

INTRODUCTION:

Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2007. The information contained within this MD&A is current to May 20th, 2008 except for the market value of the investments, which are at March 31, 2008.

This MD&A may contain forward-looking statements in respect to various matters including upcoming events. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and assumptions included economic and business conditions, and actions by government.

Effective December 31, 2007 the Company sold Pender Financial Management Inc. (Penderfund), it's fund management operation. As a result, none of the figures in this Management Discussion and Analysis for the current period or the prior periods include any results of PenderFund unless specifically stated.

OVERALL PERFORMANCE:

The Company is focused on creating shareholder value by investing in companies that management believes to be undervalued. The Company participates in merger and acquisition activities and invests in public and private companies led by experienced company builders. The Company realizes revenue from software licensing and related revenue through its majority owned subsidiary ActiveState Software Inc. ("ActiveState") and also realizes capital gains or losses from the sale of portfolio and equity investments.

During the three months ended March 31, 2008, the Company's net asset value at market (see definition under "Net Assets") decreased by \$933,429 to \$5,129,464 from \$6,062,893 at December 31, 2007. Accordingly, the net asset value at market per share decreased to \$0.25 per share at March 31, 2008 from \$0.30 at December 31, 2007.

During the three months ended March 31, 2008, the Company's revenue was \$774,456 from software which was down from \$1,091,758 in the first quarter of 2007, as the Company introduced a significant upgrade to Komodo, it's most popular product, in the first quarter of 2007 which significantly boosted sales in the prior year. In addition there was a 16% appreciation in the Canadian dollar relative to the US dollar between the first quarter of 2007 and the first quarter of 2008, which significantly impacted revenues as substantially all sales are in US dollars. There is no gain or loss on sale of investments during the three months ended March 31, 2008 as the merchant banking operation did not dispose of any investments. Other income was \$11,717 for the three months ended March 31, 2008, down from \$35,796 because the Company earned interest on convertible debt in the prior year and the debt was converted to common shares in 2007 at a favourable conversion rate.

The Company's expenses for the first quarter of 2008 were \$1,433,967 compared to \$1,285,517 for the same period in the prior year. The increase is broken down between the two business segments. Expenses decreased in the merchant banking operation from \$202,407 to \$188,291, largely as a result of an increase in rent of \$8,428 due to divestiture of the fund management business, a decrease in salaries of \$11,000 due to staff reductions as a result of the divestiture of the fund management business with the balance being the result of a decrease in professional fees. Expenses increased in ActiveState from \$1,083,110 to \$1,245,676 which is reviewed in detail in Results of Operations from ActiveState below.

The future income tax recovery in the first quarter of 2008 is a result of the loss from continuing operations of \$648,295. No accrual was made in the prior year as the amount was not material. Non-controlling interest share of the loss increased significantly. \$97,510 of the increase related to an increase in the loss of ActiveState while the balance, \$5,861 related to the increase in the non-controlling interest increase in ownership of ActiveState as a result of the vesting of certain performance shares granted in prior years to employees of ActiveState.

The Company's had a net loss of \$463,319 during the first quarter of 2008 compared to a net loss of \$32,173 for the comparable quarter of 2007. This equates to a loss of \$0.023 per share for the first quarter of 2008 compared to a loss of \$0.002 per share for the comparable quarter of 2007.

Pender Financial Group Corporation
For the period ended March 31, 2008

SELECTED FINANCIAL INFORMATION:

	Three months ended	
	March 31 2008 \$	March. 31, 2007 \$
Total Revenue	785,672	1,165,295
Gain on sale of investments	-0-	-0-
Net (loss) Income	(463,319)	(32,173)
Basic earnings per share	(0.023)	(0.002)
Fully Diluted earnings per share	(0.023)	(0.002)
Cash	2,125,922	1,739,834
Total assets (at market)	7,529,060	8,825,812
Total liabilities	(2,399,596)	(2,612,532)
Net Asset Value (at market)	5,129,464	6,213,280
Net Asset Value per share (at market)	0.25	0.31
Net Asset value per share (at market) (fully diluted)	0.25	0.31

Year ended December 31	2007 \$	2006 \$	2005 \$
Total Revenue	3,574,429	3,331,648	1,264,735
Net Income (loss)	(265,823)	828,875	398,753
Basic earnings (loss) per share	(0.013)	0.042	0.023
Fully Diluted earnings (loss) per share	(0.013)	0.0428	0.022
Cash	2,379,509	1,926,707	792,836
Total assets (at cost)	8,257,590	8,943,092	5,636,558
Total assets (at market)	8,478,686	9,569,856	7,646,065
Total liabilities	(2,415,793)	(2,966,621)	(1,018,845)
Net Asset Value (at market)	6,062,893	6,603,235	6,627,220
Net Asset Value per share (at market)	0.30	0.32	0.37
Net Asset value per share (at market) (fully diluted)	0.30	0.32	0.36

PENDER – ACTIVESTATE BUSINESS:

The Company purchased the assets and business of ActiveState Software during the first quarter of 2006 through a majority owned subsidiary, ActiveState Software Inc.

The business of ActiveState is to improve the productivity of software developers. ActiveState is the leading provider of tools and services for dynamic languages such as Perl, PHP, Python, Ruby and Tcl. The key features of dynamic languages: high-level, dynamically typed and open source, make them ideally suited to building loosely coupled systems that adapt to changing requirements. Software developers rely on ActiveState's cross platform development tools, high-quality language distributions and enterprise services.

Revenue:

For the first quarter ended March 31, 2008, ActiveState had software revenues of \$774,456 (2007 - \$1,091,758). Of this, \$360,683 (2007 - \$680,758) is from sales of development tools including ActiveState's award winning Komodo. The remaining revenue is from sales to enterprises of "Open Source" languages and related consulting services. The decline in revenue is partly the result of a decline in sales of Komodo which had particularly high sales in the first quarter of 2007 as a result of the introduction of a significant upgrade and a 16% appreciation of the Canadian dollar relative to the US dollar between the first quarter of 2007 and the first quarter of 2008 which significantly impacted revenues as substantially all sales are in US dollars. In addition deferred revenue increased in the first quarter of 2008 due to higher new contracts booked in Q1 2008 compared to Q4 2007.

Pender Financial Group Corporation
For the period ended March 31, 2008

PENDER – ACTIVESTATE BUSINESS: (continued)

Revenue: (continued)

Sales of developer tools and product to enterprises have a deferred revenue component to them. In cases where revenue from software developer tools, includes an on-going maintenance requirement and provision of support services, revenue is recognized over time. A portion is recognized when the software product is delivered and the balance related to on-going maintenance and support services is recognized over the term of the contract, which is usually one year.

Bookings:

As explained above, a significant portion of transactions booked in any period are placed into deferred revenue. However, the actual bookings are a relevant measure of the company's progress. During the quarter, bookings were \$845,442 (2007 - \$1,000,448).

Approximately 42% of this represented bookings related to developer tools and 58% were bookings to enterprise customers, including a number of Fortune 500 companies. Bookings are also down largely as a result of the decrease in value of the US dollar relative to the Canadian dollar. Virtually all of ActiveState's bookings are in US dollars. Historically the third and fourth quarters are weaker than the first and second quarters.

Bookings – per quarter	CDN\$	Bookings – per quarter	CDN\$
March 31, 2008	\$ 845,442	March 31, 2007	\$ 1,000,448
December 31, 2007	\$ 780,175	December 31, 2006	\$ 843,656
September 30, 2007	\$ 795,935	September 30, 2006	\$ 887,053
June 30, 2007	\$ 1,096,701	June 30, 2006	\$ 961,624

Expenses:

As of March 31, 2008, ActiveState had 30 employees (33 employees at December 31, 2007), 19 in engineering/product development & design, 8 in sales and marketing and 3 in administration. Total payroll for the first quarter of 2008 was \$746,850 (2007 - \$647,320). In March 2008 ActiveState made the decision not to pursue the social networking initiative and as a result 4 staff were let go prior to the end of the quarter and are therefore not included in these staffing figures.

Cash flow:

During the first quarter ActiveState had a loss of \$444,832. However, once non-cash items of \$267,079 are added back, ActiveState had negative cash flow from operations during the quarter of only \$177,753. The negative cash flow from operations is the result of ActiveState's investment in the social networking sector.

Product development:

ActiveState is currently developing the next versions of Komodo, Perl Development Kit and Tcl Development Kit. ActiveState continues to update and support ActivePerl, ActiveTcl and ActivePython.

ActiveState has also been focused on product development opportunities in the social networking sector. The Company has been developing technologies to improve the performance of applications of "apps" that run on social networks. During the second half of 2007 ActiveState launched two applications for the Facebook social network, to assist in the investigation of the commercial potential of certain technologies and applications on social networks. ActiveState incurred costs of \$216,292 in the first quarter of 2008 on these applications but has determined not to pursue this initiative.

Ownership and minority interest:

Pender owned 1,710,000 or 90% of the issued Class A Common shares at the date of acquisition. The remaining 190,000 Class A Common shares, or 10%, are held by employees of ActiveState, who purchased their shares at the same price per share as Pender.

Pender Financial Group Corporation
For the period ended March 31, 2008

PENDER – ACTIVESTATE BUSINESS: (continued)

Ownership and minority interest: (continued)

ActiveState has also issued 410,913 Class B Common shares to employees of ActiveState, as an incentive to those employees to remain with ActiveState. Once vested, Class B Common shares have the same rights as Class A Common shares. Class B common shares may also be repurchased by the Company if certain events (as defined in the shareholder subscription agreements) occur on or before March 31, 2009. There were a total of 55,138 Class B common shares repurchased to date. A total of 289,663 of these shares are fully vested. The remaining 66,112 shares vest in twelve equal quarterly installments over the three-year period commencing April 1, 2006.

There is also an employee stock option plan which entitles participants to purchase an additional 476,602 Class A Common shares, or 18% of the Class A Common shares on a fully diluted basis. Of this 18%, approximately 82.51% of the options have been granted and 17.49% remain available for future grants. Some of the granted options vest over time and some are subject to certain performance conditions.

At March 31, 2008, taking into consideration all shares issued and vested and options issued and vested, Pender's interest in ActiveState was 69.47%. Taking into consideration all shares issued (vested and unvested) and all options (vested, unvested, granted and ungranted) Pender's interest in ActiveState will decrease at the rate of 1.72% per quarter to 62.60% by March 31, 2009.

PENDER – INVESTMENT HOLDINGS:

The Company holds securities in the following publicly traded companies: Carmanah Technologies Corp. (TSX-V: CMH), Icron Technologies Corporation (TSX-V: IT), IP Applications Corp. (TSX-V: IPX); Municipal Solutions Group, Inc. (TSX-V: MSZ), Optimal Geomatics Inc. (TSX-V: OPG) and Radiant Communications Corp. (TSX-V: RCX).

During the first quarter ended March 31, 2008, the Company made no purchases or disposals of any investment holdings.

	Market Value at March 31/08	Market Value at Dec 31/07	Change for Q1
	\$	\$	\$
Carmanah Technologies Corp.	169,074	218,160	(49,086)
Icron Technologies Corp.	1,068,184	1,417,398	(349,214)
IP Applications Corp.	602,748	602,748	-0-
Municipal Solutions Group, Inc.	82,892	160,603	(77,711)
Optimal Geomatics Inc.	42,480	69,030	(26,550)
Radiant Communications Corp.	270,899	270,899	-0-
Total	2,236,277	2,738,838	(502,561)

Carmanah Technologies Corp.: Carmanah had a series of announcements during 2007 that had a negative effect on the stock, most notably relating to the impact of the US dollar exchange rate, the clearing of excess inventory and the sale of non-core businesses. Over the past few quarters operations have improved significantly. Carmanah recently announced they had their first profitable quarter since mid 2006 and remains well positioned in the fast growing solar energy sector. See www.carmanah.com.

Icron Technologies Corporation: Icron is a technology company making the transition from equipment maker to chip supplier. Icron is well capitalized, its core equipment production business is doing well and it is cash flow break even. It continues to invest heavily in technology development. As a result of strong fundamentals and an endorsement from a technology analyst at a Toronto based investment house, the stock of Icron performed well in the second and third quarters of 2007. However, it has subsequently weakened as the market waits for further announcements relating to the adoption of its technology and the transition from an equipment provider to a chip and technology supplier. See www.icron.com.

IP Applications Corp.: IP Apps grew rapidly in 2005, largely as a result of acquisitions, but it has been struggling with profitability. Since early in 2006 management of IP Apps has been focusing on becoming cash flow positive. IP Apps has improved its client mix and is introducing a number of new products to the market. The state of IP Applications business and prospects have improved materially in the last eighteen months. IP applications is now focused on bringing a series of products to market relating to the fast growing Software as a Service (SaaS) sector. See www.ipapplications.com.

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PENDER – INVESTMENT HOLDINGS: (continued)

Municipal Solutions Group, Inc.: Municipal continues its turn around and has recently announced improved revenues, several project wins and a new online software as a service (SaaS) offering.

Optimal Geomatics Inc.: Optimal Geomatics is well positioned in the rapidly growing market of providing highly accurate geomatic information to electric and oil & gas utilities that enables the utilities to better maintain their physical infrastructure.

Radiant Communications Corp.: Radiant core connectivity business is profitable and growing. It is currently introducing a number of exciting new software service offerings to the market. The Company continues to believe that this is an excellent undervalued investment.

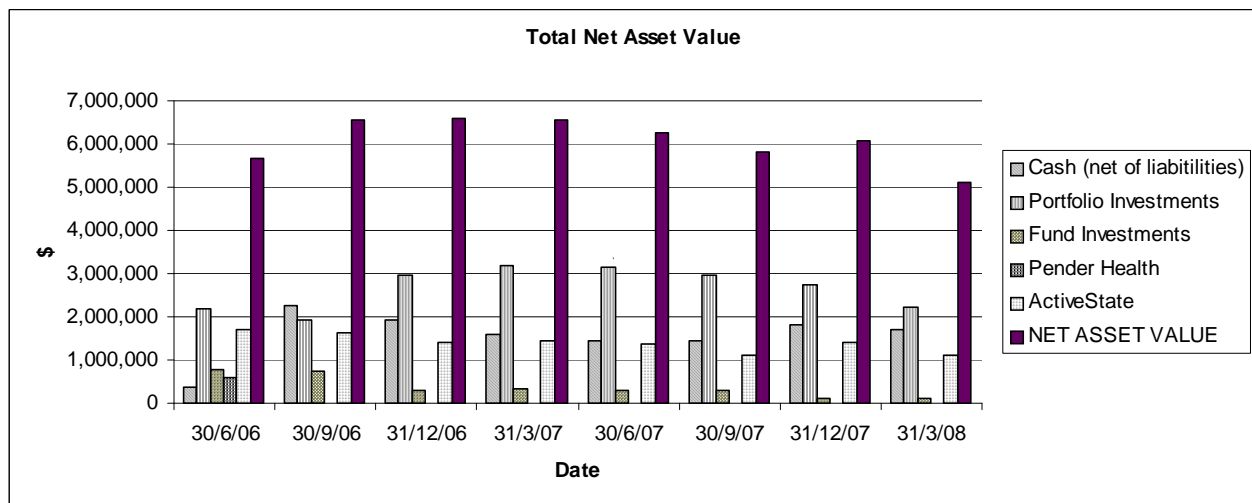
PENDER – NET ASSETS:

The Company's net asset value at market is made up of cash and accounts receivable, securities valued at their aggregate market values, its investment in ActiveState valued at cost (less amortization and indebtedness), and other assets less liabilities valued at cost.

	<u>March 31, 2008</u>		<u>December 31, 2007</u>	
	Value	Per Share	Value	Per Share
Cash and accounts receivable	\$ 1,630,073	\$ 0.08	\$ 1,799,620	\$ 0.09
Portfolio investments	2,236,277	0.11	2,738,838	0.13
Fund investments	108,984	0.005	109,144	0.005
Investment in ActiveState	1,095,760	0.05	1,418,117	0.07
Future income tax assets	128,854	0.006	84,400	0.004
Liabilities	(70,484)	(0.003)	(87,226)	(0.004)
Net Assets (market)	\$ 5,129,464	\$ 0.25	\$ 6,062,893	\$ 0.30

For the quarter ended March 31, 2008 the unrealized loss of \$502,721 (December 31, 2007 was a unrealized gain of \$221,096), are included in Portfolio and Fund investments as the result % change in accounting policy pursuant to which the Company now records investments at market value.

The following diagram shows the net asset value at market of the Company over the past eight quarters.



This is a non-GAAP measure to provide the net asset value at market.

Pender Financial Group Corporation
For the period ended March 31, 2008
PENDER – NET ASSETS: (continued)

The Company holds investments in the following companies:

As at March 31, 2008 Name	Number of Securities	Book Value \$	Market (Bid) Value \$	Unrealized Gain (Loss) \$
Carmanah Technologies Corp. (TSX-V: CMH)	181,800	181,981	169,074	(12,907)
Icron Technologies Corporation (TSX-V: IT)	2,054,200	917,707	1,068,184	150,477
IP Applications Corp. (TSX-V: IPX)	3,348,599	677,550	602,748	(74,802)
Municipal Solutions Group, Inc. (TSX-V: MSZ)	1,036,149	160,603	82,892	(77,711)
Optimal Geomatics Inc. (TSX-V: OPG)	1,062,000	164,405	42,480	(121,925)
Radiant Communications Corp. (TSX-V: RCX)	231,538	418,970	270,899	(148,071)
Sub-total		\$ 2,521,216	\$ 2,236,277	\$ (284,939)
Bio FutureFund (VCC) Corp. (private)	1,372,461	100,564	100,564	-0-
Pender Growth Fund (VCC) Inc. (Private)	1,000	5,106	8,420	3,314
Sub-total		\$ 105,670	\$ 108,984	\$ 3,314
Total		\$ 2,626,886	\$ 2,345,261	\$ (281,625)
Warrants in above companies:			Expiry Date	
IP Applications Corp.	100,000	\$0.58 - \$0.70	5-08-10	
Radiant Communications Corp.	64,102	\$2.40	27-09-08	
Offshore Systems Int'l Ltd.	117,600	\$0.85	11-04-10	

PENDER – RESULTS OF OPERATIONS:

Results of operations from PenderFund Capital Management Ltd.

As the Company sold PenderFund Capital Management Ltd. in December 31, 2007, the Company no longer consolidates its operations with its current operations but discloses the results of PenderFund as discontinued operations. For further information, please refer to Notes 10 & 11 of the December 31, 2007 Audited Financial Statements.

Pender Financial Group Corporation
For the period ended March 31, 2008
Results of operations from ActiveState:

Summary of operating expenses	For the three months ended March 31, 2008	For the three months ended March 31, 2007	Variations
	\$	\$	\$
Revenue and other income	778,956	1,103,356	324,400
Cost of sales	44,744	45,095	(351)
Gross margin	734,212	1,058,261	324,049
Expenses:			
Amortization	121,494	114,532	6,962
General and administrative	203,312	169,726	33,586
Foreign exchange (gain) loss	19,537	(9,832)	29,369
Interest expense on long term debt	23,640	27,255	(3,615)
Product development	522,792	483,759	39,033
Sales and marketing	289,852	213,092	76,760
Stock-based compensation	20,501	28,199	(7,698)
Others – future tax recovery	(37,151)	-0-	(37,151)
Total expenses	1,163,977	1,026,731	137,246
Total	(429,765)	31,530	(461,295)
Inter-company balances	(15,067)	-0-	(15,067)
Net income (loss)	(444,832)	31,530	(476,362)

Revenue of ActiveState decreased from \$1,103,356 for the quarter ended March 31, 2007 to \$778,956 for the quarter ended March 31, 2008. The decline in revenue is partly the result of a decline in sales of Komodo, the Company's most popular product, which had particularly high sales in the first quarter of 2007 as a result of the introduction of a significant upgrade and a 16% appreciation in the Canadian dollar relative to the US dollar between the first quarter of 2007 and the first quarter of 2008 which significantly impacted revenues as substantially all sales are in US dollars. In addition deferred revenue increased in the first quarter of 2008 due to higher new contracts booked in Q1 2008 compared to Q4 2007.

The Company's expenses for the first quarter of 2008 were \$1,245,676 compared to \$1,083,110 for the same period in the prior year. The increase in amortization of \$6,962 is the result of the purchase of \$60,000 in fixed assets during the last 12 months. Foreign exchange changed from a gain of \$9,832 in the first quarter of 2007 to a loss of \$19,531 in the first quarter of 2008. Substantially all ActiveState's cash and accounts receivable are denominated in US\$ and the US\$ weakened by 3% in relation to the Cdn\$ in the first quarter of 2008. General and administration increased \$33,586 as the result of the hiring of an consultant to investigate strategic opportunities for ActiveState (\$15,000) and the hiring of temporary administrative staff to deal with an administrative backlog. Product development expense increased by \$39,033 due to the hiring of 3 new staff to work on the social networking sector initiative. Sales and marketing increased by \$76,760 due to the hiring of 4 new staff to work on the social networking sector initiative. In March 2008 ActiveState made the decision not to pursue this initiative any further.

Pender Financial Group Corporation
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Results of merchant banking operations:

Summary of operating expenses	For the three months ended March 31, 2008	For the three months ended March 31, 2007	Variiances
	\$	\$	\$
Revenue and other income	6,716	11,939	5,223
Expenses:			
General and administrative	81,181	112,465	(31,284)
Management and consulting fees	61,780	64,520	(2,740)
Rent and facilities	16,515	8,087	8,428
Stock-based compensation	28,619	28,619	-0-
Others – future tax recovery	(44,454)	-0-	(44,454)
Total expenses	143,641	213,691	(70,050)
Non-controlling interest	103,371	8,367	(95,004)
Total	(33,554)	(193,385)	159,831
Inter-company balances	15,067	-0-	15,067
Net income (loss)	(18,487)	(193,385)	174,898

The Merchant banking operations had minimal revenue in the quarter ended March 31, 2008 as no investments were sold during the period. Expenses decreased in the merchant banking operation from \$202,407 to \$188,291, largely as a result of a decrease in salaries of \$11,000 due to staff reductions as a result of the divestiture of the fund management business, an increase in rent of \$8,428 due to divestiture of the fund management business with the balance being the result of a decrease in professional fees.

PENDER – SUMMARY OF QUARTERLY RESULTS:

	Quarter ended March 31, 2008	Quarter ended Dec. 31, 2007	Quarter ended Sept. 30, 2007	Quarter ended June 30, 2007
	\$	\$	\$	\$
Total revenue	785,672	649,794	1,066,055	1,262,701
Gain on sale of investment	-0-	850,977	63,962	-0-
Net income (loss)	(463,319)	155,147	(257,598)	(131,199)
Basic earnings (loss) per share	(0.023)	0.008	(0.01)	(0.006)
Fully diluted earnings (loss) per share	(0.023)	0.008	(0.01)	(0.006)
	Quarter ended March 31, 2007	Quarter ended December 31, 2006	Quarter ended Sept. 30, 2006	Quarter ended June 30, 2006
	\$	\$	\$	\$
Total revenue	1,387,328	1,261,707	1,110,257	1,966,681
Gain on sale of investment	-0-	(3,806)	1,456,355	-0-
Net income (loss)	(32,173)	(400,428)	1,186,485	(125,629))
Earnings (loss) per share	(0.002)	(0.02)	0.062	(0.006)
Fully diluted earnings (loss) per share	(0.002)	(0.02)	0.062	(0.006)

*Note: The quarters ended March 31, 2008 and December 31, 2007 only reflects current operations and doesn't include the operations of PenderFund and Pender Health. The quarters ended September 30, June 30, March 31, 2007, December 31 and September 30, 2006 reflects operations including PenderFund Capital Management Ltd. and Pender Health Management, which were sold in December 2007 and August of 2006 respectively..

LIQUIDITY AND CAPITAL RESOURCES:

As at March 31, 2008, the Company had working capital of \$1,069,949 compared to \$1,593,555 at December 31, 2007. This is largely the result of the operating losses in the quarter.

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OFF-BALANCE SHEET ARRANGEMENTS:

Except, as disclosed in Note 7 of the March 31, 2008 Consolidated Financial Statements, the Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES:

For the three months ended March 31, 2008 fees for management services totaling \$82,000 (2007 - \$113,000), were charged by companies controlled by certain directors and officers.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING:

The Company has reviewed its internal controls over financial reporting and believes that as at March 31, 2008 and as of the Report Date, its system of internal controls over financial reporting as defined under MI 52-109 is sufficiently designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP. However, certain weaknesses exist in the Company's systems of internal control over financial reporting. These weaknesses arise primarily from the limited number of personnel employed in the accounting and financial reporting area, a situation that is common in many smaller companies. As a consequence of this situation: a) it is not feasible to achieve the complete segregation of duties; and b) the Company does not have full "in house" expertise in complex areas of financial accounting, and taxation.

The Company's management, including the Certifying Officers, does not expect that its internal controls and procedures will prevent all error and all fraud. However, the Company believes that the weaknesses identified in its systems of internal control are mitigated by the thorough review of the Company's financial statements by senior management, the audit committee of the board of directors, and by consulting with external experts. In addition, senior management is active in the Company's day-to-day operations and in monitoring the Company's financial reporting. Regardless, these mitigating factors cannot completely eliminate the possibility that a material misstatement will occur as a result of the weaknesses identified in the Company's internal controls over financial reporting. A cost effective system of internal controls over financial reporting, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved

DISCLOSURE CONTROLS AND PROCEDURES:

The Company maintains disclosure controls and procedures designed to ensure that information in its financial reports is recorded, processed, summarized and reported within the time periods specified by applicable provincial securities legislation and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

The Chief Executive Officer and the Chief Financial Officer, together with management, have evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2008. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures is sufficient to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principals.

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RISKS:

The Company's merchant banking is subject to the following risk factors:

- 1) All of the securities that Pender Financial invests in are relatively high risk investments.
- 2) All of the investee companies are relatively early stage technology companies with all of the risks typically associated with investments of that nature.
- 3) All of the investee companies are in the technology business in British Columbia, therefore the Company is exposed to overall market trends in that sector.
- 4) Trading in some of the Company's portfolio investments is limited. Therefore the Company may not be able to realize the full quoted market value of such securities.
- 5) In those cases where an officer or director of the Company is also a director or personal investor in the investee company, conflicts of interest may arise.

The Company's ActiveState Software business is subject to the following risk factors:

ActiveState operates in a highly competitive market and is focused on expanding its existing business to achieve continued growth and profitability. The Company faces a number of risks and uncertainties, which are detailed below.

1) Potential Fluctuations in Quarterly Results:

ActiveState's quarterly operating results fluctuate depending on the timing and size of orders, the number, timing and significance of new product announcements by the Company and its competitors. Price competition and general economic factors may also influence quarterly results.

2) Product Development and Technological Change:

The software industry is characterized by rapid technological change and frequent new product introductions. ActiveState currently has a limited number of product offerings. The ability of ActiveState to compete successfully will depend in large measure on its ability to retain technically skilled research and development staff and to adapt to technological changes and advances in the industry, including the ability of current or future products to conform with evolving computer hardware and software platforms and operating environments.

3) Proprietary Technology:

ActiveState has relied, and expects to continue to rely on a combination of trademark and trade secret laws, confidentiality procedures, and contractual provisions to establish, maintain and protect its proprietary rights. Unauthorized parties may attempt to copy aspects of ActiveState's products or to obtain information regarded as proprietary. Policing unauthorized use of the Company's technology is difficult, time-consuming, and costly.

4) Executive Officers and Key Personnel:

ActiveState's future success largely depends on the continued efforts and performance of its executive officers and key employees. Failure to retain key employees and to attract and retain additional key employees with necessary skills could have a material adverse impact upon ActiveState's future business, operating results, and financial condition.

5) Foreign Exchange Exposure:

Virtually all of ActiveState's revenues are realized in U.S. dollars and are anticipated in the future to be in U.S. dollars, while the majority of expenses are incurred in Canadian dollars. As a result, fluctuations in the exchange rate between the Canadian and U.S. dollar may have a material effect on the Company. The Company does not currently utilize derivative instruments and does not hedge its exposure to exchange rate fluctuations.

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For the period ended March 31, 2008

CRITICAL ACCOUNTING ESTIMATES:

Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. In addition to the stock-based compensation expense, significant items subject to such estimates and assumptions include the recognized impairment loss related to investments, property, equipment, goodwill, intangible assets and the valuation allowance for future tax assets. Actual results could differ from those estimates.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS:

As at March 31, 2008, the Company's financial instruments include cash and cash equivalents, accounts receivable, investments, accounts payable and long-term debt. The Company's financial instruments are carried at their fair value except for long-term debt. The fair value of long-term debt approximates its carrying amount, as there have been no significant changes in lending rates or other conditions. The market value of investments is disclosed above under the heading of Portfolio Holdings.

OTHER MD&A REQUIREMENT:

As of March 31, 2008, there were 20,359,458 issued and outstanding common shares and 2,350,000 common share options with an exercise price of \$0.25 per share outstanding.

Additional Company information is available on SEDAR at www.sedar.com.

On Behalf of the Board of Directors

“Kelly Edmison”
President, CEO and Director