

Management's Discussion & Analysis  
(Expressed in Canadian Dollars)



As at and for the quarter ended November 30, 2014

## PEOPLE CORPORATION



Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---

This Management's Discussion and Analysis ("**MD&A**") has been prepared with an effective date of January 21, 2015 and provides an update on matters discussed in, and should be read in conjunction with the audited annual consolidated financial statements of the Company, including the notes thereto, as at and for the year ended August 31, 2014, which were prepared in accordance with International Financial Reporting Standards ("**IFRS**") and the unaudited interim condensed consolidated financial statements as at and for the three months ended November 30, 2014 (the "November 30, 2014 Interim Consolidated Financial Statements"), unless otherwise specified. Annual references are to the Company's fiscal year which ends August 31. The financial data discussed in this MD&A, including financial data relating to comparative periods in the prior year, has been prepared in accordance with IFRS. All amounts contained within this MD&A are in Canadian dollars unless otherwise specified. Amounts set forth in this MD&A are stated in thousands of dollars except for per share, issued and outstanding share data, and unless otherwise noted. Certain totals, subtotals and percentages may not reconcile due to rounding.

### ADDITIONAL INFORMATION

Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.peoplecorporation.com](http://www.peoplecorporation.com).

### FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking statements" within the meaning of applicable securities laws, such as statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Use of words such as "may", "will", "expect", "believe", or other words of similar effect may indicate a "forward-looking" statement. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those described in the Company's publicly filed documents (available on SEDAR at [www.sedar.com](http://www.sedar.com)) and in this MD&A under the heading "Risks and Uncertainties". Those risks and uncertainties include the ability to maintain profitability and manage organic or acquisition growth, reliance on information systems and technology, reputation risk, dependence on key clients, reliance on key professionals and general economic conditions. Many of these risks and uncertainties can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statement made by the Company or on its behalf. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. All forward-looking statements in this MD&A are qualified by these cautionary statements. These statements are made as of the date of this MD&A and, except as required by applicable law, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Additionally, the Company undertakes no obligation to comment on analyses, expectations or statements made by third parties in respect of the Company, its financial or operating results or its securities.

Readers are cautioned that net income before finance expense, income tax expense, depreciation and amortization ("**EBITDA**") or EBITDA before non-recurring acquisition and transaction costs ("**Adjusted EBITDA**"), operating income before corporate costs ("**Operating Income before Corporate Costs**"), corporate costs, Operating Working Capital and Available Operating Working Capital, hereinafter defined, and other similar terms do not have standardized meanings as prescribed by IFRS and may not be comparable to similar measures presented by other companies. Further, readers are cautioned that EBITDA, Adjusted EBITDA and Operating Income before Corporate Costs should not replace net income or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of the Company's performance.

# PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014



## TABLE OF CONTENTS

|                                                 |    |
|-------------------------------------------------|----|
| FINANCIAL HIGHLIGHTS.....                       | 1  |
| BUSINESS OVERVIEW.....                          | 1  |
| Consulting Solutions.....                       | 3  |
| Group Benefit Solutions.....                    | 5  |
| Human Resource Solutions.....                   | 5  |
| Corporate Shared Services.....                  | 6  |
| INDUSTRY.....                                   | 7  |
| OUTLOOK.....                                    | 8  |
| OVERVIEW OF OPERATIONAL PERFORMANCE.....        | 8  |
| ACQUISITIONS.....                               | 9  |
| OVERVIEW OF FINANCIAL PERFORMANCE.....          | 10 |
| Selected Quarterly Financial Information.....   | 10 |
| Revenue.....                                    | 10 |
| Personnel and Compensation.....                 | 11 |
| General and Administrative Expenses.....        | 12 |
| Advertising and Promotion Expenses.....         | 13 |
| Finance and Other Costs.....                    | 13 |
| NON-IFRS FINANCIAL MEASURES.....                | 14 |
| LIQUIDITY AND CAPITAL RESOURCES.....            | 15 |
| Cash Flows.....                                 | 15 |
| Capital Management.....                         | 16 |
| Working Capital.....                            | 17 |
| Share Capital.....                              | 18 |
| COMMITMENTS AND CONTINGENCIES.....              | 18 |
| RISKS AND UNCERTAINTIES.....                    | 19 |
| CRITICAL ACCOUNTING POLICIES AND ESTIMATES..... | 23 |
| OFF-BALANCE-SHEET ARRANGEMENTS.....             | 25 |
| SEASONALITY.....                                | 26 |
| FINANCIAL INSTRUMENTS.....                      | 26 |

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014



People Corporation (the "**Company**") is an employee benefit, pension and human resource consulting firm in Canada. With a growing national footprint, the Company is bringing together leading consultants in the industry to offer innovative and customized product solutions to clients. The Company is listed on the TSX Venture Exchange ("**TSX-V**") under the symbol "PEO".

### FINANCIAL HIGHLIGHTS

|                                   | Nov 30, 2014       |          | Nov 30, 2013       |         |
|-----------------------------------|--------------------|----------|--------------------|---------|
|                                   | Three months ended |          | Three months ended |         |
| Revenue                           | \$                 | 11,054.8 | \$                 | 9,768.8 |
| Adjusted EBITDA                   | \$                 | 2,199.4  | \$                 | 1,850.2 |
| Adjusted EBITDA per share (Basic) | \$                 | 0.055    | \$                 | 0.056   |
| Net Income                        | \$                 | 308.2    | \$                 | 398.2   |
| Net income per share (Basic)      | \$                 | 0.008    | \$                 | 0.012   |

For the first quarter of fiscal 2015, the Company reported revenue growth of \$1,286 or 13.2% as compared to the same period in fiscal 2014, which is primarily due to organic growth. Of the increase in revenue, \$1,095.0 (85.1%) represents organic growth in the business, attributable to efforts of the Company's team of benefits consultants which has resulted in additional revenue from existing clients as well as the addition of new clients. The balance of the revenue growth (\$191.0 or 14.9%) was generated through the prior year acquisitions.

Adjusted EBITDA for the first quarter of fiscal 2015 was \$2,199.4, representing an increase of 18.9% or \$349.2, as compared to the same period in fiscal 2014. Adjusted EBITDA margin increased from 18.9% for the three months ended November 30, 2013 to 19.9% for the three months ended November 30, 2014. The growth in Adjusted EBITDA and margin improvements are a result of the operating leverage in the business, as the revenue associated with past investments in operations effectively increases operating earnings with limited additional incremental corporate investment or expense.

### BUSINESS OVERVIEW

The Company delivers employee group benefit consulting, third-party benefits administration, group retirement consulting, strategic human resource consulting and recruitment services to help companies attract, retain and reward employees. The Company achieves this through its approximately 250 professionals and support staff with twenty-eight offices and satellite offices in seven provinces and earns its revenues from a diverse base of clients in various industries. The Company's priority is the continued profitable expansion of existing operations through a focus on organic growth and the acquisition of synergistic companies with a view to maximize value for its stakeholders: i) shareholders, ii) clients, iii) acquisition partners, and iv) employees.

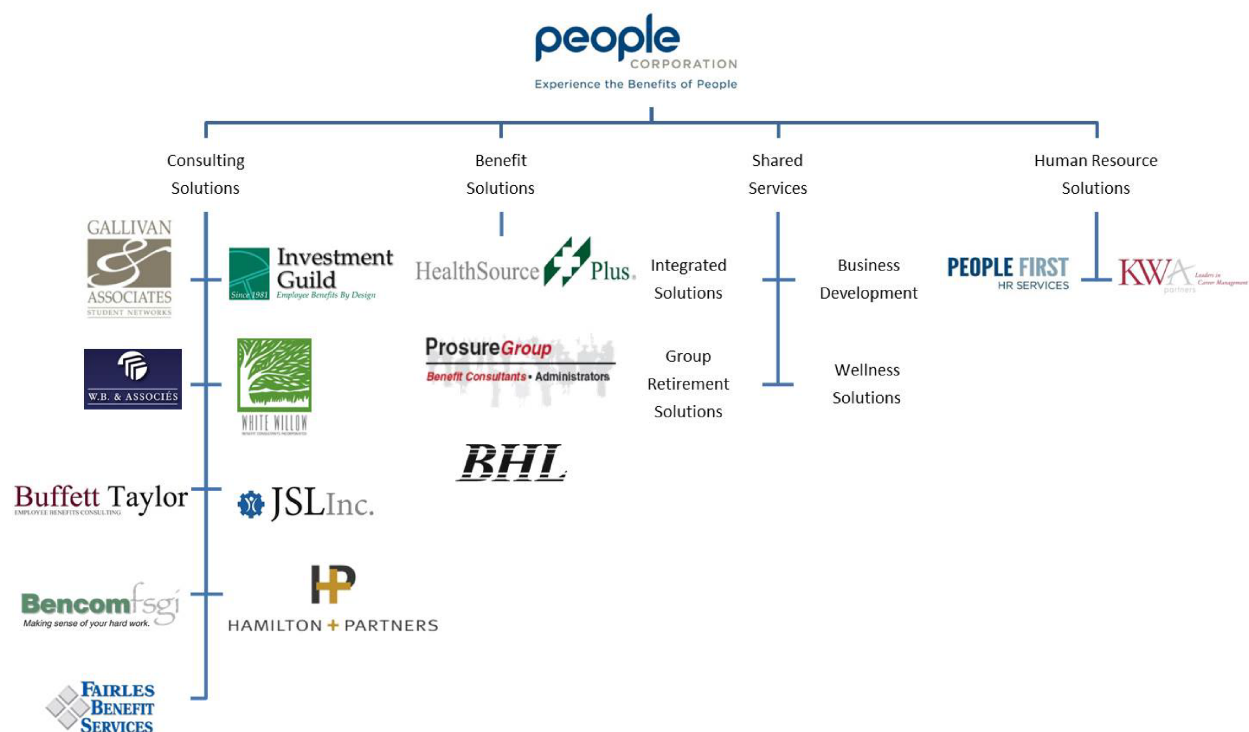
The Company maintains a corporate strategic plan, a financial plan and an ongoing annual planning process that enables the Company to continue to grow and execute on its vision. The Company has a funnel of potential acquisitions in place and available financial and management resources to execute these acquisitions in accordance with its corporate strategic plan.

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014



The Company is organized in order to emphasize integration of all of its practice areas, which are as follows:



The Company has offices across Canada; each led by a team of experts and backed by the resources of a public company. The Company's diverse team of experienced consultants have industry-specific expertise and can provide businesses with insight to customize an innovative suite of services specific for their business requirements. The Company is committed to helping businesses attract, retain and reward their people thereby assisting in the achievement of the client goals.

While the Company continues to go-to-market with the various brands acquired through acquisition, the Company is organized in such a way so as to leverage the capabilities of the entire organization. People Corporation can help businesses attract the right talent for the job and provide the right incentives to motivate employees to excel, enabling client businesses to prosper.

People Corporation helps businesses:

### Attract

The Company's employee benefit, group retirement and HR divisions are led by experts who understand a client's business and can help a client attract the best people for their industry, helping position them as top employers.

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---

Reward Proprietary solutions offered by the Company's benefit consulting and third-party administration platform ensures that a client's staff has access to health, wellness, dental, and retirement plans that make financial sense for their families, as well as for the client's business.

Prosper The Company can help make a client's organization a place where the best people will want to build their careers while also ensuring cost containment for the client's benefit, HR and group retirement plans.

Whether a client needs a simple benefits package or a comprehensive solution, the Company's experts can customize a program for its client's unique needs.

Expertise The Company's consultants are recognized industry leaders who can create unparalleled value for a client's organization. Through the experience of working with hundreds of clients, the Company's consultants have developed broad, as well as specialized, product, insurance and industry expertise.

Custom Solutions The Company's broad range of innovative and proprietary group benefit solutions can be tailored to suit organizations of any size, in any sector. This is achieved through the Company's partner relationships, its ability to leverage its various systems and platforms and through the expertise of its consultants and staff.

Industry Leading Pricing As a national provider, the Company's buying power allows it to offer clients the best products on the best terms.

Independent Guidance The Company's expert advice is unbiased and independent. The Company works with all major insurers to provide clients with the best customized solution for its clients' businesses and people.

National Servicing With offices across the country, the Company can provide clients with servicing on a localized basis.

Below is a summary of the Company's various operating brands within group benefits:

### Consulting Solutions

The Company's Consulting Solutions division has offices across the country, each backed by a team of experienced benefit consultants, employees and professionals who have industry-specific expertise with insight to guide and advise clients in customizing a suite of services for their organization.

#### Gallivan & Associates

Gallivan & Associates ("Gallivan"), established in 1993, provides professional advice and service infrastructure to post-secondary student organizations in order to offer group benefit programs to students. Gallivan operates on a national basis with offices and satellite offices across the country and provides Student Health and Dental Plans to post-secondary student organizations representing over 250,000 students.

#### The Investment Guild

The Investment Guild ("TIG"), established in 1981, specializes in mid-market corporate benefits, association plan benefits, group retirement solutions and individual insurance products.

---

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---



### **Buffett Taylor & Associates**

Buffett Taylor & Associates ("**Buffett Taylor**"), established in 1981, is a consulting firm specializing in providing service to a predominately public sector and not-for-profit clientele. Buffett Taylor is versed in all areas of group benefits insurance and benefit plans. Using an integrated approach to the design and cost management planning of group benefit programs with a proven track record in servicing clients across Ontario has enabled Buffett Taylor to maximize the investment that their clients have made in their employee benefit plans.

### **White Willow Benefits Consultants**

White Willow Benefit Consultants ("**White Willow**"), established in 1988, is a boutique group benefits consulting firm that provides services to mid-market to large corporate clients with group benefit plans and group retirement solutions. White Willow has special expertise in servicing legal firms and organizations within the financial services sector.

### **Les Assurances W.B. Inc.**

Les Assurances W.B. Inc. ("**LAWB**") provides group benefit advisory services to clients based in the Québec city area and northern Québec. LAWB leverages the HSP platform, hereinafter described, to provide its clients with third-party administration of group benefit programs including billing services, client services, employee data management and claims management. In addition to providing third-party administration services, LAWB also provides traditional group benefit programs to its clients.

### **JSL**

JSL ("**JSL**"), established in 1976, provides group benefit solutions to clients based in southern Ontario and specializes in mid-market corporate clients and has taken a partnership approach with clients to develop customized employee benefits programs that meet the changing needs of their businesses and employees.

### **Prosure Group Administrators and Prosure Insurance Agencies**

Prosure Group Administrators and Prosure Insurance Agencies (collectively, "**Prosure**"), established in 1987, provides employee benefits solutions, consulting services and third-party administration services to over 300 mid-market corporate clients, the majority of which are located in Ontario.

### **Bencom Financial Group Services Inc.**

Bencom Financial Services Group Inc. ("**Bencom**"), established in 1982, provides group benefit, group retirement and individual benefit advisory services to approximately 200 mid-market corporate clients located primarily in Ontario.

### **Fairles Benefit Services**

Fairles Benefit Services ("**Fairles**"), established in 1991, provides group benefits and group retirement consulting to a broad range of clients in the Southwestern Ontario region. Fairles was acquired by Bencom in 2014 and now operates in close association with Bencom.

## PEOPLE CORPORATION



Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---

### **Hamilton + Partners Inc.**

Hamilton + Partners Inc. consists of three operating companies, Employee Benefits Inc. ("EBI"), Disability Concepts Inc. ("DCI") and 6814409 Canada Incorporated ("681"), (collectively "H+P"). EBI is a group benefits consulting firm that provides service predominantly to Alberta based small to large corporate clients with group benefit plans and group retirement solutions. DCI provides unique disability and critical illness solutions designed to balance employer interests of cost savings and product enhancements with employee concerns and adequate coverage. 681 provides specialized medical insurance products which expedites access to medical imaging and rapid second opinion as well as coverage for private medical treatments. Established in 1984, H+P operates primarily in Alberta.

### **Group Benefit Solutions**

The Company's Group Benefit Solutions division has several third-party administration ("TPA") service platforms allowing it to administer benefit plans on behalf of clients and insurance carrier partners. These administration platforms, allow the Company to develop specialized, unique and customized benefit solutions for its clients. TPA services include employee data management, billing services, consolidated billing services where a client has multiple insurance carriers associated with its plan, customized reporting, customized plan design services, underwriting services, communication services and booklet printing services. In addition, through its various partners, the TPA platforms also provide claims adjudication services and claims management.

#### **HealthSource Plus**

HealthSource Plus ("HSP"), established in 1992 and amalgamated with the Company in 2014, provides TPA of group benefit programs, including billing services, client services, employee data management and claims management through a proprietary platform. As a TPA, HSP is able to provide customized benefits solutions based on the needs of the client, including complex plan design, customized reporting, alternative funding models and hybrid plans. HSP has offices in Toronto, Montreal, Niagara and Winnipeg and typically serves businesses with 25 to 5,000 employees.

#### **Prosure**

In addition to providing group benefit advisory services, as discussed above, Prosure operates a specialized TPA platform for the administration of Health Spending Accounts and Cost-plus Accounts.

#### **Bryan H. Lupe and Associates**

Bryan H. Lupe and Associates ("BHL"), established in 1969, provides group benefits and consulting and administration services to a broad range of clients, and has established a solid reputation for outstanding client service and creativity in providing group benefits solutions to clients primarily based in Manitoba.

### **Human Resource Solutions**

Within its human resource service division the Company has deep expertise and the ability to take advantage of the entire organization's resources to provide executive search and recruiting, career management and human resource consulting services.

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---



### **People First HR Services Ltd.**

People First HR Services Ltd. ("PFHR"), established in 2000, is Manitoba's largest full service human resource provider. PFHR through its various brands delivers high quality leadership and organizational solutions and contributes to the success of its clients by working with them to: recruit top talent; discover the full potential of each of their employees; realize the collective strength of a highly engaged workforce; and support employees and employers during times of change. They leverage the experience base of the firm and the efficiency of its processes to create workable and timely solutions that deliver great value for clients.

### **Corporate Shared Services**

Through its corporate shared service divisions, the Company helps its subsidiaries and divisions by providing resources to attract clients and retain clients. The corporate shared service divisions were created to ensure that the Company's subsidiaries and divisions have access to advanced product experts, proprietary products and services not normally available to mid-size employee benefit firms and thereby ensuring that clients are receiving the best possible consulting advice, and that the Company's subsidiaries have a unique value proposition allowing them a competitive edge to attract and retain clients.

### **Integrated Solutions**

Integrated Solutions ("IS") provides group benefit advisory services with a focus on unique strategic and tax effective compensation solutions designed to realign the competing needs of the business and the people in it. IS provides its specific expertise through a network of third party insurance brokers who do not traditionally serve group benefit needs.

### **Group Retirement Solutions**

Group Retirement Solutions focuses on enhancing and expanding upon the Company's existing group retirement products and client service model. The mandate of the division is to provide support services to the Company's benefit consultants to facilitate and help them expand their service offering to clients by adding Group Retirement Solutions.

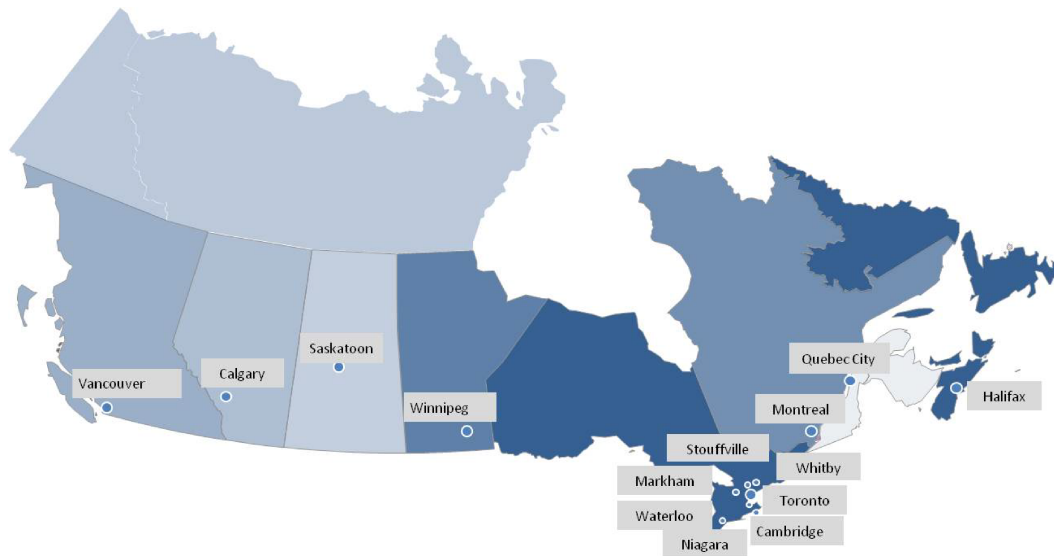
### **Wellness Solutions**

Wellness Solutions focuses on providing the Company's corporate clients with a suite of proprietary products and service offerings that will help manage the increasing costs of absenteeism, presenteeism, and loss of productivity. In addition, the Company's Wellness Solutions serve to help the Company's clients attract, reward, and retain their employees.

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---



### INDUSTRY

Many companies are increasingly utilizing employer-sponsored benefits programs as one of the tools to help them attract and retain employees in today's competitive market for talent. However, they are challenged in doing so because of the increasing cost of providing such programs to employees, which is driven by rising insurance premiums as a result of factors such as increasing healthcare costs, the entry of new drugs and treatments, the advent of new medical services, higher utilization rates, and the overall aging demographics of the workforce. Given these factors, companies are looking for value-added advice with respect to plan design, and strategies to minimize the cost of plans while continuing to provide competitive benefit programs that will be appealing to employees.

Concurrent with the evolution in client demands as described above, the supplier base for group benefits and pension products and services, which is primarily the insurance carriers, continues to consolidate, leading to fewer alternatives for benefits consultants to work with when devising and pricing benefit plans. At the same time, competition has increased, not only from traditional market players, but also from new players focused on technology-based solutions, as well as from market participants who have traditionally focused on other segments of the market or adjacent sectors. Finally, the regulatory environments that can impact benefit and pension programs continue to evolve, not only as it relates to the products and services themselves (e.g. pension plan regulations), but also as it relates to the provision of products and services, including matters such as fee disclosure. Given these market dynamics, scale is becoming increasingly important.

## PEOPLE CORPORATION



Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---

The Canadian market for group benefits, group pension and HR consulting products and services is dominated by many small players and a few large multinational firms. Historically, the market has been segregated by size: small and medium-sized enterprises have traditionally been serviced by a large number of small regional and local market players, providing a relatively narrow range of products and services, generally priced on a commission-based structure. The balance of the industry, which is focused on large employers and government accounts, has traditionally been serviced by a small number of multinational consulting firms, with a broader scope of services, primarily offered on fee-based structures. While a significant amount of consolidation has occurred among players servicing large enterprises (i.e. consolidation among the multinational consulting firms), the segment of the market servicing small- and medium-sized enterprises continues to be highly fragmented, with a significant number of small firms, many of which are encountering succession planning issues given the demographic characteristics of their consultant owners. Management believe that this, along with the increasing need for scale as described above, suggests that consolidation in this segment of the market is likely to intensify.

Management believes that the current dynamics in the group benefits, group pension and HR consulting sectors will continue to drive change within the industry, likely at an accelerating pace. In order to provide a compelling value proposition to employers, benefits, pension and HR consultants must provide innovative products, specialized services and customized solutions. Furthermore, in a highly competitive environment, consultants need to find ways to be more efficient and cost effective. As a result of these environmental factors, scale is increasingly important in these sectors.

### OUTLOOK

In order to position itself for growth in this environment, the Company has made significant investments in people, technology and other organizational resources, and has developed techniques, processes and other intellectual capital to provide a compelling value proposition. Driven by these investments, the Company intends to pursue growth opportunities both organically, increasing its existing business by gaining new clients and a larger 'share of wallet' with existing clients, as well as through acquisitions in which new operating entities or subsidiaries become part of the Company. As an example, the Company's Shared Services and Shared Support divisions provide resources to enhance growth at existing operating subsidiaries, and are also a compelling reason for new entities to join People Corporation, so that they can gain access to the Company's proprietary products and operational infrastructure. Given the positive underlying industry fundamentals, the ongoing development of the Company's operating and transaction models, and the overall value proposition that the Company provides to stakeholder groups that include its clients, consultants, suppliers and employees, management currently expects to continue to generate growth in the foreseeable future.

### OVERVIEW OF OPERATIONAL PERFORMANCE

As a result of a focus on executing its strategic plan, the Company has been successful in building upon and growing operational capabilities by investing in employees and the tools they need to provide responsive solutions which address its client's business challenges. The Company wants its clients to experience the benefits that People Corporation professionals bring to the table, to experience the benefits their people can deliver to them, and wants the client relationship to be an experience, not a transaction. The Company continued its positive momentum and strong performance during the first quarter.

#### Operational initiatives include:

- i) promoting and recruiting additional leadership to execute the Company's organic growth plans;
- ii) recruiting additional benefits consultants in order to expand our organic revenue generating capabilities;
- iii) enhancing the client service model to promote client retention; and

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---

- iv) expanding the product portfolio to expand solutions to the Company's clients.

Strategic initiatives include:

- i) pursuing possible acquisitions which align with the Company's strategic plan;
- ii) enhancing investor relations activities; and
- iii) expanding the Company's billing platforms and TPA platforms, thereby increasing the number of product offerings available to clients.

Results from implementation of the above strategic initiatives, momentum from past initiatives and overall improvement in revenue growth can be seen in the Company's continued strong financial performance. The Company's results demonstrate operating leverage whereby increased revenue resulted in increased profitability.

**Notable milestones include:**

- i) Entered into new expanded Credit Facility with \$35 million of senior credit available, a significant increase over the Company's previous senior credit facility of \$24.5 million. The agreement also provides for the potential to increase the facility by a further \$15 million to a total of \$50 million of available credit, effectively doubling the Company's senior credit capacity;
- ii) Laurie Goldberg, Chairman and CEO, named 2014 Prairie Region EY Entrepreneur of the Year for the professional and financial services category, as awarded by Ernst & Young LLP;
- iii) Implemented changes to the organizational structure to position the Company for building additional scale, including appointing Ms. Bonnie Chwartacki to the office of President and Mr. Brevan Canning to the offices of Executive Vice-President and Group Head - Group Benefit Solutions;
- iv) Appointment of Mr. Eric Stefanson to the Company's Board of Directors;

## ACQUISITIONS

The Company intends to pursue growth opportunities both organically, increasing its existing business by gaining new clients and a larger 'share of wallet' with existing clients, as well as through transactions in which new operating entities or subsidiaries become part of the Company. To that end, the Company has made significant investments in people, technology and other organizational resources, and has developed techniques, processes and other intellectual capital, all with the objective of creating a compelling value proposition for new entities to join People Corporation, and enhancing the Company's corporate development capabilities to execute transactions.

Furthermore, in the past year, the Company has taken additional actions to position itself for continued growth, particularly related to access to financial capital for execution of transactions. In April 2014, the Company completed a \$10.4 million private placement of common shares, with the use of proceeds including investments in growth opportunities and repayment of debt. In November 2014, the Company announced a new credit facility totaling \$35 million (with a potential "accordion feature" to increase it to \$50 million) that provides expanded capacity and enhanced flexibility to access senior debt as a source of financing for acquisitions. In addition to these sources of capital, the Company has also successfully used 'vendor take-back' debt as an additional cost-effective source of capital for transactions. Given this depth and breadth of access to financial capital, Management believes the Company is well positioned to continue to make investments for growth.

## PEOPLE CORPORATION

### Management's Discussion & Analysis

As at and for the quarter ended November 30, 2014

The transactions the Company will consider range in size and structure, but all share the characteristic of having a strong underlying strategic rationale, which may include enhancing the Company's position in existing markets or providing entry into new markets, expanding the Company's administrative and technological capabilities, providing new supplier relationships and enhancing the breadth and depth of the Company's product and service offering. At the same time, given the financial characteristics of the underlying businesses, and the structural components and financial terms of the transactions, the Company has been able to achieve attractive financial returns.

With a flexible transaction model to address the objectives of vendors, and an operating model to support the ongoing success and growth of the underlying businesses, the Company continues to attract partners who want to join the People Corporation group of companies. In the past two fiscal years, seven transactions have been completed, and there continues to be significant momentum in this component of the Company's overall growth strategy.

## OVERVIEW OF FINANCIAL PERFORMANCE

### Selected Quarterly Financial Information

The selected financial information provided below is derived from the Company's unaudited quarterly financial statements for each of the last eight quarters:

|                                | Q1 - 2015   | Q4 - 2014  | Q3 - 2014   | Q2 - 2014   | Q1 - 2014  | Q4 - 2013  | Q3 - 2013  | Q2 - 2013  |
|--------------------------------|-------------|------------|-------------|-------------|------------|------------|------------|------------|
| Revenue                        | \$ 11,054.8 | \$ 9,993.3 | \$ 11,572.0 | \$ 11,208.8 | \$ 9,768.8 | \$ 9,074.6 | \$ 8,665.6 | \$ 8,138.3 |
| Operating & corporate expenses | (8,855.4)   | (8,598.6)  | (9,607.2)   | (8,876.5)   | (7,918.6)  | (8,155.9)  | (7,340.6)  | (6,930.2)  |
| Adjusted EBITDA                | 2,199.4     | 1,394.7    | 1,964.8     | 2,332.3     | 1,850.2    | 918.7      | 1,325.0    | 1,208.1    |
| Finance expenses               | (673.2)     | (437.8)    | (466.3)     | (283.3)     | (455.3)    | (472.6)    | (202.2)    | (174.5)    |
| Amortization and depreciation  | (845.1)     | (787.6)    | (830.3)     | (664.1)     | (619.2)    | (435.7)    | (430.9)    | (443.8)    |
| Share-based compensation       | (45.7)      | (44.7)     | (50.6)      | (40.2)      | (40.3)     | (37.4)     | (23.7)     | (37.9)     |
| Income tax expense, net        | (267.3)     | (509.1)    | (455.1)     | 80.2        | (301.6)    | 63.2       | (242.2)    | (137.0)    |
| Acquisition costs              | (60.0)      | (40.6)     | (19.6)      | -           | (35.5)     | (617.2)    | (7.6)      | (236.8)    |
| Net income                     | 308.1       | (425.1)    | 142.9       | 1,424.9     | 398.3      | (581.0)    | 418.4      | 178.1      |
| Total Assets                   | 57,838.5    | 56,109.4   | 63,356.5    | 52,838.0    | 53,349.0   | 53,736.3   | 31,101.9   | 32,560.1   |
| Total loans and borrowings     | 10,637.0    | 9,660.4    | 16,847.5    | 17,688.2    | 18,740.1   | 19,249.3   | 6,905.2    | 7,132.6    |
| Total other liabilities        | 20,689.1    | 20,427.0   | 20,108.4    | 18,937.4    | 19,958.6   | 20,310.3   | 9,476.6    | 11,169.7   |
| Shareholders' equity           | 26,512.5    | 26,021.9   | 26,400.6    | 16,212.4    | 14,650.4   | 14,176.6   | 14,720.2   | 14,257.7   |
| Adjusted EBITDA per share      | 0.055       | 0.039      | 0.054       | 0.070       | 0.028      | 0.028      | 0.040      | 0.037      |
| Earnings per share (basic)     | 0.008       | 0.012      | 0.004       | 0.043       | 0.012      | (0.018)    | 0.013      | 0.014      |
| Earnings per share (diluted)   | 0.008       | 0.011      | 0.004       | 0.040       | 0.011      | (0.017)    | 0.012      | 0.014      |

### Revenue

Revenue from group benefit consulting is primarily earned as commissions which are paid by the insurance carriers. Revenues from TPA services are earned as fees which are generally charged to clients. The Company is a reseller of benefit products and services and therefore assumes no underwriting risk as the insurance policy is underwritten by the insurance carrier.

Revenue from group retirement consulting is principally earned through commissions and fees earned from pension assets under administration and is paid by the carrier which administers and invests the funds.

## PEOPLE CORPORATION

### Management's Discussion & Analysis

As at and for the quarter ended November 30, 2014



The human resource consulting and recruitment services offered by the Company derive revenue primarily from consulting fees. Fees for human resource consulting services are generally based on hourly rates and depend on the nature of the project and skill set and experience of the consultant engaged on the project. Fees for recruitment services are generally charged as a percentage of projected compensation of the candidate being placed. Fees for career management services are based on the level of the program selected by the client. Fees are established with the client prior to the commencement of the services or engagement.

| For the three months ended | Nov 30, 2014       | Nov 30, 2013      | \$ Variance       | % Variance    |
|----------------------------|--------------------|-------------------|-------------------|---------------|
| Commissions                | \$ 6,762.6         | \$ 5,248.2        | \$ 1,514.4        | 28.9 %        |
| Fees and other revenues    | 4,292.2            | 4,520.7           | (228.5)           | (5.1)%        |
|                            | <b>\$ 11,054.8</b> | <b>\$ 9,768.9</b> | <b>\$ 1,285.9</b> | <b>13.2 %</b> |

During the first three months of fiscal 2015, the Company increased its revenues by \$1,285.9, or 13.2%, as compared to the prior year resulting from:

Organic growth represented \$1,095.0, or 85.2% of the increase in revenue resulting from the addition of new clients from the Company's existing and expanded Benefits Consulting team and natural inflationary factors. Acquired growth represented \$191.0 or 14.9% of the increase in revenue resulting from run rates on 2014 acquisitions. The majority of revenue growth is relates to commission revenue resulting in relatively stronger growth of commissions, as compared to fees and other revenues.

### Personnel and Compensation

The largest operating expense of the Company is compensation and related costs which includes salaries, commissions, bonuses, stock-based compensation, group benefits, and payroll taxes.

| For the three months ended               | Nov 30, 2014      | Nov 30, 2013      | \$ Variance     | % Variance   |
|------------------------------------------|-------------------|-------------------|-----------------|--------------|
| Salaries and Wages                       | \$ 3,575.6        | \$ 3,109.7        | \$ 465.9        | 15.0 %       |
| Commissions                              | 1,826.0           | 1,887.2           | (61.2)          | (3.2)%       |
| Bonuses                                  | 532.2             | 432.9             | 99.3            | 22.9 %       |
| Short-term benefits & insurance premiums | 454.5             | 408.7             | 45.8            | 11.2 %       |
| Share-based payments                     | 45.7              | 40.3              | 5.4             | 13.4 %       |
|                                          | <b>\$ 6,434.0</b> | <b>\$ 5,878.8</b> | <b>\$ 555.2</b> | <b>9.4 %</b> |

For the three months ended November 30, 2014, personnel and compensation costs represent 58.2% of revenues (2013 - 60.2%). The Company believes that investment in its employees and associate consultant networks is key to ensuring successful execution of its strategic plans.

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

The increase in personnel and compensation expense for the three months ended November 30, 2014 from \$5,878.8 to \$6,434.0 is due to investments in new leadership positions, incremental commissions directly resulting from organic growth in sales and to acquired growth.

### General and Administrative Expenses

General and administrative expenses are composed of expenditures identified in the following tables:

| For the three months ended           | Nov 30, 2014      | Nov 30, 2013      | \$ Variance     | % Variance    |
|--------------------------------------|-------------------|-------------------|-----------------|---------------|
| Occupancy                            | \$ 550.8          | \$ 520.6          | \$ 30.2         | 5.8 %         |
| Claims administration fees           | 522.4             | 452.1             | 70.3            | 15.5 %        |
| Office supplies & communication      | 383.6             | 354.4             | 29.2            | 8.2 %         |
| Professional fees                    | 232.3             | 206.4             | 25.9            | 12.5 %        |
| Other                                | 117.2             | 122.9             | (5.7)           | (4.6)%        |
| Public company costs                 | 68.8              | 51.1              | 17.7            | 34.6 %        |
| Corporate travel                     | 58.9              | 93.6              | (34.7)          | (37.1)%       |
| Depreciation of property & equipment | 226.6             | 50.8              | 175.8           | 346.1 %       |
|                                      | <b>\$ 2,160.6</b> | <b>\$ 1,851.9</b> | <b>\$ 308.7</b> | <b>16.7 %</b> |

This increase of \$308.7 in general and administrative expenses for the three months ended November 30, 2014 is due to incremental costs incurred to support the ongoing growth of the Company, specifically:

- An increase in occupancy costs is primarily due to increased rates and space agreed to on renewal of a lease agreement and incremental lease costs associated with the acquired businesses;
- An increase in claims administration fees directly related to increased volumes in claims adjudication on the Company's TPA;
- An increase in office supplies and communications is primarily due to certain investments in non-capital software in addition to printing of stationary and communication materials;
- An increase in professional fees is primarily due to recruiting costs incurred to support the investments in leadership and benefit consulting positions;
- An increase in public company costs is directly related to higher filing costs to report the 2014 financial information due to the increased market capital of the Company;
- A decrease in corporate travel is due to an initiative to reduce the volume of executive travel;
- An increase in depreciation of property and equipment related due to capitalized software development assets and leasehold improvement costs at the corporate and Québec offices;

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014



### Advertising and Promotion Expenses

Advertising and promotion expenses are composed of expenditures identified in the following tables:

| For the three months ended | Nov 30, 2014    | Nov 30, 2013    | \$ Variance     | % Variance    |
|----------------------------|-----------------|-----------------|-----------------|---------------|
| Business Development       | \$ 204.7        | \$ 111.4        | \$ 93.3         | 83.8 %        |
| Travel                     | 294.4           | 233.5           | 60.9            | 26.1 %        |
| Advertising                | 34.0            | 41.5            | (7.5)           | (18.1)%       |
|                            | <b>\$ 533.1</b> | <b>\$ 386.4</b> | <b>\$ 146.7</b> | <b>38.0 %</b> |

The increase in advertising and promotion expense for the three months ended November 30, 2014 is due to incremental costs incurred to support the ongoing growth of the Company, including the expansion of the Company's team of Benefit Consultants and travel costs associated with acquisitions and securing new clients.

### Finance and other costs

Finance and other income and costs are as follows:

| For the three months ended        | Nov 30, 2014      | Nov 30, 2013      | \$ Variance     | % Variance    |
|-----------------------------------|-------------------|-------------------|-----------------|---------------|
| Interest and other finance costs  | 673.2             | 455.3             | 217.9           | 47.9 %        |
| Amortization of intangible assets | \$ 618.5          | \$ 568.4          | \$ 50.1         | 8.8 %         |
| Acquisition costs                 | 60.0              | 35.5              | 24.5            | 69.0 %        |
|                                   | <b>\$ 1,351.7</b> | <b>\$ 1,059.2</b> | <b>\$ 292.5</b> | <b>27.6 %</b> |

The increase in finance and other costs for the three month period ended November 30, 2014 is due to direct one-time costs incurred to secure the Company's new credit facility.

Acquisition costs, which include professional fees and other direct incremental and non-recurring costs incurred by the Company to secure and complete specific acquisitions, increased as compared to the comparable period in the prior year. Notwithstanding continued investment in corporate development initiatives, only those costs incurred which meet the Company's definition of 'acquisition cost' are excluded from the calculation of Adjusted EBITDA. Non-direct corporate development expenditures are included in general and administrative expenses.

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014



### NON-IFRS FINANCIAL MEASURES

The Company reports non-IFRS financial measures, including Adjusted EBITDA and Operating Income before Corporate Costs as key measures used by management to evaluate performance of the business, to compensate employees and to facilitate a comparison of quarterly and annual results of ongoing operations. Adjusted EBITDA is also a concept utilized in measuring compliance with debt covenants. The Adjusted EBITDA measure is commonly reported and widely used by investors and lending institutions as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. While used to assist in evaluating the operating performance and debt servicing ability of the Company, investors are cautioned that Adjusted EBITDA as reported by the Company may not be comparable in all instances to Adjusted EBITDA as reported by other companies.

The CICA's Canadian Performance Reporting Board defined EBITDA to foster comparability of the measure between entities ("Standardized EBITDA"). Standardized EBITDA represents an indication of an entity's capacity to generate income from operations before taking into account management's financing decisions and costs of consuming tangible and intangible capital assets, which vary according to their vintage, technological age and management's estimate of their useful life. Accordingly, Standardized EBITDA comprises sales less operating costs before interest expense, capital asset depreciation, intangible asset amortization and impairment charges, and income taxes. Adjusted EBITDA is calculated to exclude items of an unusual or one-time nature that do not reflect normal or ongoing operations of the Company and should not be included in assessment of ability to service or incur debt. Adjusted EBITDA excludes acquisition costs which do not relate to the current operating performance of the business but are typically costs incurred to expand operations. Acquisition costs include non-recurring legal and professional fees, incremental bonuses, and other direct incremental costs related to specific acquisitions. From time to time, the Company may make other adjustments to its Adjusted EBITDA for items that are not expected to recur.

The following is a reconciliation of the Company's Net Income to Operating Income before Corporate Costs and Adjusted EBITDA:

| For the three months ended              | Nov 30, 2014 | Nov 30, 2013 |
|-----------------------------------------|--------------|--------------|
| Revenue                                 | \$ 11,054.8  | \$ 9,768.8   |
| Operating costs                         | 8,074.5      | 7,146.6      |
| Operating Income before Corporate Costs | 2,980.3      | \$ 2,622.2   |
| Corporate Costs                         | 780.8        | 771.9        |
| Adjusted EBITDA                         | 2,199.5      | 1,850.3      |
| less:                                   |              |              |
| Stock-based compensation                | 45.7         | 40.3         |
| Income before undernoted                | 2,153.8      | 1,810.0      |
| Interest and other finance costs        | 673.2        | 455.3        |
| Depreciation of capital assets          | 226.6        | 50.8         |
| Amortization of intangible assets       | 618.5        | 568.4        |
| Acquisition costs                       | 60.0         | 35.5         |
| Income taxes, net                       | 267.3        | 301.6        |
| Net income                              | \$ 308.2     | \$ 398.4     |

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

### Operating Income before Corporate Costs

For the three months ended November 30, 2014, Operating Income before Corporate Costs was \$2,980.3, which represents an increase of \$358.1, or 13.7%, over the comparable period in the prior fiscal year. The Company strengthened the Operating Income before Corporate Costs margin to 27.0% in the three months ended November 30, 2014 from 26.8% over the comparable period in the prior fiscal year.

Corporate Costs, which represent expenses incurred at the corporate office, such as executive remuneration, public company compliance costs, insurance and corporate development activities, for the three months ended November 30, 2014 were \$780.8 versus \$771.9 incurred in the prior period. The increase of \$8.9 is due to incremental costs for personnel costs, professional fees, corporate development activities and offset by reductions in general and administrative expenses related to the Company's corporate functions.

### Adjusted EBITDA

Adjusted EBITDA for the three months ended November 30, 2014 was \$2,199.5, an increase of \$349.2, or 18.9% from \$1,850.3 reported for the same period in the prior year.

Factors influencing the increase in adjusted EBITDA include:

- Adjusted EBITDA from organic initiatives adopted by the Company to generate additional revenue from existing clients and from additions to the Company's client base, offset by related variable compensation and business development costs;
- Investments in leadership positions, occupancy costs and modest business development expenditures to support the Company's strategic plan.

### LIQUIDITY AND CAPITAL RESOURCES

#### Cash Flows

The following table summarizes the Company's cash flows for the three months ended November 30, 2014:

| For the three months ended                   | Nov 30, 2014      | Nov 30, 2013    | \$ Variance       | % Variance     |
|----------------------------------------------|-------------------|-----------------|-------------------|----------------|
| Net income for the period                    | \$ 308.2          | \$ 398.2        | \$ (90.0)         | (22.6)%        |
| Add non-cash items, net                      | 1,050.1           | 708.2           | 341.9             | 48.3 %         |
| Changes in non-cash working capital          | (63.9)            | 58.4            | (122.3)           | (209.4)%       |
| Net cash from operating activities           | 1,294.4           | 1,164.8         | 129.6             | 11.1 %         |
| Net cash from (used by) investing activities | (87.5)            | (145.2)         | 57.7              | (39.7)%        |
| Net cash from (used by) financing activities | 1,058.9           | (545.4)         | 1,604.3           | (294.2)%       |
| <b>Net increase (decrease) in cash</b>       | <b>\$ 2,265.8</b> | <b>\$ 474.2</b> | <b>\$ 1,791.6</b> | <b>377.8 %</b> |

## PEOPLE CORPORATION

### Management's Discussion & Analysis

As at and for the quarter ended November 30, 2014

---

Cash generated from operating activities for the three months ended November 30, 2014 was \$1,294.4, an increase of \$129.6 or 11.1% from the \$1,164.8 of cash generated in the same period in the prior year. Significant influences of cash inflows and outflows related to operating activities for the three months ended November 30, 2014 versus the same period in the prior year include:

- Favourable change in Adjusted EBITDA of \$349.2, as compared to the prior year. Management believes Adjusted EBITDA is a valuable indicator of the Company's ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations, and fund capital expenditures.
- Unfavourable change in cash resulting from an increase in finance costs incurred to secure the Company's new credit facility of approximately \$204.0 offset by a decrease in cash interest expense (net) of \$22.4 related to repayment of debt.
- Favourable change in cash resulting from changes in working capital accounts of \$37.0 including the effect of accounts receivable, accounts and other payables and deferred revenue. Changes in deferred revenue and other working capital accounts are the result of timing differences in when funds are received and in the underlying nature of the revenue.

Cash used by investing activities for the three months ended November 30, 2014 of \$87.5 was used to fund acquisition of property and equipment as well as direct costs incurred related to the acquisition of customer contracts with fixed terms.

Cash generated from financing activities for the three months ended November 30, 2014, was \$1,058.9, as compared to cash used of \$545.4 in the prior year. Cash outflows related to repayment of long-term debt and finance lease liabilities of \$6,077.7 (2013 - \$580.7) were offset by proceeds from the issue of a new term loan of \$7,000.0 (2013 - *nil*) as well as proceeds from the exercise of stock options of \$136.7 (2013 - \$35.2).

### Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide opportunities for growth to shareholders and benefits for other stakeholders and to maintain financial flexibility in, or to take advantage of, organic growth and new acquisition opportunities as they arise.

In the management of capital, the Company includes cash, bank financing, vendor-take-back debt and shareholders' equity in the definition of capital. The Company manages its capital structure and can adjust it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, the Company may issue new shares, issue new debt, renegotiate vendor-take-back debt or issue new debt to replace existing debt with different characteristics. The Company has the opportunity to use its operating line of credit during the year to finance cash flows related to seasonal changes in non-cash working capital items. The Company did not make use of its operating line of credit during first three months of the year.

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014



### Working Capital

The Company's working capital (defined as current assets less current liabilities) at November 30, 2014 is set forth in the table below. The Company defines "Available Operating Working Capital" as current assets less current liabilities, with an exclusion of certain current liabilities (the "Excluded Items") from such calculation. The Excluded Items include:

#### Deferred Revenue

Deferred revenue represents the excess of retainer amounts billed over costs incurred and revenue earned on service contracts. The amount is amortized into income as services are rendered, in accordance with the revenue recognition policies described in the Company's financial statements. Group benefit commission revenue from clients where advisory services and plan administration services are provided by the Company is generally received in advance and recorded as deferred revenue. Fee revenue that is contingent on certain criteria being met is included in deferred revenue until the criteria have been met.

Deferred revenue is a non-cash liability and therefore management believes that adding back the deferred revenue provides a more accurate reflection of the liquidity and working capital position of the Company.

#### Loans and borrowings related to acquisitions

The Company anticipates cashflows required to service the incremental debt are to be generated through incremental cashflows earned from the existing entities, as well as, the new entities acquired during the most recent fiscal year.

The table below reconciles the differences in the calculation of working capital and Available Working Capital.

|                                                                 | Nov 30, 2014      | Aug 31, 2014      |
|-----------------------------------------------------------------|-------------------|-------------------|
| Current assets                                                  | \$ 9,163.9        | \$ 6,700.1        |
| less:                                                           |                   |                   |
| Current liabilities                                             | 10,627.5          | 11,117.9          |
| Working capital                                                 | (1,463.6)         | (4,417.8)         |
| Add back:                                                       |                   |                   |
| Deferred revenue                                                | 4,082.4           | 4,059.7           |
| Operating working capital                                       | 2,618.8           | (358.1)           |
| Add back:                                                       |                   |                   |
| Current portion of loans and borrowings related to acquisitions | 2,408.6           | 3,060.4           |
| <b>Available Operating Working Capital</b>                      | <b>\$ 5,027.4</b> | <b>\$ 2,702.3</b> |

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

Available Operating Working Capital has increased by \$2,325.1 to surplus of \$5,027.4 from the available working capital surplus of \$2,702.3 experienced at August 31, 2014. The increase in Available Operating Working Capital is primarily due to an increase in cash as a result of cash generated from operating activities and proceeds from a new term loan offset by early repayment of a portion of long-term debt.

The current portion of loans and borrowings related to current year acquisitions decreased by \$651.8 to a balance of \$2,408.6 due to the nature of repayment terms contemplated under the Company's new credit facility.

Current assets increased by \$2,463.8 to a balance of \$9,163.9 due to increases in cash balances as described in the Cash Flows section above.

The Company maintains a revolving operating line of credit to facilitate management of short-term working capital requirements. As at November 30, 2014, the Company had not utilized this facility.

### Share capital

The Company has authorized share capital of an unlimited number of common voting shares.

|                                       | Nov 30, 2014 | Aug 31, 2014 |
|---------------------------------------|--------------|--------------|
| Common shares issued and outstanding: | 39,858,150   | 39,551,486   |
| Stock options outstanding:            | 1,271,669    | 2,763,142    |

## COMMITMENTS AND CONTINGENCIES

### Contractual obligations and commitments

The following table summarizes, as at November 30, 2014, the Company's contractual obligation for the periods specified.

| Obligation                                  | Total          | Less than<br>1 Year | 1 - 3<br>Years | 4 - 5<br>Years | Thereafter |
|---------------------------------------------|----------------|---------------------|----------------|----------------|------------|
| Accounts Payable and accrued liabilities \$ | 3,761.1 \$     | 3,761.1 \$          | - \$           | - \$           | -          |
| Operating lease obligations                 | 2,273.4        | 842.6               | 1,244.6        | 186.2          | -          |
| Capital lease obligations                   | 18.5           | 18.0                | 0.5            | -              | -          |
| Long-term debt                              | 7,000.0        | 560.0               | 6,440.0        | -              | -          |
| Vendor-take-back debt                       | 3,617.5        | 1,848.6             | 8,208.9        | -              | -          |
|                                             | \$ 16,670.5 \$ | 7,030.3 \$          | 15,894.0 \$    | 186.2 \$       | -          |

Management believes that operations will generate sufficient cash flows to fund ongoing operations and finance its seasonal working capital needs.

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---



Effective October 31, 2014, the Company entered into a Credit Facility Agreement with the CIBC, which included the following components:

- \$5 million revolving credit facility.
- \$23 million term acquisition credit facility to fund future acquisitions.
- \$7 million term credit facility installment loan which was used to refinance the acquisition facility balance outstanding under the previous credit agreement.

The agreement provides for an option (the "Accordion Feature"), subject to the satisfaction of certain terms and conditions, to increase the Acquisition Revolver by an additional \$15 million of capacity, which would result in the size of the Acquisition Revolver being increased to \$38 million, and overall credit capacity being increased to \$50 million.

The facility is secured by a general security agreement over the assets of the Company and its subsidiaries and is subject to covenants. The new facility replaces the Company's previously existing credit facility originally entered into 2011 and subsequently amended.

### Contingencies

In the ordinary course of operating the Company's business it may from time to time be subject to various claims or possible claims. Although management currently believes there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are inherently uncertain and management's view of these matters may change in the future.

### RISKS AND UNCERTAINTIES

The Company operates in a well established and highly competitive industry and its results of operations, business prospects and financial condition are subject to a number of risks and uncertainties and are affected by a number of factors outside the control of management of the Company. These factors include, but are not limited to, the following:

#### Key Personnel

The Company is highly dependent upon the expertise and experience of its personnel, particularly those engaged in generating revenue. The Company's operations depend, in part, on the relationships and reputations these individuals have established with clients, often over many years. In the event the Company were to lose a number of key personnel, client relationships could be negatively impacted which could lead to material adverse effects on the Company's operating and financial results. In addition, many of the Company's employees have developed specialized expertise and experience in the delivery of human resource and benefit solutions. These solutions include, but are not limited to, specialized human resource consulting engagements, recruitment projects, career management, benefits plan design and administration, legislative and regulatory issues, as well as group retirement plan design.

## PEOPLE CORPORATION



Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---

The Company currently has many well experienced employees that have served the Company for five years or more, who hold senior positions in the Company, that have various professional designations and that have developed deep and trusted relationships with clients. While the Company provides a competitive compensation structure including stock options and an employee share ownership plan to its employees and has signed comprehensive employment agreements with its employees to protect the Company, in the event that the Company were to lose any of its key personnel, this may have a material adverse effect on the business of the Company. The ability to attract, retain and develop new employees into senior positions could affect the business of the Company.

### Regulation and Certification

The Company's benefit and pension consulting and administration services are subject to laws and regulations that are constantly evolving. In addition, the laws and regulations differ from province to province and the Company is required to keep up to date with the laws and regulations of each province.

Although there are currently restrictions on the ability of Canadian banks to market insurance products in competition with the Company, such legislation is currently under review. Accordingly, dependent upon the nature of legislative reforms, Canadian banks may in the future be able to offer products which are competitive with the products offered by the Company.

Currently the provisions of recruitment services and human resource consulting engagements are not generally subject to government regulation. However, there is no certainty that regulation will not be introduced.

Any changes to laws, rules, regulations or policies could have a material adverse effect on the Company's business, financial condition and operating results.

### Controls

As a venture issuer, the Company is not required to certify the design and evaluation of the Company's disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR), and as such has not completed such an evaluation. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## PEOPLE CORPORATION



Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---

### Termination of Contracts

Group insurance contracts are generally re-negotiated on an annual basis with clients, pursuant to which insurance premium pricing increases or decreases. Accordingly, there can be no guarantee that insurance contracts sold through the Company in the past will be renewed on a go-forward basis. While the Company has several benefit and insurance clients with contracts that extend for one to seven years, the majority of the Company's benefit and pension revenue is derived from contracts that can be cancelled upon thirty days' notice. The Company's experience is that most clients terminate during the renewal process rather than during the policy year. No single client makes up more than 5% of the Company's revenue and the clients are diversified both in size and industry. During the renewal process the benefits consulting team will provide benefits planning and consulting services which could result in decreased benefits coverage and/or decreased premiums which generally results in decreased revenue for the Company. The Company is often paid commissions in advance from the insurance carrier. In the event that a contract is terminated by a client and the Company has been paid in advance for the year, the Company must rebate to the insurance company the amount paid to it by the insurance company on a pro rata basis.

### Competitive Conditions

The insurance brokerage market is highly competitive and is composed of a large number of companies of varying size and scope of services. Insurance companies themselves also offer their products through other methods, including insurance agents and direct distribution channels, which are competitive with the insurance brokerage industry and the Company.

### Future Growth via Acquisitions

The Company's growth and expansion plans contain a dual approach of generating organic growth through enhanced service offerings among the Company's existing client base and through the ongoing acquisition of independent group benefit and pension advisory businesses and human resource consulting and staffing firms at reasonable prices. There can be no assurance that an adequate number of suitable acquisition candidates will be available to the Company to meet this area of focus of its expansion plans, or in the event that such businesses are available for acquisition that they will be available at a price which would allow the Company to operate the acquisition on a profitable basis. The Company competes for acquisition and expansion opportunities with entities that have substantially greater resources than the Company and these entities may be able to outbid the Company for acquisition targets.

### Integration of Acquisitions

There can be no assurance that the businesses acquired by the Company in the future will achieve acceptable levels of revenue and profitability or otherwise perform as expected. The Company may be unable to successfully integrate any business it may acquire in the future, due to diversion of management attention, strains on the Company's infrastructure, difficulties in integrating operations and personnel, entry into unfamiliar markets, or unanticipated legal liabilities or tax, accounting or other issues. A failure to integrate acquired businesses may be disruptive to the Company's operations and negatively impact the Company's revenue or increase the Company's expenses. Risks related to the integration of acquisitions are mitigated through the Company's due diligence procedures and legal structure of the acquisitions.

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---



### **Potential Undisclosed Liabilities Associated with Acquisition/Limited Indemnification**

In connection with acquisitions completed by Company, there may be liabilities and contingencies that the Company failed to discover or was unable to quantify in its due diligence conducted prior to the execution of an acquisition, and the Company may not be indemnified for some or all of these liabilities and contingencies. The existence of any material liabilities or contingencies could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

### **Availability of Financing**

The Company relies principally on bank debt and vendor-take-back debt financing to fund its acquisitions. The Company may require additional funds to make future acquisitions of group benefit, group retirement and human resource consulting businesses and may require additional funds to market and sell its products into the marketplace. The ability of the Company to arrange such financing in the future, and to repay its existing debt, will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will have the financial basis upon which it would be able to access its acquisition credit facility or be successful in its efforts to use additional financing, when needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If additional financing is not available on terms favourable to the Company, the Company may be unable to grow or may be required to limit or halt its expansion plans. In addition, the Company's existing creditors, some of whom have security interests in the Company's assets, may exercise their rights to acquire or dispose of the Company's assets.

### **Interest Rate Risk**

Advances under the Company's credit facilities bear interest at a variable rate. The Company may incur further indebtedness in the future that also bears interest at a variable rate or may be required to refinance its debt at higher rates. While the Company attempts to manage its interest rate risk, there can be no assurance that it will hedge such exposure effectively or at all in the future. Accordingly, increases in interest rates could affect the Company's cash flows.

### **Dividends**

Any decision to pay dividends on its common shares in the future will be made by the Board of Directors on the basis of the Company's earnings, financial requirements and other conditions at such time.

### **Legal Risk**

Legal risk is the potential for civil litigation or criminal or regulatory proceedings being commenced against the Company that, once decided, could materially and adversely affect the Company's business, operations or financial condition. In the ordinary course of business, the Company may be involved in litigation and other claims as a defendant or as a plaintiff. The outcomes of these actions could result in significant losses to the Company which could have a material adverse effect on the Company's business, financial condition and operating results.

## PEOPLE CORPORATION



Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---

### Insurance

The Company believes that its professional errors and omissions insurance, director and officer liability insurance, and commercial general liability insurance coverage address all material insurable risks, provides coverage that is similar to that which would be maintained by a prudent operator of a similar business and is subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that such insurance will continue to be offered on economically feasible terms, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the Company's assets or operations.

### Reputation Risk

The Company is dependent, to a large extent, on its client relationships and its reputation with clients. In addition, the human resource consulting and staffing division of the Company is dependent upon its reputation with potential candidates that will be placed with clients through its recruitment services. The Company's reputation can be significantly damaged by failing to deliver timely and quality consulting and recruitment services or by failing to provide quality services to potential candidates. The benefit and pension division of the Company rely upon information systems and technology to maintain accurate records and to carry out its contractual administrative obligations. Failing to meet its contractual obligations to clients could result in litigation as well as significant reputation damage to the Company. Damage to the Company's reputation could result in the loss of client and candidate relationships which could result in a material adverse effect on the Company's business, financial condition and operating results.

### Canadian Economy

The Company's future success is dependent upon the direction and state of the Canadian economy. The business, operating results and financial condition of the Company could be materially affected by a prolonged and deep recession or downturn in the Canadian economy. The Company may not have sufficient financial resources to withstand a prolonged and deep recession.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are defined as those that are both very important to the portrayal of the Company's financial condition and results, and require management's most difficult, subjective or complex judgments. We are required in preparing the Company's financial statements, in accordance with IFRS, to make certain estimates, judgments and assumptions that we believe are reasonable based upon available information, historical information and/or forecasts. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting periods. Actual results could differ from these estimates. The accounting policies which management believes are the most critical to aid in fully understanding and evaluating the Company's reported financial results include those relating to revenue recognition, business acquisitions and accounting for the resulting customer relationships and contracts, goodwill and income taxes.

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---



### Revenue recognition

Revenue includes fees and commissions generated from administrative, advisory and consulting services provided to clients.

Generally, revenue from the rendering of services is recognized when the following criteria are met:

- The amount of revenue can be reliably measured;
- The stage of completion can be reliably measured;
- The receipt of economic benefits is probable; and
- Costs incurred and to be incurred can be reliably measured.

Concurrently with the above general principles, the Company applies the following specific revenue recognition policies:

Group benefit commission revenue from clients where advisory services and plan administration services are provided by the Company is generally received in advance and recorded as deferred revenue. Commission advances are recognized in income on a monthly basis based on the number of months for which the commission revenue was advanced, net of a provision for return commissions due to policy cancellation and adjustments. The provision is determined based on historical data.

Group benefit commission revenue from clients where the Company provides only advisory services are recognized in income at the effective or renewal date of the policy, net of a provision for return commissions due to policy cancellation and adjustments. The provision is determined based on historical data.

Fee revenue from administrative and consulting services are recognized on the percentage of completion basis.

For fee revenue that is contingent on certain criteria being met, the revenue is not recognized until the work is completed.

All other revenues are recognized upon the completion of services rendered by the Company. Other revenue includes investment income recorded on the accrual basis of accounting.

### Business combinations

For acquisitions, the Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---



### Intangible assets

#### (i) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net tangible and intangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

#### (ii) Other intangible assets

Other intangible assets consist of acquired customer relationships and contracts. Other intangible assets acquired separately are measured on initial recognition at cost. The cost of identifiable intangible assets acquired in a business combination is equal to fair value as at the date of acquisition. Following initial recognition, identifiable intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Definite life intangible assets are amortized from the date of acquisition or, for internally developed assets, from the time the asset is available for use. Amortization is recognized either on a declining balance or on a straight-line basis over the estimated useful life of the asset, and the residual values and useful lives of the assets are reviewed at each financial year-end and adjusted if appropriate.

Intangible assets are considered to have indefinite lives where management believes that there is no foreseeable limit to the period over which the intangible assets are expected to generate net cash flows.

### Future Tax

Future tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Future tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, future tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Future tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Future tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A future tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### OFF-BALANCE-SHEET ARRANGEMENTS

Other than as described above, the Company does not have any off-balance sheet arrangements.

---

## PEOPLE CORPORATION

Management's Discussion & Analysis  
As at and for the quarter ended November 30, 2014

---



### SEASONALITY

As the company's acquisitive growth continues, the revenue trends from quarter to quarter may change depending on the relative significance of acquisitions in a fiscal year and the seasonal variances of the client renewals of those particular acquisitions. During fiscal 2014, the full effects of one significant acquisition in the fourth quarter of fiscal 2013 impacted the consolidated revenue trends in fiscal 2014 thereby resulting in higher consolidated revenue trends in the second and third quarter of fiscal 2014 despite the significant quarter over quarter revenue growth from fiscal 2013 to fiscal 2014. As the company continues to grow both organically and through acquisitions the revenue trends from quarter to quarter within a fiscal may continue to vary, however the annual revenue trends will increasingly be more representative of the Company's annual revenue run rate as the company achieves increasing scale.

### FINANCIAL INSTRUMENTS

The financial instruments of the Company consist of basic financial instruments which are typically used in the Company's operation, including cash, restricted cash, accounts receivable, accounts payable and other liabilities, obligations under capital lease and long-term debt.

For the current assets and liabilities, the main risk is the credit risk associated with accounts receivable. The credit risk is reduced due to a diversified customer base. The risks associated with long-term debt include the risk of interest rate increases and the risk of potential defaults in debt payments due to insufficient cash flows.