



NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") For the fiscal year ended March 31, 2010

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 29, 2010, should be read in conjunction with the Company's March 31, 2010 Audited Consolidated Annual Financial Statements and Notes.

NIGHTINGALE INFORMATIX CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") FOR THE YEAR ENDED MARCH 31, 2010

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, 2010.

The audited consolidated financial statements referred to in this MD&A have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Nightingale does however use Non-GAAP measures such as EBITDA herein (see section 4 Non-GAAP Measures).

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", as well as those specifically identified herein.

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; access to debt or equity financing and agreements with its Lenders; 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 need to raise additional funding. 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, current and future trends in healthcare spending and Nightingale's continued ability to fund its business, rates of customer defaults, and relationships with, and payments to, Lenders. 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.

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Non-GAAP Measures

The Company internally measures its performance and results of initiatives through a number of measures that are not recognized under Canadian GAAP and may not be comparable to similar measures used by other companies. Measures such as EBITDA and 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 4 under Non-GAAP Measures for more information).

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1. OVERVIEW

Business Description

Established in 2002, Nightingale (TSX-V: NGH) is a recognized industry leader in Web-based clinician and community-based Electronic Medical Records (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 Electronic Medical Record (EMR) technology solution, Nightingale has established itself as a leading healthcare software and service provider in Canada signing key contracts with hospitals, regional groups and provincial governments. Through a series of strategic acquisitions in 2006 and 2007, the Company positioned itself as an emerging player in the US healthcare industry and in recent years has implemented its hosted web-based US EMR product and related services at a number of its US clinics. With its North American footprint, suite of complementary healthcare software solutions and associated services, Nightingale believes that it is well positioned to capture the increasing opportunities within the Canadian and US healthcare markets. 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 its sales and marketing activities at areas covered by provincial funding initiatives, such as Ontario, where Nightingale is one of only three vendors offering a funding approved web-based EMR solution. Given the Company's sizeable Canadian customer base, Nightingale's regionally focused direct sales force works to leverage the Company's track record in the enterprise and small business markets to further increase Nightingale's market share. The Company uses mass marketing, public relations and its position as a thought leader in the EMR industry to build brand equity and market awareness.

In the US, the Company is completing its EMR product development to meet the new certification and meaningful use criteria that were finalized in June 2010. The Company will continue to await the US government's selection of EMR certifying bodies and plans to be among the first certified EMRs in the US market. The Company is also working to increase its penetration of the US EMR market and is focused on its selling and distribution plans for the US market.

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

Nightingale offers an extensive suite of healthcare service and software solutions to meet the varying needs of healthcare practitioners. The Company's customer base is comprised of North American hospitals, clinics and physicians using various combinations of its licence or web-based EMR, Practice Management and Revenue Cycle Management products. Nightingale is working to leverage its ability to serve as an end-to-end solution provider to further penetrate its existing customer base and grow its recurring revenue base over the long term.

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3. Establish new revenue streams

Nightingale is working to extend the reach of its healthcare technology solutions, in particular with offerings designed to meet the needs of patients. In fiscal 2010, the Company established an exclusive license and distribution relationship with Canadian Patient Access to launch an online patient portal to the Canadian market. The portal will provide patients with online access to their physician and clinic administrators to schedule appointments; access medical files and laboratory results; request prescription refills and eConsults; and receive medication and appointment reminders. Nightingale is committed to continuing to evolve its healthcare technology platform, priding itself on the technology leadership of its current product suite.

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 typically charges 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, hosting, support and maintenance fees in a single monthly fee. The Company believes that the utilization model could become more prevalent as it is an attractive alternative for customers participating in government funding programs or for customers that are interested in limiting their upfront cash investment. Implementation and training services are offered under both 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.

Fourth Quarter and Fiscal 2010 Financial Highlights

- Revenue for the fourth quarter ended March 31, 2010 was \$4.2 million, compared to \$4.7 million in the year ago quarter, but essentially flat on a constant currency basis. These results reflect a \$0.5 million decrease in transcription revenue and a negative foreign exchange impact of \$0.6 million (the Company generated 71% of Q4 F2010 revenue in the US). Revenue for the fiscal year ended March 31, 2010 was \$16.6 million, compared to \$18.5 million in the previous year, reflecting a \$1.3 million decrease in transcription revenue, a negative foreign exchange impact of \$0.4 million and softer EMR market conditions due to a delay in EMR buying decisions in anticipation of government funding announcements.
- Gross profit margin for the quarter ended March 31, 2010 as 76%, up from 70% in the year ago quarter, and for fiscal 2010, gross profit margin increased to 74% from 73% in the previous year as a result of the Company's increased focus on generating high-margin software revenue.
- Expenses for the quarter ended March 31, 2010 decreased to \$3.5 million from \$4.0 million in the year ago quarter, and fiscal 2010 expenses decreased to \$13.7 million from \$16.8 million in the previous year, demonstrating the Company's success in reducing its overall cost base.

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- EBITDA¹ for the quarter ended March 31, 2010, increased to \$0.4 million from \$9,000 in the year ago quarter and fiscal 2010 EBITDA increased to \$1.2 million from \$(0.7) million for the previous year as a result of increased cost efficiencies.
- Net loss for the quarter ended March 31, 2010 was \$1.5 million compared to \$1.0 million for the year ago quarter. Net loss for the quarter ended March 31, 2010 was \$0.8 million, excluding a one-time non-cash interest adjustment related to the write-up of the Company's debt to its face value. Net loss for fiscal 2010 was \$3.4 million, an improvement from a loss of \$4.6 million for the previous year. The fiscal 2010 net loss was \$2.7 million, excluding the one-time interest adjustment.
- Subsequent to year end, the Company completed a comprehensive debt restructuring that it expects will result in reduced interest expense, starting in the second quarter of fiscal 2011, and increased overall financial flexibility.

Fourth Quarter and Fiscal 2010 Operational Highlights

- Cross-sold the Company's Nightingale On Demand ASP EMR application to an existing New York state-based practice management customer, Center for Disability Services. The transaction is expected to contribute more than \$1.2 million in revenue over a two-year period, \$0.6 million of which the Company recognized in fiscal 2010.
- Expanded customer base in Ontario with two sizable contracts, despite a delay in the release of EMR targeted government funding. The Company won a contract to provide EMR and Practice Management software to more than 30 physicians at a Southern Ontario-based clinic, and signed an agreement with a major sports medicine clinic that is affiliated with a leading Southern Ontario university.
- Signed exclusive license and distribution agreement with Canadian Patient Access to launch an online portal to the Canadian market. The portal will provide patients with online access to their physician and clinic administrators to schedule appointments; access medical files and laboratory results; request prescription refills and eConsults; and receive medication and appointment reminders.
- The Ontario Medical Association (OMA) announced it secured \$236 million in funding to facilitate the adoption of funding eligible EMRs among practice-based family physicians and specialists across Ontario. Nightingale offers one of three funding approved (ASP) EMR solutions.

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

In \$ 000's (Except per Share Amounts)	Fiscal Year Ended March 31, 2008	Q1 Ended June 30, 2008	Q2 Ended Sept 30, 2008	Q3 Ended Dec 31, 2008	Q4 Ended March 31, 2009	Fiscal Year Ended March 31, 2009	Q1 Ended June 30, 2009	Q2 Ended Sept 30, 2009	Q3 Ended Dec 31, 2009	Q4 Ended March 31, 2010	Fiscal Year Ended March 31, 2010
Recurring Revenue	\$ 13,088	\$ 3,309	\$ 3,431	\$ 4,045	\$ 3,746	\$ 14,531	\$ 3,564	\$ 3,341	\$ 3,342	\$ 2,849	\$ 13,096
Non-Recurring Revenue	5,788	1,637	815	511	971	3,934	566	585	1,010	1,324	3,485
Revenue	18,876	4,946	4,246	4,556	4,717	18,465	4,130	3,926	4,352	4,173	16,581
Gross Profit	13,706	3,669	3,164	3,272	3,305	13,410	2,937	2,818	3,314	3,169	12,238
Expenses	19,957	4,561	4,275	4,022	3,962	16,820	3,508	3,327	3,384	3,474	13,693
EBITDA (Loss) (non-GAAP measure)	(3,526)	(236)	(458)	(34)	9	(719)	24	180	593	406	1,203
Operating Loss for the Period	(6,250)	(892)	(1,112)	(750)	(656)	(3,410)	(570)	(509)	(70)	(306)	(1,455)
Loss and Comprehensive Loss	(12,811)	(1,260)	(1,492)	(876)	(1,004)	(4,632)	(843)	(727)	(350)	(1,524)	(3,444)
Loss and Comprehensive Loss per Common Share	\$ (0.19)	\$ (0.02)	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.07)	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.05)
Weighted Avg. # of Common Shares	66,228	67,479	67,479	67,667	67,845	67,845	69,322	70,535	70,535	70,535	70,232
Total Assets	\$ 23,992	\$ 21,807	\$ 20,308	\$ 20,078	\$ 17,906	\$ 17,906	\$ 16,413	\$ 15,170	\$ 14,714	\$ 14,651	\$ 14,651
Total Long Term Liabilities	\$ 6,948	\$ 6,366	\$ 6,251	\$ 6,234	\$ 6,517	\$ 6,517	\$ 6,309	\$ 5,751	\$ 6,285	\$ 7,212	\$ 7,212

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FISCAL 2010 RESULTS OF OPERATIONS COMPARED TO FISCAL 2009

Revenue: Revenue for the year ended March 31, 2010 was \$16.6 million compared to \$18.5 million for the year ended March 31, 2009, representing a 10% decrease from the prior year. This decrease was due primarily to attrition in the transcription services business as well as the negative impact of the decrease in the value of the US dollar relative to the Canadian dollar over the year and a decrease in revenues from large enterprise software sales. These decreases were partially offset by an increase in revenues from professional services.

Recurring Revenue (see definition in section 4.b under Non-GAAP Measures) is comprised of utilization fees, hosting, support and maintenance revenue, data management and transcription services, billing and financial management services and transactional fees.

Recurring Revenue for the year ended March 31, 2010 was \$13.1 million compared to \$14.5 million for the year ended March 31, 2009, representing a decrease of \$1.4 million, or 10%. This decrease in Recurring Revenue from the prior year is primarily the result of a attrition in the data management and transcription services business as two large customers elected not to renew their contracts. Revenues from the transcription business decreased from \$2.8 million in the year ended March 31, 2009 to \$1.4 million in the year ended March 31, 2010. The decrease can also be attributed to a decrease in the value of the Canadian dollar versus the US dollar during the annual periods.

Non-Recurring Revenue (see definition in section 4.b under Non-GAAP Measures) is comprised of revenues generated from sales of software and systems and related training, data conversion and installation services.

Non-Recurring Revenue for the year ended March 31, 2010 was \$3.5 million compared to \$3.9 million for the year ended March 31, 2009, representing an 11% decrease. This decrease in Non-Recurring Revenue was primarily the result of a decrease in software revenue, as the Company recognized \$1 million of license revenue related to a Canadian government agency in the quarter ended June 30, 2008.

Over the year ended March 31, 2010, the Company generated 72% of its revenue from the US market. With the decrease in the value of the US dollar relative to the Canadian dollar, the Company estimates that revenue was negatively impacted by approximately 2.4%, or \$0.4 million, during the current fiscal year compared to the previous fiscal year.

Gross Profit: For the year ended March 31, 2010, gross profit was \$12.2 million, or 74% of revenue, compared to \$13.4 million, and 73% of revenue for the previous fiscal year. This improvement reflects a greater proportion of higher margin sales in fiscal 2010 compared to the previous year. The Company focused on higher margin longer term revenue opportunities in fiscal 2010.

Expenses: Expenses for the year ended March 31, 2010 were \$13.7 million compared to \$16.8 million for the year ended March 31, 2009, representing a 19% decrease. This decrease in expense was primarily the result of the Company's strategic plan to improve profitability and the implementation of several cost reduction measures throughout 2009 and 2010. The decrease in the value of the Canadian dollar compared to the US dollar also contributed to the decrease in expenses. Although the Company is focused on prudent expense management as it seeks to achieve profitability, the Company may continue to increase select investments in support of revenue generating activities in order to capture the opportunities presented by the North American markets.

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Over the year ended March 2010, approximately 44% of the Company's expenses were incurred in the US, providing the Company with a natural hedge position that offset some of the effects on revenue. The Company estimates that expenses were positively impacted by approximately 2% or \$0.2 million over the year compared to the previous year.

General and administration expenses for the year ended March 31, 2010, were \$2.9 million. This compares to \$3.5 million for the year ended March 31, 2009, representing a \$0.5 million, or 15% decrease. This decrease in general and administration expense was the result of cost reduction initiatives. The decrease in the value of the Canadian dollar compared to the US dollar also contributed to the decrease in this expense.

Sales and marketing expenses for the year ended March 31, 2010 were \$1.5 million compared to \$2.4 million for the year ended March 31, 2009, representing a \$0.9 million, or 38%, decrease. This decrease in expenses was primarily the result of a decrease in US sales costs as the Company focused its sales efforts primarily in Canada as well as a decrease in expenses associated with marketing and third party public relations activities.

Research and development expenses for the year ended March 31, 2010 were \$2.7 million compared to \$3.6 million for the year ended March 31, 2009, representing a \$1 million, or 27% decrease. The decrease in research and development can be primarily attributed to the Company's cost reduction efforts, including a reduction in spending on contract labour as development projects were prioritized and brought in house. The decrease in expense was also partially due to the Company's participation in a Canadian research assistance program whereby the Company was reimbursed for certain research and development activities in support of the Company's US EMR product. These reimbursements of costs incurred are classified as a reduction to both the Company's operating expenses and capitalized software costs. While the current assistance program ended early in fiscal 2011, the Company may apply for additional programs in future periods. Further, the Company capitalized \$0.08 million of development costs, net of government assistance, in the year ended March 31, 2010 that met the criteria for such deferral.

Client services expenses for the year ended March 31, 2010 were \$3.9 million compared to \$4.6 million for the year ended March 31, 2009, representing a \$0.7 million, or 15% decrease. This decrease was primarily attributable to the Company's continued integration and cost management efforts with respect to staffing and consulting costs. The decrease in the value of the Canadian dollar compared to the US dollar also contributed to the decrease in client services expenses.

Stock-based compensation for the year ended March 31, 2010 was \$0.3 million compared to \$0.1 million for the year ended March 31, 2009.

Depreciation and amortization expense for the year ended March 31, 2010 was \$2.4 million compared to \$2.6 million for the year ended March 31, 2009.

EBITDA (non-GAAP measure, see note 6.a for a definition): EBITDA for the year ended March 31, 2010 was a positive \$1.2 million compared to an EBITDA loss of \$0.7 million for the year ended March 31, 2009. The Company has been focused on achieving profitability and implemented several cost reduction initiatives in 2009 and 2010 in an effort to achieve this goal. The Company also focused in higher margin longer term revenue opportunities in fiscal 2010.

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Operating Loss: For year ended March 31, 2010 the Company's operating loss was \$1.5 million compared to an operating loss of \$3.4 million for the year ended March 31, 2009. The improvement in operating loss can be primarily attributed to an improvement in EBITDA.

Interest and Other Income/Loss: In April 2010, the Company completed a comprehensive debt and private placement financing and in July 2010, the proceeds of the financing were used for working capital purposes and to repay the Company's subordinated debt. Due to the Company's repayment of the debt in July 2010, the carrying value of the debt was equal to its face value at March 2010. The adjustment of the debt to its face value resulted in a \$0.7 million charge to interest expense in the year ended March 31, 2010. Absent this charge to interest expense, interest expense for the year ended March 31, 2010 would have been \$1.1 million compared to \$1.4 million for the year ended March 31, 2009. This decrease of \$0.3 million from the year ended March 31, 2009 was largely related to the repayment of subordinated debt of \$0.5 million in September 2008 and \$0.25 million in November 2008.

A significant portion of the Company's interest expense is non-cash (approximately \$1.3 million in the year ended March 31, 2010 and \$0.7 million in the year ended March 31, 2009).

Included in other income/loss are foreign currency adjustments related to monetary translations. For the year ended March 31, 2010 other income was \$0.1 million compared to \$0.2 million for the year ended March 31, 2009.

Loss and Comprehensive Loss from Operations: For the year ended March 31, 2010, loss from operations was \$3.4 million compared to \$4.6 million for the year ended March 31, 2009. The reduction in the Company's loss and comprehensive loss was primarily related to numerous cost reduction initiatives implemented in 2009 and 2010 as the Company focused on achieving profitability.

FOURTH QUARTER FISCAL 2010 RESULTS OF OPERATIONS COMPARED TO THIRD QUARTER FISCAL 2010 AND FOURTH QUARTER 2009

Revenue: For the three months ended March 31, 2010 revenue was \$4.2 million compared to \$4.7 million for the three months ended March 31, 2009, representing a 12% decrease. This decrease was due primarily to a decrease in Recurring Revenue that was partially offset by an increase in Non-Recurring Revenue.

Revenue of \$4.2 million generated in the quarter represents a 4% decrease over \$4.4 million generated in the previous quarter ended December 31, 2009. This decrease was due primarily to a decrease in Recurring Revenue which was partially offset by an increase in Non-Recurring Revenue.

Recurring Revenue (see definition in section 4.b under Non-GAAP Measures) is comprised of utilization fees, hosting, support and maintenance revenue, data management and transcription services, billing and financial management services and transactional fees.

Recurring Revenue for the three months ended March 31, 2010 was \$2.9 million compared to \$3.7 million for the three months ended March 31, 2009, representing a 24% decrease. This decrease in Recurring Revenue from the same quarter last fiscal year is primarily the result of a decrease in low margin revenues from data management and transcription services as well as the impact of the decrease in value of the Canadian dollar compared to the US dollar during the periods.

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Recurring Revenue of \$2.9 million for the quarter compared to \$3.3 million for the prior previous quarter ended December 31, 2009. This decrease in Recurring Revenue can also be attributed primarily to attrition in our data management and transcription services business.

Non-Recurring Revenue (see definition in section 4.b under Non-GAAP Measures) is comprised of revenues generated from sales of software and systems and related training, data conversion and installation services.

Non-Recurring Revenue for the three months ended March 31, 2010 was \$1.3 million compared to \$1 million for the three months ended March 31, 2009, representing a 36% increase over the year ago quarter. This increase in Non-Recurring Revenue periods is primarily the result of the recognition of a significant EMR license cross sell to an existing US based customer in the quarter ended March 31, 2010.

Non-Recurring Revenue for the quarter ended March 31, 2010 was \$1.3 million compared to \$1.0 million for the previous quarter ended December 31, 2009, an increase of 31%. This increase in Non-Recurring Revenue can also be attributed to the recognition of revenue on a significant EMR license cross sell to an existing US based customer in the quarter ended March 31, 2010. In addition to the significant license cross sell in the quarter, the Company experienced a definite increase in the number of sales to smaller sized clinics as a result of the Ontario Medical Association announcement regarding funding.

Over the three months ended March 31, 2010, the Company generated 71% of its revenue from the US market. With the decrease in the value of the US dollar relative to the Canadian dollar, the Company estimates that revenue was negatively impacted by approximately 15%, or \$0.6 million, over the three months versus the same period during the previous fiscal year.

Gross Profit: For the three months ended March 31, 2010, gross profit was \$3.2 million, or 76% of revenue (gross profit margin), compared to \$3.3 million, with gross profit margin of 70% for the same quarter last fiscal year. This improvement in gross profit is primarily associated with the recognition of high margin license revenue on a large enterprise deal in the quarter ended March 31, 2010 as well as the Company's focus on the higher margin software business during fiscal 2010.

Gross profit of \$3.2 million, or 76% of revenue, compared to \$3.3 million, or 76% of revenue, for the quarter ended December 31, 2009.

Expenses: Expenses for the three months ended March 31, 2010, were \$3.4 million compared to \$4 million for the three months ended March 31, 2009, representing a 12% decrease over these periods. This decrease in expense can primarily be attributed to the Company's participation in a Canadian research assistance program whereby the Company was reimbursed for certain research and development activities in support of the Company's US EMR product as well as the impact of changes in the US dollar exchange rate as further described below.

Nightingale's expenses are affected by changes in the US dollar exchange rate, with approximately 60% of the Company's expenses during the three months ended March 31, 2010 generated in the US, providing the Company with a natural hedge position that has offset some of the effects on revenue of the decrease in value of the US dollar. The Company estimates that expenses were positively impacted by approximately 10% or \$0.3 million over the three months versus the same period during the previous fiscal year.

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General and administration expenses were at \$0.8 million for the three months ended March 31, 2010 compared to \$1 million for the three months ended March 31, 2009. This decrease in expense was primarily associated with a decrease in certain cost reduction initiatives including a reduction in professional fees.

For the current fiscal quarter, general and administration expenses were relatively flat at \$0.8 million from the previous quarter ended December 31, 2009, and increased 7% on absolute terms. This increase was primarily associated with an increase in consulting costs.

Sales and marketing expenses for the three months ended March 31, 2010 were \$0.4 million compared to \$0.5 for the three months ended March 31, 2009, representing a 9% decrease over the periods. This decrease in expense was the result of management's cost reduction initiatives implemented in 2010.

Sales and marketing expenses were relatively flat at \$0.4 million from the previous quarter ended December 31, 2009 and increased 16% increase on absolute terms. This increase can be primarily attributed to the Company's increased investment in certain sales and marketing activities in support of revenue generating activities aimed at capturing the opportunities presented by the North American markets.

Research and development expenses for the three months ended March 31, 2010, were \$0.5 million compared to \$0.9 million for the three months ended March 31, 2009, representing a \$0.3 million, or 38% decrease over the periods. This decrease in research and development expense can be primarily attributed to the Company's participation in a Canadian research assistance program whereby the Company was reimbursed approximately \$0.4 million for certain research and development activities in support of the Company's US EMR product as well as capitalization of certain development costs totalling \$0.1 million.

Research and development expenses decreased \$0.02 million, or 23%, from the previous quarter ended December 31, 2009.

These decreases in expense can primarily be attributed to the Company's participation in a Canadian research assistance program whereby the Company was reimbursed for certain research and development activities in support of the Company's US EMR product. In the quarter ended March 31, 2010, the Company's research and development expense was reduced by \$0.2 million related to this reimbursement program. The Company's capitalization of certain development costs in the quarter ended March 31, 2010 also contributed to the decrease from the year ago period. The Company capitalized approximately \$0.1 million of its development costs in the quarter ended March 31, 2010.

Client services expenses for the three months ended March 31, 2010 were \$1 million compared to \$1 million for the three months ended March 31, 2009, representing a \$0.1 million, or .1% decrease over the periods. Client services expenses increased \$0.09 million, or 10%, from the quarter ended December 31, 2009. This increase in expense was primarily related to increases in expenses associated with our core business which were partially offset by a reduction in costs associated with the transcription business as well as certain cost reduction initiatives implemented in fiscal 2010.

Stock-based compensation for the three months ended March 31, 2010, was \$0.08 million compared to NIL from the year ago quarter and \$0.03 million for the three months ended December 31, 2009.

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Depreciation and amortization for the three months ended March 31, 2010 was \$0.6 million compared to \$0.7 million for the three months ended March 31, 2009 and was flat at \$0.6 million for the three months ended December 31, 2009.

EBITDA (non-GAAP measure, see note 6.a for a definition): EBITDA income for the three months ended March 31, 2010 was a positive \$0.4 million compared to positive EBITDA of \$0.01 million for the three months ended March 31, 2009 and compared to positive EBITDA of \$0.6 million for the quarter ended December 31, 2009. The Company has been focused on achieving profitability in fiscal 2010 and has been focused on higher margin longer term revenue opportunities. The Company also implemented several cost reduction initiatives during the fiscal year in an effort to achieve this goal. The March 31, 2010 quarter represents the fifth consecutive quarter of positive EBITDA.

Operating Loss: For three months ended March 31, 2010 operating loss was \$0.3 million compared to an operating loss of \$0.7 million for the three months ended March 31, 2009 and \$0.07 million for the quarter ended December 31, 2009. The improvement in operating loss in the year over year periods can be primarily attributed to an improvement in EBITDA as described above.

Interest and Other Income / Loss: In April 2010, the Company completed a comprehensive debt and private placement financing and in July 2010, the proceeds of the financing were used to repay the Company's subordinated debt. Due to the Company's repayment of the debt in July 2010, the carrying value of the debt was equal to its face value at March 2010. The adjustment of the debt to its face value resulted in a \$0.7 million charge to interest expense in the year ended March 31, 2010. Absent this charge to interest expense, interest expense for the three months ended March 31, 2010 would have been \$0.3 million compared to \$0.4 million for the three months ended March 31, 2009. In the previous fiscal quarter, interest expense was \$0.3 million. Included in other income/loss are foreign currency adjustments related to monetary translations. For the three months ended March 31, 2010 other income was \$0.01 million compared to other income of \$0.02 million for the three months ended March 31, 2009.

Other income was a loss of \$0.01 million for the current quarter which compares to a loss of \$0.02 million for the year ago quarter and a positive \$0.02 million for the quarter ended December 31, 2009.

Income and Comprehensive Income/Loss and Comprehensive Loss: For the three months ended March 31, 2010, income and comprehensive income was \$1.5 million compared to loss and comprehensive loss of \$1 million for the three months ended March 31, 2009. The improvement in loss and comprehensive loss in the periods can be primarily attributed to cost reductions initiatives.

Loss and comprehensive loss was \$1.5 million for the current fiscal quarter which compares to loss and comprehensive loss of \$0.4 million for the previous fiscal quarter ended December 31, 2009.

FISCAL 2009 RESULTS OF OPERATIONS COMPARED TO FISCAL 2008

Revenue: For the year ended March 31, 2009, revenue was \$18.5 million. This compares to \$18.9 million for the year ended March 31, 2008, representing a 2% decrease. This decrease was due primarily to a decrease in Non-Recurring Revenue and revenues from transcription services over the prior fiscal year, offset partially by an increase in Recurring Revenue.

Recurring Revenue (see definition in section 4.b under Non-GAAP Measures) is comprised of utilization fees, hosting, support and maintenance revenue, data management and transcription services, billing and financial management services and transactional fees.

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Recurring Revenue for the fiscal year ended March 31, 2009 was \$14.5 million, or 79% of revenue. This compares to \$13.1 million, or 69% of revenue for the fiscal year ended March 31, 2008, representing an 11% increase. The increases in recurring revenue year-over-year are primarily the result of an increase in billing and financial management revenues as a significant new customer was added as well as an increase in software maintenance revenues. These increase were partially offset by lower data management and transcription revenues. The increase in the value of the US dollar relative to the Canadian dollar also had a significant positive impact on Recurring Revenue over the fiscal year.

Non-Recurring Revenue (see definition in section 4.b under Non-GAAP Measures) is comprised of revenues generated from sales of software and systems and related training, data conversion and installation services.

Non-Recurring Revenue for the fiscal year ended March 31, 2009 was \$3.9 million, or 21% of revenue. This compares to \$5.8 million, or 31% of revenue for the fiscal year ended March 31, 2008, representing a 32% decrease. The decrease in Non-Recurring Revenue over these periods is primarily the result of a decrease in software sales as well as a decrease in related training, data conversion and installation services revenues. The Company believes that many potential customers delayed their spending decisions in fiscal 2009 in order to fully evaluate the funding programs available or becoming available to them which accounts for the decrease in software and training revenues. This decrease in non-recurring revenues was partially offset by an increase in software license revenues from a large territory in fiscal 2009. The Company expects that revenues from software license fees may decrease in future periods as the Company's utilization model is an attractive alternative for customers participating in government funding programs or for customers that are interested in limiting their upfront cash investment.

Over the year ended March 31, 2009, the Company generated 73% of its revenue from the US market. With the increase in the value of the US dollar relative to the Canadian dollar, the Company estimates that revenue was positively impacted by approximately 6%, or \$1.1 million, during the year compared to the previous fiscal year.

Gross Profit: For the year ended March 31, 2009, gross profit was \$13.4 million, or 73% of revenue, compared to \$13.7 million, and 73% of revenue for the year ended March 31, 2008.

Expenses: Expenses for the fiscal year ended March 31, 2009, were \$16.8 million, or 91% of total revenue. This compares to \$20 million, or 106% of total revenue, for the fiscal year ended March 31, 2008, representing a 16% decrease. This decrease in expense was the result of the Company's implementation of several cost reduction measures throughout fiscal 2008 and 2009, which were partially offset by an increase in expense as a result of the increase in value of the US dollar. The Company is focused on prudent expense management as it seeks to achieve profitability.

Over the year ended March 2009, approximately 48% of the Company's expenses were incurred in the US, providing the Company with a natural hedge position that offset some of the effects on revenue of the increase in value of the US dollar. The Company estimates that expenses were negatively impacted by approximately 3% or \$0.6 million over the year compared to the previous fiscal year.

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General and administration expenses for the year ended March 31, 2009, were \$3.5 million. This compares to \$3.8 million for the year ended March 31, 2008, representing a \$0.3 million, or 8% decrease. The decrease in general and administration expense was the result of decreases in professional services costs as well as a decrease in labour related and other costs. The increase in the value of the US dollar partially offset these decreases.

Sales and marketing expenses for the year ended March 31, 2009, were \$2.4 million. This compares to \$3.2 million for the year ended March 31, 2008, representing a \$0.8 million, or 24%, decrease. This decrease in expenses was the result of the departure of a senior staff member during 2008 as well as a decrease in costs associated with external public relations activities.

Research and development expenses for the year ended March 31, 2009, were \$3.6 million. This compares to \$4.6 million for the year ended March 31, 2008, representing a \$1 million, or 21% decrease. The decrease in research and development expenses can be primarily attributed to the Company's cost reduction efforts, including a reduction in spending on contract labour as development projects were prioritized and brought in house.

Client services expenses for the year ended March 31, 2009, were \$4.6 million. This compares to \$5.7 million for the year ended March 31, 2008, representing a \$1.0 million, or 18% decrease. This decrease is primarily attributable to the Company's continued integration and cost management efforts.

Stock-based compensation for the year ended March 31, 2009, was \$0.1 million. This compares to \$0.5 million for the year ended March 31, 2008.

Depreciation and amortization for the year ended March 31, 2009, was \$2.6 million. This compares to \$2.2 million for the year ended March 31, 2008.

EBITDA (non-GAAP measure, see note 6.a for a definition): EBITDA for the year ended March 31, 2009, was a loss of \$0.7 million, or 4% of revenue. This compares to an EBITDA loss of \$3.5 million, or 19% of revenue, for the year ended March 31, 2008. The Company has been focused on achieving profitability and has implemented several cost reduction initiatives during the fiscal year in an effort to achieve this goal. This improvement in EBITDA is a reflection of these initiatives as well as an increase in Recurring-Revenue and the strengthening of the US dollar compared to the previous year.

Operating Loss: For year ended March 31, 2009, operating loss was \$3.4 million, or 18% of revenue. This compares to an operating loss of \$6.3 million or 33% of revenue, for the year ended March 31, 2008. The improvement in operating loss can be primarily attributed to an improvement in EBITDA as well as lower stock based compensation.

Interest and Other Income/Loss: Interest expense for the year ended March 31, 2009 was \$1.4 million. This compares to \$3.3 million for the year ended March 31, 2008. This decrease year-over-year is largely the result of reduced interest associated with the Company's subordinated debt as the Company repaid \$6 million of the subordinated debt in March 2008, as well as \$0.5 million in September 2008 and \$0.3 million in November 2008.

Included in other income/loss are foreign currency adjustments related to monetary translations. For the year ended March 31, 2009, other income was \$0.2 million or 1% of revenue. This compares to other loss of \$0.1 million, or 0.8% of revenue, for the year ended March 31, 2008.

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Loss from Continuing Operations: For the year ended March 31, 2009, loss from continuing operations was \$4.6 million, or 35% of revenue. This compares to a loss from continuing operations of \$14.3 million, or 76% of revenue, for the year ended March 31, 2008. Factors that contributed to the improvement of loss and comprehensive loss include the cost reduction initiatives as well as an increase in Recurring-Revenue and the strengthening of the US dollar compared to last fiscal year. Going forward, the overall impact on profitability from exchange rate fluctuations will be largely determined by the profitability of the Company's US operations. A reduction in stock based compensation and interest costs were also factors in the improvement of loss and comprehensive loss. The improvement partially was offset by reduction in Non-Recurring Revenue.

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 \$0.5 million. These earnings were comprised of revenues of approximately \$4.2 million net of expenses of \$3.7 million.

3. LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents on March 31, 2010 were \$1.8 million.

Cash Flow from Operating Activities: Cash used in operating activities for the year ended March 31, 2010 was \$1.1 million, compared to \$0.2 million for the year ended March 31, 2009. The most significant contributors to cash flow used by operations in 2010 included an increase in accounts receivable of \$0.3 million and a decrease in accounts payable of \$1.1 million. Approximately \$0.5 million of the decrease in accounts payable related to the decrease in the value of the US dollar relative to the Canadian dollar

Cash flow from operating activities before changes in working capital items improved significantly from a use of cash of \$1.2 million for the year ended March 31, 2009 to positive cash of \$0.5 million for the year ended March 31, 2010.

Cash Flow from Investing Activities: During the year ended March 31, 2010, cash flow used in investing activities was \$0.2 million representing purchases of property and equipment of \$0.1 million and capitalization of development costs of another \$0.1 million, versus cash flow used in investing activities of \$0.2 million during the previous year.

Cash Flow from Financing Activities: Cash flow used in financing activities for the twelve months ended March 31, 2010 totalled \$0.2 million representing repayment of capital lease obligations. This compares to cash flow from financing activities of \$1.3 million, representing repayment of capital lease obligations of \$0.3 million and repayment of subordinated debt of \$1 million during the previous year.

During the fiscal year ended March 31, 2010, current assets decreased \$1.3 million to \$5 million while current liabilities decreased \$1.7 million to \$7 million, resulting in an increase in total working capital of \$0.4 million and total negative working capital of \$2 million as at March 31, 2010, including deferred revenue of \$3.5 million.

In quarter ended September 2008, the Company experienced a breach of a financial covenant under the loan agreement with its lenders. The Company received a waiver of the breach from the lenders and certain covenants and other terms of the subordinated debt agreement were amended and consideration of approximately \$230,000 was committed to the lenders.

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In May 2009, the Company amended its debt financing agreements with the Lenders and agreed to issue to the Lenders an aggregate of 2,858,663 common shares in order to cancel the 7,994,186 warrants held by the Lenders and settle \$230,000 of other liabilities owed to the Lenders. The issuance of shares and cancellation of warrants were approved by the TSX Venture Exchange.

In July 2009, the Company amended its debt financing agreements to extend the term through July 2012 at which point the remaining principal balance of \$5,250,000 will be due. Certain terms and covenants were also amended in July 2009 and the Company agreed to issue 4,233,870 warrants with a strike price of \$0.31 per share and with an expiration date of July 29, 2012. Such warrants received TSXV approval in August 2009.

In March 2010, the Company experienced a breach of a financial covenant under the loan agreement with its lenders. The Company received a waiver of the breach from the lenders. In July 2010, the Company repaid the subordinated debt in full the proceeds from the Company's debt and private placement financing described below.

At March 31, 2010, the Company had \$1.8 million of cash and cash equivalents, negative working capital of \$2 million (including deferred revenue of \$3.5 million) and used \$1.1 million of cash in its operations for the year ended March 31, 2010. Under the subordinated debt as well as the new financing, the Company is required to adhere to certain financial covenants. In order for the Company to achieve and sustain positive operating cash flow, working capital or profitability and in order to meet its financial covenants, the Company will need to continue to generate and increase revenues from non-recurring sources, protect its recurring revenues and capital resources and may need to make additional changes to its cost structure and operating plan.

It should also be noted that to date, Nightingale has not generated significant or consistent positive cash flow from operating activities and the Company remains dependent on new sales to minimize its use of cash. To the extent that the Company's utilization model, which does not generally require a large upfront payment, is favoured in future periods, the Company may experience a decrease in up front cash flows from new sales.

In April 2010, the Company completed a comprehensive debt and private placement financing and in July 2010, the proceeds of the financing were used to repay the Company's subordinated debt.

The completed financing transactions included a US \$1 million revolving line of credit and a CAD \$2 million three year term loan for aggregate proceeds of approximately \$3 million (collectively, the "Senior Loan Facility"). The Company also issued an aggregate of 5,682,364 common shares of the Company at a price of \$0.22 per Common Share for gross proceeds of \$1.25 million (the "Common Share Offering") and concurrently issued 2,074 subscription receipts ("Subscription Receipts") to receive convertible debentures for gross proceeds of \$2.074 million (the "Subscription Receipt Offering"), all on a non-brokered private placement basis. When the subordinated debt was repaid in July 2010, the holder of each Subscription Receipt received, without additional consideration, convertible unsecured subordinated debentures (the "Debentures").

The Debentures bear interest at a rate of 12% per annum, payable monthly and are scheduled to mature in July 2013. Following the first year anniversary of the Debentures, the Company has the right to redeem the Debentures, in whole or in part, at a price equal to their principal amount plus accrued and unpaid interest. The Debentures are convertible at the holder's option into fully-paid Common Shares at any time prior to maturity or redemption at a conversion price of \$0.35 per share.

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The following unaudited pro forma information reflects the balance sheet as if the refinancing and debt payoff had been completed as of March 31, 2010:

	As Reported	Pro forma
Cash and cash equivalents	\$ 1,798,247	\$ 2,888,167
Current liabilities:		
Line of credit	\$ -	\$ 1,015,800
Term loan, net of long term portion	-	400,000
Long term liabilities:		
Subordinated debt	\$ 5,250,000	\$ -
Term loan	-	1,600,000
Subordinated debentures	-	1,796,545
Shareholder's equity:	\$ 398,981	\$ 1,926,556

The above pro forma information does not include adjustments related to the financing costs.

The Company may seek to raise additional funds for working capital purposes and capital expenditures. Based on its historical financial performance and the current condition of the credit markets, financing may not be available on terms acceptable to the Company or at all. If adequate funds are not available on acceptable terms, the Company's ability to fund operations, make investments or take advantage of opportunities could be limited without an increase in sales. The impact of expenditures for investments in the Company's infrastructure or capital equipment on cash resources will be minimized by attempting to align spending with the availability of third party equipment financing.

The Company believes that its current business plan provides for these factors and as such believes that its cash and cash equivalents will be sufficient to meet the Company's cash flow needs for the foreseeable future. Despite the Company's financial management efforts; however, there can be no assurance that the Company's plans will succeed or that the Company will be able to comply with its financial covenants. Although the Company has obtained waivers for breach of financial covenants in the past; there can be no assurances that such waivers would be granted in the event of any future violation of covenants and the Company's ability to repay the debt in such as case would be limited.

4. 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

The Company has included an EBITDA measurement since it believes that this information would be useful to investors to help evaluate the performance of the Company. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net earnings as determined in

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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 non-GAAP measure that management believes is a useful 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, and Management uses this information internally for forecasting and budgeting purposes.

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

Definition	Fiscal Quarter Ended March 31, 2010	Fiscal Quarter Ended March 31, 2009	Year Ended March 31, 2010	Year Ended March 31, 2009
Loss and Comprehensive Loss	\$ (1,524)	\$ (1,004)	\$ (3,444)	\$ (4,632)
<i>Adjustments for:</i>				
Current Tax Expense	\$ 33	\$ -	\$ 40	\$ -
Other Loss (Income)	(6)	(23)	(62)	(197)
Interest	1,191	370	2,011	1,418
Depreciation and Amortization	628	674	2,379	2,609
Stock-based Compensation	84	(8)	279	83
EBITDA	\$ 406	\$ 9	\$ 1,203	\$ (719)

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. Investors should be cautioned, however, 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 revenues 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.

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

Definition	Fiscal Quarter Ended March 31, 2010	Fiscal Quarter Ended March 31, 2009	Year Ended March 31, 2010	Year Ended March 31, 2009
Non-Recurring Revenue	\$ 1,324	\$ 971	\$ 3,485	\$ 3,934
Recurring Revenue	2,849	3,746	13,096	14,531
Revenue	\$ 4,173	\$ 4,717	\$ 16,581	\$ 18,465

5. CONTRACTUAL OBLIGATIONS

Nightingale leases office space for its corporate headquarters in Markham, Ontario and has entered into a number of capital and operating leases, 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 amounts payable under operating leases and capital leases, exclusive of certain operating costs for which the Company is responsible, are as follows:

Fiscal Year	Operating Leases	Capital Leases
2011	\$ 557,709	\$ 335,101
2012	510,940	115,423
2013	304,003	104,169
2014	234,600	-
2015 and thereafter	<u>180,115</u>	<u>-</u>
Total Future Minimum Payments	\$ 1,787,367	554,693
Less Interest		<u>(46,466)</u>
Total Principal Balance		508,227
Less Long Term Portion		<u>(211,578)</u>
Current Portion of Obligations		\$ 296,649

Capital lease obligations, including interest at rates ranging from 3.5% to 20% per annum, mature on various dates to January 31, 2013 and are often secured by the underlying office equipment and furniture and fixtures.

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6. TRANSACTIONS WITH RELATED PARTIES

At March 31, 2010 and March 31, 2009, the Company had a deferred compensation balance of \$47,386 and \$117,905, respectively, payable to an officer and director of the Company. The balance is payable on demand and was included in the balance of accounts payable and accrued liabilities.

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

7. RECENT AND SIGNIFICANT EVENTS

Subordinated Debt and Warrants

In April 2010, the Company completed a comprehensive debt and private placement financing and in July 2010, the proceeds of the financing were used to repay the Company's subordinated debt.

The completed transactions included a US \$1 million revolving line of credit and a CAD \$2 million term loan for aggregate proceeds of approximately \$3 million (collectively, the "Senior Loan Facility"). The Senior Loan Facility bears an interest rate of, approximating, bank prime rate plus 3% which compares favorably to the Company's existing subordinated debt facility.

The Company also issued an aggregate of 5,682,364 common shares of the Company at a price of \$0.22 per Common Share for gross proceeds of \$1.25 million (the "Common Share Offering") and concurrently issued 2,074 subscription receipts ("Subscription Receipts") for gross proceeds of \$2.074 million (the "Subscription Receipt Offering"), all on a non-brokered private placement basis. The Common Share Offering and the Subscription Receipt Offering were approved by the TSX Venture Exchange in April 2010.

All securities issued in connection with the Common Share Offering and the Subscription Receipt Offering are subject to a statutory hold period that will expire on August 21, 2010. The Common Shares are also subject to a contractual hold period that will expire on October 21, 2010.

Refer to section 3 for additional discussion and presentation of pro forma financial information.

8. RECENT ACCOUNTING PRONOUNCEMENTS

Our accounting policies and changes in accounting policies are also described in notes 1 and 4, respectively, to our consolidated financial statements.

(a) Goodwill and intangible assets:

In February 2008, CICA issued Handbook Section 3064 "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

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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 Company adopted this new guidance effective April 1, 2009. The adoption of this guidance did not have a material impact on the Company's financial position, results of operations or cash flows.

(b) Financial instruments - disclosures

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. The Company adopted this new guidance effective April 1, 2009, and it did not have a material impact on the Company's financial position, results of operations or cash flow.

9. RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

The following accounting pronouncements have been released but have not yet been adopted by the Company.

(a) International Financial Reporting Standards ("IFRS"):

In February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards (IFRS) will replace Canadian GAAP for publicly traded companies for years beginning on or after January 1, 2011. The Company is required to prepare its financial statements using IFRS for the fiscal year beginning April 1, 2011. The Company has established a three phased approach for completing its changeover to IFRS as summarized below. The Company's implementation plan is designed to ensure that IFRS reporting is fully implemented in the Company's operations by the end of the fiscal year ending March 31, 2011.

Phase One—Preliminary Study and Set Up: The Company has nearly completed this phase of its IFRS implementation plan. The Company has established organization and governance for the project and has established a plan for communicating progress and keeping its governance committee informed regarding such progress. The Company has also completed a diagnostic evaluation of all financial statement elements affected by the implementation of IFRS and has identified the following areas as critical – adoption and disclosure matters, revenue recognition, foreign currency translation, impairment of assets, income taxes, provisions and contingencies and stock-based compensation. The following areas were identified as low impact – business combinations, property and equipment, leases, intangible assets and financial instruments. The Company also established a plan and timetable as part of this phase.

Phase Two—Component Evaluation and Issues Resolution: The Company has entered this phase of the Company's IFRS implementation plan which involves the evaluation of the various components identified

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during phase one as well as analysis and decisions about its accounting policies. During this phase, the Company will also identify new data requirements and will rollout training programs to its accounting staff. The Company expects to complete the evaluation of its critical components during the second quarter of fiscal 2011. The accounting policy decisions regarding these critical components as well as the evaluation of components determined to be low impact will be completed during the third quarter of fiscal 2011. The Company's training program will continue throughout all phases of the implementation plan.

Phase Three—Financial Statements and Change Integration: During this phase of the Company's implementation, the Company will template its IFRS financial statements and related adjustments, complete its analysis of its systems and controls and implement the changes required by IFRS. The Company expects to enter this phase of its implementation plan in the third quarter of fiscal 2011 and complete this phase during the fourth quarter of fiscal 2011. The Company's June 30, 2011 financial statements will be its first financial statements including IFRS adjustments.

(b) Business combinations:

In January 2009, the CICA issued Section 1582, "Business Combinations", replacing Section 1581, "Business Combinations". 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 at the date of acquisition. The standard also states that the acquisition-related costs will be expensed as incurred and that the restructuring charges will be expensed in the periods after the acquisition date. This new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company is currently assessing the future impact of this new standard on its consolidated financial statements.

(c) Consolidated financial statements:

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 fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted. The Company is currently assessing the future impact of this new standard on its consolidated financial statements.

(d) Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued Emerging Issues Committee ("EIC") 175, Multiple Deliverable Revenue Arrangements, replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to (1) exclude from the application of the updated guidance those arrangements that would be accounted for in accordance with financial Accounting Boards Statement (FASB) Statement of Position (SOP) 97-2, Software Revenue Recognition, as amended by Accounting Standards Update (ASU) 2009-14; (2) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (3) require in situations where a vendor does not have vendor-specific objective evidence (VSOE) or a third party evidence of selling price, require that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (4) eliminate the use of the residual method and require the entity to allocate revenue using the relative selling price method; and (5) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after

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January 1, 2011 with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption. The Company is currently assessing the future impact of these amendments on its financial statements and has not yet determined the timing and method of its adoption.

(e) Non-controlling interests in 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. The Company is currently assessing the future impact of this new standard on its consolidated financial statements.

10. 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.

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 by any of the risks outlined below. 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 on 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

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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.

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, (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 timing and availability of government funding to the healthcare industry and timing of related announcements.

In Canada and the United States, government funding programs are helping to fuel the market for Nightingale's solutions; however, delays in processing funding applications and / or the physician's ability to qualify for the funding programs we have targeted complicates and lengthens our sales cycle. 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.

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Risks Related to the Debt Arrangements.

There are risks associated with the debt service costs and the ability to comply with covenants imposed under the Company's debt arrangements. These costs and covenants 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 debt arrangements, 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 cash or equity in the future to finance its operations or growth. The type, timing, and terms of financing selected by the Company 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 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 US 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, US 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, section 2, a significant portion of the Company's revenues and expenses are denominated in US dollars and restated to Canadian dollars for financial statement purposes. The Company's US denominated expenses 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 effect on both the revenues and expenses of the Company. As the Canadian dollar fluctuates relative to the US dollar, both US dollar denominated revenues and expenses as stated in Canadian dollars will also fluctuate. 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. In the year ended March 31, 2010, one large customer accounted for 10% of total revenues in each of 2010 and 2009. A second and third customer accounted for 23% and 17% of accounts receivable at March 31, 2010. A fourth customer accounted for 10% of total revenues in the year ended March 31, 2009 and 22% of accounts receivable at March 31, 2009.

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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.

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

Nightingale is dependent on its management team. 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 select sales and marketing efforts in order to increase market awareness. Nightingale also plans to continue to invest in certain research and development and operational initiatives to develop and support new products, and to increase its customer service and support personnel in North America to support the growth and other changes in 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.

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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 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 Government Legislation and other Regulatory Risks.

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, or changes to regulations currently adopted, 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.

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.

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On August 31, 2009 Health Canada issued a notice requiring manufacturers of electronic medical records systems sold in Canada to register and license those products as Class II medical devices by September 1, 2011. As a part of this process, Nightingale will be required to achieve ISO 13485:2003 compliance and certification. As part of the licensing requirements, Nightingale is in the process of achieving ISO 13485:2003 compliance and certification. ISO 13485:2003 is an international quality standard and is a pre-requisite to achieving Medical Device Class II certification for patient management software companies. Medical Device Class II requires software companies to have quality systems and processes in place according to international quality standards. Nightingale's facilities are currently certified under Health Canada Medical Device Class I. Nightingale is committed to completing the process of Class II Medical Device licensing for Nightingale On Demand prior to the Health Canada deadline.

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.

In February 2009, President Obama signed the American Recovery and Reinvestment Act ("ARRA"), which allocates over \$20 billion dollars to healthcare IT over the next several years. The provision of the legislation that addresses health information technology specifically is known as the Health Information Technology for Economic and Clinical Health Act ("HITECH Act"). Under the provisions of HITECH Act, the ARRA includes significant financial incentives to healthcare providers who can demonstrate meaningful use of certified EHR technology beginning in 2011. While the Company expects the ARRA to create significant opportunities for sales of the Nightingale web-based EMR over the next several years, the costs associated with ensuring that our products qualify for such funding, and that they continue to qualify for funding as the regulations evolve, could be significant.

The US 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.

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:

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- 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 recently completed several acquisitions as part of Nightingale's growth strategy. There is no assurance that Nightingale will derive the planned 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, efficiently 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.

11. DISCLOSURE OF OUTSTANDING SHARE DATA

	Authorized	Issued as at March 31, 2010
Common Shares, Voting	Unlimited	72,295,218 ⁽¹⁾
Preferred Shares	Unlimited	-
Stock Options – Issued and Outstanding		4,866,816
Warrants – Issued and Outstanding		4,233,870

⁽¹⁾ Includes 1,666,667 common shares issued upon the purchase of HealthNet that are subject to a performance escrow. The performance escrow period ended in fiscal 2010 and these common shares are expected to be cancelled in the second quarter of fiscal 2011. In addition, this balance includes 94,008 restricted common shares to an officer of the Company. These shares vested in April 2010.

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12. OUTLOOK

See "Cautionary Note Regarding Forward-Looking Statements"

In fiscal 2010, the Company focused on its goal of achieving profitability and improved cash flows and largely achieved its objective of generating positive EBITDA. EBITDA improved from a loss of \$0.7 million in fiscal 2009 to a positive \$1.2 million in fiscal 2010.

The recent EMR funding announcements in Ontario have led to a significant increase in the level of inquiries and sales activities related to the Company's ASP certified EMR and an increase in the Company's sales pipeline. Organic growth is an important objective for the Company in the coming quarters, with the Company particularly focused on expanding its base of higher margin EMR software revenue. As such, Nightingale has made recent measured investments in sales and marketing and other areas to support its growth initiatives, and expects to continue to do so in the coming quarters.

In the US, the recently launched government stimulus programs and EMR adoption incentives are increasing the level of interest in and adoption of EMR solutions. As such, Nightingale is focused on product development and its selling and distribution plans for the US market. The Company believes that there is a longer term, significant opportunity available in the US market.

During fiscal 2010, Nightingale realized reductions in its low-margin transcription business. The Company expects this to persist into fiscal 2011, but it believes that further reductions in transcription revenue will be offset by revenue generated from software sales over the longer term.

Nightingale entered fiscal 2011 focused on making continued modest improvements to its financial performance, striving to achieve consistently positive cash flow and positive EBITDA. In addition, the Company remains focused on driving revenue growth through its three key 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.

Nightingale's growing sales pipeline, coupled with its existing base of healthcare practitioners and patient records, position the Company well to capitalize on these opportunities.

13. ADDITIONAL INFORMATION

Additional information on Nightingale can be found at www.sedar.com under Nightingale Informatix Corporation.