

CardinalFactor

Internet Business Development

Management Discussion and Analysis :: 2000 Annual Report

The following discussion should be read in conjunction with the financial statements and the accompanying notes.

The Corporation

Cardinal Factor Corporation is a Canadian-based Internet business development company whose shares trade on the Canadian Unlisted Board (CUB) with the symbol CAFA and in the United States on the NASDAQ exchange (OTC:BB) with the foreign clearing symbol CFCF.

Cardinal Factor identifies niche marketplaces to develop early stage Internet application service technologies. The corporation owns ReallyFastFood.com Inc., an online service for the take-out and delivery marketplace segment, and GardenSupply.com Inc., a business-to-business (B2B) exchange for the wholesale and distribution segment of the gardening industry. Cardinal Factor Corporation operates in the small and mid-sized business management software marketplace through its wholly owned BWare Software Inc. subsidiary.

2000 Performance Highlights

July 2000

- ❑ Completed Reverse Take Over (RTO) of Calderone Corporation and initiated capital raising activities
- ❑ Recruited experienced management team and Board of Directors

August 2000

- ❑ Opened offices in technology district of downtown Toronto
- ❑ Positioned the company to seize opportunities flowing from technology advancements and disruptive market conditions

September 2000

- ❑ Initiated beta software development including wireless platform for ReallyFastFood.com online ordering system

October 2000

- ❑ Evaluated numerous potential business development and investment opportunities which did not meet our return and valuation criteria

December 2000

- ❑ Completed process to obtain foreign clearing symbol on NASDAQ OTC:BB

Cardinal Factor Corporation

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Internet Business Development

January 2001

- ❑ Reduced reliance on bank debt
- ❑ Re-branded GardenSupply.com Inc. web site to facilitate improved revenue generation opportunities in the affiliate marketplace
- ❑ Initiated redevelopment of BWare Software's flagship CAIMAN 5.0 accounting software program

Operations

I. Revenue

The year 2000 was recognized as a start-up period for a development stage company. Consequently, first year revenues from Cardinal Factor and its' subsidiaries were nominal. The primary source for revenues was client-specific web design and hosting.

II. Expenses

Strict control of startup costs by management enabled the company to accomplish the key targets for the first fiscal year of operation and lay the groundwork for future growth:

- ❑ ReallyFastFood.com technology development (9.9%)
- ❑ Corporate web site hosting (9.8%)
- ❑ Occupancy costs (19.0%)
- ❑ General office and administrative expenses (8.7%)
- ❑ Professional services including legal, RTO advisory services and auditing (18.7%)
- ❑ Management fees (19.1%)
- ❑ Shareholder relations expenses (11.6%)
- ❑ Amortization (2.9%)

III. Share Capital

The company raised in excess of \$130,000 through the exercise of warrants to fund RTO and business development costs, initiate operations and invest in technology development.

IV. Liquidity and Capital Resources

The company continued its efforts to reduce bank debt by paying down its outstanding credit facilities 36% at year end.

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