Syncordia
Technologies and Healthcare Solutions

Syncordia Technologies and Healthcare Solutions, Corp.

Third Quarter 2017 Management's Discussion and Analysis of
Financial Condition and Results of Operations

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and the Condensed Interim Consolidated Financial Statements have been prepared by management and approved by the Board of Directors of Syncordia Technologies and Healthcare Solutions, Corp. (the "Company"). The Condensed Interim Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and, where appropriate, reflect management's best estimates and judgments. Where alternative accounting methods exist, management has chosen those methods considered most appropriate in the circumstances. Management is responsible for the accuracy, integrity and objectivity of the Condensed Interim Consolidated Financial Statements within reasonable limits of materiality, and for maintaining a system of internal controls over financial reporting. The Audit Committee, which is appointed annually by the Board of Directors and comprised exclusively of independent directors, meets with management as well as with the independent auditors to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the Condensed Interim Consolidated Financial Statements and the independent auditor's report. The Audit Committee reports its findings to the Board of Directors for consideration in approving the Condensed Interim Consolidated Financial Statements for presentation to the shareholders. The Audit Committee considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the independent auditors.

BASIS OF PRESENTATION

The following MD&A should be read in conjunction with the Company's Condensed Interim Consolidated Financial Statements and related notes for the three and nine month periods ended December 31, 2016 and the audited Consolidated Financial Statements for the year ended March 31, 2016 of Syncordia Technologies and Healthcare Solutions, Corp. Unless otherwise noted, the descriptions in this MD&A relate to the three and nine month periods ended December 31, 2016.

The Company prepares its Condensed Interim Consolidated Interim Financial Statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The policies applied in the Company's Condensed Interim Consolidated Financial Statements are based on IFRS policies effective as at February 23, 2017, the date of this MD&A and the date the Audit Committee and Board of Directors approved our Condensed Interim Consolidated Financial Statements.

We use certain non-IFRS financial performance measures in this MD&A. For a detailed reconciliation of each non-IFRS measure used in this MD&A, please see the discussion in Section 9 of this MD&A. In this MD&A, all currency amounts (except per unit amounts) are in thousands and, unless otherwise stated, are in thousands of United States dollars ("US Dollars").

Additional information about Syncordia, including an overview of our business and growth strategy, is included in the 2016 annual Management Discussion and Analysis of Financial Condition and Results of Operations of Syncordia Technologies and Healthcare Solutions, Corp. available under the Syncordia profile on SEDAR at www.sedar.com.

This document contains forward-looking statements, which are qualified by reference to, and should be read together with, the Forward-looking Statements section of this MD&A.

Unless the context otherwise requires, all references to "Syncordia", "Company", "our", "us", and "we" refers to Syncordia Technologies and Healthcare Solutions, Corp. and its wholly-owned or controlled subsidiaries, Health Services Integration, Inc. ("HSI"), Paragon Billing, LLC ("Paragon") and Billing Solutions, LLC ("Billing Solutions"). For readability, unless the context otherwise requires, "Syncordia", "Company", "our", "us", and "we" also refers to the activities of Syncordia Technologies and Healthcare Solutions, Inc. prior to the Qualifying Transaction.

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1. OVERALL PERFORMANCE

A discussion of our overall performance for the three and nine months ended December 31, 2016

This section provides a discussion of our financial performance as reported in our consolidated financial statements. All references in per share amounts pertain to Adjusted EBITDA per share and are presented on a consolidated basis.

Summary Financial Analysis
(in thousands of US Dollars, except per share amounts)

	Three Months ended			**Three Months ended**			**Nine Months ended**		
	Dec 31 2016	**Dec 31 2015**	%	**Dec 31 2016**	**Sep 30 2016**	%	**Dec 31 2016**	**Dec 31 2015**	%
Revenue									
HSI	1,543	3,173	(51%)	1,543	1,652	(7%)	5,108	9,642	(47%)
Paragon	430	505	(15%)	430	459	(6%)	1,438	1,328	8%
Billing Solutions	1,428	-	NM	1,428	1,513	(6%)	4,589	-	NM
	3,401	3,678	(8%)	3,401	3,624	(6%)	11,135	10,970	2%
Gross margin (i)	2,010	2,683	(25%)	2,010	2,105	(5%)	6,544	7,882	(17%)
% of revenue	*59%*	*73%*		*59%*	*58%*		*59%*	*72%*	
RCM Operating expenses (i)	1,167	1,009	16%	1,167	1,342	(13%)	4,102	2,933	40%
% of revenue	*34%*	*27%*		*34%*	*37%*		*37%*	*27%*	
Adjusted EBITDA before Platform Syncordia and Corporate costs (i)	843	1,674	(50%)	843	763	10%	2,442	4,949	(51%)
% of revenue	*25%*	*46%*		*25%*	*21%*		*22%*	*45%*	
Platform Syncordia costs (i)	244	420	(42%)	244	393	(38%)	1,124	1,114	1%
% of revenue	*7%*	*11%*		*7%*	*11%*		*10%*	*10%*	
Corporate costs (i)	469	550	(15%)	469	546	(14%)	1,500	1,804	(17%)
% of revenue	*14%*	*15%*		*14%*	*15%*		*13%*	*16%*	
Adjusted EBITDA	130	704	(82%)	130	(176)	NM	(183)	2,031	NM
% of revenue	*4%*	*19%*		*4%*	*NM*		*NM*	*19%*	
Adjusted EBITDA attributable to Syncordia (i)	(3)	704	NM	(3)	(307)	NM	(490)	2,031	NM
% of revenue	*NM*	*NM*		*NM*	*NM*		*NM*	*NM*	
per share – Basic	(0.00)	0.04		(0.00)	(0.02)		(0.02)	0.11	
per share – Diluted	(0.00)	0.04		(0.00)	(0.02)		(0.02)	0.11	
Cash and cash equivalents	1,121	10,285	(89%)	1,121	2,974	(62%)	1,121	10,285	(89%)
Long-term Debt/Equity Ratio	0.77:1	0.54:1		0.77:1	0.78:1		0.77:1	0.54:1	

Notes:

(i) *Non-IFRS measures. Refer to Section 9 – Reconciliation and Definition of Non-IFRS Measures.*

(ii) *NM - Not Meaningful*

Financial and Operational Highlights

Three months ended December 31, 2016 compared to three months ended December 31, 2015

Financial Highlights

- Revenue decreased $277 or 8%, $1,216 of which is attributable to REACH Air Medical Holdings and affiliated entities as we wind down the provision of billing services to this customer group as well as other payor mix changes at HSI, offset by $1,428 which was attributable to the acquisition of Billing Solutions.
- Gross margin decreased from 73% to 59% of revenue primarily reflecting a lower portion of our revenue from higher margin air transports.
- Net loss and comprehensive loss was $1,345 compared to a loss of $601 in the comparative period, reflecting a $277 reduction in revenue and $527 increase in cost of sales.
- Adjusted EBITDA before Platform Syncordia and Corporate costs decreased $831 or 50% primarily reflecting lower revenues at HSI.
- Platform Syncordia costs decreased $176 or 42%, excluding $245 of capitalized development costs during the three months ended December 31, 2016. Total Platform Syncordia spend reflects our software development efforts as we continue to develop Platform Syncordia.
- Corporate costs decreased $81 or 15% reflecting several cost reduction initiatives.
- Adjusted EBITDA was $130, before accounting for non-controlling interests.
- Cash and cash equivalents of $1,121.

Operational Highlights

- Obtained a waiver from senior lending consortium, resulting in reduced principal payment of $1.35 million in November 2016 instead of $2.22 million in order to maintain adequate flexibility and liquidity for working capital needs. The shortfall of $0.88 million will be added to the May 2017 principal repayment.
- The Company is pursuing a number of alternatives with regard to refinancing our senior debt.
- Management is exploring strategic alternatives, including but not limited to (i) the sale of portfolio RCM company or companies (ii) strategic alliances or combinations with HSI to improve overall results (iii) licensing or sale of certain intellectual property (iv) other cash-generating initiatives. Syncordia maintains three operating businesses that we anticipate could be sold at favorable multiples and would maximize value as Platform Syncordia and Corporate costs would not be required by the new owners in the event of a sale.
- HSI is implementing several operational initiatives anticipate to add over $1.0 million to the bottom line on an annualized basis, expected to be realized by first quarter fiscal 2018. In addition, HSI is onboarding new contracts over the coming months and quarters while continuing to convert additional pipeline opportunities.
- Billing Solutions is in the process of signing customer contracts expected to contribute an additional $300 in EBITDA on an annualized basis.
- Paragon signed a customer contract with expected volume of 50,000 annual encounters. This contract commenced in February 2017.
- Syncordia is introducing Claim Editor and additional staff in its lower cost Maryland billing center to further reduce cost per claim.
- Announced NECTAR version 2.0, a client analytics portal for our behavioural health customers, consisting of a business intelligence dashboard showing key medical practice performance indicators. Syncordia continues to focus on building out its full service software suite for Billing Solutions.

Nine months ended December 31, 2016 compared to nine months ended December 31, 2015

Financial Highlights

- Revenue increased $165 or 2%, $4,589 of which was attributable to the acquisition of Billing Solutions, offset by $3,643 attributable to REACH Air Medical Holdings and affiliated entities as we wind down the provision of billing services to this customer group.
- Gross margin decreased from 72% to 59% of revenue primarily reflecting a lower portion of our revenue from higher margin air transports.
- Net loss and comprehensive loss was $4,514 compared to a loss of $1,929 in the comparative period, primarily reflecting a $165 increase in revenue and a $1,967 increase in cost of sales due to timing of acquisition activity, $1,766 reduction in transaction costs, and the absence of a $1,111 gain on settlement of contingent consideration and $609 change in fair value of a derivative financial liability.
- Adjusted EBITDA before Platform Syncordia and Corporate costs decreased $2,507 or 51% primarily reflecting lower revenues at HSI.
- Platform Syncordia costs increased by $10 or 1% reflecting the continuation of our software development efforts, offset by $245 of capitalized development spend in the quarter.
- Corporate costs decreased $304 or 17% reflecting several cost reduction initiatives.
- Adjusted EBITDA was negative $183, before accounting for non-controlling interests.

2. OPERATING RESULTS

A discussion of our segmented performance for the three and nine months ended December 31, 2016

We report our results in three business segments, being Revenue Cycle Management ("RCM"), Platform Syncordia and Corporate. Our reporting structure reflects the way we manage our business and how we classify our operations for planning and performance.

Revenue Cycle Management

Our RCM business segment consists of HSI, Paragon and Billing Solutions and focuses on the acquisition and management of RCM service providers, primarily medical billings companies serving niche markets of the healthcare industry.

Selected Financial Information

	Three Months ended			Three Months ended			Nine Months ended		
	Dec 31 2016	Dec 31 2015	%	Dec 31 2016	Sep 30 2016	%	Dec 31 2016	Dec 31 2015	%
Revenue									
HSI	1,543	3,173	(51%)	1,543	1,652	(7%)	5,108	9,642	(47%)
Paragon	430	505	(15%)	430	459	(6%)	1,438	1,328	8%
Billing Solutions	1,428	-	NM	1,428	1,513	(6%)	4,589	-	NM
	3,401	3,678	(8%)	3,401	3,624	(6%)	11,135	10,970	2%
Gross margin (i)	2,010	2,683	(25%)	2,010	2,105	(5%)	6,544	7,882	(17%)
% of revenue	*59%*	*73%*		*59%*	*58%*		*59%*	*72%*	
Operating expenses									
General and Administrative (i)	1,052	859	22%	1,052	1,190	(12%)	3,449	2,472	40%
Sales and Marketing	115	150	(23%)	115	152	(24%)	653	461	42%
Research and Development	-	-	NM	-	-	NM	-	-	NM
Total Operating Expenses	1,167	1,009	16%	1,167	1,342	(13%)	4,102	2,933	40%
% of revenue	*34%*	27%		*34%*	*37%*		*37%*	*27%*	
Adjusted EBITDA before Platform Syncordia and Corporate costs (i)	843	1,674	(50%)	843	763	10%	2,442	4,949	(51%)
% of revenue	*25%*	*46%*		*25%*	*21%*		*22%*	*45%*	

Note:

(i) Non-IFRS measures. Refer to Section 9 – Reconciliation and Definition of Non-IFRS Measures.

(ii) NM – Not meaningful

Three months ended December 31, 2016 compared to three months ended December 31, 2015

- Revenue decreased $277 or 8%, $1,216 attributable to REACH Air Medical Holdings and affiliated entities as we wind down the provision of billing services to this customer group. HSI continued to process new claims for this customer group until November 30, 2015, and will only process the billing and collection of then-existing claims until May 31, 2017. Revenue from this customer group was $108 and $590 in the third quarter and year to date fiscal 2017, respectively. The above described decrease in revenue was offset by $1,428 attributable to the acquisition of Billing Solutions.
- Our RCM segment had 109 full-time equivalents (FTEs) as at December 31, 2016, reflecting a reduction of 38 FTEs since March 31, 2016.

Revenue is segmented by line of RCM service, as follows:

	Three Months ended			Three Months ended			Nine Months ended		
	Dec 31 2016	Dec 31 2015	%	Dec 31 2016	Sep 30 2016	%	Dec 31 2016	Dec 31 2015	%
Air/SCT transportation	1,141	2,808	(59%)	1,141	1,271	(10%)	3,975	8,562	(54%)
Ground transportation	249	154	62%	249	217	15%	642	468	37%
Other	153	211	(27%)	153	164	(7%)	491	612	(20%)
Total - HSI	1,543	3,173	(51%)	1,543	1,652	(7%)	5,108	9,642	(47%)
Behavioural health – Paragon	430	505	(15%)	430	459	(6%)	1,438	1,328	8%
Treatments – Billing Solutions	1,428	-	NM	1,428	1,513	(6%)	4,589	-	NM
	3,401	3,678	(8%)	3,401	3,624	(6%)	11,135	10,970	2%

Gross margin decreased from 73% to 59% of revenue primarily reflecting a lower portion of our revenue from higher margin air transports. Operating expenses increased $158 or 16% primarily reflecting the acquisition of Billing Solutions on March 22, 2016, offset by overhead reduction initiatives.

Adjusted EBITDA decreased $831 or 50% reflecting the above noted items.

Key Performance Indicator

We present Encounters as a key performance indicator ("KPI") to assist readers to better evaluate our performance. We define an Encounter as a discrete business activity for which we would submit a claim. We believe this metric provides investors with a better proxy for measuring the level of business activity than revenue as encounters measure the number of distinct services provided in the period whereas revenue reflects the amount of services recognized for accounting purposes and is typically a lagging indicator of business activity.

Set forth below is a summary of encounters for each of our RCM businesses.

	Encounters				Sequential Quarterly Change	
Quarter	Q1 FY2017	Q2 FY2017	Q3 FY2017	YTD FY2017	#	%
Air/SCT	2,744	3,903	3,125	9,772	(778)	(20%)
Ground	7,202	12,231	15,708	35,141	3,477	28%
HSI	9,946	16,134	18,833	44,913	2,699	17%
Paragon	82,430	63,809	65,737	211,976	1,928	3%
Billing Solutions	46,697	48,052	45,697	140,446	(2,355)	(5%)

HSI encounters increased 17% reflecting the on-boarding of new ground customers. Specialty Care Transports (SCT) encounters were 245, 901 and 462 in the first, second and third quarters, respectively. Paragon encounters increased 1,928 or 3% as we begin to onboard new customers. Billing Solutions encounters decreased 5% primarily as a result of seasonality.

Projected Net Revenue Adjusted EBITDA

We assess the performance of our RCM segment by estimating the eventual cash collections as a result of Encounter activity in the current period. Management determines Projected Net Revenue by utilizing the billed Encounter activity by customer, multiplied by the customer-specific historical collections per Encounter over an 8-12 month look-back period. Management believes this is a valuable measure since it aligns revenues to the period expenses incurred to generate that revenue.

	Three Months ended		**Nine Months ended**
	Dec 31 2016	**Sep 30 2016**	**Dec 31 2016**
Projected Net Revenue			
HSI	1,588	1,845	5,039
Paragon	406	422	1,354
Billing Solutions	1,779	2,091	6,028
Projected Net Revenue (i)	3,773	4,358	12,421
Projected Revenue Gross margin (i)	2,382	2,839	7,829
% of Projected Net Revenue	*63%*	*65%*	*63%*
Total Operating Expenses	1,167	1,342	4,102
Projected Net Revenue RCM Adjusted EBITDA (i)	1,215	1,497	3,727
% of Projected Net Revenue	*32%*	*34%*	*30%*

Note:

(i) Non-IFRS measures. Refer to Section 9 – Reconciliation and Definition of Non-IFRS Measures.

For the three months ended December 31, 2016, our RCM segment's Projected Net Revenue Adjusted EBITDA was $1,215, compared to $843 of RCM segment Adjusted EBITDA as reported, representing a difference of $372.

For the nine months ended December 31, 2016, our RCM segment's Projected Net Revenue Adjusted EBITDA was $3,727, compared to $2,442 of RCM segment Adjusted EBITDA as reported, representing a difference of $1,285.

Platform Syncordia

Our Platform Syncordia (formerly known as Syncordia Cloud) business segment maintains our existing software and is developing a suite of RCM software modules to address a number of market opportunities.

Selected Financial Information

	Three Months ended			Three Months ended			Nine Months ended		
	Dec 31 2016	**Dec 31 2015**	%	**Dec 31 2016**	**Sep 30 2016**	%	**Dec 31 2016**	**Dec 31 2015**	%
Operating expenses									
General and Administrative [(i)]	178	196	(9%)	178	152	17%	590	626	(6%)
Sales and Marketing	-	-	-	-	-	-	-	-	-
Research and Development	66	224	(71%)	66	241	(73%)	534	488	9%
Total Operating Expenses	244	420	(42%)	244	393	(38%)	1,124	1,114	1%

Notes:

(i) Non-IFRS measures. Refer to Section 9 – Reconciliation and Definition of Non-IFRS Measures.

Our Platform Syncordia operating expenses decreased $176 for the three months ended December 31, 2016 compared to the three months ended December 31, 2015. During the quarter, $245 of development costs were capitalized as internally generated intangible assets associated with the Claim Editor software. Claim Editor is a proprietary workflow automation tool designed to minimize errors while maximizing payment rates in submitting medical billing claims and decreasing the time to input claims by more than 2.5 times.

Operating expenses increased $10 or 1% compared to the nine months ended December 31, 2015, reflecting increased development activity and one-time recruiting costs in the first quarter 2017, offset by capitalized development costs. We continue our software development efforts to develop Platform Syncordia

Platform Syncordia had five FTEs as of December 31, 2016, a reduction of three FTEs from March 31, 2016. The company utilized temporary contractor staff in some of its software development initiatives.

Corporate

Our Corporate business segment is comprised of our executive management offices based in Toronto, Ontario and Wilmington, North Carolina and oversees our corporate development, acquisitions, investor relations and corporate finance activities and assist both RCM and Platform Syncordia objectives.

Selected Financial Information

	Three Months ended			Three Months ended			Nine Months ended		
	Dec 31 2016	**Dec 31 2015**	%	**Dec 31 2016**	**Sep 30 2016**	%	**Dec 31 2016**	**Dec 31 2015**	%
Operating expenses									
General and Administrative [(i)]	469	550	(15%)	469	546	(14%)	1,500	1,804	(17%)
Sales and Marketing	-	-	-	-	-	-	-	-	-
Research and Development	-	-	-	-	-	-	-	-	-
Total Operating Expenses	469	550	(15%)	469	546	(14%)	1,500	1,804	(17%)

Notes:

(i) Non-IFRS measures. Refer to Section 9 – Reconciliation and Definition of Non-IFRS Measures.

Our operating expenses decreased $81 or 15% for the three months ended December 31, 2016 compared to the three months ended December 31, 2015 reflecting headcount reductions, a lower-cost Toronto office facility, and other cost reduction initiatives as previously announced.

Our Corporate segment had eight FTEs at December 31, 2016, reflecting a reduction of one FTE since March 31, 2016.

3. FINANCIAL CONDITION

A discussion of the significant changes in our Consolidated Balance Sheet

Summary Consolidated Balance Sheets
(in thousands of US Dollars)

	December 31 2016	March 31 2016	Increase/(decrease) $	%
Cash and cash equivalents	1,121	4,437	(3,316)	(75)
Current Assets	3,577	7,041	(3,464)	(49)
Total Assets	35,163	40,856	(5,693)	(14)
Trade accounts payable and accrued liabilities	1,755	1,584	171	11
Notes payable	13,676	14,573	(897)	(6)
Total Equity	17,714	22,383	(4,669)	(21)

Cash and cash equivalents decreased $3,316 reflecting:

- $1,126 of cash used in operating activities inclusive of $915 of cash interest paid;
- $643 of cash used in investing activities including the final $250 holdback payment made to the former owners of Paragon and $245 in internally generated software development capital expenditure;
- $1,347 principal repayment on our senior notes payable

Total assets decreased $5,693 substantially reflecting the above noted items and amortization of intangible assets.

Trade accounts payable and accrued liabilities increased $171 related to the timing of disbursements and the establishment of $300 waiver fee payable.

Long-term notes payable decreased $897 reflecting a $1,347 principal payment made in November 2016 offset by capitalized interest and of amortization of debt issuance costs and associated accretion expense.

Total equity decreased $4,669 primarily reflecting a net loss of $4,514.

4. LIQUIDITY AND CAPITAL RESOURCES

A discussion of our cash flow, liquidity, credit facilities and other disclosures

Our consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company manages its capital structure based on the funds available to it in order to support the continuation and expansion of its operations. In addition to cash flow generated by operating activities, the Company relies on debt and equity financing to execute its stated business strategy. In order to maintain or adjust its capital structure, the Company anticipates seeking additional financing through the issuance of securities such as equity, convertible debt, or by replacing existing debt with debt on terms more consistent with the Company's needs.

As at December 31, 2016, the Company had cash and cash equivalents of $1,121, a $3,316 decrease from March 31, 2016 reflecting $1,126 used in operating activities including $915 of cash paid interest on the Company's senior notes, $643 used in investing activities, primarily reflecting the final $250 hold back payment to the sellers of Paragon and $245 of capitalized development associated with internally generated intangible assets, and $1,547 used in financing activities, primarily reflecting a principal payment on our senior notes payable.

In addition to funding its ongoing operating requirements and capital expenditure, the Company was required to make principal repayments on the senior notes of $2,222 each on November 5, 2016 and May 5, 2017. The senior notes are due on November 5, 2017 and the Billing Solutions note payable of $2,000 plus accrued interest is due in the first quarter of fiscal 2019 assuming the full acquisition earn out targets are achieved.

Effective November 4, 2016, the Company obtained a waiver from the senior lending consortium to modify the timing of principal repayments. The Company paid $1,347 instead of $2,222 toward the November 5, 2016 principal payment. The shortfall of $875 is required to be paid along with the May 5, 2017 principal repayment of $2,222 as originally scheduled. The Company incurred a fee of 2.5% of the remaining original principal, or $300, which is payable at the end of the term or upon settlement of the senior notes.

Due to negative operating cash flows for the first nine months of the fiscal year, the Company's operating plan anticipates that it will not generate positive cash flow from operations for the twelve months ending March 31, 2017. Existing cash resources will continue to be utilized in the fourth quarter of fiscal 2017 to fund operating activities, capital expenditures, transaction costs and senior note principal payments prior to the November 2017 maturity of the senior notes. Until the operational improvements, as described below, are in place, it is unlikely that the Company will generate sufficient cash flow from operations or have sufficient cash resources to fund the revised May 2017 principal repayment. In such a circumstance, further revisions to the senior notes repayment terms will be required.

In these circumstances, the Company has undertaken a strategic review, and determined that some combination of each of the following initiatives is required to adequately deal with the funding and senior note obligation: (i) sale of one or more operating companies (ii) strategic alliances or combinations with HSI to improve overall results (iii) licensing or sale of certain intellectual property (iv) other cash-generating strategic initiatives. The Company has received interest from potential buyers for its RCM operating companies, and the Company is working with the potential buyers to finalize terms and reach an agreement and closing prior to the May 2017 principal repayment. In the event that the Company is not able to complete a transaction prior to the May 2017 principal payment, the Company will seek to obtain a waiver or revise the lending agreement to facilitate the completion of the outstanding payments to the expected time table associated with the planned divestitures. There can be no assurance that the lenders will agree to such provisions and that the timing of the disposal will be consistent with the obligations to the lenders and their expectations.

To improve operating cash flows of the Company, the following initiatives are in place at HSI: (i) continuing to secure new business to replace a significant customer which terminated in 2016 (there is a ten to twelve month delay before new customers generate significant revenues) (ii) reducing costs per encounter through introduction of technological enhancements and optimization of staffing complement (iii) restructuring of HSI's dispatch services (iv) reducing general and administrative staff headcounts.

In addition, the Company continues to assess its rate of investment in Corporate and Platform Syncordia initiatives and is evaluating several cost containment initiatives such as, reduced corporate headcounts, salaries and reducing discretionary software development. These cost containment initiatives have begun and will be accelerated depending on the results of other operation changes to improve cash flow. Assuming we complete a divestiture, we will consider further changes to our Corporate and Platform Syncordia staff and overhead costs.

The quantum and timing of cash flow from operations will be significantly influenced by the operating performance of the Company's RCM businesses, particularly in the short term as a result of: (i) HSI securing new business and Billing Solutions achieving its acquisition earning targets; (ii) introducing several technology enhancements to improve operating efficiency; and (iii) continuing to implement several cost containment initiatives, particularly reducing costs per encounter within the RCM business.

There are significant risks associated with each of these plans and strategies and there can be no assurance that the steps management is taking will be successful, if not successful in many of them, cash flows will be reduced and the Company may not have sufficient cash flow or resources to make debt principal payments on its senior notes or cover operating costs. Missing a debt payment will result in an event of default on the senior notes and the Billing Solutions' seller note which the Company may not be able to rectify with renegotiated terms or alternative financing.

These circumstances may cast significant doubt as to the Company's ability to continue as a going concern, and the ultimate appropriateness of the use of accounting principles applicable to a going concern.

Our consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classification that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could be material.

As at December 31, 2016, we had various operating leases with remaining terms of more than one year, primarily for office space at our subsidiaries. These leases have minimum annual commitments as follows:

Contractual Obligations

(in thousands of US Dollars)	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Notes payable principal repayments	14,488	12,488	2,000	-	-
Operating leases	2,447	524	1,003	820	-
Total contractual obligations	16,835	13,012	3,003	820	-

5. OFF BALANCE SHEET ARRANGEMENTS

A discussion of off balance sheet arrangements

The Company has no off balance sheet arrangements.

6. RELATED PARTY TRANSACTIONS

A discussion of related party transactions and their relationship to our business

For the three and nine months ended December 31, the Company paid compensation to key management personnel which are recognized as an expense during the applicable reporting periods, as follows:

Directors and Executive Compensation

(in thousands of US Dollars)

	Three Months ended December 31			**Nine Months ended December 31**		
	2016	**2015**	**% Change**	**2016**	**2015**	**% Change**
Salaries and short-term employee benefits	193	274	(29%)	673	712	(5%)
Stock-based compensation	1	16	(94%)	13	31	(58%)
	194	290	(33%)	686	743	(8%)

A $250 hold back payment pad on April 24, 2016 in respect of the Paragon acquisition was made to the Chief Executive Officer and Chief Strategy Officer of the Company, who were formerly the controlling shareholders of Paragon.

7. CRITICAL ACCOUNTING ESTIMATES

A description of our accounting estimates that are critical to determining our financial results, and changes to accounting policies

Preparing the consolidated interim financial statements in conformity with IFRS, requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amount of expenses during the period. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Such estimates and judgments have been applied and there are no known trends, commitments, events or uncertainties we believe will materially affect the methodology or assumptions in making these estimates and judgments in these financial statements.

The critical judgements, estimates and assumptions applied in preparation of the Company's financial information are reflected in Note 3 of the Company's 2016 annual audited consolidated financial statements.

8. CHANGES IN ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

A discussion of generally accepted accounting principle developments that have, will or might affect us

Our accounting policies and information on our adoption and the impact of new and revised accounting standards impacting the Company are disclosed in Note 3 of our Condensed Interim Consolidated Financial Statements for the three and nine months ended December 31, 2016.

9. RECONCILIATION AND DEFINITION OF NON-IFRS MEASURES

A description, calculation and reconciliation of certain measures used by management

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") and Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") and Gross margin are non-IFRS measures used by management to provide additional insight into our performance and financial condition. We believe that these non-IFRS measures are important as they provide an indication of the results generated by our RCM business prior to taking into consideration how those activities are financed as well as the other items listed in their respective definitions. Accordingly, we are presenting EBITDA, Adjusted EBITDA and Adjusted EBITDA before Platform Syncordia and Corporate costs in this MD&A to enhance the usefulness of our MD&A. We have provided below a reconciliation of EBITDA, Adjusted EBITDA and Adjusted EBITDA before Platform Syncordia and Corporate costs to the most directly comparable IFRS figures, disclosure of the purpose of the non-IFRS measure, and how the non-IFRS measures is used in managing the business.

EBITDA, Adjusted EBITDA and Adjusted EBITDA before Platform Syncordia and Corporate costs are not calculations based on IFRS and should not be considered an alternative to operating income or net income (loss) in measuring the our performance, nor should it be used as an exclusive measure of cash flow, because it does not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash which are disclosed in the consolidated statements of cash flows. Investors should carefully consider the specific items included in our computation of these measures.

Management defines EBITDA as Earnings before Interest, Taxes, Depreciation and Amortization.

Management defines Adjusted EBITDA as Earnings before Interest, Taxes, Depreciation, Amortization, Transaction Costs, Fair Value Gains/Losses, Foreign Exchange Gains/Losses, Stock Based Compensation and Cash based Share Compensation Arrangements. Transaction costs include professional fees associated with business transactions.

Management defines Adjusted EBITDA before Platform Syncordia and Corporate costs as Earnings before Interest, Taxes, Depreciation, Amortization, Transaction Costs, Fair Value Gains/Losses, Foreign Exchange Gains/Losses, Stock Based Compensation, Cash based Share Compensation Arrangements and costs of our Platform Syncordia and Corporate segment. This metric is used to assess the performance of RCM and Platform Syncordia segments.

Gross margin is a non-IFRS measure defined by management to reflect revenue less direct costs of sale, excluding amortization of intellectual property, customer lists, other amortizations and fair value gains/losses.

Platform Syncordia and Corporate costs include sales and marketing, general and administrative and research and development, less amortization and depreciation, foreign exchange gains and losses, and stock-based compensation expense indexed to our share price. The following is a reconciliation of EBITDA with Net loss and comprehensive loss:

EBITDA Reconciliation
(in thousands of US Dollars)

	Three Months ended		Three Months ended		Nine Months ended	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Sep 30 2016	Dec 31 2016	Dec 31 2015
Net loss and comprehensive loss	(1,345)	(601)	(1,345)	(1,594)	(4,514)	(1,929)
Amortization of operating and other assets	989	774	989	939	2,858	2,275
Income tax expense (recovery)	(59)	-	(59)	(60)	(147)	-
Interest expense	510	478	510	530	1,563	1,397
EBITDA	95	651	95	(185)	(241)	1,743

The following is a reconciliation of Adjusted EBITDA and Adjusted EBITDA before Platform Syncordia and Corporate costs with Net loss and comprehensive loss:

Adjusted EBITDA Reconciliation
(in thousands of US Dollars)

	Three Months ended		Three Months ended		Nine Months ended	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Sep 30 2016	Dec 31 2016	Dec 31 2015
Net loss and comprehensive loss	(1,345)	(601)	(1,345)	(1,594)	(4,514)	(1,929)
Amortization of operating and other assets	989	774	989	939	2,858	2,275
Income tax expense (recovery)	(59)	-	(59)	(60)	(147)	-
Interest expense	510	478	510	530	1,563	1,397
Transaction costs	19	17	19	-	20	1,786
Foreign exchange (gains) and losses	6	12	6	-	9	146
Unrealized (gains) and losses on derivative financial liability	-	(1)	-	-	-	(608)
Realized gain on contingent consideration	-	-	-	-	-	(1,111)
Stock based compensation	10	25	10	9	30	75
Adjusted EBITDA (i)	130	704	130	(176)	(183)	2,031
Platform Syncordia costs (i)	244	420	244	393	1,124	1,114
Corporate costs (i)	469	550	469	546	1,500	1,804
Adjusted EBITDA before Platform Syncordia and Corporate costs (i)	843	1,674	843	763	2,442	4,949

Notes:
(i) Non-IFRS measure, Platform Syncordia and Corporate costs exclude stock based compensation, transaction costs, foreign exchange gains and loss, and amortization.

10. OUTSTANDING SHARE DATA

A discussion of our outstanding share capital and related earnings per share information

Basic and fully diluted net loss per common share for the quarter ended September 30, 2016 was $0.09 per share. Certain options granted under our stock option plan and outstanding warrants have not been included in the calculation of the diluted loss per share as the effect would be anti-dilutive.

The basic and fully diluted weighted average number of common shares used in calculating the net income per share was 19,681,135 for the quarter ended December 31, 2016. The number of common shares outstanding as at December 31, 2016 was 19,681,135 (March 31, 2016 – 19,643,635).

11. RISKS AND UNCERTAINTIES

Risks and uncertainties facing us

An investment in our common shares involves risk. Investors should carefully consider the risks and uncertainties described below and in our 2016 annual MD&A available on SEDAR at www.sedar.com under the profile of Syncordia. The risks and uncertainties described below and in our 2016 annual MD&A are not the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently deem immaterial, may also adversely affect our business. For a more complete discussion of the risks and uncertainties which apply to our business and our operating results, please see the 2016 annual MD&A of Financial Condition and Results of Operations of Syncordia Technologies and Healthcare Solutions, Corp. available on SEDAR at www.sedar.com under the Syncordia profile**.**

An investment in our common shares involves risk. Investors should carefully consider the risks and uncertainties described below. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties, including those that we do not know about now or that we currently deem immaterial, may also adversely affect our business.

Financial and Liquidity Risks

Going Concern

Our consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company manages its capital structure based on the funds available to it in order to support the continuation and expansion of its operations. In addition to cash flow generated by operating activities, the Company relies on debt and equity financing to execute its stated business strategy. In order to maintain or adjust its capital structure, the Company anticipates seeking additional financing through the issuance of securities such as equity, convertible debt, or by replacing existing debt with debt on terms more consistent with the Company's needs.

As at December 31, 2016, the Company had cash and cash equivalents of $1,121, a $3,316 decrease from March 31, 2016 reflecting $1,126 used in operating activities including $915 of cash paid interest on the Company’s senior notes, $643 used in investing activities, primarily reflecting the final $250 hold back payment to the sellers of Paragon and $245 of capitalized development associated with internally generated intangible assets, and $1,547 used in financing activities, primarily reflecting a principal payment on our senior notes payable.

In addition to funding its ongoing operating requirements and capital expenditure, the Company was required to make principal repayments on the senior notes of $2,222 each on November 5, 2016 and May 5, 2017. The senior notes are due on November 5, 2017 and the Billing Solutions note payable of $2,000 plus accrued interest is due in the first quarter of fiscal 2019 assuming the full acquisition earn out targets are achieved.

Effective November 4, 2016, the Company obtained a waiver from the senior lending consortium to modify the timing of principal repayments. The Company paid $1,347 instead of $2,222 toward the November 5, 2016 principal payment. The shortfall of $875 is required to be paid along with the May 5, 2017 principal repayment of $2,222 as originally scheduled. The Company incurred a fee of 2.5% of the remaining original principal, or $300, which is payable at the end of the term or upon settlement of the senior notes.

Due to negative operating cash flows for the first nine months of the fiscal year, the Company’s operating plan anticipates that it will not generate positive cash flow from operations for the twelve months ending March 31, 2017. Existing cash resources will continue to be utilized in the fourth quarter of fiscal 2017 to fund operating activities, capital expenditures, transaction costs and senior note principal payments prior to the November 2017 maturity of the senior notes. Until the operational improvements, as described below, are in place, it is unlikely that the Company will generate sufficient cash flow from operations or have sufficient cash resources to fund the revised May 2017 principal repayment. In such a circumstance, further revisions to the senior notes repayment terms will be required.

In these circumstances, the Company has undertaken a strategic review, and determined that some combination of each of the following initiatives is required to adequately deal with the funding and senior note obligation: (i) sale of one or more operating companies (ii) strategic alliances or combinations with HSI to improve overall results (iii) licensing or sale of certain intellectual property (iv) other cash-generating strategic initiatives. The Company has received interest from potential buyers for its RCM operating companies, and the Company is working with the potential buyers to finalize terms and reach an agreement and closing prior to the May 2017 principal repayment. In the event that the Company is not able to complete a transaction prior to the May 2017 principal payment, the Company will seek to obtain a waiver or revise the lending agreement to facilitate the completion of the outstanding payments to the expected time table associated with the planned divestitures. There can be no assurance that the lenders will agree to such provisions and that the timing of the disposal will be consistent with the obligations to the lenders and their expectations.

To improve operating cash flows of the Company, the following initiatives are in place at HSI: (i) continuing to secure new business to replace a significant customer which terminated in 2016 (there is a ten to twelve month delay before new customers generate significant revenues) (ii) reducing costs per encounter through introduction of technological enhancements and optimization of staffing complement (iii) restructuring of HSI's dispatch services (iv) reducing general and administrative staff headcounts.

In addition, the Company continues to assess its rate of investment in Corporate and Platform Syncordia initiatives and is evaluating several cost containment initiatives such as, reduced corporate headcounts, salaries and reducing discretionary software development. These cost containment initiatives have begun and will be accelerated depending on the results of other operation changes to improve cash flow. Assuming we complete a divestiture, we will consider further changes to our Corporate and Platform Syncordia staff and overhead costs.

The quantum and timing of cash flow from operations will be significantly influenced by the operating performance of the Company's RCM businesses, particularly in the short term as a result of: (i) HSI securing new business and Billing Solutions achieving its acquisition earning targets; (ii) introducing several technology enhancements to improve operating efficiency; and (iii) continuing to implement several cost containment initiatives, particularly reducing costs per encounter within the RCM business.

There are significant risks associated with each of these plans and strategies and there can be no assurance that the steps management is taking will be successful, if not successful in many of them, cash flows will be reduced and the Company may not have sufficient cash flow or resources to make debt principal payments on its senior notes or cover operating costs. Missing a debt payment will result in an event of default on the senior notes and the Billing Solutions' seller note which the Company may not be able to rectify with renegotiated terms or alternative financing.

These circumstances may cast significant doubt as to the Company's ability to continue as a going concern, and the ultimate appropriateness of the use of accounting principles applicable to a going concern.

Our consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classification that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could be material.

Access to Capital

In executing its business plan, Syncordia makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Historically, Syncordia has financed these expenditures through offerings of its equity securities and debt financing. Syncordia will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. Syncordia may incur major unanticipated liabilities or expenses. Syncordia can provide no assurance that it will be able to obtain financing to meet the growth needs of Syncordia.

Business Risks

Limited Operating History

Syncordia is an early stage company having been founded in 2014 and, as a result, it has a limited operating history upon which its business and future prospects may be evaluated. Syncordia will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. Although Syncordia has experienced revenue growth during its limited history, there is no certainty Syncordia will be able to sustain this rate of growth or maintain current revenue levels. In order for Syncordia to meet future operating and debt service requirements, Syncordia will need to continue to be successful in its marketing and sales efforts. Additionally, where Syncordia experiences increased sales, Syncordia's current operational infrastructure may require changes to scale Syncordia's business efficiently and effectively to keep pace with demand, and achieve long-term profitability. If Syncordia's products and services are not accepted by new customers, Syncordia's operating results may be materially and adversely affected.

Holding Company

Syncordia is a holding company and its principal assets are its ownership of equity interests in its subsidiaries. It has no independent means of generating revenue. It intends to cause its subsidiaries to make distributions to it as the direct or indirect holder of between 80% to 100% of the equity interests of such subsidiaries in amounts sufficient to make payments in respect of its obligations. To the extent that it needs funds and its subsidiaries are unable or otherwise restricted from making such distributions under applicable law, regulation or due to contractual obligations, its liquidity and financial condition could be adversely affected.

Reliance on Key Customer

Syncordia's financial condition depends highly on its cash-flow. Syncordia's earnings before interest, tax, depreciation and amortization ("EBITDA") relied heavily on two customers which together represented 66.6% of billing and collection revenue in Fiscal 2016. As a result of one of these customers terminating their contract for billing services on November 30, 2015, there exists a risk that revenue and EBITDA going forward may decline significantly should there be material amendments to the contract with the remaining customer or new customers not be developed. As a result of the Billing Solutions acquisition on March 22, 2016, along with securing new contracts, Syncordia anticipates that its financial performance will be less impacted by one customer group in the future. Syncordia defines Adjusted EBITDA as adjustments to EBITDA to exclude one-time costs, professional fees and other transaction costs. EBITDA and Adjusted EBITDA are non-GAAP financial measures and should not be considered as an alternative to net income or net income and comprehensive income, cash flow from operating activities or any other measure prescribed under GAAP. EBITDA and Adjusted EBITDA do not have any standardized meaning prescribed by GAAP. As computed by management of Syncordia, EBITDA and Adjusted EBITDA may differ from similar computations reported by other companies and, accordingly, may not be comparable to similar computations reported by such organizations. Management considers EBITDA and Adjusted EBITDA to be useful measures for the purpose of evaluating debt levels and interest coverage.

Acquisitions and Integration

Syncordia examines on a regular basis opportunities to acquire additional assets and businesses. Any acquisition that Syncordia may choose to complete may be of a significant size, may change the scale of Syncordia's business and operations, and may expose Syncordia to new geographic, political, operating and financial risks. Syncordia's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of Syncordia. Any acquisitions would be accompanied by risks. For example, Syncordia may have difficulty integrating and assimilating the operations and personnel of any acquired companies or assets, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization. The integration of the acquired business or assets may disrupt Syncordia's ongoing business and its relationships with employees and customers. In the event that Syncordia chooses to raise debt capital to finance any such acquisition, Syncordia's leverage will be increased. If Syncordia chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, Syncordia may choose to finance any such acquisition with its existing resources. There can be no assurance that Syncordia would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Further, the acquired business or assets may have unknown liabilities which may be significant. Although management will attempt to evaluate the risks inherent in each transaction and to evaluate acquisition candidates appropriately, it may not properly ascertain all such risks and the acquired businesses and assets may not perform as expected or enhance the value of Syncordia as a whole. Acquired companies or businesses also may have larger than expected liabilities that are not covered by the indemnification, if any, that Syncordia is able to obtain from the sellers. Furthermore, the historical financial statements of the companies Syncordia has acquired or may acquire in the future are prepared by management of such companies and are not necessarily independently verified by management of Syncordia. In addition, any pro forma financial statements prepared by Syncordia to give effect to such acquisitions may not accurately reflect the results of operations of such companies that would have been achieved had the acquisition of such entities been completed at the beginning of the applicable periods. Finally, there are no assurances that Syncordia will continue to acquire businesses at valuations consistent with its prior acquisitions or that it will complete acquisitions at all.

Managing Growth

In order to manage growth, Syncordia must continue to: (a) maintain adequate systems to meet customer demand; (b) expand sales and marketing, technical support, distribution capabilities and administrative functions; (c) expand the skills and capabilities of its current management team; and (d) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, Syncordia expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

Personnel

The loss of any member of Syncordia's management team, and in particular, its co-founders, could have a material adverse effect on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on Syncordia's business and operating results. At present and for the near future, Syncordia will depend upon a relatively small number of employees to develop, market, sell and support its platform. The expansion of technology, marketing and sales of its platform will require Syncordia to find, hire and retain additional capable employees who can understand, explain, market and sell its technology. There is intense competition for capable personnel in all of these areas and Syncordia may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, Syncordia may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as Syncordia moves into new jurisdictions, it will need to attract and recruit skilled employees in those areas.

Implementation of Technologies or Services by Customers

Syncordia utilizes its customers' existing RCM and staff and layers its proprietary technology tools on top of the customers' existing patient accounting system. Each customer's situation is different, and unanticipated difficulties and delays may arise. If the implementation process is not executed successfully or is delayed, Syncordia's relationship with the customer may be adversely affected and its results of operations could suffer. Implementation of Syncordia's technology also requires it to integrate its own employees into the customer's operations. The customer's circumstances may require Syncordia to devote a larger number of its employees than anticipated, which could increase its costs and harm its financial results.

Advances in Technology and Services

The successful implementation of Syncordia's business model depends on its ability to adapt to evolving technologies and increasingly aggressive industry standards and introduce new technology and services accordingly. It cannot provide assurances that it will be able to introduce new technologies on schedule, or at all, or that such technologies will achieve market acceptance. It may also not be possible to protect such services and technology under intellectual property laws. Moreover, competitors may develop competitive products that could adversely affect Syncordia's operating results. Any failure by Syncordia to introduce planned technologies or other new services or to introduce these technologies and services on schedule could have an adverse effect on its revenue growth and operating results.

If Syncordia cannot adapt to changing technologies, its products and services may become obsolete, and its business could suffer. Because the markets in which it operates are characterized by rapid technological change, it may be unable to anticipate changes in its current and potential clients' or users' requirements that could make its existing technology obsolete. Syncordia's success will depend, in part, on its ability to continue to enhance its existing products and services, develop new technology that addresses the increasingly sophisticated and varied needs of its prospective clients and users, license leading technologies, and respond to technological advances and emerging industry standards and practices, all on a timely and cost-effective basis. The development of its technology entails significant technical and business risks. Syncordia may not be successful in using new technologies effectively or adapting its technology to evolving client or user requirements or emerging industry standards. Any of the foregoing could materially and adversely impact Syncordia's business, financial condition, and operating results.

Technological Performance

There are increased risks of performance problems during times when Syncordia is making significant changes to its technology and services or to systems it uses to provide services. In addition, implementation of solutions and cost savings initiatives may cost more, may not provide the benefits expected, may take longer than anticipated or may increase the risk of performance problems.

In order to respond to technological and regulatory changes and evolving industry standards, Syncordia must continually update and enhance its technology and services. The software and systems that it will use to provide services will be inherently complex and, despite testing and quality control, it cannot be certain that errors will not be found in any changes, enhancements, updates and new versions that it markets or uses. Even if new or modified solutions do not have performance problems, technical and customer service personnel may have difficulties in implementing them or in providing any necessary training and support to clients.

Implementation of changes in its technology and services may cost more or take longer than originally expected and may require more testing than initially anticipated. While new software will be tested before it is used, Syncordia cannot be sure that the testing will uncover all problems that may occur in actual use. If significant problems occur as a result of these changes, Syncordia may fail to meet its contractual obligations to clients, which could result in claims being made against it or in the loss of or damage to client relationships. In addition, changes in its technology and services may not provide the additional functionality or other benefits that were expected.

In addition, Syncordia may also periodically implement efficiency measures and other cost saving initiatives to improve its operating performance. These efficiency measures and other cost saving initiatives may not provide the benefits anticipated or do so in the time frame expected. Implementation of these measures also may increase the risk of performance problems due to unforeseen impacts on its organization, systems and processes.

Technological Errors

Syncordia's technologies or services could fail to perform properly due to errors or similar problems. Complex technology, such as Syncordia's, often contains defects or errors, some of which may remain undetected for a period of time. It is possible that such errors may be found after the introduction of new products or services or enhancements to existing products or services. Syncordia will continually introduce new solutions and enhancements to its solutions, and, despite testing, it is possible that errors may occur in its software. If Syncordia detects any errors before it introduces a solution, it might have to delay deployment for an extended period of time while it addressed the problem. If it does not discover errors that affect its new or current solutions or enhancements until after they are deployed, Syncordia would need to provide enhancements to correct such errors. Errors in its technologies or services could result in: (a) unexpected expenses and diversion of resources to remedy errors; (b) harm to Syncordia's reputation; (c) license termination or renegotiations; and (d) privacy and/or security vulnerabilities.

Information Technology Systems

Syncordia relies upon the performance of its information technology systems to process, transmit, store and protect electronic information, and the failure of any critical information technology system may result in serious harm to its reputation, business, results of operations and/or financial condition. It is dependent on technology infrastructure and maintains and relies upon certain critical information systems for the effective operation of its business. These information technology systems include telecommunications, the Internet, various computer hardware and software applications, network communications and e-mail. These information technology systems are subject to damage or interruption from a number of potential sources including natural disasters, viruses, destructive or inadequate code, malware, power failures, cyber-attacks, and other events. To the extent that these information systems are under Syncordia's control, it has implemented security procedures, such as virus protection software and emergency recovery processes, to address the outlined risks. Syncordia may incur significant costs in order to implement, maintain and/or update security systems that it feels are necessary to protect its information systems. A material breach in the security of its information systems could include the theft of its intellectual property or trade secrets, negatively impact its operations, or result in the compromise of personal and confidential information of its employees, customers or suppliers. While Syncordia will take necessary action to ensure that its information technology systems are appropriately controlled and that it has processes in place to adequately mitigate these risks, security procedures for information systems cannot be guaranteed to be failsafe. To the extent that any system failure, accident or security breach results in disruptions or interruptions to its operations or the theft, loss or disclosure of, or damage to its data or confidential information, its reputation, business, results of operations and/or financial condition could be materially adversely affected. In addition, a miscalculation of the level of investment needed to ensure its technology solutions are current and up-to-date as technology advances and evolves could result in disruptions in its business should the software, hardware, or maintenance of such items become out-of-date or obsolete. Furthermore, when Syncordia implements new systems and/or upgrade existing systems, there is a risk that the business may be temporarily disrupted during the period of implementation.

Internet Access

Syncordia delivers Internet-based services and, accordingly, depend on its ability and the ability of its customers to access the Internet. This access is currently provided by third parties that have significant market power in the broadband and Internet access marketplace, including incumbent telephone companies, cable companies, mobile communications companies and government-owned service providers - all of whom are outside of Syncordia's control. In the event of any difficulties, outages and delays by Internet service providers, Syncordia may be impeded from providing services, resulting in a loss of potential or existing customers.

Intellectual Property

As of the date of this Annual Information Form, Syncordia's technology is not formally protected under intellectual property or similar laws, and in particular it is not patented or copyrighted or otherwise protected under any registration or application. Although it attempts to control access to its intellectual property, unauthorized persons may attempt to copy or otherwise use its intellectual property. There can be no assurance that the legal protections and precautions it takes will be adequate to prevent misappropriation of its technology or that competitors will not independently develop technologies equivalent or superior to Syncordia's. Monitoring unauthorized use of its intellectual property is difficult, and the steps it has taken may not prevent unauthorized use. If Syncordia's competitors gain access to its intellectual property, its competitive position in the industry could be damaged. An inability to compete effectively could cause Syncordia to lose existing and potential customers and experience lower revenues and revenue growth. Third parties could obtain patents or other intellectual property rights that may require Syncordia to stop benefiting from certain of its technology, and may require Syncordia to negotiate licenses to conduct its business, and the required licenses may not be available on reasonable terms or at all. Syncordia relies on nondisclosure agreements with certain employees, and it cannot be certain that these agreements will not be breached or that it will have adequate remedies for any breach.

Infringement of Intellectual Property

Syncordia does not believe that its technology currently infringes on the intellectual property rights of others. However, there can be no assurance that others will not assert infringement or trade secret misappropriation claims against Syncordia with respect to its current or future products. Many participants in the technology industry and other non-practicing entities have an increasing number of patents and patent applications and have frequently demonstrated a readiness to take legal action based on allegations of patent and other intellectual property infringement. Further, as the number and functionality of Syncordia's technology increases, it may become increasingly subject to the risk of infringement claims. If infringement claims are brought against Syncordia, these assertions could distract management. It may have to spend a significant amount of money and time to defend or settle those claims.

If Syncordia were found to infringe on the intellectual property rights of others, it could be forced to pay significant license fees or damages for infringement. Syncordia and its customers may also be required to discontinue the use of those products. Syncordia is unable to insure against this risk on an economically feasible basis. Even if it was to prevail in an infringement lawsuit, the accompanying publicity could adversely impact the demand for its technology and services.

Legal Proceedings

From time to time, Syncordia may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. Syncordia will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on Syncordia's financial results.

Accounting Risks

Foreign Sales

Syncordia's functional currency is denominated in U.S. dollars. Syncordia currently has sales that are denominated in U.S. dollars and may, in the future, have sales denominated in the currencies of additional countries in which it establishes sales offices. In addition, Syncordia incurs the majority of its operating expenses in U.S. dollars. In the future, Syncordia's international sales may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact Syncordia's business, financial condition and results of operations. Syncordia has not previously engaged in foreign currency hedging. If Syncordia decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide Syncordia from foreign currency fluctuations and can themselves result in losses.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with International Financial Reporting Standards, or IFRS, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Syncordia bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Syncordia's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause Syncordia's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of Syncordia.

Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment tests for non-financial assets, as well as revenue and cost recognition.

Tax Risks

Syncordia operates and is subject to income tax and other forms of taxation (which are not based upon income) in multiple tax jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, Syncordia's earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. Syncordia may have exposure to greater than anticipated tax liabilities or expenses. Syncordia will be subject to income taxes and non-income taxes in a variety of jurisdictions and its tax structure is subject to review by both domestic and foreign taxation authorities and the determination of Syncordia's provision for income taxes and other tax liabilities will require significant judgment.

Industry Risks

Global Economy

An economic downturn or volatility could have a material adverse effect on Syncordia's business, financial condition and results of operations. The economy of the United States, where Syncordia's operations are located, has experienced significant economic uncertainty and volatility during recent years. A weakening of economic conditions could lead to reductions in demand for Syncordia's technology and solutions. For example, its revenues can be adversely affected by the impact of lower healthcare utilization trends driven by high unemployment and other economic factors. Further, weakened economic conditions or a recession could reduce the amount of income patients are able to spend on healthcare services. As a result, patients may elect to delay or forgo seeking healthcare services, which could further reduce healthcare utilization and transaction volumes resulting in a decrease in demand for Syncordia's technologies and services. Also, high unemployment rates could cause commercial payer membership to decline which also could lessen healthcare utilization and decrease demand for Syncordia's technologies and services. In addition, as a result of volatile or uncertain economic conditions, Syncordia may experience the negative effects of increased financial pressures on its clients. For instance, Syncordia's business, financial condition and results of operations could be negatively impacted by increased competitive pricing pressure and a decline in its customers' credit worthiness, which could result in Syncordia incurring increased bad debt expense. If Syncordia is not able to timely and appropriately adapt to changes resulting from a weak economic environment, its business, results of operations and financial condition may be materially and adversely affected.

Developments in the Healthcare Industry, including National Healthcare Reform

The healthcare industry is subject to changing political, economic and regulatory influences that may affect the procurement processes and operation of healthcare facilities. During the past several years, the healthcare industry has been subject to an increase in governmental regulation of, among other things, reimbursement rates and certain capital expenditures. Recently enacted public laws reforming the U.S. healthcare system may have an impact on Syncordia's business. The Patient Protection and Affordable Care Act (H.R. 3590; Public Law 111-148) (the "ACA") and The Health Care and Education Reconciliation Act of 2010 (H.R. 4872) (the "Reconciliation Act"), which amends the ACA (collectively the "Health Reform Laws"), were signed into law in March 2010. The Health Reform Laws contain various provisions which may impact Syncordia or its customers. Among other things, the Health Reform Laws require nearly all individuals to have health insurance, expand Medicaid eligibility, mandate material changes to the delivery of healthcare services and reduce the reimbursement paid for such services in order to generate savings in the Medicare program. The Health Reform Laws also modify certain payment systems to encourage more cost-effective care and a reduction of inefficiencies and waste, including through new tools to address fraud and abuse.

The Health Reform Laws will ultimately lead to significant changes in the healthcare system. Because not all of the administrative rules implementing the Health Reform Laws have been finalized, and because of ongoing U.S. federal fiscal budgetary pressures yet to be resolved for U.S. federal health programs, the full impact of the legislation and of further statutory and regulatory actions to reform healthcare on Syncordia's business is unknown, but there can be no assurances that the legislation will not adversely impact either Syncordia's operational results or the manner in which it operates its business. Healthcare industry participants may respond to the Health Reform Laws by reducing their investments or postponing investment decisions, including investments in Syncordia's technologies and services. Syncordia cannot predict what effect, if any, such additional proposals or healthcare reforms might have on its business, financial condition and results of operations.

In some instances, the impact of these regulations on Syncordia's business is direct to the extent that it is subject to these laws and regulations. However, these regulations also impact Syncordia's business indirectly as, in a number of circumstances, it technologies and services must be capable of being used by its clients in a way that complies with those laws and regulations, even though it may not be directly regulated by the specific healthcare laws and regulations. There is a significant number of wide-ranging regulations, including regulations in the areas of healthcare fraud, e-prescribing, claims processing and transmission, medical devices, the security and privacy of patient data and interoperability standards, that may be directly or indirectly applicable to Syncordia's operations and relationships or the business practices of its customers.

Healthcare Claim Standards

CMS has mandated the use of new patient codes for reporting medical diagnosis and inpatient procedures, referred to as the ICD-10 codes. CMS is requiring all providers, payors, clearinghouses and billing services to utilize these ICD-10 codes when submitting claims for payment. ICD-10 codes will affect medical diagnosis and inpatient procedure coding for everyone covered by the Health Insurance Portability and Accountability Act of 1996, not just those who submit Medicare or Medicaid claims. Claims for services provided on or after October 1, 2015 must use ICD-10 codes for medical diagnosis and inpatient procedures or they will not be paid.

Syncordia does not anticipate significant difficulties associated with implementing the use of the ICD-10 codes within its technologies and services. However, if its products and services do not accommodate CMS mandates at any future date, customers may cease to use those technologies and services that are not compliant and may choose alternative vendors and products that are compliant. This could adversely impact future revenues.

Seasonal Nature of Sales Cycle

The sales of Syncordia's products and services are directly linked to the demand of their customers being in the healthcare services industry. Syncordia earns sales revenue on a percentage basis according to their customers' billings. In the United States as a whole, there is generally a larger demand for healthcare services in the winter months where sales revenue will be higher in contrast with summer months where healthcare service providers and Syncordia have a lower level of billings.

Highly Competitive Industry

The market for RCM solutions is highly competitive and Syncordia expects competition to intensify in the future. Syncordia faces competition from a steady stream of new entrants, including the internal RCM staff of hospitals, as described above, and external participants. External participants that are Syncordia's competitors in the RCM include software vendors and other technology-supported RCM business process outsourcing companies; traditional consultants; and information technology outsourcers. Syncordia's competitors may be able to respond more quickly and effectively than Syncordia can to new or changing opportunities, technologies, standards, regulations or customer requirements. Syncordia may not be able to compete successfully with these companies, and these or other competitors may introduce technologies or services that render its technologies or services obsolete or less marketable. Even if Syncordia's technologies and services are more effective than the offerings of its competitors, current or potential customers might prefer competitive technologies or services to Syncordia's technologies and services. Increased competition is likely to result in pricing pressures, which could negatively impact Syncordia's margins, growth rate or market share.

Variable Selling Cycle

Syncordia faces a variable selling cycle, typically spanning six to twelve months, to secure a new managed service contract. Even if Syncordia succeeds in developing a relationship with a potential new customer, it may not be successful in entering into a managed service contract with that customer. In addition, Syncordia cannot accurately predict the timing of entering into managed service contracts with new customers due to the complex procurement decision processes of most healthcare providers, which often involves high-level or committee approvals. Consequently, Syncordia has only a limited ability to predict the timing of specific new customer relationships.

Risks Related to the Common Shares

Market for the Common Shares

There can be no assurance that an active trading market for the Common Shares will develop or, if developed, that any market will be sustained. Technology stocks have historically experienced high levels of volatility and Syncordia cannot predict the prices at which the Common Shares will trade. The price of the Syncordia Subscription Receipts was determined by negotiations with the Underwriters and may not bear any relationship to the market price at which the Common Shares will trade or to any other established criteria of the value of Syncordia's business. Fluctuations in the market price of the Common Shares could cause an investor to lose all or part of its investment in Common Shares. Factors that could cause fluctuations in the trading price of the Common Shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events by Syncordia or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of technology companies in general and of companies in the RCM industry in particular; (iv) fluctuations in the trading volume of the Common Shares or the size of Syncordia's public float; (v) actual or anticipated changes or fluctuations in Syncordia's results of operations; (vi) whether Syncordia's results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving Syncordia, its industry, or both; (ix) regulatory developments in the Canada, the United States, and foreign countries; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of the Common Shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on Syncordia from any of the other risks cited herein.

No Payment of Cash Dividends

The Company has never declared or paid cash dividends on the Common Shares. Syncordia intends to retain future earnings to finance the operation, development and expansion of the business. Syncordia does not anticipate paying cash dividends on the Common Shares in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of the Board and will depend on Syncordia's financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that the Board considers relevant.

Significant Sales of Common Shares

Certain Common Shares held by Syncordia's directors, executive officers, control persons and certain other securityholders of Syncordia are subject escrow restrictions pursuant to the policies of the TSXV (see "Escrowed Securities and Securities Subject to Contractual Restriction on Transfer"). Sales of a substantial number of the Common Shares in the public market after the expiry of the escrow restrictions, or the perception that these sales could occur, could adversely affect the market price of the Common Shares and may make it more difficult for investors to sell Common Shares at a favourable time and price.

Issuance of Preferred Shares

While there are currently no Preferred Shares outstanding, Syncordia's articles permit the issuance of Preferred Shares in one or more series. Subject to the TSXV and any applicable regulatory approvals, the Board may set the rights and preferences of any series of Preferred Shares in its sole discretion without shareholder approval. The rights and preferences of those Preferred Shares may be superior to those of the Common Shares. Accordingly, the issuance of Preferred Shares may adversely affect the rights of holders of Common Shares.

Analyst Coverage

The trading market for the Common Shares will, to some extent, depend on the research and reports that securities or industry analysts publish about Syncordia or its business. Syncordia will not have any control over these analysts. If one or more of the analysts who covers Syncordia should downgrade the Common Shares or change their opinion of Syncordia's business prospects, Syncordia's share price would likely decline. If one or more of these analysts ceases coverage of Syncordia or fails to regularly publish reports on Syncordia, Syncordia could lose visibility in the financial markets, which could cause Syncordia's share price or trading volume to decline.

Tax Issues

There may be income tax consequences in relation to the Common Shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

12. FORWARD-LOOKING STATEMENTS

Caution regarding forward-looking statements

This MD&A contains forward-looking statements about our achievements, the future success of our business and technology strategies, performance, goals and other future events. Management's assessment of future plans and operations, cash flows, new contract wins, acquisitions, operational efficiencies, methods of financing and the ability to fund financial liabilities, and the timing of and impact of adoption of IFRS and other accounting policies may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation, the risks identified above. As a consequence, our actual results may differ materially from those expressed in, or implied by, the forward-looking statements. Forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information but which may prove to be incorrect. Although Syncordia believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because we can give no assurance that such expectations will prove to be correct.

In addition to other factors and assumptions which may be identified in this document and other documents filed by Syncordia, assumptions have been made regarding, among other considerations. Readers are cautioned that the foregoing list of factors is not exhaustive.

The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding our first quarter financial performance and may not be appropriate for other purposes. Readers are encouraged to read the section entitled "Risks and Uncertainties" in this MD&A for a broader discussion of the factors that could affect our future performance. Furthermore, the forward-looking statements contained in this document are made as at the date of this document and Syncordia does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.