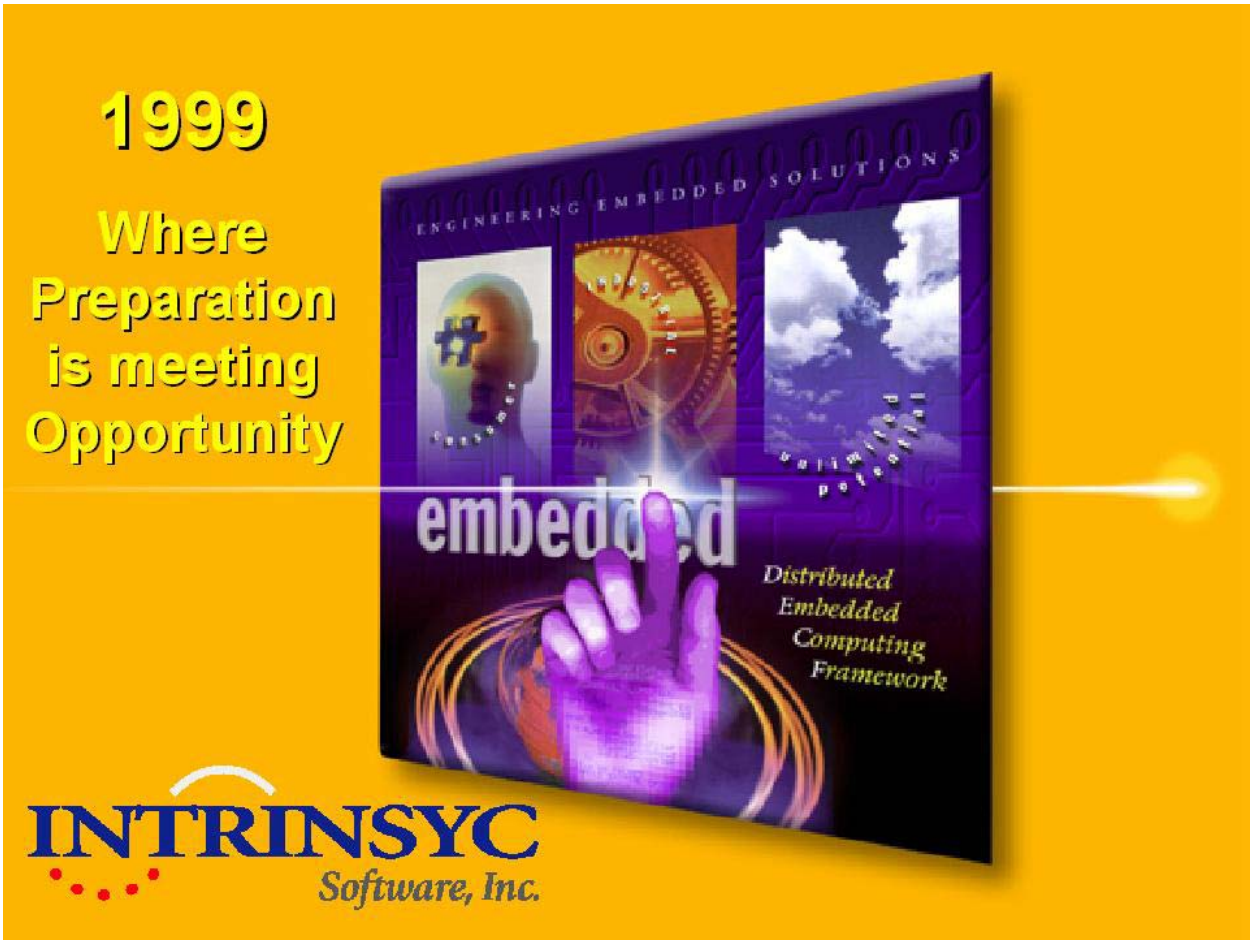
Information Memorandum



A Private Placement Investment Opportunity

CIBC Investment Banking

May 10, 1999

Ref: _____

IMPORTANT NOTICE

This Information Memorandum (the "Memorandum") is based upon information supplied by Intrinsyc Software, Inc. (hereinafter referred to as "Intrinsyc" or the "Company"). This information is being furnished through CIBC Investment Banking ("CIBC IB"), as exclusive financial advisor, solely for use in evaluating the Company.

No representation or warranty is made as to the accuracy or completeness of any part of the information contained in this Memorandum or any other written or oral communication transmitted in the course of the evaluation of the Company. The only legal obligations of the Company will be those contained in a definitive written agreement.

Requests for further information must be directed to CIBC IB. EMPLOYEES OF THE COMPANY SHOULD NOT BE CONTACTED DIRECTLY.

CIBC Investment Banking
Commerce Court West
Toronto, Ontario
M5L 1A2
Fax (416) 980-7377

to the attention of:

Tim Garde
Director
(416) 980-4971

Trevor Lwin
Associate
(416) 861-5124

THE INVESTMENT PROCESS

CIBC IB will be in contact with the parties to whom this Memorandum has been sent to discuss the initial level of interest in providing capital to the Company. Requests for further information should be made in a timely fashion and must be directed to the officers of CIBC IB indicated under Important Notice. The Company should not be contacted directly. Although such requests will be reviewed on a case-by-case basis, it is the intention of the Management and the Company to allow ample opportunity for selected providers of capital to perform due diligence verification later in the process.

Assuming a satisfactory expression of interest is received and accepted, potential investors will be afforded the opportunity to conduct a more in-depth evaluation of the business operations of the Company. CIBC IB will arrange for these parties to visit the Company's facilities and meet with the Management teams.

All dollar amounts, unless otherwise noted, refer to Canadian dollars.

The expression of interest should include:

1) a non-binding estimate of the amount and form of capital to be provided, including the legal form, stated in Canadian dollars;

2) a description of the role, if any, that the investor would play in strategy or management of the Company, including board representation;

3) any anticipated conditions precedent to consummating a definitive transaction including shareholder or regulatory approval; and

4) any unusual representations and warranties expected to be in the placement agreement or shareholders' agreement.

In order for the Management to receive and consider all available expressions of interest and to ensure that qualified offers are accorded proper consideration, the procedures governing the provision of capital are described herein. CIBC IB and the Company reserve the right to amend these procedures at any time and will endeavor to keep all participants informed of any changes. However, the Company reserves the right to negotiate with one or more parties at any time and to enter into a definitive agreement without prior notice to any other party. The Company reserves the right to terminate, at any time, further participation in the investigation and proposal process and to modify dates or procedures without giving any reason therefore. The Company is not obligated under any circumstance to accept the most attractive financing proposal.

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1.0 EXECUTIVE SUMMARY

1.1 Overview

The face of computing is fundamentally changing. Desktop PC and Internet-based open standards are being leveraged to create a new generation of small, low cost and task oriented products. The term "embedded technology" refers to computers that are hidden from view, but perform critical and specific functions in literally every facet of every industry. An example includes computers controlling emission and braking systems in automobiles. This also includes so called "Internet Appliances" which are part of the exploding world of embedded systems. The vast networking power of the Internet is shifting computing applications from being stand-alone to distributed in nature. There will be far less need to duplicate software on multiple devices as they will be able to intelligently share their resources across the network (sharing across networks is referred to as "Distributed Computing"). Distributed computing is even more critical in embedded systems where constraints of space, specialized functions, portability and remoteness must be overcome. Technology is entering a "Web Enabled Era" where the computer is peripheral to the network.

Intrinsyc Software, Inc. ("Intrinsyc" or the "Company") was incorporated in August 1992 and changed to its current name on June 1997. Its focus on embedded Windows NT and Windows CE based software development began in 1996 and continues to date. The Company, based in Vancouver, British Columbia, completed an initial public offering on April 1996 in the Vancouver Stock Exchange where its shares continue to trade. Intrinsyc is continuing to advance into the early commercial exploitation stage after fully and progressively developing its major products over the last three years with total investment to date of approximately $8.7 million. The Company has 35 on staff, including 23 in research and development and six in marketing and sales.

The Company develops software technologies that extend the capabilities of the Windows CE operating system for deployment in vertical applications that require robust, distributed and Internet-enabled capabilities. Through key OEM partners, Intrinsyc has chosen to initially pursue the three market verticals with the greatest Windows CE potential: 1) Industrial Automation; 2) Point of Sale and; 3) Mobile Computing. In recognition of the future importance of these technologies, Microsoft highlighted Intrinsyc during Comdex 1997 as one of 14 exceptional emerging software companies worldwide.

Intrinsyc's corporate strategy is to pursue an ongoing aggressive technology development within the open systems focus. At the same time, the Company through its partnership program with OEMs is working to deepen and strengthen its market vertical positions with cooperative and intensive product development efforts. The Company currently has 11 Distributed Embedded Component Framework (DECF) partners with the anchors being Siemens, Eaton and Group Schneider which are Fortune 500 and similar category companies. Finally, specific marketing strategies are now under review to exploit the vast opportunities presented by the CErfBoard device in upgrading existing legacy embedded systems to the level of network capable Internet Appliances.

1.2 Proposed Transaction

Intrinsyc Software, Inc ("Intrinsyc" or the "Company") is seeking to raise approximately $6 million in capital to fund operational expansion, market development and ongoing product development. Specifically, the funds are needed to fully launch its OEM partnership program and to continue to extend its lead as the pre-eminent provider of interconnectivity software for Windows-based embedded systems.

1.3 Investment Highlights

Intrinsyc offers investors the following strengths:

Strong customers and accelerating revenues

Intrinsyc's technology has been validated by several strong customers, including Eaton, Siemens and Group Schneider. In late March, 1999 the Company announced technology licensing and services revenues valued at more than $3 million from one of its DECF partners. Intrinsyc currently manages 11 DECF partners since the program began in February 1999.

Leading distributed computing technology for Windows embedded systems

Microsoft's desktop PC and Enterprise based COM/DCOM technologies, which today form the heart of Microsoft's open standards approach to computing, evolved from their early component software efforts in the mid 1980s. With the recent introduction of deviceCOM by Intrinsyc, the same kind of dramatic transformation is now taking place in embedded market verticals such as Industrial Automation and Point-of-Sale (applications that require high performance distributed networking and extensions). The combination of COM/DCOM/deviceCOM means that component-based applications can now extend across enterprise, desktop and embedded systems which enables software components on embedded systems to communicate directly across networks with components on desktops or enterprise systems. Intrinsyc has developed deviceCOM for the Windows CE and Windows NT platforms and is the only company to have this open standard solution.

MicroCErBoard – both the world's smallest web server and the world's smallest Windows CE based device

Access to large market of legacy embedded systems

Intrinsyc's product, CErfBoard was initially developed as an embedded system reference platform, the world's smallest fully functional web server and smallest Windows CE based device. CErfBoard technology enables legacy embedded systems to be upgraded to have many of the same features and benefits as next generation Internet Appliances. Recent demand for the product to upgrade legacy embedded systems have presented a significant opportunity to quickly upgrade a vast number of legacy systems into the next generation of embedded computing. From the summary market statistics presented below, the potential upgrade market is sizeable and can more easily be developed than the emerging demand for new Internet based appliances and devices. This facet of the business also presents opportunities to develop ideal strategic alliances and partnerships with chip and hardware manufacturers that may be attracted with the more immediate opportunities. Specific strategies in this regard are being reviewed and partnership discussions will be pursued in the very near future.

Strong Intellectual Capital and several CE market "World Firsts"

The Company has market leading technology development talent and has quickly vaulted to the forefront of the Windows CE embedded market with a complete set of embedded products such as deviceCOM (an open systems component described above), Rainbow (an embedded web server), CerfBoard (a reference platform described above) and Integration Expert (a component tool set). Rainbow, a feature-rich embedded web server, allows a Windows CE based embedded system to be accessed through the Internet to enable say, the remote monitoring of vending machines. Integration Expert ("IX") allows developers to easily create optimal operating system configuration (minimized footprints). IX is a significant enhancement to the standard Windows development tools offered by Microsoft for embedded applications.

Market-ready participant in rapidly growing industry

The embedded systems market is known to be 50 times the size of the desktop computing market in terms of number of products shipped (4.2 billion microprocessors shipped in 1997). Industry analysts predict that the software portion of the embedded market will grow from US$3 billion to more than US$7 billion by the year 2001. Microsoft is expected to obtain a significant share of this market. The highly fragmented embedded systems marketplace is expected to undergo a period of rapid growth and consolidation due to: Moore's Law (the availability of low-cost, high performance 32 bit microprocessors to replace the mostly 8 & 16 bit ones in current use); the availability of Windows technologies that leverage desktop PC computing standards; the growing demand for Internet connectivity beyond desktops and enterprise systems; and the increasing demand for networked systems that fully leverage the power of distributed computing technologies.

Microsoft's major thrust into the embedded space

Microsoft owns a commanding share of the desktop PC software market. With the introduction of their Windows CE operating system, it is widely believed that Microsoft will capture a significant share of the rapidly growing yet highly fragmented embedded market. Intrinsyc's technologies enhance the reliability and capability of Windows CE in embedded applications. Intrinsyc's technologies are particularly appealing to OEMs that wish to embrace open standards, and have developers who are familiar with the Windows programming interface and distributed COM/DCOM technologies. Intrinsyc claims to be the only "pure technology play" for Windows CE.

Promising executive team and highly talented development team

The Intrinsyc team started with a solid core of technology development talent and was strengthened over time with complementary expertise and invaluable experience in the highly specialized niche of COM/DCOM and embedded system technologies. As its technology lead and ongoing vertical market breakthroughs will attest, Intrinsyc has a strong development team and has made substantial progress with a newly formed but energetic, focused and highly driven executive team.

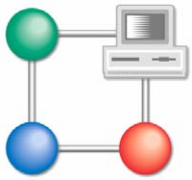
1.4 Summary of Financial Information

The following table summarizes the historical financial information of Intrinsyc for the fiscal years 1997 and 1998 and the six months ended February 28, 1999.

	Summary of Financial Information ($000's)		
	12 Months Ending Aug 31/97 (audited)	12 Months Ending Aug 31/98 (audited)	6 Months Ending Feb 28/99 (internal)
Sales	69	563	601
EBITDA	(1,887)	(3,097)	(769)
Assets	1,128	1,792	1,612

2.0 INDUSTRY OVERVIEW

2.1 Embedded System Market Overview



An "embedded system" is typically a specific-purpose device that transparently incorporates a computer processor. Consumer examples of embedded systems include: Internet appliances, home automation and entertainment systems; while commercial examples include: point-of-sale terminals, industrial process controls, industrial robots, ABS braking systems, emission control systems and a broad range of other vertical-market applications. As products incorporate better human centered designs and the need for system connectivity builds, companies are designing more embedded, distributed and Internet enabled computers into their products.

Embedded systems have traditionally been built using a wide variety of proprietary hardware and software architectures due to cost constraints in processing power and limited functionality of embedded real-time operating systems (RTOSes). Today, powerful 32 bit microprocessors cost less than $10 and powerful operating systems such as Windows CE are competitively priced anywhere from $10 to $20 each.

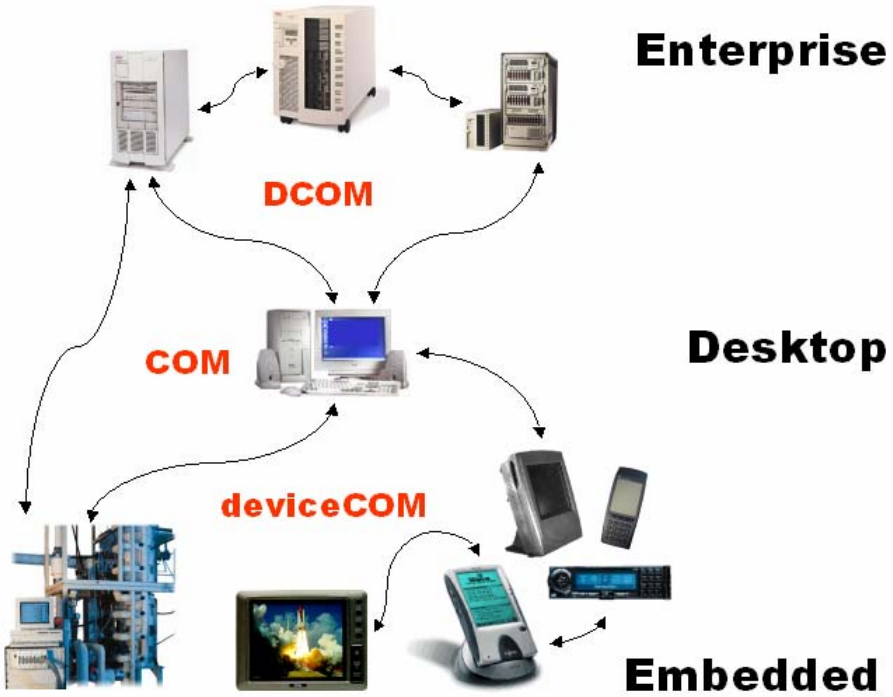


Figure 1 - Component-based applications can now extend across Enterprise, Desktop, and Embedded systems

With the core hardware costs plummeting and feature rich operating systems arriving, OEMs are now able to take advantage of the same types of desktop PC open systems software standards and technologies to architect a new generation of embedded systems using the same distributed computing and powerful Internet based networking standards that blur the distinctions between desktop, enterprise and device level computing environments.

The primary benefits of desktop PC and enterprise level use of distributed computing software architectures built on widely standardized operating systems have been: (a) shorter product development cycles; (b) extended product life; (c) increased product functionality; and (d) reduced overall product costs.

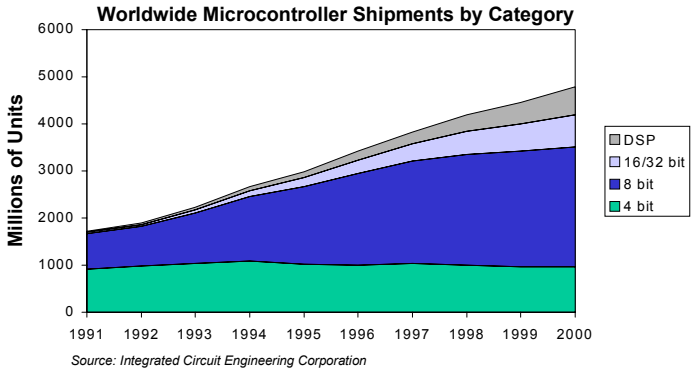
These same benefits are now available to embedded systems OEMs via the implementation of Intrinsyc's technologies within their product lines.

2.2 General Market Size, Segmentation and Growth

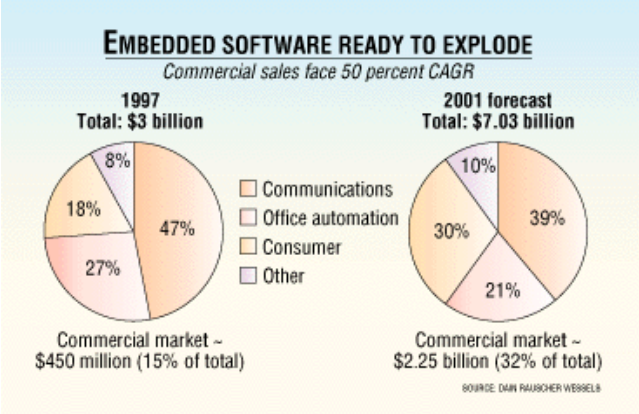
The Windows CE embedded market has not yet received sufficient analyst and research coverage for a detailed market segmentation analysis to be available for Intrinsyc's technologies at this early stage in the market's development. IDC[1] initiated coverage on the embedded market in March 1999 and has made initial positioning statements including, "IDC expects to see huge growth in the overall market for embedded and RTOS systems," "Windows CE devices are beginning to proliferate in the embedded form factor market," and "IDC believes that this market is poised for greatness and that all of the players have potential for growth at this point in time". Another report by VDC[2] makes more specific statements regarding the strong potential for Windows CE in this market, but again, the scope and methodologies used preclude using the data for a comprehensive segmentation analysis.

It is clear however that the overall market for embedded systems is huge with total electronic systems sales in 1997 of $770 Billion[3] consisting of consumer (TVs, stereos), communications (cell phones, pagers), office (printers, copiers), automotive (air bags, anti-lock brakes), industrial (sensors, controls), medical (heart monitors, imaging devices), and a variety of other computer controlled devices. The quantity of such embedded devices is staggering: estimates suggest that less than one percent of microprocessors are used in desktop personal computers, with the remainder used in embedded devices. The embedded systems market is 50 times the size of the desktop computing market in terms of number of products shipped (4.2 billion microprocessors shipped in 1997[4]) with the majority of the growth expected to be in the 32-bit market which Windows CE is targeting.

[1] International Data Corporation
[2] Venture Development Corporation
[3] CIBC Wood Gundy Equity Research
[4] Source: Integrated Circuit Engineering Corporation



Industry analysts predict that the overall software portion of the embedded market will grow from US$3 billion to more than US$7 billion by the year 2001 (Source: Raj Gollamundi, Research Analyst, Dain Rauscher Wessels). This market size estimate includes only software and tools and does not include embedded microprocessors, hardware systems and services revenue derived from embedded systems development.



The trend towards outsourcing embedded systems technologies by OEMs shows that commercial components (software products purchased external to a company) will increase at a rate of 50% per year from $450 million in 1997 to over $2 billion dollars by 2001[5]. This is a market sector that Intrinsyc's technologies have an opportunity to capture a significant percentage of.

Fueled by improved price/performance for 32 bit processors and by the explosive growth of the Internet, embedded devices, or Internet Appliances, are predicted to grow at a rate of close to 100% per year over the next 5 years, bringing the production of such devices to some 42 million by the year 2002.[6]

While analysts have differing opinions on the rate at which Windows CE will enter this market there is general agreement that Microsoft's "embedded windows" will take a significant share of the market. Intrinsyc believes that the potential market for its technologies is far larger than its ability to access and/or service this market.

[5] Raj Gollamundi, Dain Rauscher Wessels
[6] International Data Corporation

2.3 Market for the Company's Technologies and Services

Intrinsyc has targeted three major vertical market sectors for its products, including: Industrial Automation; Mobile Computing; and Point of Sale Terminals.

Industrial Automation

Intrinsyc's definition of Industrial Automation includes any device or system that is used in factory automation, process control, test and measurement, and building automation. Find/SVP[7] estimates that the combined market for sales of industrial computers, workstations, and software will reach $6.5 billion in the year 2000. Find/SVP also expects this market to grow at an annualized rate of 18.5% for the next several years.

Embedded devices have long been used in factory data acquisition. This is expected to have a significant impact on the use of embedded real time operating systems (RTOS) as more of these devices drive towards greater local intelligence. Intrinsyc's review of the major U.S. data acquisition vendors in the fall of 1998 indicated that greater than 50% were actively considering Windows CE as the operating system for embedded devices. According to VDC[8], this market segment is expected to experience a steady growth of approximately 9% from 1997 through 2002, growing from sales of $182 million in 1997 to $280 million in 2002. VDC predicts that sales of embedded devices that connect to Windows based enterprise systems will grow from 35.7% of the market in 1997 to more than 41% of this market by 2002. This represents a significant growth opportunity for Intrinsyc's technologies.

Software standards in the Industrial Automation market are driven primarily by the OPC standards group (OLE for Process Control) which has more than 400 member companies. As OPC standards are based on Windows DCOM/DCOM technology, Microsoft's operating systems have become key technologies in this market. A host of vendors including Siemens, Rockwell, Groupe Schneider, Allen Bradley, and Honeywell all have product lines that conform to OPC technology standards. This has spawned a whole industry of supporting OPC-centric software vendors including Iconics, Wonderware, Rockwell Automation , FactorySoft and Object Automation.

Mobile Computing

Intrinsyc's definition of mobile computing includes systems for the management of vehicles, intelligent vehicle systems, wireless communication for data exchange, in-vehicle monitoring and data acquisition systems, and systems for traffic monitoring and management.

[7] Find/SVP Report - "World Market for Industrial Computers"
[8] VDC Report "The U.S. Market for Data Acquisition Products"

A study released in 1997 by the Intelligent Transportation Society of America in conjunction with the Electronics Industries Association (EIA)[9] estimates that by 2015 the market for intelligent transportation systems will be some $75 billion in the public sector with a further $350 billion in the private sector. The study notes that ITS related products have a significant market in the commercial transportation sector (rail, trucking, shipping) as there are major competitive advantages to the reduction of transportation costs. The market for freight mobility and fleet management alone is estimated at $50 billion over the next 20 years with further investments being made in infrastructure development. Rapid deployment in this sector is anticipated because of the cost savings associated with such investments.

Shorter term forecasts by VDC[10] show that the in-vehicle network computing systems (IVNCS) are expected to grow to some $1.3 billion by the year 2002. VDC Vice President, Mark Regberg notes that "after all the years of hype, the INVCS market is finally ready to come into its own. Development efforts are well underway and large technology companies such as IBM and Microsoft and automobile manufacturers (BMW, Mercedes, Audi, Nissan among others) are investing heavily in these efforts. In addition, the growing need amongst mobile professionals to increase productivity at all times is a strong driving factor."

The in-vehicle market is also one that has been targeted by Microsoft. In conjunction with Clarion Corporation of America, Microsoft introduced the Auto PC earlier this year based on the Window CE operating system. It is anticipated that several auto manufacturers including Ford, Nissan and Saab will offer factory installed PCs as options on their year 2000 model cars.

Development of in-vehicle systems is expected to experience strong competitive pressures since there are real cost savings in the commercial sector through reduced operating costs and significant mass market appeal of in-vehicle navigation, entertainment, mobile work force automation and safety devices. As a result, product vendors in this sector can anticipate very short time to market windows for their products thus favouring the use of open standards and 3rd party software licensing from companies such as Intrinsyc.

Point of Sale Terminals

Intrinsyc's definition of Point of Sale Terminals include any device which are used to interact with a consumer in the purchase of a product or service and include traditional cash registers, bar code scanners, vending machines, kiosks, and ticket dispensers.

A Frost and Sullivan report issued in November 1998 forecasts that the U.S. market for point of sale terminals will grow from $1.4 billion in 1996 to over $2.3 billion by the year 2003 which is an annual growth rate of about 7.3%. Of even greater interest is the fact that the smart card and hybrid point of sale terminals will grow at the much faster rate point of 19% per year from $159 million in 1996 to over $535 million in 2003. Focus on the smart card segment alone sees even higher (37%) growth rates forecast.

[9] Electronic Industries Association Report
[10] VDC Report "In-Vehicle Network Computing Systems"

Software standards in the Point of Sale market include OPOS (OLE for Point of Sale) which, like OPC for Industrial Automation, is based on Windows COM/DCOM technology. There are some 160 member companies which all have product lines that conform to OPOS technology standards.

Networking is a fundamental requirement of all POS terminals and devices. Development of networkable Windows CE devices that comply with the OPOS specification will require a DCOM compatible networking technology such as Intrinsyc's deviceCOM. This represents a significant opportunity for Intrinsyc where it can combine its existing Internet, Industrial Automation (OPC) and OPOS technologies.

3.0 THE BUSINESS OF ICS

3.1 Business Description

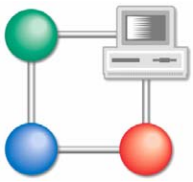
It's about time to market and open standards

Corporate Vision Statement

To become the pre-eminent provider of interconnectivity software and services for Windows based embedded systems. This will be accomplished by providing standards based solutions to market leading OEMs, reducing their time to market and improving their competitive market positioning.

DECF Technologies

The DECF Partnership Program currently includes the following Intrinsyc technologies:



DCOM compatibility for Windows CE

A technology optimized for distributed embedded systems that operate on Windows CE (as well as Embedded Windows NT). With deviceCOM, software components on embedded systems can communicate directly across networks with components on desktop or enterprise systems. The technology is completely transparent to COM devices and servers and is compatible at the object level with the DCOM (Distributed Component Object Model) standard for desktop and enterprise applications.

Event Services – deviceCOM Component

A service component that provides a powerful yet simple framework for synchronizing activities and sharing data between software components. With this framework, DECF program partners can simplify application development, reduce application/service dependencies, and conserve system resources.

Data Access Services – deviceCOM Component

A service component that handles data acquisition from I/O sensors and devices, and provides a standard COM based interface to external applications. Each Data Access Service hides the details of handling specific types of I/O from the external applications.

Database Services – deviceCOM Component

A service component that provides a data storage solution for embedded applications where it is often impractical or infeasible to simply use a general-purpose database in the resource-constrained environment of an embedded system platform.

OPC Kit – deviceCOM Component

An interface application kit that enables the deployment of standard OPC (OLE for Process Control) industrial automation application software on Windows CE, Windows NT and other deviceCOM capable real-time operating systems.

Rainbow - Web Server

An embedded web server framework for Windows CE that provides a flexible extension mechanism for easy web-enabled application development. The Rainbow framework is provided with a ready-made Remote Management System (RMS) web-based application and a powerful OEM Development Kit to support DECF partner custom development.

WinFT - Software Watchdog

A Windows CE and Windows NT software watchdog, data logging and persistence service for high reliability and unattended embedded system applications.

CErfBoard - Internet Appliance Reference Platforms

A series of web-enabled, Internet-ready reference platforms for a wide variety of Windows CE embedded applications in industrial automation, point of sale or gaming industries. CErfBoard uses a powerful 32-bit RISC microprocessor. CErfBoard is provided as a reference kit pre-loaded with other Intrinsyc technologies such as the Rainbow web server, deviceCOM, and the powerful Remote Management System application.

The DECF Partnership program also provides access to the following Intrinsyc custom embedded platform development tools:

Integration Expert - Development Tools

A Windows CE or Windows NT visual operating system analysis and customization tool for fast and optimized embedded systems development. Integration Expert supports the easy integration of DECF program partner or 3rd party hardware platforms, applications and software components into a successful embedded product.

Business Model

-generally describe how revenues are generated today and in the future (mix between licenses, type and nature of services, etc.); what are the typical price points; relate to the first 6 months of revenues this fiscal year

3.2 Technology Roadmap and Product Strategy

Intrinsyc will continue the pattern of continuous technology innovation driven by feedback from its DECF Partners. This includes the following new technology development initiatives in 1999:

deviceCOM / Rainbow Integration

deviceCOM and the Rainbow web server are currently the foundation of the Intrinsyc DECF technology strategy. Future versions of Windows CE will likely incorporate some form of support for DCOM thus requiring that Intrinsyc innovate deviceCOM in a complementary direction.

Integrating deviceCOM and Rainbow technologies together will provide vendors with the ability to support interaction with COM components using Internet based protocols or via deviceCOM from COM objects dynamically loaded from the Rainbow web server. Remote management of deviceCOM applications over the Internet will be supported. Enhanced security in the form of SSL and X.509 certificates will also be implemented.

Rainbow Enhancements

The next major release of the embedded Rainbow web server will incorporate a number of features which will put it on par with many Windows NT class web servers while being Windows CE based. These features will include:

- Support for Microsoft Active Server Pages (ASP).
- Further compliance with the HTTP1.1 specification
- Enhanced security including support for user authentication, SSL and X.509 certificates. Support for such security is important for POS and similar applications utilizing the Internet.
- Support for the Front Page Web publishing extensions.
- Support for automatic server restart thus increasing the availability of Rainbow based devices.
- Improved user interface for the Rainbow Remote Management System.

IX Enhancements

The IX product will continue to be supported as a package for the delivery of 3rd party technologies and as an advanced development tool in its own right. Specific features of this product will be determined by the result of ongoing discussions with Microsoft on the potential bundling IX for CE as part of the MS Platform Builder for the Windows CE 3.0 beta release. Currently anticipated enhancements will focus on increased flexibility, greater dependency information, ease of use and broader platform support.

DECF Component Additions

Intrinsyc will continue to add to its family of DECF components and will further refine its vertical market architectures.

These components will be developed in response to market need as determined from the on-going development relationships with Intrinsyc's DECF partners.

CErfBoard Enhancements, Custom Silicon

The existing CErfBoard family of reference platforms will be optimized for legacy system support applications. This will include a continued reduction in the chip count, better Ethernet/TCP/IP performance, and reduced cost. The overall direction will be to make CErfBoard an even easier tool to get a product idea up and running in minimal time.

Next generation CErfBoard technology will be incorporated into a full custom ASIC (application specific integrated circuit) microprocessor, likely based on the ARM core. This will require significant outsourcing and partnering support from other strategic partners who have the requisite core competencies in this area (currently under negotiation). This chip or chipset intellectual property will form the basis for an advanced "DNA or digital nervous system Bridging" technology offering by Intrinsyc to companies who wish to add Internet access and distributed computing capabilities to their product lines without the expense or development effort associated with developing their own custom hardware and software based solutions.

3.3 Competition

The embedded systems market at present has several characteristics[11], a discussion of which will provide good background material for an analysis of the competitive factors. Firstly, there is no standardization and a high degree of fragmentation of embedded platforms with no one vendor having a dominant market share of either software, hardware or tools. The market is expected to consolidate around the more popular systems, noting that relatively new software entrants – Microsoft Windows CE and Java – are expected to garner strong support. Second, there is a movement to outsourced software. Many electronic manufacturers (as well as OEMs in various verticals) are looking to third party vendors to supply embedded software systems because of the increasing complexity of embedded systems, the availability of strong third party tools and a desire to improve productivity. Thirdly, there are special technology issues such as cost, power, memory, storage and processor constraints as well as user requirements for real-time response and high reliability. These issues have spurred the development of real-time operating systems and development tools that are suitable. Finally, increasingly powerful processors are allowing more sophisticated software to be supported in embedded systems. In the past, cheaper (4-bit, 8-bit and 16-bit) processors were predominantly used but more powerful 32-bit processors have now become widely available.

Microsoft Windows CE

Based on Microsoft's own website pages on embedded systems, "Windows CE is poised to become a key player in the embedded systems market. Windows CE is a small-footprint, highly customizable operating system designed from the ground up for advanced 32-bit embedded systems. Windows CE is an entirely new operating system, designed using the most up to date technologies and optimized for new and existing families of 32-bit microprocessors.

Handheld PCs were the first class of devices to exploit the capabilities of Windows CE but a flood of new portable electronic devices and compact, dedicated systems based on CE will arise. Microsoft rates the following the top reasons to develop for Windows CE:

a) build powerful Enterprise solutions – capture data (embedded devices can capture data where it originates and feed it quickly into databases and other systems driving the business); facilitate communication; extend business processes and develop a mobile professional tool.

b) Avoid the need for developers to learn a whole new development tool – toolkits for Visual Basic and Visual C++ are available to develop applications for a wide variety of hardware devices.

[11] CIBC Wood Gundy Research

Microsoft Windows CE vs. Java

Java offers developers in non-Windows CE operating systems the ability to create and use components that interact with one another. This is further supported by the introduction of Sun Micro Systems JINI technology which enables devices to easily locate and access services distributed over a network. OEMs can opt for Personal Java and one of the competing RTOSes such as VxWorks or pSOS rather than selecting Windows CE.

Microsoft has licensed embedded Java technology from Hewlett Packard and is expected to ship this technology with Windows 3.0 in mid 1999. This will effectively place Windows CE 3.0 on par with the current leading RTOSes in regards to Java compatibility.

While Java is not an operating system as such, it offers some capabilities that overlap Microsoft's DCOM technology base. In Intrinsyc's view, several factors favour DCOM as a solution to most distributed applications and therefore also favour Intrinsyc's technologies as follows:

- Less than 4% of developers have actually selected Java for embedded designs today.
- The true component model for Java is Java Beans and these are not supported in the Embedded Java Specification and are optional for Personal Java. Intrinsyc's technologies can be implemented in a smaller memory footprint than their Java cousins.
- While Personal Java can make use of the thread model of the underlying operating system it is still at a marked disadvantage performance wise relative to Intrinsyc's technologies using compiled C/C++.
- Nothing prevents Intrinsyc from using Java as a basis for some future extensions to its technologies if OEMs request it.

RTOS Vendors

Intrinsyc's technologies are reliant on the Windows CE operating system and thus faces competitors for its products whenever a vendor is able to choose a similar product which runs on a non-CE operating system such as VxWorks from WindRiver or pSOS from ISI.

3rd Party Windows CE Vendors

Within the Windows CE space there are a number of direct competitors emerging for the Rainbow web server including GoAhead Systems and Spyglass. GoAhead has taken an open-source positioning strategy with the publishing of its web server source code and is attempting to license value-added capabilities such as a Fault Management component that may potentially compete with WinFT. Spyglass has a wide range of browser and web server technologies for its own RTOS which are now being ported to Windows CE. Intrinsyc's early and vast lead, installed base, and continuing innovation in Windows CE based web server technologies are in management's view, their primary competitive advantage.

Microsoft

Microsoft can be expected to continue to improve the Windows CE operating system by adding features in future versions of the operating system which today are initially only available from Intrinsyc such as DCOM compatibility and web server support. But unlike the desktop PC market, there are a large number of embedded market verticals that require specialized software components. Therefore, the eventual risk of commoditization of Intrinsyc's technologies by Microsoft is lower than that traditionally experienced in the desktop PC market. Intrinsyc maintains an aggressive state of continuous innovation and product development and endeavours to maintain and develop new markets for these technologies over the long term. Any such company will likely form a symbiotic relationship with Microsoft by enabling rapid deployment of its Windows CE operating system into verticals otherwise presently closed to it.

In the future, one can possibly expect competition from Microsoft itself in the form of DCOM and HTTP web servers, as well as component extensions for these communications technologies. By example, in a non-competitive market vertical, Microsoft has already partnered with Clarion to develop the AutoPC Platform and similar initiatives are part of their overall strategy in other markets.

To counter this potential competitive threat, Intrinsyc is taking several steps to include:

- Continuing to build a broader relationship with Microsoft. Microsoft has recently recognized Intrinsyc's deviceCOM *protocol* as a solution to robust DCOM compatibility in the embedded market and is Microsoft's only solution to integrate Windows NT systems with embedded Windows CE devices using distributed COM techniques today. Intrinsyc advises that Microsoft is also interested in pursuing an expanded relationship with Intrinsyc on a range of product development and licensing opportunities that are currently being evaluated.

- Designing deviceCOM *components* that will inter-operate with Microsoft's Windows NT based DCOM *protocol* in addition to Intrinsyc's Windows CE deviceCOM *protocol*. This solidifies deviceCOM as an entry point for a potential future Microsoft DCOM implementation for Windows CE and protects OEM investments in Intrinsyc's deviceCOM components.

- Continuing to evolve deviceCOM technologies as a DCOM compatible protocol for particular market verticals based on such characteristics as memory footprint, speed, and performance. Thus, deviceCOM can continue as a complement to DCOM for specific market applications.

- Evolve deviceCOM components into fully web-enabled components via utilization of Intrinsyc's Rainbow web server technologies.

3.4 Corporate and Marketing Strategies

Corporate Strategy

In keeping with its historical initiatives and to keep ahead of the field, Intrinsyc continues to pursue an ongoing aggressive technology development as indicated in the Technology Roadmap section. The overall objective is to maintain its existing competitive advantages from a horizontal applications perspective. Beyond continued technology development, Intrinsyc at the stage of its growth is now attempting to deepen its penetration of vertical market design-wins through intensive and cooperative product development efforts with OEMs. Its DECF partnership model, as fully detailed below, is quite suitable to this thrust and partnership wins have quickly been made with a growing number of OEMs and other parties.

Intrinsyc also wishes to pursue a broad base of breakthrough vertical opportunities with the additional resources that will be made possible by this proposed financing. Accordingly, the DECF partnership program will be expanded with this objective in mind.

Finally, a continuing thrust to initiate or further develop strategic and operating alliances with Microsoft and other parties is ongoing. For example, one of the major challenges in ramping up commercial operations is the integration aspect. Accordingly, Intrinsyc has very recently entered into a Letter of Intent with BSquare as a "master" systems integrator of Intrinsyc's technologies for the industrial automation marketplace. Further, Microsoft has also very recently formally endorsed deviceCOM by hosting on its website a white paper on that technology. Some of Intrinsyc's products and services are featured in Microsoft's web pages (www.microsoft.com/windowsce/embedded/news/ind-news.asp).

DECF Partnership Program

Intrinsyc markets its software and services via this program that focuses on rapid time-to-market and open standards benefits for new OEM product launches. This program is the cornerstone of Intrinsyc's business focus that gives OEMs and Systems Integrators priority access to Intrinsyc's technologies and technical/advisory assistance. In return, Intrinsyc gains an early entry and "lock in" to a whole range of high volume licensing opportunities as well as key technical feedback to help shape its future product offerings. The DECF program includes:

Priority Access to Intrinsyc DECF Technologies
Time to market pressures require that important new technologies be designed into product lines ahead of the competition. DECF program partners gain important early access to Intrinsyc's upcoming DECF technologies and are invited to participate in DECF planning sessions to provide input into Intrinsyc's technology roadmap;

Priority Technical Assistance
DECF program partners can quickly become productive and knowledgeable in evaluating and demonstrating effective implementations of DECF technologies in their development programs as well as in released product lines;

Access to Intrinsyc DECF Development Tools
DECF program partners get tools to simplify and accelerate the design-in of Intrinsyc and other 3rd party licensable DECF technologies while reducing the end-product's overall development and production costs;

Discounted Paid-Up Royalties on Intrinsyc DECF Technologies
An initial block of pre-paid licenses that an OEM can draw from when shipping its first demonstration and early production units

Priority Access to Intrinsyc Consulting Services
DECF program partners can augment their internal design resources with world-class Intrinsyc consultants to further accelerate the design-in of Intrinsyc's licensable DECF technologies.

DECF Partnership Program Engagement Levels

OEM Partners
This level is for OEMs who are building DECF technologies into their own products, with an up front minimum opportunity value set to US$100,000 in the form of billable licenses and services within the first 90 days of the engagement.

Systems Integration Partners
This level is for SIs who are using DECF technologies in providing solutions to their end-customers, an up front minimum opportunity value set to US$50,000.

Technology Vendor Partners
This level is for companies with complimentary technologies which may jointly be used in end-customer solution, with no minimum opportunity value. This level can also serve as an "entry" level for OEMs with longer engagement cycles where initial feasibility studies are to be undertaken and the downstream opportunities are large.

OEM Associate Partners
These companies are involved in the provision of technologies and services to Intrinsyc's existing OEM DECF partners and are already working side by side with Intrinsyc in the delivery of DECF based product to market, with no minimum opportunity value. These companies typically work for multiple OEMs and have numerous opportunities to use Intrinsyc's technologies in those engagements.

Software Licensing, Tools and Services Pricing Models

Intrinsyc engages OEMs under the terms of the DECF Partnership Program which stipulates a minimum commitment of $150,000 within the first 90 days of the agreement towards the pre-purchase of technology licenses, purchase of development tools and the provision of initial design and support services.

Systems Integrators which are approved to join the DECF Partnership Program commit to a minimum of $75,000 towards the pre-purchase of technology licenses, purchase of development tools and the provision of initial design and support services from their first customer engagement. Technology providers that have synergistic, complimentary technologies to Intrinsyc's technologies have a variable pricing entry point into the program.

Intrinsyc's technologies and services are licensed and delivered according to industry pricing standards.

Typical OEM customer engagements include $250,000 to $2,000,000 in solutions services and recurring licensing revenues of $5-20 per unit in volumes anywhere from hundreds to thousands of units per

4.0 THE ORGANIZATION

4.1 History of the Company

The Company was incorporated under the laws of Alberta on August 31, 1992 under the name I.T.C. Microcomponents Inc. and continued under the laws of British Columbia on July 19, 1995. The Company changed its name to Intrinsyc Software, Inc. on June 16, 1997. The Company's wholly owned subsidiary, Intrinsyc Software (U.S.A), Inc., was incorporated under the laws of Washington state on March 27, 1998 and has, since its incorporation, been inactive.

From 1992 until 1996, the Company invested approximately $500,000 in the development a line of embedded microprocessors (the ITC232A chip) that was focused on low volume applications such as laboratory data acquisition and control projects. In 1996, Intrinsyc changed its focus to embedded Windows NT and then Windows CE based software development and has invested a further $8,700,000 in the development and marketing of these technologies which are now embodied in the Intrinsyc product line.

4.2 Ownership and Corporate Structure

Intrinsyc completed an initial public offering on April 16, 1996 and became listed on the Vancouver Stock Exchange where its shares continue to trade to date. As of March 31, 1999, there were 18.8 million common shares outstanding and a total paid in capital of $9.2 million. Warrants to purchase another 1.6 million shares for a total proceeds of $2.2 million are outstanding. Management and key employees hold options to purchase 4.8 million shares for a total proceeds of $3.2 million when fully exercised.

4.3 Management

The Intrinsyc executive team has diverse international experience in business operations, systems engineering, product development, marketing, and research in the information technology industry. The team has demonstrated a track record of delivering solutions on time and within budget. Drawing from their experiences at major product and systems companies, Intrinsyc managers have adopted best-in-class practices to produce results that consistently exceed the expectations of their customers. The following presents a summary of Intrinsyc's key management personnel.

Derek W. Spratt, P. Eng ***Age: 37***
President & CEO

Derek W. Spratt is a founder of the Company and brings a broad range of public company and technical leadership talents and experience to Intrinsyc. Mr. Spratt came to Intrinsyc from PCS Wireless, a microcellular active antenna technology business, which he co-founded. As executive vice president from 1993 - 1996, he was instrumental in all aspects of executing the corporate startup, securing financing, negotiating strategic alliances and sales contracts, as well as managing daily operations and public company issues.

As Vice President of Nexus Engineering, 1991-1993, Mr. Spratt managed OEM contracts, including the development of the world's first digital satellite TV receiver with General Instrument. Previous to this, Mr. Spratt held various management positions with Motorola's Wireless Data Products and Customer Service divisions, was a founding member of Integra Systems, and worked in other emerging technology businesses. Mr. Spratt holds a Bachelor's degree in Electrical Engineering from Queens University.

Roderick N. Campbell ***Age: 33***
Chief Financial Officer

Mr. Campbell has over 8 years of experience with the CIBC group of companies and brings extensive finance experience to Intrinsyc. Reporting to the President and CEO, Mr. Campbell joined the company on April 1, 1999 and will assume responsibility for the complete supervision, coordination and execution of the Company's financial operations, including raising capital, strategic investments, and mergers and acquisitions.

Prior to joining Intrinsyc Software Mr. Campbell was Director Knowledge-Based Business where he was responsible for providing financial and strategic advice, value-added partnering, and corporate finance services to middle-market and emerging-growth technology companies. Prior to his tenure at the CIBC, Mr. Campbell earned an MBA in Finance from the University of British Columbia. Mr. Campbell also holds a Bachelor of Commerce and a Bachelor of Arts from the University of Alberta.

William Tsu-Cheng Yu ***Age: 38***
Chief Operating Officer

William Tsu-Cheng Yu is a founder of the Company and has worked in a variety of operational and finance-related fields prior to joining Intrinsyc first as a Director and then as the Chief Financial Officer. As an Associate of Corporate Finance with Marleau, Lemire Securities from July 1994 to December 1995, he handled many aspects of corporate finance, reverse takeovers, and initial public offerings on behalf of technology-based companies.

Previous to this, he was a Portfolio Manager with Discovery Enterprises Inc., a venture capital company with over $30 million invested in technology-based start up companies from 1991 to mid 1994. Mr. Yu was responsible for deal sourcing, due diligence, negotiations, documentation, and post-investment monitoring and divestitures. He was an Associate at Trilon Pacific Corp/China Canada Investments & Development, a Trans-Pacific merchant banking firm from 1989 – 1991. William has Mechanical Engineering and Masters in Business Administration degrees from Queens University.

David Manuel, P.Eng ***Age: 36***
Director of Product Development

David Manuel is the Director of Product Development at Intrinsyc Software. He has more than 13 years of international experience in engineering turnkey projects and software development projects. His focus is on effective project execution and high customer satisfaction. Prior to joining Intrinsyc, Mr. Manuel spent 16 months in Rio de Janeiro leading the infrastructure build-out of the satellite based imaging services in seven South American countries. Prior to that, he spent seven years at MacDonald Dettwiler and Associates working on large computer systems projects for the European Space Agency and the Saudi Center for Remote Sensing. He graduated from McMaster University with a degree in Computer Engineering.

Guylain Roy MacHabée ***Age: 36***
Director of Marketing and Sales

Guylain Roy MacHabée's brings a broad base of sales and marketing experience to Intrinsyc. He has over 12 years experience in the telecommunications and mobile computing industries with companies such as Ericcson, Nortel, Broadband Comunications and PCS Solutions. His involvement was in various technical marketing and sales related capacities that have included major OEM licensing and strategic partnership agreement negotiations. Recently, Mr. MacHabée has led Intrinsyc's launch and marketing of the DECF Partnership Program. His primary technical background is in speech compression and communications systems. His education includes Master and Bachelor degrees in Electrical Engineering from McGill University.

4.4 Professionals and Operating Staff

A critical element contributing to the ultimate success of Intrinsyc is its intellectual capital. Intrinsyc's position at the leading edge has enabled the Company to attract the very best talent. Intrinsyc is proud to have assembled an excellent management team and a talented dynamic group of developers who are experts in embedded systems technologies.

As at March 31, 1999, the Company employed 31 full-time and 1 part-time employees and had 3 contractors. Of these, 23 were engaged in research and development work, 6 in sales and marketing and 6 in finance, administration and executive management. The company is currently adding additional developers at a rate of 1-2 hires per week and has a progressive employee recruitment and retention program to ensure that its most important asset, its intellectual capital, is protected and enhanced over time. Intrinsyc has a proven track record of vision and continuous innovation that continues to accelerate as the market for its products and services expands.

Members of the Intrinsyc development staff include highly skilled Windows CE/NT Win32 C++ Application Developers, Systems/Tools Developers, Device Driver Developers, QA Test Specialists, and support staff. Intrinsyc's developers typically have a degree in Engineering or Computer Science, with an average of 6-8 years Visual C++ and Win32 programming experience.

Intrinsyc has gained a reputation for solving complex development problems in record time. This reputation has been created through the ongoing demonstration of talent and commitment throughout the development organization.

Benefits

Intrinsyc offers full-time employees a standard package of benefits including health, disability and life insurance options plus the usual vacation entitlements. Employees are encouraged to participate in ongoing training programs at Company expense that will help them to further develop skills and knowledge. Training programs include a wide range of courses, conferences, and seminars on applicable technologies or target markets.

Management and key employees have also been awarded share options to more directly relate the need for continuous improvement and value to the enterprise with individual remuneration. To date, none of the awardees have cashed out on their options.

4.5 Facilities and Equipment

The Company occupies a 5,000 square foot subleased facility in downtown Vancouver. This lease terminates in June 1999 and the company is currently in a search for new expanded office space in the Vancouver area.

The Company owns all of its computing equipment. Sundry equipment such as the phone system and copier are leased.

4.6 Regulatory, Legal and Other Considerations

Patents,Trademarks and Copyrights

The Company relies upon copyright, trademark and trade secret laws to protect its proprietary rights in its software products. The Company has applied for registration in Canada and the United States of the trademark “Intrinsyc” which remains pending. Intrinsyc has otherwise no patents or copyrights on its technologies. The Company believes that because of the rapid pace of technological change in the industry, factors such as the technical expertise, knowledge and innovative skill of the Company's management and technical personnel together with its ability to rapidly develop, produce, enhance and market its software products may be more protective than formal intellectual property protection measures in maintaining the Company's competitive position.

Moreover, each employee is required to enter into a non-compete agreement with the Company during their employment and for a specified period not less than one year subsequent to the termination of employment. They are also asked to sign a non-disclosure agreement prohibiting them from disclosing confidential information to third parties for an indefinite period. These agreements also provide that the employee assign to the Company all intellectual property rights in any work undertaken by the employee.

Legal

Intrinsyc is not aware of any active, pending or threatened litigation that would be material to either the results of operations or the financial position of the Company.

Intrinsyc advises that they are in compliance with all regulatory matters required to operate its business.

5.0 USE OF PROCEEDS

5.1 Use of Proceeds

6.0 HISTORICAL FINANCIAL INFORMATION

6.1 Basis of Presentation

Historical information for Intrinsyc include audited statements for 1997 and 1998 and internal statements for the first two quarters of fiscal year 1999. The audit for Intrinsyc was completed by KPMG LLP. In the opinion of management, these statements reflect fairly in accordance with GAAP the financial position and results of operations of the Company for the years presented.

6.2 Management's Discussion of Financial Results

Background and Overview

The Company's history can be divided into two phases. The first phase started with the Company's inception in August 1992, during which the Company focused on developing a line of embedded microchips (the ITC323A chip) that was focused on low volume applications such as laboratory data acquisition and control projects.

The second phase began in the fall of 1996, when the Company abandoned the microchip business due to low barriers to entry into the market and overall limited potential. Shortly after becoming involved with the Company, Messrs. Spratt and Yu determined that it was in the best interest of the Company to shift its focus to embedded Windows NT and Windows CE based software development. Consequently, the Company began acquiring and developing software tools and components which facilitated the development of embedded systems that use WinCE and/or WinNT as their operating systems.

The financial statements accompanying this memorandum do not include statements prior to fiscal year ended August 31, 1997 as they represent the business of the Company in Phase 1 and its shift towards Phase 2.

Operating Results - Fiscal 1998 compared to Fiscal 1997

Revenue in the year ended August 31, 1998 increased to $562,904 as compared to $69,036 during the previous year. Most of the revenue arose in the second half of fiscal 1998. The Company was still transitioning away from its abandoned microchip business during the first six months of fiscal 1998 while continuing to develop its new software products. Accordingly, revenues for the first six months ended February 28, 1998 was $28,703. With the release of its new software products, revenues began to increase and amounted to $534,201 during the latter half of the year.

Total normalized operating costs increased by 87% in the year ended August 31, 1998 to $3,660,000 from $1,956,000 in the previous year.[12] The increase is primarily attributable to the Company's efforts to develop its new software products <which ones?> and bring them to market as quickly as possible.

Consequently, research and development costs increased primarily in the areas of salaries and benefits (an increase of 232% from $260,000 to $863,000) and professional fees paid to contractors (an increase of 72% from $238,000 to $409,000). The Company had 12 employees and 6 contractors in the research and development department as at August 31, 1998, as compared to 4 employees and 5 contractors one year earlier.

As well, an expansion of sales and marketing infrastructure and promotional efforts led to a general increase in sales and marketing expenses. Advertising costs increased from $17,000 in fiscal 1997 to $304,000 in fiscal 1998 and salaries and commissions for sales personnel increased from $206,000 in fiscal 1997 to $549,000 in fiscal 1998. During fiscal 1998, the Company advertised in a number of industry-related magazines, journals and papers to promote its image and new products. The Company had two full time sales professionals in the United States, as well as additional personnel in Canada supporting the sales and marketing campaigns.

A related increase in administration expenses was also experienced. The largest increase was in shareholder relations (which consists primarily of costs associated with shareholder meetings and communications) which increased from $37,000 in fiscal 1997 to $233,000 in fiscal 1998. Office expenses also increased by 191% from $50,000 in fiscal 1997 to $146,000 in fiscal 1998. This is primarily attributable to the effect of a full year of lease payments for the Company's new premises in Vancouver and in Kirkland, Washington.

Due from Annabooks Software, LLC

Advances totaling US$238,000 were made to Annabooks Software, LLC ("Annabooks"), a California limited liability company. The advances are due on demand, bear interest at 9.5% and are secured by a Security Agreement covering all accounts of Annabooks. Subsequent to year end, advances of US $110,000 were repaid by Annabooks.

Advances to Annabooks were made in anticipation of a proposed merger between Annabooks and the Company that was scheduled to close on or before October 30, 1998. As this merger has been aborted, all of the Company's costs relating to the merger have been expensed. 1998 costs of $516,000 related to the aborted merger are largely comprised of fees for legal and tax services. The costs were high primarily because of the complexity involved in structuring the cross border transaction in a tax effective manner. Since this is a non-recurring item, it has moved from operational costs to "other" on the attached statements.

[12] "normalized" indicates that the costs associated with the aborted merger with Annabooks Software LLC ("Annabooks") have been removed from Administration to "other" on the Income Statement

Liquidity and Capital Resources, 1997 vs. 1998

Throughout fiscal 1997 and 1998, the Company financed its operations primarily through share issuances. The Company completed share offerings in February 1997, August 1997, November 1997 and the first calendar quarter of 1998 resulting in gross proceeds of $1,365,000, $700,000, $225,000 and $2,636,000, respectively. As a result of financing activities, the Company's working capital increased from $29,000 as at August 31, 1997 to $584,000 as at August 31, 1998.

Fiscal Year 1999: 1st Quarter ending Nov. 30th, 1998

Total sales for the quarter was $61,586 as compared to $5,503 a year ago. About seventy percent of the revenues were generated from design services and the rest were from software product sales.

Total normalized operating costs increased 6.9% from $718,412 to $768,091 in the first quarter of Fiscal 1999.[13]

Sales and Marketing expenses increased from $204,398 to $230,847 with re-allocation of certain personnel from the R&D Department into support roles in Sales and Marketing. The Company also undertook a substantial increase in its advertising campaign and spent $62,872 vs. $14,906 a year ago. The Company decreased spending in certain areas, such as printing ($15,120), and US office expenses ($11,606).

Research and Development increases were directly attributable to costs associated with salaries (an increase from $155,516 to $194,463, or 25%) and consultants (from $60,966 to $91,227, or 50% from one year ago) which the Company engaged for product development. During this quarter, the Company announced new and updated versions of existing products, CErfboard and DeviceCOM.

The Company arranged two shares-for-debt transactions in which $453,329 of accounts payables were exchanged for shares of the company at the then market prices.

Fiscal Year 1999: 2nd Quarter ending Feb. 28th, 1998

Total sales for the quarter were $538,000 as compared to $25,119 for the same period in the previous year, and year-to-date sales were $601,000 versus $29,000, respectively. Approximately 80% of the revenues came from design services, and the rest from Partnership Program Fees.

Total normalized operating costs in this quarter decreased by 26% to $601,000 from $808,000 in the previous year.[14]

[13] "normalized" indicates that the non-recurring merger cost related to Annasoft of $120,474 has been removed from operating expenses and moved to "other" on the Income Statement.

Decreases in Administration costs largely came from public/investor relations costs savings of about $60,000.

Sales and Marketing costs decreased by about $96,000, or 46%, from $210,000 to $131,000. Most of the savings came from salaries and consulting fees (a decrease of $34,000), advertising costs ($38,000) through invoice and pricing re-negotiations, and tradeshows ($21,000).

Salaries and benefits paid to employees and consultants, which were the largest component of the R&D costs, increased by about 10%, or $287,000 from $260,000. Equipment purchases increased by $17,000, and advertising (for personnel) costs decreased by about $8,000. Other changes were nominal.

During this quarter, the company completed a private placement of $750,000.00 as announced on December 30, 1998. The unit, priced at $.80, consisted of one Common share and one Common Share purchase warrant, exercisable within two years at a price of $1.10.

[14] As per above, "normalized" indicates costs (in this case income of $37,619) associated with the failed Annasoft merger have been moved from administration to "other"

6.3 Historical Consolidated Income Statements
($CDN)

	12 Months Ending 31-Aug-97	12 Months Ending 31-Aug-98	3 Months Ending 30-Nov-98	3 Months Ending 28-Feb-99
Sales	$69,036	$562,904	$62,835	$537,865
Expenses				
Administration	798,547	1,171,243	215,855	153,245
Sales and marketing	381,695	1,099,282	230,847	113,965
Research & development	775,779	1,389,834	321,899	333,841
	1,956,021	3,660,359	768,601	601,051
EBITDA	(1,886,985)	(3,097,455)	(705,766)	(63,186)
Depreciation	179,683	257,320	62,586	61,446
EBIT	(2,066,668)	(3,354,775)	(768,352)	(124,632)
Bank Charges and interest expense	3,571	4,020	739	959
Other	0	515,581	120,474	(37,619)
	3,571	519,601	121,213	(36,660)
Earnings before tax	(2,070,239)	(3,874,376)	(889,565)	(87,972)
Income tax	0	0	0	
Net income	($2,070,239)	($3,874,376)	($889,565)	($87,972)

6.4 Historical Consolidated Balance Sheets
($CDN)

	As at 31-Aug-97	As at 31-Aug-98	As at 30-Nov-98	As at 28-Feb-99
Assets				
Current assets				
Cash	$349,067	$834,619	$396,189	$641,790
Accounts receivable	96,988	315,088	252,666	487,365
Due from Annabooks Software, LLC	0	172,965	<>	132,305
Prepaid assets	25,890	31,492	31,492	31,492
Share subscriptions receivable	98,530	0	0	0
Total current assets	570,475	1,354,164	680,347	1,292,952
Net fixed assets	149,846	217,712	202,044	200,859
Net technology rights and licenses	407,487	219,820	172,903	125,986
Total assets	$1,127,808	$1,791,696	$1,055,294	$1,619,797
Liabilities and Shareholders' Equity				
Current liabilities				
Operating line	$0	$0	$0	$0
Accounts payable and accrued liabilities	461,611	769,845	923,008	496,075
Due to shareholder	80,000	0	0	0
Total current liabiliities	541,611	769,845	923,008	496,075
Funds received in advance of shares	597,316	0	0	0
Total liabilities	1,138,927	769,845	923,008	496,075
Shareholders' equity				
Common share capital	3,133,777	8,041,123	8,041,123	9,120,532
Preferred share capital	0	0	0	0
Retained earnings	(3,144,896)	(7,019,272)	(7,908,837)	(7,996,810)
Total shareholders' equity	(11,119)	1,021,851	132,286	1,123,722
Total liabilities and shareholders' equity	$1,127,808	$1,791,696	$1,055,294	$1,619,797

6.5 Historical Consolidated Statements of Change in Financial Position
($CDN)

	12 Months Ending 31-Aug-97	12 Months Ending 31-Aug-98	3 Months Ending 30-Nov-98	3 Months Ending 28-Feb-99
Cash from operations				
Net income	($2,070,239)	($3,874,376)	($889,565)	($87,973)
Depreciation and amortization	179,683	257,320	62,586	61,446
Accounts receivable	(59,351)	(218,100)	235,386	(367,083)
Prepaid expenses	(23,254)	(5,602)	0	0
Accounts payable and accrued liabilities	179,007	308,234	153,163	(426,933)
	(1,794,154)	(3,532,524)	(438,430)	(820,543)
Cash from financing activities				
Proceeds from issuance of share capital	2,138,417	4,408,560	0	1,079,409
Preferred share dividend	0	0	0	0
Share subscriptions receivable	(98,530)	0	0	0
Funds received in advance of share issuance	357,326	0	0	0
Advances from shareholders	80,000	(80,000)	0	0
Advances to Annabooks Software, LLC	0	(172,965)	0	0
	2,477,213	4,155,595	0	1,079,409
Cash from investing activities				
Purchase of capital assets	(140,968)	(137,519)	0	(13,265)
Purchase of technology rights and licenses	(555,497)	0	0	0
	(696,465)	(137,519)	0	(13,265)
Change in cash position	(13,406)	485,552	(438,430)	245,601
Cash position, opening	362,473	349,067	834,619	396,189
Cash position, closing	$349,067	$834,619	$396,189	$641,790

7.0 FINANCIAL PROJECTIONS

Pro forma financial statements have been prepared and will be released after receipt of a written Expression of Interest (as described in the section "The Investment Process"). The projections reflect accelerated revenue growth from the ongoing success of the DECF OEM partnership program and expected wins from the CErfBoard upgrade market.

APPENDIX A

Sample Customer List

Eaton Corp (www.eaton.com), DECF OEM Partner

Eaton Corporation is a global manufacturer of highly engineered products that serve industrial, vehicle, construction, commercial and semiconductor markets. Principal products include electrical power distribution and control equipment, truck drivetrain systems, engine components, hydraulic products, ion implanters and a wide variety of controls. Headquartered in Cleveland, the company has 49,500 employees and 155 manufacturing sites in 25 countries around the world. 1998 revenues of US$6.6 billion.

Current Project: Mobile computing platform – design of software architecture around Windows CE and Intrinsyc technologies.

Other Opportunities: Other Eaton divisions are reviewing Intrinsyc's technologies with strong interest for incorporation into other product lines.

Fastek International (www.fastekintl.com), DECF OEM Associate Partner

Fastek is a full-service software design center (SI) that provides custom-developed and integrate solutions for complete software programs and networks. Fastek's customers include Qualcomm, Eaton, Rockwell, and United Technologies. Fastek is privately held.

Current Project: Mobile computing platform as per Eaton above. No direct revenues to Intrinsyc at this time.

Other Opportunities: Application of Intrinsyc technologies in a number of other Fastek Systems Integration projects.

Groupe Schneider (www.groupeschneider.com), DECF OEM Partner

Groupe Schneider (now Schneider Electric) is a manufacturer of electrical distribution, control and automation products in 130 countries. The automation products of Groupe Schneider are manufactured by Schneider Automation, North Andover, Massachusetts, headquarters to the worldwide automation business of Groupe Schneider, Paris France. Modicon, Telemecanique and Square D products are sold domestically through the Square D Company and elsewhere in the world through Groupe Schneider. 1998 revenues of US$8.2 Billion.

Current Project: Adaptation of Intrinsyc technologies (CErfBoard with Rainbow and deviceCOM) to legacy product line.

Pending Projects: 1000 units for 1999. 2 additional product lines to come on line in 2000.

Other Opportunities: As a large OEM, Intrinsyc's technologies are applicable across many other Groupe Schneider product lines and market verticals.

Iconics (www.iconics.com), DECF Technology Partner

Iconics develops industrial automation software for Microsoft Windows Operating Systems. The company offers the industry's only suite of fully integrated OPC-Based components and products for Windows 95/98/NT and Windows CE, and OPC-To-The-Core framework. Iconics offers "plug & play" automation components ranging from OPC ActiveX Controls, OPC Toolkit, Human Machine Interface (HMI), SQL based Data Logging and Supervisory Control and Data Acquisition (SCADA) products. The company's products are fully WEB enabled. Iconics has offices in the United States, The Netherlands, the United Kingdom, China and the Czech Republic. It is represented in over 50 countries and has in excess of 50,000 installations worldwide. Iconics is privately held - 30% owned by Johnson Controls.

Current Project: Iconics is using Intrinsyc technologies to provide Internet connectivity and distributed computing capabilities to its Windows CE product line.

Other Opportunities: Strong Interest in also applying CErfBoard technologies for legacy PLC applications. With its large installed base, Iconics also potentially provides Intrinsyc with a strong distribution and partnering channel into a wide range of applications in factory floor automation.

Equitrac Corporation (www.equitrac.com), DECF OEM Partner

Equitrac Corporation is a leading provider of computer system solutions to manage office equipment resources. The Company's products are designed to allow users to automatically track, record and report usage of office equipment. Equitrac's wireless meter reading products provide an automated system for copier dealers and manufacturers to collect meter readings for photocopier lease and maintenance programs based on cost per copy contracts. 1998 revenues of US$30 Million.

Current Project: Using deviceCOM technology in an office automation application.

Other Opportunities: Other office automation product lines.

Honeywell Technologies (www.honeywell.com) , DECF OEM Partner

Honeywell technologies is the research division of Honeywell, which is a global leader in control technology that employs over 57,500 people in 95 countries working in three businesses, all linked by common control technologies: Home and Building Control, Industrial Control, Space and Aviation Control. 1998 revenues of $8.43 billion

Current Project: Windows CE based home automation controller using Rainbow and deviceCOM.

Other Opportunities: As a large OEM, Intrinsyc's NT technologies are applicable across many other Honeywell product lines and market verticals.

Intermec Technologies Corp. (www.intermec.com), DECF OEM Partner

Intermec, a subsidiary of Unova, Inc. specializes in the manufacture data collection hardware, network devices, mobile computers, bar code printers and label supplies in 70 countries. Unova also manufacturers radio frequency identification (RFID) systems for industrial markets and is also a leading designer of manufacturing and precision grinding systems, primarily for the automotive industry. 1998 revenues of US$1.7 Billion.

Current Project: Handheld data collection device using Rainbow.

Pending Project: Enhance above product line with deviceCOM.

Other Opportunities: As a large OEM, Intrinsyc's NT technologies are applicable across many other Intermec/Unova product lines and market verticals.

Siemens AG (www.siemens.com), DECF OEM Partner (Siro-Siemens Division)

Siemens AG is a global leader in electrical engineering and electronics with more than 400,000 employees worldwide developing and manufacturing products, as well as designing and installing complex systems and projects in more than 190 countries. Industry segments include: Energy, Industry, Transportation, Health Care, Lighting, and Information and Communications. 1998 revenues of US$65 Billion.

Current Project: Factory Automation Windows CE based HMI system using deviceCOM.

Other Opportunities: As a large OEM, Intrinsyc's NT technologies are applicable across many other Siemens product lines and market verticals. To date, discussions have taken place in regards to both Windows CE and Windows NT. Key meetings in Germany in April to review strategic opportunities. Good likelihood of additional consulting revenues in addition to licensing for OPC related activities.

Western Money Systems, DECF OEM Partner

Western Money Systems is a leading cashless money handling technology provider to the gaming industry worldwide. Western's products utilize Intranet/Extranet Web based communications to configure, monitor and manage extensive networks of gaming machines. Western is privately held.

Current Project: Gaming/POS application using CErfboard technologies.

Other Opportunities: The first order (above) is for a single casino installation. A number of other installations are being quoted on.

Philips (www.philips.com)

Philips Video Conference is active in the group video conferencing market. The company offers a full line of affordable systems for business use. Philips is one of the world's largest electronics companies. It employs nearly 234,000 people in over 60 countries; It makes products ranging from Compact Disc players to light bulbs, and security systems to semiconductors. Revenues for 1998 were US$34 Billion.

Current Project: Business Video Conferencing System using Rainbow.

Other Opportunities: Other business and home automation product lines.

Centigram Communications (www.centigram.com)

Centigram is a leading global provider of advanced wireless (analog, GSM, PCS, TDMA, CDMA and paging companies) and wireline (PTTs, BOCs, service bureaus, independent telcos and cable telephony companies) messaging and communications solutions to network operators in the telecom service provider market. Revenues for 1998 were US$67 Million.

Current Project: WinFT licensing in 1998.

Other Opportunities: Support and maintenance fees, other product lines.

PictureTel Corporation (www.picturetel.com)

PictureTel is the world leader in developing, manufacturing and marketing a full range of videoconferencing solutions. The company's systems meet customers' videoconferencing needs from the desktop to the boardroom. PictureTel also markets network conferencing servers and a comprehensive portfolio of enterprise-wide services. Revenues for 1998 were US$406 Million.

Current Project: Rainbow licensing in 1998.

GE Fanuc Automation Corporation (www.ge.com), DECF Partner - pending

GE is a global enterprise dedicated to helping companies around the world manage the process of change through factory automation. A joint venture of General Electric Company and FANUC LTD of Japan, GE Fanuc is part of GE Industrial Systems, a global manufacturer of products and systems used to distribute, protect, control and operate electrical equipment for commercial, utility and industrial applications. GE Fanuc has operations serving the Americas, Europe, and Asia with a total of 1,500 employees. General Electric is a diversified services, technology, and manufacturing company which operates in more than 100 countries around the world. GE employs 293,000 people worldwide. 1998 Revenues of US$101 Billion.

Current Project: Rainbow for internal projects.

Pending Projects: NT technology licensing in 1999 and 2000.

Other Opportunities: As a large OEM, Intrinsyc's NT technologies are applicable across many other GE product lines and market verticals.

Digital Electronics Corp (www.proface.co.jp), DECF Partner - pending

Digital is Japan's leading OEM provider of easy-to-use human and machine interface (HMI) products, programmable industrial display monitors, industrial panel computers, instruments and control systems for open systems architectures on the factory floor. Digital's customers include Cannon, Fuji Electric, Hitachi, IBM, Matsushita Electric, Mazda, Mitsubishi Electric, NEC, Nissan, Nippon Steel, Omron, Sharp, Sony, Toshiba, and Toyota. Digital Electronics Corp. is privately held.

Pending Projects: Adaptation of Intrinsyc technologies (CErfBoard with Rainbow and deviceCOM) to legacy product line.

Other Opportunities: Digital has strong OEM relationships with numerous key potential direct users of Intrinsyc's technologies. Digital is asking Intrinsyc to be the exclusive technology representative in Japan for Intrinsyc.

Fisher Rosemount (www.frco.com), DECF OEM Partner - pending

Fisher Rosemount's division Rosemount Analytical, a subsidiary of Emerson Electric, (Intellution is another subsidiary), offers a comprehensive line of analyzers and systems for efficiency, quality, and environmental analytical measurement solutions. Fisher Rosemount is a recognized leader in providing better process performance: measurement, analysis, control, and integration. Emerson Electric's 1998 Revenues were US$14 Billion.

Current Project: training.

Pending Projects: adaptation of Intrinsyc technologies (CErfBoard with Rainbow and deviceCOM) to legacy product line.

Other Opportunities: As a large OEM, Intrinsyc's technologies are applicable across many other Groupe Schneider product lines and market verticals.

Lexus/U Park, DECF OEM Partner

POS Ticketing Systems, Parking Systems, based on Internet based networking. Privately held.

Current Project: adaptation of Intrinsyc technologies (CErfBoard with Rainbow and deviceCOM) and custom application development to update legacy product line.

Pending Projects: Additional licenses and unit sales in 2000.

Other Opportunities: Leverage into other ticketing applications.

APPENDIX B

OEM Reference Quotes

"Intrinsyc's deviceCOM technologies extend the capabilities of Windows CE in the industrial control market…" - *Graham Clark, Director Product Industries,* ***Microsoft***

"With products like Rainbow, Windows CE can be deployed in many new targeted product categories for embedded systems" - *Tony Barbagallo, Marketing Manager, Windows CE,* ***Microsoft***

"In my opinion IX should be a required tool for all OEM's" - *Rob Wehrli,* ***Windows CE Tech Journal***

"Intrinsyc offers significant enabling technologies such as deviceCOM, Rainbow and CErfBoard which facilitate the rapid development of industrial automation applications" - *Russ Aggrura, President,* ***Iconics***

"Intrinsyc's deviceCOM is the foundation for our Windows CE distributed office system tracking application, easily bridging our NT-based systems with our new CE-based controllers." - *Ben Strum, Developer Mgr,* ***Equitrac***

"We selected Intrinsyc's CErfBoard and deviceCOM because of the immediate cost savings, time to market and reliability advantages these components bring to our gaming applications." - *Barry Fentz, Senior VP,* ***Western Money Systems***

"We needed a new controller platform on which we can develop our next generation of smart ticket vending machine. The Intrinsyc CErfBoard, Rainbow web server and custom adaptation services provide us with a powerful and expandable design in record time". - *John Hollo, President,* ***Universal Group***

"Intrinsyccs deviceCOM allows high-performance OPC and DCOM functionality on embedded Windows CE platforms, and makes data access and Windows CE implementation throughout the enterprise a reality today." *Nat Frampton*, ***Microsoft*** *Windows CE in Controls roadshow coordinator.*

"With Intrinsyc's deviceCOM, we can deliver a fast, turnkey software solution to manufacturers of Industrial Automation Systems. deviceCOM and Rainbow Web Server are unique solutions that successfully address OEM issues in building devices to interoperate in the industrial market. We are proud to partner with Intrinsyc." - *Joe Notarangelo, Vice President of Strategic Business Development,* ***BSquare Corporation***.