

to think and act like owners of the business by increasing executive ownership levels. For fiscal year 2005, the “performance focus” of the bonus plan was significantly increased, the focus on financials reduced and personal objectives linked to the key change initiatives. At 100% of targeted levels, 100% of target bonus was paid. At 90% of targeted levels 50% of the on-target bonus was paid, below 90% no bonus was paid and performance in excess of targeted levels was rewarded with an escalating percentage of on-target bonus depending on the level of over-achievement, up to a maximum payout of 200% of targeted levels. In order to increase levels of executive ownership, executives may elect to use up to 30% of bonus payments to purchase Common Shares of the Corporation on a pre-tax basis.

To link further the interests of the option holders with those of the shareholders, long-term equity incentives are granted at 100% of market value to a significant number of officers and senior managers and a limited number of other employees. The value of the incentives is highly dependent on the success of the Corporation as reflected in the Common Share price and the options directly compensate the holder for the return provided to shareholders over a longer period. Most of the stock options issued to date generally become vested over three or four years from the date of the grant and generally expire ten years after they are granted and most of the RSUs generally become vested from a reference date of November 1, 2004 on the first anniversary as to 20%, on the second anniversary as to an additional 30% and on the third anniversary as to the remaining 50%.

The Corporation periodically reviews its executive compensation program to ensure that it continues to meet the Corporation’s objectives.

### **Restricted Share Unit Plan**

On September 15, 2004, the Board established a Restricted Share Unit Plan (the “RSU Plan”). Pursuant to the RSU Plan, RSUs may be issued to participating key employees of the Corporation reflecting the responsibility, commitment and risk accompanying their role in such number and at such times as the Corporation may, in its sole discretion, determine. Each vested RSU represents, at the discretion of the Corporation, the right to receive a Common Share purchased by a broker in the open market with funds supplied by the Corporation or a cash payment equal to the fair market value of a Common Share as of the relevant vesting date (subject in each case to applicable withholdings). The RSU Plan therefore does not provide any additional dilution beyond which may already potentially exist under the Corporation’s stock option plans. The RSUs are not Common Shares and do not confer any voting rights upon holders. To the extent that dividends are paid on the Common Shares of the Corporation, additional RSUs are credited to each participating employee’s account on the basis of the fair market value of Common Shares at the time.

The purpose of the RSU Plan is to (i) provide long-term incentives to senior executives of the Corporation and its subsidiaries so as to encourage the long-term retention of senior executives for the success of the Corporation, (ii) support the objectives of employee share ownership, (iii) foster a responsible balance between short-term and long-term results and (iv) build and maintain a strong spirit of performance and entrepreneurship.

Unless otherwise determined by the Corporation, if an RSU Plan participant is terminated for any reason other than by reason of disability, retirement or death, RSUs in the participant’s account (as such terms are defined in the RSU Plan) that have not yet vested are cancelled.

In fiscal year 2005, the Board granted an aggregate of 1,358,250 RSUs, all of which have been funded through open market purchases of the Corporation’s shares that are held in trust for the benefit of the RSU Plan participants.

### **President and Chief Executive Officer Compensation**

The Board of Directors, acting through the Human Resources and Compensation Committee, retained a leading international compensation consulting firm to advise on an appropriate compensation package for Mr. Jones as President and Chief Executive Officer. The consultant developed a select comparator group for the purpose of measuring compensation levels for chief executive officers of comparable technology companies in Canada and the United States. The Board carefully considered the report and Mr. Jones’ superior performance as Chief Executive Officer, including the dramatic improvement in new license sales, earnings and share price, and determined that Mr. Jones should be provided with total direct compensation at the 75<sup>th</sup> percentile of chief executive officers of comparable companies. The consultant’s report indicated that an annual grant of 614,500 RSUs would be required to provide Mr. Jones with overall compensation at the 75<sup>th</sup>

percentile based on the then-current share price. While the Human Resources and Compensation Committee unanimously resolved to recommend that the Board of Directors grant 614,500 RSUs to Mr. Jones for the fiscal year ending April 30, 2005 and an additional 614,500 RSUs for the fiscal year ending April 30, 2006 for a total of 1,229,000 RSUs, Mr. Jones indicated that he would not be prepared to accept such a grant. Consequently, Mr. Jones was awarded 300,000 RSUs in respect of the fiscal year ending on April 30, 2005 vesting 20% on November 1, 2005, an additional 30% on November 1, 2006 and the remaining 50% on November 1, 2007.

Mr. Jones' employment contract provides for a target bonus of 100% of base salary of \$460,000 and also provides for a higher level of bonus for superior achievement. At a meeting of the Board of Directors held on February 3, 2005, the directors resolved to increase Mr. Jones' annual base salary to \$497,000 and to retain his bonus target at 100% with retroactive effect to July 2004. The Human Resources and Compensation Committee established that 70% of Mr. Jones' bonus entitlement would be based upon budget achievement and the remaining 30% of bonus entitlement would be based upon the following factors: (i) implementing an agenda for change (comprised of performance management, employee communications, competitive intelligence and sales/marketing management); (ii) challenging the management team through leadership to improve continuously the execution of vital functions; (iii) enabling strategy by broadening the skill base in the management group to develop strategy for each of the enterprises and their products; (iv) creating a work environment that permits a personal life in addition to business; and (v) seeking and achieving where possible growth through internal organic growth and strategic acquisitions. The Board of Directors considered these criteria, the Corporation's success during fiscal year 2005 in exceeding its budget and outstanding internal organic growth, and Mr. Jones' leadership role in these achievements, and awarded Mr. Jones a bonus in the amount of \$725,000 for fiscal year 2005.

Report presented by the Human Resources and Compensation Committee:

Pierre MacDonald (Committee Chairman)

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