties under section 11).

In March 2008, the Company repaid \$6,000,000 of the subordinated debt. The remaining principal amount of \$6,000,000 is due March 2010.

d. Sale of Helper Product Line

During the quarter ended December 31, 2007, the Company classified its Helper product line as discontinued operations. The Helper product line, which provides healthcare information technology solutions for behavioural health providers and therapists, and acquired as part of the VantageMed Acquisition in April 2007, was no longer considered to be core to the Company's objectives and the Company commenced discussions with a third party regarding a potential sale. The results of the Helper operations have been classified as discontinued operations and prior quarterly comparative figures of the current fiscal year have been reclassified to conform to this presentation.

During the quarter ended March 31, 2008, the Company completed the sale of its Helper product line for gross proceeds of approximately \$12.3 million (US \$12.3 million) less \$1.3 million (US \$1.3 million) in

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deferred revenue collected by the Company prior to closing. The Company used a portion of the proceeds to pay down its debt, reduce interest expense on a go-forward basis, and to fund ongoing working capital requirements.

10. RECENT ACCOUNTING PRONOUNCEMENTS

The CICA has issued Handbook Section 1535, "Capital Disclosures," Section 3862 "Financial Instruments-Disclosures," and Section 3863, "Financial Instruments-Presentation." Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose will be to enable users of the financial statements to evaluate objectives, policies and processes for managing capital. Section 3862 and 3863 will replace 3861, "Financial Instruments – Disclosure and Presentation," revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections will place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. These sections apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Company plans to adopt this new guidance effective April 1, 2008. These standards will impact disclosure provided by the Corporation but will not impact its financial position, results of operations or cash flows.

In May 2007, the CICA issued Handbook Section 3031, which replaces the existing Section 3030 "Inventories." The standard introduces changes to the measurement and disclosure of inventory and converges with international accounting standards. This standard is effective for interim and annual periods related to fiscal years beginning on or after January 1, 2008. The Company plans to adopt this new guidance effective April 1, 2008. The Company is currently assessing the effect that this guidance may have on its results of operations or cash flows.

In February 2008, CICA issued Handbook Section 3062 "Goodwill and Intangible Assets", which replaces the existing Sections 3062 "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs." The new standard introduces changes to recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provisions of International Financial Reporting Standard IAS 38, "Intangible Assets." The new standard also provides guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The Section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008 with earlier adoption encouraged. The Corporation is currently assessing the impact of this standard may have on its financial positions, results of operations or cash flow.

In May 2007, the Accounting Standards Board ("AcSB") amended Section 1400, General Standards of Financial Statement Presentation, to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least, but is not limited to, 12 months from the balance sheet dates. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. These amendments are effective for the Company for annual periods beginning after January 1, 2008. The Corporation plans to adopt this new guidance effective April 1, 2008. The Company does not expect the adoption of this guidance to have a material impact on its financial position, results of operations or cash flows.

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11. RISKS AND UNCERTAINTIES

See "Cautionary Note Regarding Forward-Looking Statements"

The Company operates in a dynamic business and economic environment that exposes it to a number of risks and uncertainties. The following section describes some, but not all, of the risks and uncertainties that may adversely impact Nightingale's business, financial condition, or results of operations. Additional risks and uncertainties not presently known to Nightingale or that Nightingale currently deems immaterial may also impact Nightingale's business.

If any of these risks actually occur, the Company's business, financial condition or results of operations could be materially harmed and the trading price of the company's common shares materially affected. The reader should understand that the sole purpose of discussing these risks and uncertainty is to alert the reader to factors that could cause actual results to differ materially from past results or from those described in forward-looking statements and not to describe facts, trends and circumstances that could have a favourable impact on the Company's business.

Some of the Corporation's products are new and the market for them is unpredictable.

The market for Nightingale's products and services has only recently begun to develop. As is typical for a new and rapidly evolving industry, demand and market acceptance for recently introduced services and products are subject to a high level of uncertainty. Furthermore, the adoption of medical software may occur at a much slower rate than current market data suggests. There is no assurance that Nightingale's sales will continue to increase or that it will even be able to maintain current levels. Market conditions will have an impact Nightingale's success in the future. There is also no assurance that Nightingale will earn profits in the future or that any profitability will be achieved or sustained.

The Corporation faces significant competition.

Direct competition among providers of medical software products and services is likely to increase as demand for these products increases. Increased competition may result in price reductions, reduced gross margins, longer sales cycles and loss of market share, any of which would seriously harm Nightingale's business and results of operations. Management of Nightingale cannot be certain that Nightingale will be able to compete successfully against current or future competitors or that competitive pressure will not seriously harm its business.

Some of Nightingale's potential competitors are larger than Nightingale and have greater financial, sales, marketing, technical, manufacturing and other resources. These competitors may be able to respond more rapidly to new or emerging products and changes in customer requirements or devote greater resources to the development, promotion and sale of their products than Nightingale can. Furthermore, some of these competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties in the industry to increase their ability to rapidly gain market share by addressing the needs of prospective customers.

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Nightingale's operating results may fluctuate each quarter.

Nightingale may experience fluctuations in future quarterly operating results that may be caused by many factors, including: (i) variability of sales to new and existing customers, (ii) changes in the level of marketing and other operating expenses to support future growth, (iii) competitive factors; and (iv) the timing of delivery. Consequently, Nightingale believes that period-to-period comparisons of its operating results will not necessarily be meaningful and should not be relied upon as an indication of future performance. It is likely that Nightingale's future quarterly operating results from time to time will not meet the expectations of securities analysts or investors, which may have a material adverse effect on the market price of its common shares.

Nightingale is currently not generating positive cash flows from its operations and is still highly dependent on new sales every period to minimize its cash usage. Up until the point where the Company is able to generate and predict continued positive cash flows from Recurring Revenue, the Company faces risk in utilizing its existing cash resources and potentially requiring further cash infusions from investors to maintain its operations.

Nightingale will incur expenses while its customers determine whether to purchase its products and services.

The sales cycle of Nightingale's products and services, particularly larger customer opportunities, is lengthy and unpredictable. The dynamics of the Company's sales cycle and its close rates continues to evolve. While customers are evaluating Nightingale's product offering, Nightingale may incur expenses and expend management effort. The result of making these expenditures, with no corresponding revenue in any given quarter, could further exacerbate fluctuations of the quarterly operating results of Nightingale.

Risks relating to availability of government funding to the healthcare industry.

In Canada and the United States, government funding programs are helping to fuel the market for Nightingale's solutions. There is a risk that if funding commitments from government initiatives are eliminated or reduced, then the demand for EMR, clinical and practice management could significantly decrease, which could have a material adverse effect. In the event of any new government funding initiatives, sales in the short term may be adversely affected as prospective customers evaluate programs, adjust spending plans in an attempt to take advantage of new programs, and apply for funding.

Risks Related to the Subordinated Debt Facility.

There are risks associated with the debt service costs and the ability to comply with covenants imposed under the Subordinated Debt facility which may have a material effect upon the operating cash flow of the Company and its ability to conduct its business on a go-forward basis. Should the Company be unable to comply with the covenants associated with the Subordinated Debt facility, there is no guarantee that the Company would be able to work with the lenders to obtain a waiver related to the breach or to revise the covenants so that rights under a default may be waived.

Access to capital market risk.

Nightingale may require additional equity in the future to finance its growth. The type, timing, and terms of financing selected by the Corporation will depend upon its cash needs, the availability of other financing sources and the prevailing conditions in the financial markets. There can be no assurances that any of

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these sources will be available to Nightingale at any time, that they will be available on favourable terms or at all.

Nightingale faces risks related to its U.S. operations including the impact of foreign exchange fluctuations.

Nightingale may further increase its presence in the United States. Such efforts may not be successful to the degree that management expects. Further, U.S. operations are influenced by numerous inherent risks, including: unexpected changes in regulatory requirements, complex state and local taxes requiring significant judgement in the determination of the obligation to collect and remit such taxes, ; longer accounts receivable payment cycles and possible difficulties in collecting payments that may increase its operating costs and impair its financial performance; political and economic instability; and fluctuations in currency exchange rates.

As indicated in the discussion of financial results, sections 3 and 4, a significant portion of the Company's revenue is denominated in US dollars and is restated to Canadian dollars for financial statement purposes. An increasing proportion of the Company's expenses are also denominated in US dollars which can act as a natural hedge to partially offset the exposure to US denominated revenues. However, significant changes in the foreign exchange rates between Canada and the United States, have had, and may continue to have a material adverse effect on both the revenues and expenses of the Company. As the Canadian dollar strengthens relative to the US dollar, both US dollar denominated revenues and expenses as stated in Canadian dollars will decline. There can be no assurances that the Company will prove successful in its effort to manage this risk, which may adversely impact the Company's financial results.

Risks relating to loss of customer contracts.

The loss of one or more of Nightingale's major customers, the failure to attract new customers on a timely basis, or a reduction in usage and revenues associated with Nightingale's existing or proposed customers would materially harm its business, financial condition, liquidity, operating results and prospects.

Risks relating to bad debts.

The Company regularly evaluates the risk of collections from sales to new and existing customers based on the size and type of customer (e.g. clinic, governmental agency, hospital) and has adopted a policy to take reserves against overdue accounts based on the period for which a receivable has been outstanding. There is always a risk that some customers may not honour their accounts with the Company, resulting in the Company being unable to collect outstanding amounts and a significant charge for bad debts being incurred during a specific period.

Risks relating to product liability.

Nightingale, like any other business, faces an inherent risk of exposure to product and service liability claims in the event that the use of its products and services results in loss of a customer's data or ability to effectively operate their own business. Although Nightingale believes it has sufficient liability insurance coverage in accordance to the standards of its industry, such coverage is subject to standard limitations and exclusions. Product liability claims could have a material adverse effect on Nightingale. The successful assertion or settlement of any uninsured claim, a significant number of insured claims or a claim exceeding Nightingale's insurance coverage could have a material adverse effect on Nightingale.

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Nightingale's success depends on attracting and retaining skilled personnel.

Nightingale is dependent on its management. This dependence can be expected to continue over the short and medium term as Nightingale's business expands and matures. Nightingale's ability to develop, market and sell its products and services and to maintain its competitive position depends on its ability to attract, retain and motivate highly skilled technical, sales and marketing and other personnel. Nightingale plans to continue to invest in sales and marketing efforts in order to increase market awareness. Nightingale also plans to continue to invest in research and development initiatives to develop new products, and to increase its customer service and support personnel in North America to support the growth of its business. There are a limited number of people with the necessary technical skills and understanding, and competition for their services is intense. If Nightingale fails to recruit or retain these personnel, its ability to develop new products, obtain new customers and provide an acceptable level of customer service could suffer.

Nightingale's success will depend upon its ability to anticipate and keep pace with technological changes.

The healthcare information technology industry is susceptible to technological advances and the introduction of new technologies. Further, this industry is also subject to changing industry standards, market trends and customer preferences and to competitive pressures which can, among other things, necessitate revisions in pricing strategies, price reductions and reduced profit margins. The success of Nightingale will depend, in part, on its ability to secure technological superiority in its products and operations and maintain such superiority in the face of new technologies. No assurance can be given that further modification of product offerings of Nightingale will not be required in order to meet demands or to make changes necessitated by developments made by competitors that might render services and operations of Nightingale less competitive. The future success of Nightingale will be influenced by its ability to continue to adapt its products. Although Nightingale has committed resources to improve its products, there can be no assurance that these efforts will increase revenues or profits.

Risks relating to security.

Security is always a major concern for any software system dealing with confidential records. Security risks include unauthorized access to confidential information, such as patient records and a customer's enterprise data. If either of these events occurs to Nightingale, its reputation in the marketplace would be damaged, potentially resulting in lost sales of new or existing customers.

Risks relating to system interruptions.

If Nightingale's system is unavailable for any significant period of time, physicians and healthcare providers will be unable to access critical patient records and other information required to perform daily duties. Nightingale may have its reputation in the marketplace damaged, potentially resulting in lost sales of new or existing customers.

Risks relating to share price volatility.

The market prices of Nightingale's Common Shares and the securities of software companies in general have been very volatile. Nightingale's stock price has often fluctuated in a manner that management believes is unrelated or disproportionate to the operating performance of the Corporation. The share

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price of the Common Shares may decline and/or experience further volatility. Shareholders may not be able to sell their Common Shares at their preferred price because of lack of liquidity. Further decline and volatility may impair our ability to obtain capital through future equity offerings.

Material Impact of HIPPA and PIPEDA Legislation and other Regulatory Risks.

Federal regulations under the US Health Insurance Portability and Accountability Act ("HIPAA") and the Canadian Personal Information Protection and Electronic Documents Act ("PIPEDA") governing the confidentiality and integrity of protected health information are complex and are evolving rapidly. As these regulations mature and become better defined, Nightingale anticipates that they will continue to directly affect certain of its products and services, but the Company cannot fully predict the impact at this time. Nightingale has taken steps to modify its products, services and internal practices, as necessary, to facilitate Nightingale's and its clients' compliance with these regulations, but there can be no assurance that it will be able to continue to do so in a timely or complete manner. Achieving compliance with these regulations could be costly and distract management's attention from its operations. Any failure on Nightingale's part to comply with current or future regulations could subject it to significant legal and financial liability, including civil and criminal penalties. In addition, development of related federal and state regulations and policies regarding the confidentiality of health information or other matters could positively or negatively affect Nightingale's business.

The performance of Nightingale's claims services are governed by numerous federal and state civil and criminal laws. Increased scrutiny has been placed on the billing and collection practices of healthcare providers and related entities. Although Nightingale believes that it is in compliance with any such regulations that may relate to the provision of its claims services, any non-compliance could lead to civil monetary penalties, criminal fines, imprisonment or exclusion from participation in Medicare, Medicaid and other federally funded healthcare programs for Nightingale and the client involved in the non-compliance.

The U.S. Food and Drug Administration (the "FDA") has jurisdiction under the 1976 Medical Device Amendments to the Federal Food, Drug and Cosmetic Act to regulate computer products and software as medical devices if they are intended for use in the diagnosis, cure, mitigation, treatment or prevention of disease in humans. Nightingale believes that its healthcare information systems are not subject to regulation by the FDA. If, however, the FDA determined that Nightingale products were subject to regulation, non-compliance with applicable requirements could result in, among other things, fines, injunctions, civil penalties, total or partial suspension of production, refusal by the government to approve products, revocation of approval or clearance previously granted and criminal prosecution. Future FDA policies, laws or regulations concerning the development or marketing of healthcare information systems may cause Nightingale's products to be subject to FDA regulation, which could increase its costs or delay the marketing of new or existing products.

The healthcare industry is highly regulated and has been the subject of increasing levels of government regulation during the past several years. Nightingale cannot predict with any certainty the types of regulations that might be imposed or the impact that those regulations might have on its business. The adoption of regulations currently unanticipated by Nightingale or by the healthcare industry could impose burdensome requirements or restrictions on Nightingale products or on the activities of healthcare providers. These restrictions could decrease the demand for Nightingale's products and could prevent it from growing its business and attaining profitability.

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Reliance on Third Parties.

Nightingale relies on third parties to provide services that are critical to its business. For example, it uses national clearinghouses for the processing of insurance claims and the printing and delivery of patient billings for its clients. Nightingale has also outsourced some of its product testing, installation and hardware maintenance services. Nightingale's reliance on these third parties involves a number of risks, including, but not limited to:

- Reduced control over delivery schedules, quality assurance and equipment costs;
- Lack of guaranteed production capacity or product supply;
- Nightingale's ability to transition to alternate sources, if necessary; and
- Dependence on external resources to implement HIPAA and PIPEDA transaction standards.

Risks relating to acquisitions.

Nightingale has recently completed several acquisitions as part of Nightingale's growth strategy. There is no assurance that Nightingale will derive benefits from such acquisitions or future acquisitions, if any, that Nightingale may pursue. Nightingale may be unable to retain key employees or key business relationships of the acquired businesses, consolidate IT infrastructures, accounting controls, policies and procedures, combine administrative, research and development and other operations, eliminate duplicative facilities and personnel, which could result in significant costs and expenses, and combine product offerings, and integration of the businesses may divert the attention and resources of Nightingale's management. Nightingale's failure to successfully integrate acquired businesses into Nightingale's operations could have a material adverse effect on Nightingale's business, operating results and financial condition. Even if such acquisitions are successfully integrated, Nightingale may not receive the expected benefits of the transactions if it finds that the acquired business does not further Nightingale's business strategy or that Nightingale paid more than what the business was worth. Managing the completion and integration of acquisitions and alliances requires management resources, which may divert Nightingale's attention from other business operations. As a result, the effects of any completed or future transactions on financial results may differ from Nightingale's expectations.

Risks relating to share price volatility.

The market prices of Nightingale's common shares and the securities of software companies in general have been very volatile. Nightingale's stock price has often fluctuated in a manner that management believes is unrelated or disproportionate to the operating performance of the Corporation. The share price of the common shares may decline and/or experience further volatility. Shareholders may not be able to sell their common shares at their preferred price because of lack of liquidity. Further decline and volatility may impair our ability to obtain capital through future equity offerings.

12. OUTLOOK

See "Cautionary Note Regarding Forward-Looking Statements"

In fiscal 2008, Nightingale grew its base of healthcare practitioners and patients on its technology platform, expanded its footprint across North America enhanced its suite of products and services and strengthened its team to better address the unique needs of the Canadian and U.S. healthcare markets. Throughout fiscal 2009, Nightingale will center its growth efforts on markets where there are industry

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catalysts and the Company has a strong presence, positioning itself as an end-to-end healthcare software solutions and service provider for outpatient clinics, hospitals, government and regional health organizations and patients.

Nightingale enters fiscal 2009 focused on improved financial performance. The Company will work to drive continued revenue growth through organic initiatives (increasing the number of healthcare practitioners on the Nightingale platform, leveraging its broad client base to cross-sell its products and introducing new revenue streams with the launch of patient-centric offerings) striving to achieve positive cash flow.

To reduce the variability in its quarterly results, which is a product of the Company deriving a significant amount of revenue from license sales, Nightingale is committed to building its base of Recurring Revenue. Over the longer term, the Company is focused on building out the Recurring Revenue components of its hosted EMR model, and driving sales of its revenue cycle management services, which in addition to fuelling overall growth of the business will also reduce variability of quarterly results.

With the completion of OntarioMD's certification process subsequent to year end, and the increasing emergence of EMR funding initiatives, Nightingale is building its pipeline of outpatient clinic and enterprise sales opportunities. In addition, much of the implementation and set-up is now complete for some of the Company's large-scale contracts. Based on the implementation timetable for these agreements, starting in fiscal 2009, Nightingale will begin to recognize revenue from these contracts. The purpose of providing disclosure respecting expected recognition of revenues in connection with existing contracts is to provide the reader with greater insight into the Company's financial disclosure and to discuss important trends in Nightingale's business. Readers are cautioned however that such disclosure may not be appropriate for other purposes.

Continuing on the cost front, Nightingale anticipates the need to invest in the business to support future growth, particularly in sales and marketing. However, the Company remains committed to tightly controlling expenses.

Nightingale has a unique North American market position built upon a comprehensive suite of products and services that improves the efficiency of operations and creates revenue opportunities for healthcare practitioners, as well as enhances the quality of care for patients. Nightingale's growing sales pipeline, coupled with its captive base of 13,000 healthcare practitioners and more than 5.3 million patients, positions the Company for continued success. The goal for fiscal 2009 is organic growth, and Nightingale believes it has the right team and strategy in place to effectively execute.

13. DISCLOSURE OF OUTSTANDING SHARE DATA

	Authorized	Issued as at July 23, 2008
Common Shares, Voting	Unlimited	69,709,257 ⁽¹⁾
Preferred Shares	Unlimited	-
Stock Options – Issued and Outstanding		3,860,060
Warrants – Issued and Outstanding		7,994,186

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⁽¹⁾ 1,666,667 Common Shares are subject to a performance escrow related to the purchase of HealthNet. In May 2007, the Company granted 1,128,100 restricted common shares to certain officers related to the VantageMed Acquisition. These shares have restricted terms based on continued employment over a three year period. During the year the Company released 564,050 shares from restriction as part of the terms of the agreement related to the departure of one of the officers.

14. ADDITIONAL INFORMATION

Additional information on Nightingale can be found at www.sedar.com under Nightingale Informatix Corporation. The Company is listed on the TSX Venture Exchange (TSX-V: NGH).