



2009 ANNUAL REPORT

CONTENTS

REPORT TO SHAREHOLDERS	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	39
AUDITORS' REPORT TO THE SHAREHOLDERS	40
SHAREHOLDER INFORMATION	73
BOARD OF DIRECTORS	74

REPORT TO SHAREHOLDERS

Dear Shareholders,

Market conditions were very difficult for the Company in 2009. The general economic downturn and contraction in the financial services industry lead to a loss of clients and increased pricing pressure in order to retain existing clients. Trading volumes were flat to down across all segments in which the Company operates. Volatility declined from 2008 levels resulting in reduced opportunities for profitable trading strategies for our clients.

Management adjusted the presentation of the annual financial statements to show revenue net of exchange and clearing fees, on which the Company makes no margin, given the increasing size of these fees in relation to the Company's other revenues.

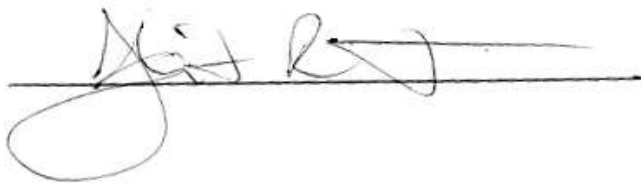
Strategy

In 2009, the Company's focus was on improving its service and reliability and expanding its product offering to include clearing. The Company was able to successfully introduce clearing as an extension of our equity execution product offering in the second quarter. The Company was successful in greatly improving its service delivery and product suite through the release of a significant technology upgrade at the end of the third quarter.

In the fourth quarter the Company accelerated a review of its cost structure, including headcount, market data, telecommunications and occupancy, given the continuing lower revenues. We reduced our headcount in the fourth quarter by a further 19% after having reduced it by 8% in the first quarter of 2009 and announced additional cost saving measures including salary freezes and salary reductions for senior management. A corporate reorganization was implemented to improve the Company's ability to increase revenues and included the hiring of Andrew Brenner to lead our US sales efforts.

The Company's strategy in 2010 is to further narrow the product focus and required supporting infrastructure to improve profitability in a low growth environment.

Yours truly,

A handwritten signature in black ink, appearing to read "Judith Robertson", is written over a horizontal line. The signature is stylized and cursive.

Judith Robertson
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations should be read in conjunction with the audited consolidated financial statements of Belzberg Technologies Inc. (the "Corporation" or "Belzberg") and the notes thereto for the year ended December 31, 2009. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The reporting currency in this MD&A is Canadian dollars. All amounts in this MD&A are in thousands of Canadian Dollars except where otherwise indicated and per share amounts. Additional information relating to the Corporation, including the Corporation's Annual Information Form is on SEDAR at www.sedar.com. The MD&A is as of March 9, 2010.

Caution regarding forward-looking statements

This MD&A contains certain forward-looking statements that reflect Management's expectations, estimates, forecasts and projections about future performance, opportunities for growth and the Corporation's future plans and intentions. Forward-looking statements are typically identified by words such as "believe", "expect", "may", "intend" and "plan." Forward-looking statements involve significant risk, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by these forward-looking statements. Some of the factors that could cause such differences include: the regulations governing the securities industry, competition for global trading solutions and intelligent order routing systems, customer dependence, ability to attract and retain key employees, technological changes, uncertainty of the ability to protect proprietary technology and product and service liability. The preceding list is not exhaustive of all possible factors. Other factors could also affect the Corporation's results. For a more detailed discussion of these factors refer to the section titled "Risks and Uncertainties" in this MD&A. All factors should be considered carefully when making decisions with respect to the Corporation and undue reliance should not be placed on the Corporation's forward-looking statements. The Corporation does not undertake to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Nature of Business

Belzberg Technologies Inc. is a provider of trading systems and technology-based brokerage services through its wholly owned subsidiary, Electronic Brokerage Systems, LLC, a US broker-dealer. Using Belzberg's suite of integrated trading tools and network connectivity, the Corporation's customers have direct access to North American equities and options markets. Belzberg's products and services enable traders to execute and manage large volumes of transactions with reliability and security.

In 2001, the Corporation acquired a broker-dealer that provides the execution of exchange-traded equity and index options on the Chicago Board Options Exchange.

In 2002, the Corporation's wholly owned subsidiary, Electronic Brokerage Systems, LLC, became a member of both the NSCC and the NYSE. These memberships allowed the Corporation to become self-clearing.

In 2006, the Corporation acquired the business and assets of a direct access New York floor broker.

In 2008, the Corporation was approved by the Financial Industry Regulatory Authority to provide full clearing services.

Market and Economic Situation Review

Market conditions were very difficult for the Corporation in 2009. The general economic downturn and contraction in the financial services industry lead to a net loss of clients and increased pricing pressure in order to maintain existing clients. Trading volumes were flat to down across all segments in which the Corporation operates. Volatility declined to historically low levels resulting in reduced opportunities for profitable trading strategies for our clients. New client revenues were insufficient to compensate for the loss of revenues resulting from price cuts, client downsizing or client elimination.

These difficult conditions may continue in 2010.

Strategy

The Corporation's strategy is to supply tools and services to professional traders and their clients. Our clients use the Corporation's products for execution management, market connectivity and/or execution services in equities and options for all major markets in Canada and the US. In 2009, the Corporation's focus was on improving its service and reliability and expanding its product offering to include clearing. The Corporation also made significant progress in improving its operating ability through significant cost reductions in personnel, administration and technology.

The Corporation's strategy in 2010 is to further narrow the product focus and required supporting infrastructure to achieve profitability in a low growth environment. This strategy may include selling or exiting some product areas or other corporate transactions to achieve scale.

Financial Overview

2009 Financial Highlights and Summary

- Net revenue decreased by 24% for the year ended December 31, 2009 to \$23,114 from \$30,265 for the year ended December 31, 2008.
- Loss of \$16,480 (including a \$1,658 restructuring charge and non cash charges of \$5,823 relating to goodwill and intangible asset impairment charges and valuation allowances and write-downs against tax assets) or (\$1.11) per share for the year ended December 31, 2009 as compared to earnings of \$118 (including a \$1,052 restructuring charge and including \$936 related to a net income tax recovery) or \$0.01 per share for the year ended December 31, 2008.
- Cash flow utilized by operations of \$1,114 for the year ended December 31, 2009 compared to cash flow utilized by operations of \$367 for the year ended December 31, 2008.
- Working capital position of \$16,201 at December 31, 2009 as compared to \$24,980 at December 31, 2008.

The 2009 fiscal year presented a challenging economic and operating environment for the Corporation with the continued reduction of subscription based revenues as customers cancelled seats either as a result of cost cutting measures or the implementation of alternative solutions. The Corporation also experienced a 29% drop in its options execution revenues through the loss of customers and a slowdown in trading activity as a result of reduced volatility from the high levels seen in 2008. Important client gains were made, however they were not sufficient to compensate for the general decline in equity trading volumes and revenues.

The Corporation was able to successfully introduce clearing as an extension of our equity execution product offering in Q2. We are continuing to refine the scope of that offering to compensate for the Corporation's

limitations in its ability to offer financing and other services normally associated with clearing. While the Corporation was successful in greatly improving its service delivery and product suite through the release of a significant technology upgrade at the end of Q3, this did not immediately translate into new client growth given the market conditions.

In the fourth quarter the Corporation accelerated a review of its cost structure, including headcount, market data, telecommunications and occupancy, given the continuing lower revenues. We reduced our headcount in the fourth quarter by a further 19% after having reduced it by 8% in the first quarter of 2009. As a result, we recorded a restructuring charge for employee terminations of \$1,658 for the year of which \$819 was recorded in the fourth quarter. Our fourth quarter compensation expense was \$729 lower than the same period last year and our fourth quarter administrative expenses were \$390 lower than the same period last year. Additionally, the fourth quarter reorganization announced is expected to result in future annualized savings of \$1,400.

Our fourth quarter telecommunication and datafeed expenses were \$209 lower than the same period last year. We have had some success in renegotiating certain of our telecommunication costs but many of these costs are under longer term contracts making it difficult to reduce the costs in the short term. Subsequent to the year-end we completed a sublease for a portion of our corporate office space which will result in savings of approximately \$250 over the remaining 18 month term of the lease. The Corporation will continue to aggressively seek savings in these areas in 2010.

In the fourth quarter we conducted our annual goodwill and intangibles asset impairment tests. As the impairment tests indicated that the carrying value of the goodwill and intangibles exceeded their fair value, and due to continued difficult market conditions, we recorded a \$1,745 impairment charge. We also recorded a write-down of our Canadian federal investment tax and provincial corporate minimum tax credits of \$1,471. Given the uncertainty of the timing of a return to profitability, management no longer has reasonable assurance when the Corporation may realize the benefit of the tax credits carried forward. Additionally, a future tax expense of \$2,607 was recorded for the year related to valuation allowances against tax assets. These charges are non-cash in nature and do not affect our liquidity or cash flows from operating activities.

The Corporation's year-end financial position included cash and cash equivalents of \$15,670 (2008 - \$19,452).

Key Performance Indicators

Management regularly reviews the following key performance indicators to measure our progress and success:

- Average daily volumes of U.S. equity order flow and electronic option contracts executed;
- Average daily revenue of U.S. equity order flow and electronic option contracts executed;
- Days sales outstanding.

Management analyzes the average daily volumes in relation to volumes traded on major exchanges and ECN's including but not limited to the New York Stock Exchange, NASDAQ, Chicago Board of Options Exchange, International Securities Exchange and the Options Clearing Corporation to determine the strength of the business.

Management reviews average daily revenues to assist it in determining customer mix for forecasting the profitability of the Corporation.

Management reviews days sales outstanding of its receivables on a quarterly basis as a tool to improve its cash flow from operations.

Selected Annual Information

The table below sets out selected annual information for the Corporation.

(\$000's except per share amounts)	Year ended December 31,		
	2009	2008	2007
Net revenue	\$23,114	\$30,265	\$31,939
Net earnings (loss)	(16,480) (a)	118 (b)	7,263 (c)
Basic earnings (loss) per share	(1.11)	0.01	0.49
Diluted earnings (loss) per share	(1.11)	0.01	0.48
Total assets	26,221	41,958	41,272
Long term lease obligations	\$ -	\$ -	\$ -

(a) Includes \$1,745 of goodwill and intangible asset impairment charge, \$1,658 of restructuring charges, \$1,471 write-down against investment tax credits recoverable and future tax expense of \$2,607 related to valuation allowance against future tax assets

(b) Includes \$936 of income tax recovery and \$1,052 of restructuring charges

(c) Includes \$140 of income tax recovery and \$848 of federal ITC's not recognized prior to 2007

Results of Operations

Total Revenues

Total revenues for the years ended December 31,

(\$000's)	2009			2008		
	Canada	USA	Total	Canada	USA	Total
Equity orderflow and clearing	\$ 836	\$ 20,196	\$ 21,032	\$ 2,103	\$ 15,839	\$ 17,942
Electronic option and futures contracts	46	7,407	7,453	25	11,095	11,120
Brokerage option contracts	-	3,362	3,362	-	4,100	4,100
Subscription fees	4,687	220	4,907	6,616	471	7,087
Other revenue	1,103	354	1,457	1,117	395	1,512
Total revenue	6,672	31,539	38,211	9,861	31,900	41,761
Cost of exchange and clearance fees	-	(15,097)	(15,097)	-	(11,496)	(11,496)
Total net revenue	\$ 6,672	\$ 16,442	\$ 23,114	\$ 9,861	\$ 20,404	\$ 30,265

Total net revenue decreased by 24% from \$30,265 in 2008 to \$23,114 in 2009. In 2009, the Corporation generated approximately 71% (2008 - 67%) of its net revenues in the United States and 29% (2008 - 33%) of its net revenues in Canada. Net revenues in the United States decreased by 19% in 2009 (decreased by 3% in 2008) and revenues in Canada decreased by 32% in 2009 (decreased by 10% in 2008).

Transaction Fee Revenue

(i) Equity Order Flow and Clearing Revenue

Equity orderflow and clearing revenues for the years ended December 31,

(\$000's)	2009			2008		
	Canada	USA	Total	Canada	USA	Total
Equity orderflow and clearing	\$ 836	\$ 20,196	\$ 21,032	\$ 2,103	\$ 15,839	\$ 17,942
Cost of exchange and clearance fees	-	(12,663)	(12,663)	-	(7,320)	(7,320)
Total net equity orderflow and clearing revenue	\$ 836	\$ 7,533	\$ 8,369	\$ 2,103	\$ 8,519	\$ 10,622

Net transaction fee revenue from equity order flow decreased by 21% from \$10,622 in 2008 to \$8,369 in 2009.

Net equity order flow and clearing revenues executed on U.S. exchanges decreased by 12% year over year. Total US trading volumes decreased by 13% year over year mainly due to a slow down in trading volumes from existing customers. The cost of equity exchange and clearance fees increased by 74% year over year due to an increase in exchange fee pricing from the NYSE in the first quarter of 2009, higher trading volumes from a large customer and a clearing fee credit in the prior year that did not recur in the current year. The Corporation continues to experience pricing pressure in the U.S. equity markets as a result of competition from electronic execution providers and traditional broker dealers.

Equity order flow revenues executed on Canadian exchanges decreased by 60% year over year mainly as a result of the loss of buy-side accounts and a large sell side account internalizing its orderflow.

The following table summarizes key performance indicators relating to our U.S. equity order flow:

U.S. Equity Order Flow and clearing	Year ended December 31,		change	% change
	2009	2008		
Total trading volume (in billions of shares)	12.2	14.0	(1.8)	(13)%
Avg trading volume per day (in millions of shares)	48.5	55.2	(6.7)	(12)%
Avg net transaction fee revenue per trading day (in thousands CDN\$)	\$ 29.9	\$ 33.7	\$ (3.8)	(11)%
Avg net transaction fee revenue per share	\$ 0.0006	\$ 0.0006	\$ -	0%
U.S market trading days	252	253	(1)	

(ii) **Electronic Options and Futures Contracts**

Electronic option and futures revenues for the years ended December 31,

(\$000's)	2009			2008		
	Canada	USA	Total	Canada	USA	Total
Electronic option and futures contracts	\$ 46	\$ 7,407	\$ 7,453	\$ 25	\$ 11,095	\$ 11,120
Cost of exchange and clearance fees	-	(2,240)	(2,240)	-	(3,579)	(3,579)
Total net electronic option and futures revenues	\$ 46	\$ 5,167	\$ 5,213	\$ 25	\$ 7,516	\$ 7,541

Net transaction fee revenue from the electronic execution of options and futures contracts decreased by 31% from \$7,541 in 2008 to \$5,213 in 2009. The total volume of our electronic options contracts executed decreased by 44% on a year over year basis of which approximately 54% of the decline related to the loss of one customer while the balance related to a slowdown or cessation of trading by U.S. banks and brokerage houses. The cost of option exchange and clearance fees decreased by 37% year over year due to lower volumes cleared and executed.

The following table summarizes key performance indicators relating to our U.S. electronic options contracts executed:

U.S. Electronic Options Contracts Executed	Year ended December 31,		change	% change
	2009	2008		
Total trading volume (in millions of contracts)	27.1	48.2	(21.1)	(44)%
Avg trading volume per day (in thousands of contracts)	107.6	190.6	(83.0)	(44)%
Avg net transaction fee revenue per trading day (in thousands CDN\$)	\$ 20.5	\$ 29.7	\$ (9.2)	(31)%
Avg net transaction fee revenue per contract	\$ 0.19	\$ 0.16	\$ 0.03	19%
U.S market trading days	252	253	(1)	

Transaction Fee Revenue – Brokerage

Brokerage option contract revenues for the years ended December 31,

(\$000's)	2009			2008		
	Canada	USA	Total	Canada	USA	Total
Brokerage option contracts	\$ -	\$ 3,362	\$ 3,362	\$ -	\$ 4,100	\$ 4,100
Cost of exchange and clearance fees	-	(194)	(194)	-	(597)	(597)
Total net brokerage option contract revenues	\$ -	\$ 3,168	\$ 3,168	\$ -	\$ 3,503	\$ 3,503

Net transaction fee revenue from the brokerage segment decreased by 10% from \$3,503 in 2008 to \$3,168 in 2009. The average daily volume of floor option exchange contracts executed increased by 27% on a year over year basis but the average fee per contract decreased by approximately 35% as competition with electronic execution pricing increased. The cost of brokerage exchange and clearance fees decreased by 68% year over year due to lower option volumes that were cleared by the brokerage segment. The Corporation does not incur exchange fees on contracts executed which it does not clear.

The following table summarizes key performance indicators relating to our U.S. floor brokerage options contracts executed:

U.S. Floor Options Contracts Executed	Year ended December 31,			
	2009	2008	change	% change
Total trading volume (in millions of contracts)	22.6	17.8	4.8	27%
Avg trading volume per day (in thousands of contracts)	89.5	70.2	19.3	27%
Avg net transaction fee revenue per trading day (in thousands CDN\$)	\$ 12.6	\$ 13.8	\$ (1.2)	(9)%
Avg net transaction fee revenue per contract	\$ 0.14	\$ 0.20	\$ (0.06)	(30)%
U.S market trading days	252	253	(1)	

Subscription fee Revenue

Subscription fee revenue in the core business, which is based on customers paying a fixed monthly fee for use of the Belzberg trading systems and connectivity to the Belzberg network on a per terminal or other contracted basis, decreased by 31% in 2009 to \$4,907 from \$7,087 in 2008. This decrease resulted from price adjustments and from cancellation of terminals by customers either downsizing their trading desks or implementing alternative solutions. There was also a shift of certain subscription based revenues to transaction based revenues as the Corporation transitions certain customers to a transaction based model. A transaction based pricing model will allow the Corporation to benefit in increased trading volumes and better match the volume related cost growth to its revenue stream.

Other Revenue

Other revenue, which includes revenue from information distribution, software development fees, installation fees and recovery of telecommunication charges, decreased by 4% to \$1,457 in the year ended December 31, 2009 from \$1,512 in the year ended December 31, 2008. The decrease related mainly to lower information distribution revenues and lower recovery of telecommunication charges.

Expenses (Income)

(\$000's)	Expenses (Income) for the year ended December 31,							
	Core 2009	Brokerage 2009	Total 2009	% of Net Revenues	Core 2008	Brokerage 2008	Total 2008	% of Net Revenues
Compensation and related benefits	11,251	1,573	12,824	55 %	11,019	1,483	12,502	41 %
Telecommunication and datafeed services	7,524	250	7,774	34 %	6,772	216	6,988	23 %
Administrative and other expenses	4,063	172	4,235	18 %	4,841	438	5,279	17 %
Brokerage fees	2,025	1,119	3,144	14 %	2,792	1,733	4,525	15 %
Amortization of capital assets	2,028	14	2,042	9 %	1,892	12	1,904	6 %
Amortization of intangible asset	202	-	202	1 %	198	-	198	1 %
Foreign exchange loss(gain)	1,678	409	2,087	9 %	(219)	(508)	(727)	(2)%
Government assistance	1,295	-	1,295	6 %	(60)	-	(60)	-
Restructuring charges	1,654	4	1,658	7 %	1,052	-	1,052	3 %
Impairment of goodwill and intangible assets	1,372	373	1,745	8 %	-	-	-	-
Interest expense	25	-	25	-	4	-	4	-
Interest income	(190)	(3)	(193)	(1)%	(556)	(26)	(582)	(2)%
	\$ 32,927	\$ 3,911	\$ 36,838	159%	\$ 27,735	\$ 3,348	\$ 31,083	103%

Compensation and Related Benefits

Compensation and related benefits comprise the payroll cost of our headcount, incentive compensation to employees and any stock based compensation related to the grant of stock options to employees and directors.

Compensation and related benefits increased by 3% to \$12,824 for the year ended December 31, 2009 from \$12,502 for the year ended December 31, 2008. The increase can be attributed to higher sales commissions of \$620 paid to NY floor and upstairs brokers offset by \$326 of lower bonus, vacation and payroll and benefit expenses from headcount reductions.

At the end of 2009, after the impact of the announced restructuring, the Corporation reduced its headcount to 83 full time and 2 part-time employees as compared to 112 full time and 5 part-time employees at the end of the prior year.

Telecommunication and Datafeed Services

Telecommunication services comprise of the cost of the communication lines to connect our customers and our offices to each other and to the various exchanges, ECN's and datafeed suppliers. Datafeed service costs comprise of the cost of receiving datafeeds from the various exchanges and other providers to redistribute to our customers.

Telecommunication and datafeed services increased by 11% to \$7,774 for the year ended December 31, 2009 from \$6,988 for the year ended December 31, 2008. Approximately \$719 of the increase resulted from additional exchange trading connections, increased bandwidth for market data which was committed in Q4 2008 but did not start charging until Q3 2009, additional redundant interoffice connections (committed in 2008) and the effect of a stronger average US\$ exchange rate in 2009. Approximately \$160 of the year over year increase resulted from higher datafeed costs mainly due to the foreign exchange effect of a stronger average US\$ exchange rate in 2009 as compared to 2008.

Administrative and Other Expenses

Administrative and other expenses comprise of our occupancy costs, professional fees for legal and audit services, insurance costs and other office and general expenses.

Administrative and other expenses decreased by 20% to \$4,235 for the year ended December 31, 2009 from \$5,279 for the year ended December 31, 2008. The primary factors that contributed to the year over year decrease were lower (i) doubtful debt provisions of \$260 due to an overdue account in the prior year that did not recur in the current year, (ii) travel, advertising and promotional expenses of \$386, and (iii) office and general expenses of \$356.

Brokerage Fees

Brokerage fees are comprised of (i) the commissions we pay to other brokers and specialists for execution services and/or for the introduction of orderflow, (ii) the cost of our exchange and clearing organization memberships, (iii) the cost of seat leases, trading licenses and other brokerage fees and (iv) the cost of any trading errors that may arise.

Brokerage fees decreased by 31% to \$3,144 for the year ended December 31, 2009 from \$4,525 for the year ended December 31, 2008. The decrease can mainly be attributed to lower (i) trading errors of \$1,207 from an unusual floor brokerage trading error of US\$800 in 2008 not recurring in 2009, (ii) commissions of \$429 paid to other brokers for the introduction of business and for execution services. These decreases were offset by higher brokerage costs for seat leases, exchange regulatory fees and dues, third party technology fees and an accrual for a client trading issue (year over year increase of \$253).

Amortization of Capital Assets

Amortization of capital assets increased by 7% to \$2,042 for the year ended December 31, 2009 from \$1,904 for the year ended December 31, 2008. The increased amortization of capital assets relates mainly to additional computer and network equipment acquired.

Amortization of Intangible Assets

Amortization of intangible assets increased by 2% to \$202 for the year ended December 31, 2009 from \$198 for the year ended December 31, 2008. Additional amortization on computer software intangibles was offset by lower amortization on customer list intangibles due to an impairment charge recorded in the fourth quarter of 2009.

Foreign Exchange Loss (Gain)

During the third quarter of 2009 the Corporation ceased its strategy of partially hedging the exposure of its U.S. dollar net assets to fluctuations in the CAD/USD exchange rate. Prior to exiting its hedging strategy, the Corporation utilized foreign currency futures and options contracts to manage a portion of its exposure to fluctuations in foreign exchange rates. Changes in the fair value of the derivative instruments were recognized into income each period.

The Corporation incurred a consolidated foreign exchange loss of \$2,087 of which a loss of approximately \$1,678 related to the core business and a loss of \$409 related to the brokerage business for the year ended December 31, 2009. The consolidated foreign exchange loss is comprised of cash gains and losses incurred on option exchange contracts, net of the non-cash gains and losses incurred in translating the net assets of our integrated foreign subsidiaries into Canadian dollars. As at December 31, 2009, the Corporation had no option exchange contracts outstanding. The Corporation realized net cash gains of approximately \$368 on foreign exchange option contracts that were settled during the 2009 year.

The Corporation incurred a consolidated foreign exchange gain of \$727 of which a gain of approximately \$219 related to the core business and a gain of \$508 related to the brokerage business for the year ended December 31, 2008. The consolidated foreign exchange gain is comprised of cash gains and losses incurred on option exchange contracts, net of the non-cash gains and losses incurred in translating the net assets of our integrated foreign subsidiaries into Canadian dollars. As at December 31, 2008, the Corporation had option exchange contracts outstanding for the purchase of \$12,000 Canadian dollars at US\$.72 expiring in March 2009. These outstanding option exchange contracts had an unrealized gain of approximately \$366 at the 2008 year-end. The Corporation also realized losses of approximately \$2,205 on foreign exchange option contracts that were settled during the 2008 year.

Government Assistance

The government assistance amount for 2009 of \$1,295 is made up of Canadian provincial scientific research and experimental development (“SR&ED”) tax credits for the 2008 year of \$37 refunded in cash during fiscal 2009 and non-refundable Canadian federal SR&ED tax credits for the 2008 year of \$62 offset by a write-down of \$1,394 against Canadian federal SR&ED tax credits (“ITC’s”). Management recorded the write-down as it determined that it no longer has reasonable assurance given the uncertainty of the timing when the Corporation may realize the benefit of the federal ITC’s carried forward. The write-down of these tax assets is non-cash in nature and does not affect our liquidity or cash flows from operating activities. Any change in management’s estimate relating to the use of federal ITC’s could result in additional income or expense for the Corporation in the future. These assets remain available for use by the Corporation until they expire, beginning in 2021.

The Corporation recognized federal scientific research and experimental development (“SR&ED”) tax credits in the 2008 year of \$60 related to its 2007 tax year. There were no provincial SR&ED tax credits to the Corporation related to its 2007 tax year.

Government assistance relates to the core business.

Restructuring charges

Restructuring charges of \$1,658 (2008- \$1,052) include the severance and legal expenses related to employee terminations.

Impairment of Goodwill and Intangible Assets

In the fourth quarter of 2009, we conducted our annual goodwill and intangible asset impairment tests. We compared the fair value of the reporting units, to their carrying value for the goodwill impairment test and compared the fair value of the customer list intangibles to their carrying value. As the goodwill and intangible asset impairment tests indicated that their carrying values exceeded their fair value, impairment existed and we recorded a \$1,745 impairment charge of which \$137 related to customer list intangibles in the core business unit, \$1,235 to goodwill in the core business unit and \$373 to goodwill in the brokerage unit.

The goodwill and intangible asset impairment charges are non-cash in nature and do not affect our liquidity or cash flows from operating activities.

Interest Expense

Interest expense, increased to \$25 for the year ended December 31, 2009 from \$4 for the year ended December 31, 2008. The majority of the increase resulted from utilization of the Corporation's clearing facility to facilitate clearing breaks in the current year.

Interest Income

Interest income decreased to \$193 for the year ended December 31, 2009 from \$582 for the year ended December 31, 2008. The decrease resulted mainly from lower cash balances invested and from lower yields on T/Bill, money market and Bankers Acceptances (BA) in which excess cash was invested.

Income Taxes

During 2009 the Corporation recorded a current income tax expense of \$149 and a future income tax expense of \$2,607. The current tax expense is made up of a write-down of \$77 against Canadian Corporate minimum taxes as management does not have reasonable assurance that the benefit will be utilized in the future and other taxes paid. The future income tax expense includes a valuation allowance of approximately \$6,178 based upon management's best estimate, not more likely than not, of tax attributes that will be utilized against future taxable income.

During 2008 the Corporation recorded a future income tax recovery of approximately \$936 based upon management's best estimate, more likely than not, of tax attributes that would be utilized against future taxable income.

Management's estimate considered factors by taxing jurisdiction, such as estimated taxable income, the history of losses for tax purposes and the growth of the Corporation. Any change in management's estimates could result in an additional income tax recovery or expense in the future. Refer to Note 10 in the consolidated financial statements for further details.

The Corporation has net operating loss carry forwards in the United States of approximately \$8,342 and in Canada of \$4,430 that may be used to offset future taxable earnings. The losses expire in the United States beginning in 2023 and in Canada beginning in 2029. The Corporation has an accumulated SR&ED expenditure

pool in Canada of approximately \$2,072 that may be used to reduce future taxable income in Canada. The SR&ED expenditure pool can be carried forward indefinitely. The Corporation also has unrecorded investment tax credits of approximately \$1,394 in Canada that may be used to offset future federal income taxes payable in Canada and that expire beginning in 2021. Refer to Note 10 in the consolidated financial statements for further details.

Net Earnings (Loss)

The net loss for the year ended December 31, 2009 was \$16,480 (including restructuring charges of \$1,658 and non cash charges of \$5,823 relating to goodwill and intangible asset impairment as well as write-downs and valuation allowances against tax assets) from net earnings of \$118 (including restructuring charges of \$1,052 and \$936 related to a net income tax recovery) for the year ended December 31, 2008. The diluted loss per share for the year ended December 31, 2009, was \$1.11 per share as compared to earnings of \$0.01 per share for the year ended December 31, 2008.

Summary of Quarterly Results

The table below sets out selected quarterly information for the Corporation.

Belzberg Technologies Inc.

Summary of Quarterly Results

(Unaudited)

(\$'000's except per share amounts)	FY 2009				FY 2008			
	Q4 09	Q3 09	Q2 09	Q1 09	Q4 08	Q3 08	Q2 08	Q1 08
Revenue:								
Transaction fees:								
Equity order flow and clearing	\$ 4,353	\$ 4,147	\$ 6,242	\$ 6,290	\$ 6,463	\$ 4,543	\$ 3,157	\$ 3,779
Options and futures contracts	2,192	2,437	2,997	3,189	3,679	4,253	3,672	3,616
Subscription fees	1,075	1,214	1,223	1,395	1,683	1,764	1,787	1,853
Other	322	363	360	412	409	403	358	342
	7,942	8,161	10,822	11,286	12,234	10,963	8,974	9,590
Cost of exchange and clearance fees	(2,916)	(2,813)	(4,809)	(4,559)	(4,383)	(3,379)	(2,132)	(1,602)
Total Net Revenue	5,026	5,348	6,013	6,727	7,851	7,584	6,842	7,988
Expenses (Income)								
Compensation and related benefits	2,881	3,026	3,162	3,755	3,610	3,161	2,951	2,780
Telecommunication and datafeed services	1,842	1,815	2,067	2,050	2,051	1,721	1,662	1,554
Administrative and other expenses	1,121	872	1,052	1,190	1,511	1,259	1,416	1,093
Brokerage fees	840	650	669	985	988	1,815	1,004	718
Amortization of capital assets	463	522	534	523	507	469	465	463
Amortization of intangible assets	37	55	55	55	60	53	47	38
	7,184	6,940	7,539	8,558	8,727	8,478	7,545	6,646
Gain (loss) before the undernoted	(2,158)	(1,592)	(1,526)	(1,831)	(876)	(894)	(703)	1,342
Restructuring charges	819	-	-	839	1,052	-	-	-
Government assistance	1,390	-	(95)	-	(60)	-	-	-
Impairment of goodwill and intangible assets	1,745	-	-	-	-	-	-	-
Foreign exchange loss (gain)	355	1,200	364	168	(814)	(30)	58	59
Interest expense	3	4	12	6	1	3	-	-
Interest income	(22)	(40)	(44)	(87)	(117)	(129)	(149)	(187)
	4,290	1,164	237	926	62	(156)	(91)	(128)
Net earnings (loss) before taxes	\$ (6,448)	\$ (2,756)	\$ (1,763)	\$ (2,757)	\$ (938)	\$ (738)	\$ (612)	\$ 1,470
Provision for (recovery of) income taxes								
Current	149	-	-	-	(9)	2	-	7
Future	4,304	(406)	(358)	(933)	(679)	(418)	(184)	345
	4,453	(406)	(358)	(933)	(688)	(416)	(184)	352
Net earnings (loss)	\$ (10,901)	\$ (2,350)	\$ (1,405)	\$ (1,824)	\$ (250)	\$ (322)	\$ (428)	\$ 1,118
Earnings (loss) per share:								
Basic	\$ (0.74)	\$ (0.16)	\$ (0.09)	\$ (0.12)	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ 0.08
Diluted	(0.74)	(0.16)	(0.09)	(0.12)	(0.02)	(0.02)	(0.03)	0.07

Revenue from options and futures contracts has trended lower in 2009 due to reduced volatility levels from 2008 and the loss of a large customer.

Revenue from subscription fees has trended lower in 2009 from customer seat cancellations either as a result of cost cutting measures or the implementation of alternative solutions.

During Q2'09 the Corporation decided to cease the process of partially mitigating its exposure to non-cash foreign exchange translation gains and losses. As a result the foreign exchange translation gain or loss in Q2'09

and subsequent periods was more pronounced than in prior periods other than in Q4'08. In Q4'08 the Corporation had an unusual foreign exchange gain due to the Corporation being able to crystallize gains on a strengthening US\$.

The Brokerage fees in Q3'08 include an unusual trading error of US\$800.

Fourth Quarter Analysis

Revenue

Total Revenues for the fourth quarter ended December 31,

(\$000's)	2009			2008		
	Canada	USA	Total	Canada	USA	Total
Equity order flow and clearing	\$ 221	\$ 4,132	\$ 4,353	\$ 393	\$ 6,070	\$ 6,463
Electronic option and futures contracts	10	1,446	1,456	8	2,215	2,223
Brokerage Option contracts	-	736	736	-	1,456	1,456
Subscription fees	1,043	32	1,075	1,592	91	1,683
Other revenue	263	59	322	300	109	409
Total revenue	1,537	6,405	7,942	2,293	9,941	12,234
Cost of exchange and clearance fees	-	(2,916)	(2,916)	-	(4,383)	(4,383)
Total net revenue	\$ 1,537	\$ 3,489	\$ 5,026	\$ 2,293	\$ 5,558	\$ 7,851

Total net revenue decreased by \$2,825 to \$5,026 in the fourth quarter of 2009 from \$7,851 in the fourth quarter of 2008.

Transaction Fee Revenue

(i) Equity Order Flow and Clearing Revenue

Equity orderflow and clearing revenues for the fourth quarters ended December 31,

(\$000's)	2009			2008		
	Canada	USA	Total	Canada	USA	Total
Equity order flow and clearing	\$ 221	\$ 4,132	\$ 4,353	\$ 393	\$ 6,070	\$ 6,463
Cost of exchange and clearance fees	-	(2,452)	(2,452)	-	(3,458)	(3,458)
Total net equity orderflow and clearing revenue	\$ 221	\$ 1,680	\$ 1,901	\$ 393	\$ 2,612	\$ 3,005

Net transaction fee revenue from equity order flow decreased by 37% from \$3,005 in the fourth quarter of 2008 to \$1,901 in the fourth quarter of 2009.

Net equity order flow and clearing revenues executed on U.S. exchanges decreased by 36% year over year. A strengthening Canadian dollar adversely impacted net U.S. equity order flow revenue by approximately \$245 on a year over year basis. Total US trading volumes decreased by 38% year over year mainly due to a slow down in trading volumes from existing customers. The Corporation continues to experience pricing pressure in the U.S. equity markets as a result of competition from electronic execution providers and traditional broker dealers.

Equity order flow revenues executed on Canadian exchanges decreased by 44% year over year mainly as a result of the loss of buy-side accounts and a large sell side account internalizing its orderflow.

The following table summarizes key performance indicators relating to our U.S. equity order flow:

U.S. Equity Order Flow	Fourth quarter ended December 31,			
	2009	2008	change	% change
Total trading volume (in billions of shares)	2.7	4.3	(1.6)	(38)%
Avg trading volume per day (in millions of shares)	41.6	67.0	(25.4)	(38)%
Avg net transaction fee revenue per trading day (in thousands CDN\$)	\$ 26.3	\$ 40.8	\$ (14.5)	(36)%
Avg net transaction fee revenue per share	\$ 0.0006	\$ 0.0006	\$ -	0%
U.S market trading days	64	64	-	

(ii) Electronic Options and Futures Contracts

Electronic option and futures revenues for the fourth quarters ended December 31,

(\$000's)	2009			2008		
	Canada	USA	Total	Canada	USA	Total
Electronic option and futures contracts	\$ 10	\$ 1,446	\$ 1,456	\$ 8	\$ 2,215	\$ 2,223
Cost of exchange and clearance fees	-	(423)	(423)	-	(741)	(741)
Total net electronic option and futures revenues	\$ 10	\$ 1,023	\$ 1,033	\$ 8	\$ 1,474	\$ 1,482

Net transaction fee revenue from the electronic execution of options and futures contracts decreased by 30% from \$1,482 in the fourth quarter of 2008 to \$1,033 in the fourth quarter of 2009. A strengthening Canadian dollar adversely impacted net U.S. option revenue by approximately \$149 on a year over year basis. Approximately 74% of the decline in year over year trading volumes related to the loss of one customer.

The following table summarizes key performance indicators relating to our U.S. electronic options contracts executed:

U.S. Electronic Options Contracts Executed	Fourth quarter ended December 31,			
	2009	2008	change	% change
Total trading volume (in millions of contracts)	5.2	7.6	(2.4)	(32)%
Avg trading volume per day (in thousands of contracts)	82.0	119.0	(37.0)	(31)%
Avg net transaction fee revenue per trading day (in thousands CDN\$)	\$ 16.0	\$ 23.0	\$ (7.0)	(30)%
Avg net transaction fee revenue per contract before pass-throughs	\$ 0.20	\$ 0.19	\$ 0.01	5%
U.S market trading days	64	64	-	

Transaction Fee Revenue – Brokerage

Brokerage option contract revenues for the fourth quarters ended December 31,

(\$000's)	2009			2008		
	Canada	USA	Total	Canada	USA	Total
Brokerage option contracts	\$ -	\$ 736	\$ 736	\$ -	\$ 1,456	\$ 1,456
Cost of exchange and clearance fees	-	(41)	(41)	-	(184)	(184)
Total net brokerage option contract revenues	\$ -	\$ 695	\$ 695	\$ -	\$ 1,272	\$ 1,272

Net transaction fee revenue from the brokerage segment decreased by 45% from \$1,272 in the fourth quarter of 2008 to \$695 in the fourth quarter of 2009. A strengthening Canadian dollar adversely impacted U.S. option floor brokerage revenue by approximately \$101 on a year over year basis.

The following table summarizes key performance indicators relating to our U.S. floor brokerage options contracts executed:

U.S. Floor Options Contracts Executed	Fourth quarter ended December 31,			
	2009	2008	change	% change
Total trading volume (in millions of contracts)	5.7	6.1	(0.4)	(7)%
Avg trading volume per day (in thousands of contracts)	89.3	94.7	(5.4)	(6)%
Avg net transaction fee revenue per trading day (in thousands CDN\$)	\$ 10.9	\$ 19.9	\$ (9.0)	(45)%
Avg net transaction fee revenue per contract	\$ 0.12	\$ 0.21	\$ (0.09)	(43)%
U.S market trading days	64	64	0	

Subscription Fee Revenue

Subscription fee revenue in the core business, which is based on customers paying a fixed monthly fee for use of our Belzberg trading systems and connectivity to the Belzberg network on a per terminal or other contracted basis, decreased by 36% from \$1,683 in the fourth quarter of 2008 to \$1,075 in the fourth quarter of 2009. This decrease resulted from price adjustments and from cancellation of terminals by customers either downsizing their trading desks or implementing alternative solutions. There was also a shift of certain subscription based revenues to transaction based revenues as the Corporation transitions certain customers to a transaction based model.

Other Revenue

Other revenue, which includes revenue from information distribution, software development fees, installation fees and recovery of telecommunication charges, decreased by 21% from \$409 in the fourth quarter of 2008 to \$322 in the fourth quarter of 2009. The decrease related to lower telecommunication and datafeed recoveries.

Expenses (Income)

Expenses (Income) for the fourth quarter ended December 31,

	Core	Brokerage	Total	% of	Core	Brokerage	Total	% of
(\$000's)	2009	2009	2009	Net	2008	2008	2008	Net
				Revenues				Revenues
Compensation and related benefits	2,545	336	2,881	57 %	3,212	398	3,610	46 %
Telecommunication and datafeed services	1,780	62	1,842	37 %	1,983	68	2,051	26 %
Administrative and other expenses	1,087	34	1,121	22 %	1,369	142	1,511	19 %
Brokerage fees	571	269	840	17 %	735	253	988	13 %
Amortization of capital assets	461	2	463	9 %	503	4	507	6 %
Amortization of intangible asset	37	-	37	1 %	60	-	60	1 %
Foreign exchange loss(gain)	311	44	355	7 %	(480)	(334)	(814)	(10)%
Government assistance	1,390	-	1,390	28 %	(60)	-	(60)	(0)
Impairment of goodwill and intangible assets	1,372	373	1,745	35 %	-	-	-	0 %
Restructuring charges	815	4	819	16 %	1,052	-	1,052	0
Interest expense	3	-	3	-	1	-	1	-
Interest income	(22)	-	(22)	0 %	(112)	(5)	(117)	(1)%
	\$ 10,350	\$ 1,124	\$ 11,474	228%	\$ 8,263	\$ 526	\$ 8,789	112%

Compensation and Related Benefits

Compensation and related benefits decreased by 20% to \$2,881 in the fourth quarter of 2009 from \$3,610 in the fourth quarter of 2008. The decrease can be attributed to lower (i) compensation and benefits of approximately \$556 from headcount reductions and from a stronger Canadian dollar that decreased US dollar compensation reported in Canadian dollars, and (ii) stock based compensation of approximately \$102 related to certain fully vested option grants in the fourth quarter of 2008 that did not recur in the current year.

Telecommunication and Datafeed Services

Telecommunication and datafeed services decreased by 10% to \$1,842 in the fourth quarter of 2009 from \$2,051 in the fourth quarter of 2008.

Approximately \$156 of the decrease related to lower datafeed costs from a strengthening Canadian dollar and from customer and service cancellations. The remaining decrease was made up of a decrease in telecommunication connections to customers, and a strengthening Canadian dollar offset by increases in market data.

Administrative and Other Expenses

Administrative and other expenses decreased by 26% to \$1,121 in the fourth quarter of 2009 from \$1,511 in the fourth quarter of 2008. The decrease is mainly attributable to (i) an additional doubtful debt provision of \$105 in the brokerage segment in the prior year that did not recur in the current year, (ii) Lower consulting fees of \$139, (iii) lower travel, advertising, entertainment and promotional expenses of \$133, and (iv) lower office and general, maintenance and repair and occupancy costs of \$182. These increases were offset by higher professional fees of \$225 related to a strategic initiative.

Brokerage Fees

Brokerage fees decreased by 15% to \$840 in the fourth quarter of 2009 from \$988 in the fourth quarter of 2008. The decrease can be attributed to lower (i) brokerage expenses and (ii) commissions paid to other brokers for the introduction of business and for execution services performed.

Amortization of Capital Assets

Amortization of capital assets decreased by 9% to \$463 in the fourth quarter of 2009 from \$507 in the fourth quarter of 2008. The year over year decrease relates mainly to certain capital assets becoming fully depreciated during the year.

Amortization of Intangible Assets

Amortization of intangible assets decreased by \$23 in the fourth quarter year over year as a result of an impairment charge recorded against intangible assets in the fourth quarter of 2009.

Foreign Exchange Loss (Gain)

The Corporation incurred a non-cash foreign exchange translation loss of \$355 in the fourth quarter of 2009 (of which a loss of \$44 related to the brokerage business and a loss of \$311 related to the core business) that arose from the foreign exchange impact of translating the net assets of our integrated foreign subsidiaries into Canadian dollars. The Corporation no longer mitigates its exposure to fluctuations in foreign exchange rates and a strengthening of the Canadian dollar against the US dollar will result in foreign exchange losses on translation.

The Corporation incurred a foreign exchange gain of \$814 in the fourth quarter of 2008 (of which a gain of \$334 related to the brokerage business and a gain of \$480 related to the core business) that arose from gains and losses incurred on option exchange contracts, net of the foreign exchange impact of translating our integrated foreign subsidiaries.

Government Assistance

The Corporation recorded a write-down of \$1,394 against Canadian federal ITC's in the fourth quarter of 2009 as management determined that it no longer has reasonable assurance given the uncertainty of the timing when the Corporation may realize the benefit of the federal ITC's carried forward. The write-down of these tax assets is non-cash in nature and does not affect our liquidity or cash flows from operating activities. These assets remain available for use by the Corporation until they expire, beginning in 2021.

Any change in management's estimate relating to the use of federal ITC's could result in additional income or expense for the Corporation in the future.

Impairment of goodwill and intangible assets

In the fourth quarter of 2009, we conducted our annual goodwill and intangible asset impairment tests. We compared the fair value of the reporting units, to their carrying value for the goodwill impairment test and compared the fair value of the customer list intangibles to their carrying value. As the goodwill and intangible asset impairment tests indicated that their carrying values exceeded their fair value, impairment existed and we recorded a \$1,745 impairment charge of which \$137 related to customer list intangibles in the core business unit, \$1,235 to goodwill in the core business unit and \$373 to goodwill in the brokerage unit.

The goodwill and intangible asset impairment charges are non-cash in nature and do not affect our liquidity or cash flows from operating activities.

Restructuring Charges

Restructuring charges in the fourth quarters of 2009 and 2008 include the severance and legal expenses related to employee terminations.

Income Taxes

The Corporation recorded a future tax expense of \$4,304 in the fourth quarter of 2009 based upon management's best estimate, not more likely than not, of tax attributes that will be utilized against future taxable income. The current tax expense of \$149 in the fourth quarter of 2009 relates to a write-down of \$77 against Canadian corporate minimum taxes and other income taxes paid of \$72.

The Corporation recorded a future tax recovery of \$679 in the fourth quarter of 2008 based upon management's best estimate, more likely than not, of tax attributes that would be utilized against future taxable income.

Management's estimate considered factors by taxing jurisdiction, such as estimated taxable income, the history of losses for tax purposes and the growth of the Corporation. Any change in management's estimates could result in an additional income tax recovery or expense in the future. Refer to Note 10 in the consolidated financial statements for further details.

Net Earnings (Loss)

The net loss for the fourth quarter of 2009 was \$10,901 (including \$819 related to restructuring charges and non-cash charges of \$7,520 relating to goodwill and intangible asset impairment and valuation allowances against tax assets) as compared to a net loss of \$250 (including \$1,052 related to restructuring charges and

\$688 related to a net income tax recovery). Diluted loss per share for the fourth quarter of 2009, decreased to \$0.74 per share from a loss of \$0.02 per share for the fourth quarter of 2008.

Transactions with Related Parties

During 2009, the Corporation's subsidiary, Electronic Brokerage Systems, LLC, paid seat lease expenses at market rates of approximately \$142 (2008 - \$121) and paid for execution services in the amount of \$194 (2008 - \$180) to a company controlled by the president of Electronic Brokerage Systems, LLC. In addition, Electronic Brokerage Systems, LLC recorded transaction fee revenues of approximately \$206 (2008 - \$19) from the same company for the year ended December 31, 2009.

Liquidity and Capital Resources

Financial Position

At December 31, 2009 the Corporation had cash and cash equivalents of \$15,670 and working capital of \$16,201

The Corporation's subsidiaries Electronic Brokerage Systems, LLC, and Robert C. Sheehan & Associates, LLC are subject to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities Exchange Act of 1934 that requires the maintenance of minimum net capital. Under this rule, Electronic Brokerage Systems, LLC is required to maintain net capital equal to the greater of US\$500 or 2% of aggregate debit balances arising from customer transactions, as defined, and Robert C. Sheehan & Associates, LLC is required to maintain net capital equal to the greater of US\$100 or 6-2/3% of aggregate indebtedness, as defined. As at December 31, 2009, Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC had net capital of US\$9,691 and US\$1,938 and a net capital requirement of US\$500 and US\$100, respectively.

Electronic Brokerage Systems, LLC is currently required by the Options Clearing Corporation ("OCC") to maintain minimum net capital of US\$2,000. At December 31, 2009, Electronic Brokerage Systems, LLC was in compliance with this requirement.

Operating Activities

The Corporation utilized \$1,114 of cash for operations for the year ended December 31, 2009 as compared to utilizing \$367 of cash for operations for the year ended December 31, 2008. The decrease in cash flow from operations is mainly attributable to the \$16,598 decline in the profitability of the Corporation adjusted for the following non-cash items. The change in accounts receivable increased 2009 cash provided by operating activities by \$3,568 and increased cash flows by \$4,940 compared to 2008 mainly due to significantly lower revenues at the end of 2009 as compared to 2008. The change in net payable/receivable from brokers, dealers and clearing organizations increased cash provided by operating activities by \$1,041 in 2009, an increase of \$2,078 compared to 2008 partially as a result of transferring cash from a broker dealer to our cash and cash equivalents. The change in prepaid expenses and other receivables together with other assets increased 2009 cash provided by operating activities by \$1,631 and increased cash flows by \$2,425 compared to 2008 mainly due to selling our foreign exchange option contracts in the current year. Reductions in cash and cash equivalents on deposit with clearing and depository organizations increased 2009 cash provided by operating

activities by \$626, but decreased cash flows by \$356 compared to 2008. Increases in payable to customers and correspondents increased 2009 cash provided by operating activities by \$1,765, an improvement of \$1,582 compared to 2008 mainly due to holding customer funds from clearing operations. The change in investment tax credits increased 2009 cash provided by operating activities by \$1,517, an improvement of \$1,720 compared to 2008, mainly due to recording a valuation allowance and due to receiving \$84 in cash for provincial SR&ED credits. Income tax payments and receivables increased 2009 cash provided by operating activities by \$77 an improvement of \$179 compared to 2008 mainly due to installment refunds in the current year. Decreases in accounts payable and accrued liabilities reduced 2009 cash provided by operating activities by \$1,174, a decrease of \$3,470 compared to 2008 mainly due to a slow down in operations in the current year. The change in cash segregated under regulations and other reduced 2009 cash provided by operating activities by \$2,621, a decrease of \$2,437 compared to 2008 mainly due to segregating cash to cover increases in payables to customers in the current year. Foreign exchange gains increased the reconciliation of net income to cash provided by operating activities by \$1,628 compared to a decrease of \$1,413 in 2008 reflecting a strengthening of the Canadian dollar in 2009. The provision for future income taxes increased the reconciliation of net income to cash provided by operating activities by \$3,045 in 2009, which is \$4,271 higher than in 2008 reflecting the valuation allowance in 2009. The impairment of goodwill and intangible assets increased the reconciliation of net income to cash provided by operating activities by \$1,745 in 2009 while there was no similar amount in 2008. Amortization of capital and intangible assets increased the reconciliation of net income to cash provided by operating activities by \$2,244 in 2009, which is \$142 higher than in 2008.

Investing Activities

The Corporation utilized \$943 of cash for investing activities in the year ended December 31, 2009 as compared to utilizing \$2,706 of cash for investing activities in the year ended December 31, 2008. Investing activities in 2009 consisted primarily of the acquisition of network equipment of \$949. Investing activities in 2008 consisted primarily of the acquisition of network equipment of \$2,473 and the acquisition of software intangibles of \$212.

Financing Activities

The Corporation utilized \$97 of cash for financing activities in the year ended December 31, 2009 as compared to generating \$31 of cash from financing activities in the year ended December 31, 2008. Financing activities in the year ended December 31, 2009 included repurchase of common shares under a NCIB of \$97. Financing activities in the year ended December 31, 2008 included proceeds from the exercise of employee stock options of \$364, repurchase of common shares under a NCIB of \$306 and repayment of capital lease obligations of \$27.

Liquidity and Sources of Financing

The Corporation's subsidiary, Electronic Brokerage Systems, LLC, has a secured credit facility of US\$25,000 that may only be utilized to facilitate clearing and settlement activities. The facility when utilized is collateralized by marketable securities ("the pledged securities") that are held at the Depository and Trust Corporation ("DTC") as a result of a clearing break. There were no amounts outstanding under this facility at December 31, 2009.

The Corporation's wholly owned U.S. broker-dealer, Electronic Brokerage Systems, LLC, is required by the Securities exchange Commission ("SEC") and the Options Clearing Corp ("OCC") to maintain specific levels of net capital (refer to financial position above) defined as assets minus liabilities less deductions for certain types of assets. Any changes in such net capital rules or the maintenance of the existing levels of net capital or any additional fund deposits required by the OCC as a result of the growth in the Corporation's options business may restrict the Corporation's ability to withdraw capital from its brokerage subsidiary to fund its working capital requirements.

The Corporation is dependent upon Electronic Brokerage Systems, LLC to fund a certain portion of its working capital requirements and to fund a certain amount of its capital asset expenditures.

The Corporation may be required to raise additional capital in the next twelve months to fund its operations if its ability to withdraw capital from its brokerage subsidiaries becomes restricted due to continuing losses.

Commitments and Contractual Obligations

As at December 31, 2009, the Corporation had future commitments and contractual obligations as summarized in the following table. These commitments are principally comprised of operating leases for the Corporation's leased premises and purchase obligations for telecommunications services.

Contractual Obligations as at December 31, 2009 (\$000's)	Payments due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Operating Leases	\$ 3,891	\$ 1,655	\$ 2,150	\$ 86	\$ -
Purchase Obligations (1)	\$ 2,259	\$ 1,699	\$ 513	\$ 16	\$ 31
Total Contractual Obligations	\$ 6,150	\$ 3,354	\$ 2,663	\$ 102	\$ 31

(1) Purchase obligations consist of an agreement to purchase certain services that are enforceable and legally binding. The purchase obligations relate primarily to telecommunication services.

Off-Balance Sheet Arrangements

The Corporation does not enter into off-balance sheet financing as a matter of practice except for the use of operating leases for office space and certain nominal equipment. In accordance with GAAP, neither the lease liability nor the underlying asset is carried on the balance sheet, as the terms of the leases do not meet the criteria for capitalization.

The Corporation typically agrees in its sales contracts to indemnify its customers for any expenses or liability resulting from claimed infringements of patents, trademarks or copyrights of third parties. The term of these indemnification agreements are generally perpetual any time after execution of the agreement. The maximum amount of potential future indemnification is generally limited as specified on a contract by contract basis. To date, the Corporation has not paid any amounts to settle claims or defend lawsuits.

Derivative Financial Instruments

During the third quarter of 2009 the Corporation ceased its strategy of partially hedging the exposure of its U.S. dollar net assets to fluctuations in the CAD/USD exchange rate. Prior to exiting its hedging strategy, the Corporation utilized foreign currency futures and options contracts to manage a portion of its exposure to fluctuations in foreign exchange rates (primarily U.S. and Canadian dollars). The Corporation's financial derivative instruments are marked to market and are carried at fair value as assets or liabilities, as appropriate, with changes in fair value recognized in the statement of operations in the period in which they occur. The fair

value of outstanding derivative financial instruments at December 31, 2008 was based upon quoted market prices. There were no derivative financial instruments outstanding at December 31, 2009.

As at December 31, 2009, the Corporation had no outstanding foreign exchange option contracts. The Corporation realized gains in the 2009 year of approximately \$368 on the settlement of foreign exchange option contracts. Gains or losses on foreign exchange option and futures contracts are netted against gains or losses on the translation of our integrated foreign subsidiaries in the consolidated statement of operations.

As at December 31, 2008, the Corporation had outstanding foreign exchange option contracts for the purchase of CDN\$12,000 at U.S.\$0.72 maturing in March 2009. The unrealized gain on these outstanding contracts was approximately \$366. The Corporation realized losses in the 2008 year of approximately \$2,205 on the settlement of foreign exchange option contracts. Gains or losses on foreign exchange option and futures contracts are netted against gains or losses on the translation of our integrated foreign subsidiaries in the consolidated statement of operations.

Reduction of Stated Capital

At the annual general meeting of shareholders held on May 15, 2008, a Special Resolution was carried by the shareholders of the Corporation reducing the stated capital account maintained in respect of the common shares of the Corporation by \$16,000. The Corporation's board of directors discussed the realizable value of the Corporation's assets, its liabilities and its stated capital at a meeting held on December 13, 2007. In order to give the Corporation's board of directors flexibility in managing the Corporation's capital structure going forward, the board decided to submit the Special Resolution to the Shareholders for their approval of the reduction of the stated capital of the Common Shares to address limitations under the *Ontario Business Corporations Act* which result from the historically high stated capital amount of the Common Shares. By reducing the stated capital of the Common Shares of the Corporation by \$16,000 and by reducing the deficit of the Corporation by the corresponding amount, the Corporation would have flexibility for purchases of shares or payment of dividends.

Normal Course Issuer Bid

In November 2008, the Toronto Stock Exchange approved a Normal Course Issuer Bid for the Corporation to repurchase up to 742 of its common shares over the period from December 1, 2008 to November 30, 2009. During fiscal 2009 the Corporation repurchased 25 common shares at an average price of \$1.27 per share under this Normal Course Issuer Bid.

In December 2009, the Toronto Stock Exchange approved a Normal Course Issuer Bid for the Corporation to repurchase up to 740 of its common shares over the period from December 8, 2009 to December 7, 2010. During fiscal 2009 the Corporation repurchased 84 common shares at an average price of \$0.77 per share under this Normal Course Issuer Bid.

Patent Information

The Corporation was issued Canadian Patent No. 2,119,921, Computerized Stock Exchange Trading System, on September 29, 2009.

Critical Accounting Policies and Estimates

The Corporation's consolidated financial statements are prepared in accordance with Canadian GAAP. The preparation of the consolidated financial statements in accordance with GAAP necessarily requires the Corporation to make estimates and judgments that affect the reported amounts on assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Corporation evaluates its estimates, including those related to revenues, bad debts, income taxes, valuation of goodwill and intangible assets and stock-based compensation. The Corporation bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Under different assumptions or conditions, the actual results will differ, potentially materially, from those previously estimated. Many of these conditions impacting these assumptions and estimates are outside of the Corporation's control.

The Corporation believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue

The Corporation derives its revenues from three primary sources. Subscription fees are charged for providing routing software and services, used for equity and options trading, on a flat fee per terminal or per month basis. Transaction fees are charged for providing routing software and execution services, used for equity and options trading, on a per share/option or per trade basis and transaction fees for the execution of exchange traded equity and index options from the floor brokerage. Lastly, other revenue is derived from the development and installation of software for equity and options trading as well as other revenue from the distribution of financial information and other services.

Revenue is recognized from subscription fees and transaction fees on a monthly basis as the services are provided once evidence of an arrangement exists, the software has been delivered and accepted and collectibility is assured.

Transaction fees from both the broker-dealer and floor brokerage operations are recognized once the trades have been executed and collectibility is assured.

Revenue derived from the development of software for equity and options trading execution is recognized on a percentage of completion or completed contract basis, as applicable.

Revenue from the distribution of financial information and other services is recognized on a monthly basis as the services are provided once a contract has been signed and collectibility is assured.

Allowance for Doubtful Accounts

The Corporation determines its allowance for doubtful accounts using a combination of factors to ensure that trade receivable balances are not overstated due to uncollectibility. The Corporation maintains an allowance for doubtful accounts for all customers based on a variety of factors, including the length of time the receivables are outstanding, the current business environment and its historical experience. The Corporation also records specific provisions for individual accounts when it becomes aware of circumstances that may impair a specific customer's ability to meet its financial obligations to the Corporation. If the financial condition of the Corporation's customers deteriorates or if economic conditions worsen, additional allowances may be required.

Stock-Based Compensation

The Corporation accounts for stock option grants using the fair value method. Under this method, compensation expense for options is measured at the grant date using the Black-Scholes option pricing model based on certain estimates and assumptions and is recognized on a straight-line basis over the vesting period. Management employs considerable judgment in estimating, on the date of grant, the options' expected life and expected volatility. Additionally, management estimates the number of options that are expected to vest based on the expected outcomes of the service related conditions. If estimates or assumptions change in the future, the Corporation could be required to reduce or increase contributed surplus, resulting in compensation expense or recovery.

Income Taxes

The Corporation records a valuation allowance against future income tax assets when management believes it is more likely than not that some portion or all of the future income tax assets will not be realized. Management considers factors such as the reversal of future income tax liabilities, projected taxable income, the character of the income tax asset and tax planning strategies. A change to these factors could impact the estimated valuation allowance and income tax expense (recovery).

Goodwill

Under Canadian GAAP, goodwill is not amortized, but is instead assessed for impairment at the reporting unit level annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of impairment loss, if any. The fair value of the Corporation's reporting units utilize a model developed by management that considers various factors such as normalized earnings and price earnings multiples. These factors require management's use of judgment and any imprecision in the estimates and assumptions used in the fair value calculations could influence the determination of goodwill impairment and affect the valuation of goodwill. During 2009 we recorded a goodwill impairment charge of \$1,608 of which \$1,235 related to our core business unit and \$373 related to our brokerage unit. These impairments resulted from a deterioration in both business units stemming from a continued loss of business and a slowdown in trading in the current economic environment.

Intangible Assets

The Corporation has intangible assets related to customer lists and relationships. The determination of the related estimated useful lives and whether or not the assets are impaired involves significant judgment. In assessing the recoverability of the intangible assets, the Corporation must make assumptions regarding estimated future cash flows, market conditions and other factors to determine the fair value of the assets. If these estimates or their related assumptions change in the future, the Corporation may be required to record impairment charges for the assets not previously recorded. During 2009 we recorded an impairment charge of \$137 resulting from a loss of customers.

Investment Tax Credits

The Corporation applies for investment tax credits (“ITC’s”) from both the Canadian federal and provincial tax authorities relating to amounts expended on scientific research and development (“SR&ED”). The amount of investment tax credits recorded represents management’s best estimate based on its interpretation of current legislation. However, the amount ultimately received could be materially different from the amount recorded once the claims are assessed by Canada Revenue Agency. In fiscal 2009, the Corporation determined that it no longer has reasonable assurance that it will realize the benefit of the federal ITC’s carried forward of \$1,394. Therefore, the related asset has been written down to nil, with the write-down recorded as a current charge to income included with government assistance.

Changes in Accounting Policies

Goodwill and Intangible Assets:

Effective January 1, 2009, the Corporation adopted Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064, *Goodwill and Intangible Assets*, which replaced Handbook Section 3062, *Goodwill and other Intangible Assets* and Handbook Section 3450, *Research and Development Costs*. This revision aligns Canadian GAAP with International Financial Reporting Standards and establishes standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. As a result of adopting Section 3064, we reclassified \$283 of software from capital assets to other intangible assets on our Consolidated Balance Sheets at January 1, 2009. We reclassified \$127 of amortization from amortization of capital assets to amortization of intangible assets on our Consolidated Statements of Operations and Retained Earnings (Deficit) for the year ended December 31, 2008. We have also reclassified \$212 from purchases of capital assets to purchases of intangibles on our Consolidated Statements of Cash Flows for the year ended December 31, 2008.

Financial Instruments Disclosures:

In June 2009, the CICA amended Section 3862, “Financial Instruments – Disclosures”, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. The amendments to Section 3862 apply for annual financial statements relating to fiscal years ending after September 30, 2009. The amendment to this standard did not have any impact on the classification and measurement of our financial instruments.

Future accounting changes

Business Combinations:

In October 2008, the CICA issued Handbook Section 1582, Business Combinations (“CICA 1582”), concurrently with Handbook Sections 1601, Consolidated Financial Statements (“CICA 1601”), and 1602, Non-Controlling Interests (“CICA 1602”). CICA 1582, which replaces Handbook Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. CICA 1601, which replaces Handbook Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to

acquisition other than non-controlling interests. CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Corporation's interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Corporation is assessing the impact of the new standards on its consolidated financial statements.

International Financial Reporting Standards ("IFRS") and Update

In March 2009, the Accounting Standards Board ("AcSB") reconfirmed in its second omnibus Exposure Draft that Canadian GAAP for publicly accountable enterprises will be converged with IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement, presentation and disclosures. As part of the IFRS conversion project the Corporation's implementation team consists of the Chief Financial Officer and Corporate Controller with progress reporting to the Audit Committee on a quarterly basis.

The conversion project consists of the following phases:

"Diagnostic" Phase – This phase involves a detailed review and initial scoping of accounting differences between Canadian GAAP and IFRS, a preliminary evaluation of IFRS 1 exemptions for first-time adopters and a high level assessment of potential consequences on financial reporting, business processes, internal controls and information systems.

"Design and Solutions Development" Phase – This phase involves prioritizing accounting treatment issues, reviewing and approving accounting policy choices, designing changes to information systems and business processes, quantifying the impact of converting to IFRS and participating in IFRS training courses.

"Implementation" Phase – This phase involves embedding changes to systems, business processes and internal controls, determining the opening IFRS transition balance sheet, parallel accounting under Canadian GAAP and IFRS, and preparing reconciliations of Canadian GAAP to IFRS financial statements.

Management has completed the diagnostic phase and has identified the key areas where changes in accounting policies are expected to affect the Corporation's consolidated financial statements. Management is still in the process of quantifying the expected material differences between IFRS and the current treatment under Canadian GAAP but expects to complete this assessment in time for parallel recording of financial information in accordance with IFRS beginning in 2010. Management has completed a review of its information systems together with a third party consultant and does not expect any significant modifications will be necessary on conversion. The Corporation's CFO and controller have attended a number of IFRS training courses and continue to be updated on standards currently in development that may affect its changeover plan.

The key areas where differences have been identified and an update on work performed are as follows:

Foreign currency translation

The Corporation's foreign operating subsidiaries are considered to be integrated operations and are translated into Canadian dollars using current rates of exchange for monetary assets and liabilities, historical rates of exchange for non-monetary assets and liabilities, and average rates for revenue and expenses, except amortization, which is translated at the rates of exchange applicable to the related assets. Gains or losses resulting from these translation adjustments are included in income under Canadian GAAP.

Under IAS 21 there is no definition of integrated and self-sustaining operations. Instead the results and financial position of foreign operating subsidiaries that have a functional currency different from the presentation currency are translated as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet (there are no historical rates of exchange for non-monetary assets and liabilities when compared with integrated operations under Canadian GAAP);
- (ii) Income and expenses for each income statement are translated at average exchange rates (Amortization is no longer translated at the rates of exchange applicable to the related assets when compared with integrated operations under Canadian GAAP);
- (iii) All resulting exchange differences are recognized as a separate component of equity (Gains and losses from translation are no longer included in income when compared with integrated operations under Canadian GAAP)

Full retrospective application of IAS 21 would require a first-time adopter to restate all financial statements of its foreign operations to IFRS from their date of inception or later acquisition onwards, and then determine the cumulative translation differences arising in relation to each of these foreign operations. The Corporation expects to elect the exemption under IFRS 1 allowing the cumulative translation differences for all foreign operations to be set to zero at the date of transition to IFRS.

Share-Based Payment

The Corporation issues stock-based awards in the form of stock options that vest evenly over a three-year period. Under Canadian GAAP, the Corporation recognizes the fair value of the award, determined at the time of the grant, on a straight-line basis over the three-year vesting period. Under IAS 19, the fair value of each option is determined with respect to when it vests as well as when it is issued. As such, the fair value of each vested tranche is considered a separate option grant. The expense associated with each grant is recognized as compensation expense over the term of its respective vesting period. Accordingly, this will result in a faster recognition of the cost of each option issuance than under Canadian GAAP.

The Corporation has outsourced the tracking and computation of stock based compensation to a third party provider that will be able to provide stock based compensation expense under both Canadian GAAP and IFRS on transition to IFRS.

Joint Ventures

The Corporation has a joint venture arrangement which currently uses proportionate consolidation as the accounting treatment under Canadian GAAP. Under proportionate consolidation, the Corporation records its proportionate share of the assets, liabilities, revenues and expenses of the joint venture arrangement. Under the recent IFRS exposure draft, the Corporation would switch to equity accounting including the net investment in joint venture on the balance sheet and net equity in earnings on the income statement.

The Corporation does not expect that this change will have a material impact on its consolidated financial statements.

Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. International Accounting Standard (IAS) 36, "Impairment of Assets", uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. However, the extent of any new write-downs may be partially offset by the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses.

The Corporation is still assessing the impact of IAS 36 on its consolidated financial statements and has not reached a conclusion to date but expects to complete this assessment in time for parallel recording of financial information in accordance with IFRS beginning in 2010.

Business Combinations

The Corporation expects to elect the exemption under IFRS 1 allowing the Corporation not to restate any business combinations that occurred prior to January 1, 2010.

Risks and Uncertainties

An investment in the securities of the Corporation will involve a number of potential risks. The following risk factors should be carefully considered.

Lack of Profitable Operations

Fiscal 2009 was a challenging year for the Corporation as revenues and margins declined resulting in an operating loss. In order to achieve profitability, the Corporation will need to increase revenues or decrease costs or do both. There is no assurance that the Corporation will be profitable in the future.

Dependency on Securities Trading Activities

Our revenue could decrease if there is a decline in securities trading activity. Because most of our current customers are financial institutions or securities brokerage firms, and because we rely on transaction-based billing, our revenue is sensitive to changes in the amount of securities trading activity. A decline in securities trading activity may result from:

- loss of confidence in the reliability or security of online systems;
- changes in government regulation of the securities industry or on-line trading activities; or

-
- a downturn in the stock market.

The market for our products and services may not grow as quickly as we anticipate which would cause our revenue to fall below expectations.

Customer Dependence

The Corporation is dependent on a limited number of customers for a substantial amount of its revenue. The loss of a significant customer would have a material adverse effect on revenue and results of operations. For the year ended December 31, 2009, five customers accounted for approximately 23% of net revenue (December 31, 2008 – five customers for approximately 25%). Our dependence on a limited number of customers for a substantial amount of our revenue could lead to fluctuations in our operating results.

Any of our customers could stop using our products or services in the future. As a result, a customer that generates substantial revenue for us in one period may not be a source of revenue in subsequent periods. The loss of a significant customer would have a material and adverse effect on our revenue and results of operations.

Our revenue depends on arrangements with our customers, all of which can be cancelled either immediately or on 30 days notice. If customers choose to cancel or cease to use our services, our future operating results may suffer.

Execution and Clearing Risk

The Corporation's execution and clearing activities require that the Corporation execute transactions in accordance with customer instructions and accurately record and process the resulting transactions. Any failure, error or delay in executing, recording and processing transactions, whether due to human error or failure of the Corporation's information or communication systems could cause substantial losses for the Corporation's clients and possibly the Corporation if it has to purchase or sell securities at a loss to cover any of the above instances.

Clearing activities include settling each transaction with both the contra broker, the customer, or the customer's clearing firm. The default by any one of these entities could expose the Corporation to credit and market risk.

Credit and Market Risk

The Corporation is subject to risk of non-payment of accounts receivable. At December 31, 2009, amounts due from two customers accounted for approximately 20% of total accounts receivable (December 31, 2008 – two customers for approximately 22%).

Electronic Brokerage Systems, LLC and Robert C. Sheehan Associates, LLC are US registered broker-dealers, providing agency only trading services. We do not act as a market-maker with respect to any securities or otherwise act as a principal in any securities transactions. We have counterparty credit exposure to our clients which may result in exposure to market risks in addition to accounts receivable credit risks. A default on the part of a client could result in the Corporation holding securities. Our normal procedures in such circumstances require the immediate liquidation of the securities; however, there is no certainty that the securities could be liquidated in a timely manner or without incurring a loss.

The Corporation has been providing clearing services since Q2 2009. Market and credit risk arises through intraday trading exposure. A default on the part of a client could result in the Corporation holding securities.

Our normal procedures in such circumstances require the immediate liquidation of the securities; however, there is no certainty that the securities could be liquidated in a timely manner or without incurring a loss.

Regulatory and Compliance Risk

The securities brokerage industry is subject to extensive government regulation under both federal and state laws in the United States of America. If either Electronic Brokerage Systems, LLC or Robert C. Sheehan & Associates, LLC fails to comply with these regulations, it may be subject to fines, censure, disciplinary or other action by regulatory organizations.

Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC must comply with rules of the SEC and the Financial Industry Regulatory Authority (“FINRA”) state securities commissions and other regulatory bodies charged with safeguarding the integrity of the securities markets and other financial markets and protecting the interests of investors participating in these markets. As registered broker-dealers, Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC and their employees are subject to numerous regulations covering the securities business, including marketing practices, securities lending, handling funds and securities held by us on behalf of customers, capital structure, including net capital requirements, record keeping and conduct of directors, officers and employees. The size, scope and nature of securities regulations have increased over the past several years and are expected to continue to increase in the future. The increase in regulations will increase the compliance risk and may require the investment of additional resources and systems.

Any failure to comply with these regulations could subject either Electronic Brokerage Systems, LLC or Robert C. Sheehan & Associates, LLC to censure, fines, the issuance of cease-and-desist orders or the suspension, and/or disqualification of its officers, directors or employees.

Maintenance of Capital Levels by Regulators and Clearing Organizations

The SEC, NYSE Euronext, FINRA, OCC and various other regulatory agencies and clearing organizations have stringent rules with respect to the maintenance of specific levels of net capital by broker-dealers.

Net capital is the net worth of a broker-dealer (assets minus liabilities), less deductions for certain types of assets. Failure to maintain the required net capital could result in suspension or revocation of registration by the SEC and suspension or expulsion by one or more of the NYSE Euronext, FINRA and OCC, and could ultimately lead to the Corporation’s liquidation. If such net capital rules are changed or expanded, the Corporation’s ability to withdraw capital from brokerage subsidiaries could be restricted, which could limit the Corporation’s ability to fund its working capital requirements or capital asset expenditures required.

Foreign Exchange Risk

In the year ended December 31, 2009, the Corporation generated approximately 83% (year ended December 31, 2008 – approximately 76%) of its revenue and approximately 71% (year ended December 31, 2008 – approximately 70%) of its operating expenses in the United States. The Corporation does not, at present, hedge the risks associated with fluctuations in exchange rates between the United States dollar and the Canadian dollar and may be exposed in the future to adverse fluctuations between these exchange rates on its net asset position denominated in US dollars.

Innovation Risk

Rapidly changing technology and new product introductions characterize the markets for our products. Accordingly, we believe that our future success will depend on our ability to enhance existing products and to develop and introduce in a timely fashion new products that achieve market acceptance. We cannot assure that we will be able to identify, develop, assemble and market or support our products successfully or that we will be able to respond effectively to technological changes or product announcements of our competitors.

Our future financial performance will depend in part on continued growth in the number of organizations demanding trading systems, market connectivity, clearing and execution services. Many of our potential customers have made significant investments in internally developed systems and many new entrants and existing competitors are investing in new products and technology. The Corporation's products could be replaced by new products or other innovations in the industry.

Competition

The market for global trading solutions, intelligent order routing systems and integration solutions is intensely competitive, fragmented and rapidly changing. Many of the Corporation's competitors have longer operating histories, significantly greater financial, technical, product development and marketing resources, greater name recognition and larger customer bases than the Corporation. It is therefore impossible to guarantee that the products developed by other companies will not cause the Corporation's products and technologies to become uncompetitive. We face competition from NYSE Euronext Inc., IRESS Market Technology Canada LP, Penson Worldwide Inc., Fidessa Group PLC, Wedbush Securities Inc., Interactive Brokers LLC and other competitors.

The Corporation must continue to overcome significant and increasing competition in order to continue its growth and productivity.

Uncertainty of the Ability to Protect Proprietary Technology

The Corporation's success will depend, in part, on our ability to protect our proprietary software and our other proprietary rights from copying, infringement or use by unauthorized parties and operate without infringing on the exclusive rights of third parties. We may be unable to adequately protect our proprietary rights. Our failure to protect these rights may significantly impair our competitive position.

To protect our proprietary rights we rely primarily on a combination of patent, copyright, trade secret and trademark laws, confidentiality agreements with employees and third parties, and protective contractual provisions such as those contained in agreements with consultants, vendors and customers, although we have not signed these types of agreements in every case. Despite our efforts to protect our proprietary rights, unauthorized parties may copy aspects of our products and obtain and use information that we regard as proprietary. Other parties may breach confidentiality agreements and other protective contracts we have entered into. We may not become aware of, or have adequate remedies in the event of, these types of breaches or unauthorized activities.

In addition, any claims relating to the infringement of third-party proprietary rights, even if not successful or meritorious, could result in costly litigation, divert resources and management's attention or require us to enter into royalty or license agreements which are not advantageous to us.

There is no proof that any patent that is granted to the Corporation will make the product more competitive, that its patent protection will not be contested by third parties or that the patents of others will not be detrimental to the Corporation's commercial activities. It cannot be assured that other companies will not independently develop products similar to the Corporation's products, that they will not imitate any of its products or that its competitors will not manufacture products designed to circumvent the exclusive patent

rights granted to the Corporation. The Corporation may also be required to obtain licenses under patents or other exclusive rights from third parties. There is no guarantee that any license required under these patents or other exclusive rights will be offered upon conditions acceptable to the Corporation.

Reliance on Third Party Software and Systems

We have contracted with a third party provider to provide a major portion of the software and systems necessary for our clearing operations. Any major interruption in our ability to process our transactions through the third party system would harm our relationships with our clients and impact our growth. We also license many additional, generally available or custom software packages. Failures in any of these applications could harm our business operations.

Encryption Technology

Our product contains encryption technology whose export is restricted by law, which may slow our growth or result in significant costs.

The United States and Canadian governments generally limit the export of encryption technology, which our product incorporates. A variety of cryptographic products generally require export approvals from certain United States government agencies in the case of exports from the U.S.A. and from Canadian government agencies in the case of exports from Canada, although there are currently no restrictions on exports of these products from Canada into the United States.

If any export approval that we receive is revoked or modified, if our software is unlawfully exported or if the United States or the Canadian government adopts new legislation or regulations restricting export of software and encryption technology, we may not be able to distribute our products to potential customers, which will cause a decline in our sales. We may need to incur significant costs and divert resources to develop replacement technologies or may need to adopt inferior substitute technologies to satisfy these export restrictions. These replacement or substitute technologies may not be the preferred security technologies of our customers, in which case, our business may not grow. In addition, we may suffer similar consequences if the laws of any other country limit the ability of third parties to sell encryption technologies to us.

Product and Service Liability

We may be exposed to product and service liability in the event that use of our Trading System or execution and clearing services results, or is alleged to have resulted, in adverse effects. To manage this risk, we endeavor to enter into contracts with our customers which include exculpatory clauses. However, there is no certainty that these clauses will be upheld in the event of a legal challenge and we have presently, and may have in the future, customers for whom we provide services and products and with whom we have not entered into written agreements which include these clauses.

Our clearing and brokerage operations could expose us to legal liability for errors in performing clearing and brokerage functions and improper activities of our customers. These errors could result in over or under trading in securities or trading in error. Clients may seek compensation from the Corporation to cover these errors. The Corporation could also be exposed to settlement risk and may result in holding securities. Our normal procedures in such circumstances require the immediate liquidation of the securities, however, there is no certainty that the securities could be liquidated in a timely manner or that such liquidation could be effected without incurring a loss.

Litigation

The Corporation is exposed to litigation risk arising for allegations of negligence in the normal course of its operations or as a result of contractual disputes. In Q2 2009, the Corporation and a customer of the Corporation were jointly named as defendants in an action filed by a client of the customer in relation to alleged deficiencies in services and software provided. As a result of the alleged deficiencies, along with direct claims asserted against the Corporation's customer, the plaintiffs are seeking to recover damages from trading losses, commissions levied, loss of opportunity, loss of profit, loss of fees, audit costs and loss of goodwill and damage to business reputation in the amount of \$4.5 million plus unspecified special damages. As the suit names both the Corporation and its customer, the Corporation has no basis to estimate its portion of the claim. The Corporation does not believe that it is liable for these claims and has engaged legal counsel to vigorously defend the claim. The Corporation has no direct contractual relationship with the party who filed the suit. In addition, the Corporation's contract with its customer limits the Corporation's liability for the services and software provided. The Corporation has no certainty regarding the likelihood of a successful conclusion of the suit, of the timing of resolution, of the enforceability of the limitation of liability or the costs required to defend against these allegations, all of which could create a material exposure for the Corporation.

Dependence on Key Personnel

The Corporation's success depends upon the continued contributions of members of its senior management and core software development team. The loss of any of these individuals could have a material adverse effect on the Corporation's business, financial condition and operating results. The future success of the Corporation also depends on its ability to continue to attract, retain and motivate qualified technical and management personnel, for whom competition is intense. There can be no assurance that the Corporation will be successful in attracting and retaining the personnel it requires to be successful in the future.

The competition for qualified personnel in the computer software and brokerage industries is intense and we may be unable to attract or retain highly qualified personnel in the future. In addition, due to intense competition for qualified employees, it may be necessary for us to increase the level of compensation paid to existing and new employees to the degree that our operating expenses could be materially increased.

Outstanding Share Data

Set out below is the outstanding share data for the Corporation as at March 9, 2010.

Common Shares:	14,648
Options to Purchase Common Shares:	
Issued and Outstanding	1,643

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President and Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure. As at December 31, 2009, Belzberg's management, with the participation of the President and CEO

and the CFO, evaluated the effectiveness of Belzberg's disclosure controls and procedures as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators and concluded that such controls and procedures were effective.

Managements Report on Internal Control Over Financial Reporting

At December 31, 2009, an evaluation was carried out of the effectiveness of the design and operation of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting. Based on that evaluation the President and Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) concluded that the design and operation of controls over financial reporting was effective. These evaluations were conducted in accordance with the standards of COSO, a recognized control model, and the requirements of Multilateral Instrument 52-109.

There were no changes over the Corporation's internal controls over financial reporting during the year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of Belzberg Technologies (the Company) is responsible for the preparation and integrity of the financial statements as well as the information contained in this report. The following financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles and have been audited in accordance with Canadian generally accepted auditing standards that involve management's best estimates and judgments based on available information.

The Company's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. In recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that the financial statements have been prepared according to and within reasonable limits of materiality and that the financial information throughout this report is consistent with these.

The Audit Committee is appointed by the Board and consists of three independent directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters, and financial reporting issues, to satisfy itself that each party is discharging its responsibilities effectively, and to review the annual report, the consolidated financial statements, and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

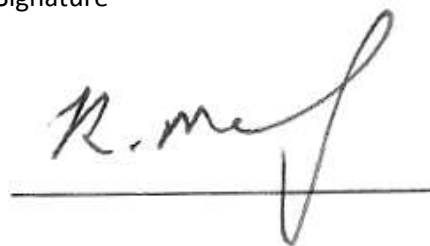
KPMG LLP have been appointed by Belzberg Technologies' auditors. The Board of Directors of Belzberg Technologies and the management team have reviewed and approved the financial statements and information contained in this report. The auditors' report on the accompanying financial statements follows.

Signature

A handwritten signature in black ink, appearing to read 'Judith Robertson', written over a horizontal line.

Judith Robertson
President and CEO

Signature

A handwritten signature in black ink, appearing to read 'R. Maisel', written over a horizontal line.

Richard Maisel
Chief Financial Officer

Toronto, Canada

March 31, 2010

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Belzberg Technologies Inc. as at December 31, 2009 and 2008 and the consolidated statements of operations and retained earnings (deficit), shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature, there is a single horizontal line that extends from the start of the signature to the end of the "LLP" part.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 9, 2010

BELZBERG TECHNOLOGIES INC.

Consolidated Balance Sheets
(Expressed in thousands of Canadian dollars)

December 31, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,670	\$ 19,452
Cash segregated under regulations and other	2,805	184
Cash and cash equivalents on deposit with clearing and depository organizations	1,363	1,989
Receivable from brokers, dealers, and clearing organization (note 4)	947	1,774
Accounts receivable	2,405	5,973
Prepaid expenses and other receivables	468	534
Other asset (note 6)	—	1,565
Income taxes receivable	12	89
Investment tax credits recoverable	—	84
	23,670	31,644
Capital assets (note 7)	2,233	3,326
Investment	30	38
Investment tax credits recoverable	147	1,580
Future income tax assets (note 10)	—	3,289
Goodwill (note 3(a))	—	1,608
Intangible assets (note 3(b))	141	473
	\$ 26,221	\$ 41,958

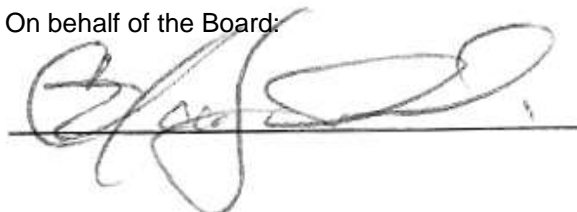
Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,176	\$ 6,350
Payable to customers and correspondents	1,948	183
Payable to brokers, dealers, and clearing organization (note 4)	345	131
	7,469	6,664
Future income tax liabilities (note 10)	—	244
Shareholders' equity:		
Capital stock (note 8)	23,754	23,930
Contributed surplus	4,044	3,686
Retained earnings (deficit)	(9,046)	7,434
	18,752	35,050
	\$ 26,221	\$ 41,958

Commitments, contingencies and guarantees (note 17)

See accompanying notes to consolidated financial statements.

On behalf of the Board:



J. Cameron MacDonald

Director



Judith Robertson

Director

BELZBERG TECHNOLOGIES INC.Consolidated Statements of Operations and Retained Earnings (Deficit)
(Expressed in thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2009 and 2008

	2009	2008
Revenue:		
Equity order flow and clearing	\$ 21,032	\$ 17,942
Options and futures contracts	10,815	15,220
Subscription fees	4,907	7,087
Other revenue	1,457	1,512
	38,211	41,761
Cost of exchange and clearance fees	(15,097)	(11,496)
Net revenue	23,114	30,265
Expenses:		
Compensation and related benefits	12,824	12,502
Telecommunication and datafeed services	7,774	6,988
Administrative and other	4,235	5,279
Brokerage fees	3,144	4,525
Amortization of capital assets	2,042	1,904
Amortization of intangible assets	202	198
	30,221	31,396
Loss before the undernoted	(7,107)	(1,131)
Restructuring expenses (note 9)	1,658	1,052
Government assistance (note 5)	1,295	(60)
Impairment of goodwill and intangible assets (note 3(a) and (b))	1,745	–
Foreign exchange (gain) loss	2,087	(727)
Interest expense	25	4
Interest income	(193)	(582)
	6,617	(313)
Loss before income taxes	(13,724)	(818)
Provision for (recovery of) income taxes (note 10):		
Current	149	–
Future	2,607	(936)
	2,756	(936)
Net earnings (loss)	(16,480)	118
Retained earnings (deficit), beginning of year	7,434	(8,684)
Reduction of stated capital	–	16,000
Retained earnings (deficit), end of year	\$ (9,046)	\$ 7,434
Earnings (loss) per share (note 8(c)):		
Basic	\$ (1.11)	\$ 0.01
Diluted	(1.11)	0.01
Weighted average number of common and common equivalent shares outstanding (in thousands) (note 8(c)):		
Basic	14,820	14,829
Diluted	14,820	14,879

See accompanying notes to consolidated financial statements.

BELZBERG TECHNOLOGIES INC.Consolidated Statements of Shareholders' Equity
(Expressed in thousands of Canadian dollars)

Years ended December 31, 2009 and 2008

	Number of common shares	Amount	Contributed surplus	Retained earnings (deficit)	Total
Balance, December 31, 2007	14,791	\$ 39,598	\$ 3,677	\$ (8,684)	\$ 34,591
Issue of common shares:					
Exercise of stock options	115	364	–	–	364
Stock compensation benefit on exercise of stock options	–	139	(139)	–	–
Stock-based compensation	–	–	283	–	283
Repurchase and cancellation of common shares	(71)	(171)	(135)	–	(306)
Reduction of stated capital	–	(16,000)	–	16,000	–
Net earnings	–	–	–	118	118
Balance, December 31, 2008	14,835	23,930	3,686	7,434	35,050
Stock-based compensation	–	–	279	–	279
Repurchase and cancellation of common shares	(109)	(176)	79	–	(97)
Loss for the year	–	–	–	(16,480)	(16,480)
Balance, December 31, 2009	14,726	\$ 23,754	\$ 4,044	\$ (9,046)	\$ 18,752

See accompanying notes to consolidated financial statements.

BELZBERG TECHNOLOGIES INC.Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

Years ended December 31, 2009 and 2008

	2009	2008
Cash provided by (used in):		
Operating activities:		
Net earnings (loss)	\$ (16,480)	\$ 118
Items not affecting cash:		
Amortization of capital assets	2,042	1,904
Impairment of goodwill and intangible assets (note 3(a) and (b))	1,745	–
Amortization of intangible assets	202	198
Gain on sale of investment	(5)	–
Unrealized foreign exchange loss (gain)	1,628	(1,413)
Stock-based compensation (note 8(g))	279	283
Future income taxes	3,045	(1,226)
Change in non-cash operating working capital (note 11)	6,430	(231)
	(1,114)	(367)
Financing activities:		
Repayment of obligations under capital lease	–	(27)
Repurchase and cancellation of common shares (note 8(a))	(97)	(306)
Proceeds from the exercise of stock options (note 8(a))	–	364
	(97)	31
Investing activities:		
Purchase of capital assets	(949)	(2,473)
Purchase of intangibles	(7)	(212)
Contribution for interest in a joint venture	–	(21)
Purchase of investment	(2)	–
Proceeds from sale of investment	15	–
	(943)	(2,706)
Effect of exchange rate changes on cash and cash equivalents	(1,628)	1,413
Decrease in cash and cash equivalents	(3,782)	(1,629)
Cash and cash equivalents, beginning of year	19,452	21,081
Cash and cash equivalents, end of year	\$ 15,670	\$ 19,452
Represented by:		
Cash	\$ 3,795	\$ 2,703
Cash equivalents	11,875	16,749
	\$ 15,670	\$ 19,452
Supplemental cash flow information:		
Interest paid	\$ 25	\$ 4
Interest received	202	633
Income taxes paid	90	219

See accompanying notes to consolidated financial statements.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

Belzberg Technologies Inc. and its wholly owned subsidiaries (the "Company") is a leading provider of trade execution, order management and routing software for the financial services industry. The Company's customers, who include both broker-dealers and their customers, use Belzberg trading software to buy and sell equities and stock options on a variety of stock exchanges, electronic markets known as ECNs and NASDAQ market makers. The Company's products enable traders to execute and manage large volumes of transactions at high speed, with reliability and security.

The Company also operates a floor brokerage that provides the execution of exchange-traded equity and index options on the Chicago Board Options Exchange.

1. Significant accounting policies:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the following significant accounting policies:

(a) Consolidation:

The consolidated financial statements of the Company include the accounts of Belzberg Technologies Inc. and its subsidiaries, all wholly owned. Joint ventures, irrespective of percentage of ownership, are proportionately consolidated to the extent of the Company's participation. The reporting date of the joint venture and the Company are identical and the accounts are prepared on the basis of consistent accounting policies. All intercompany transactions and balances have been eliminated upon consolidation.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash and short-term investments, predominantly treasury bills and bankers' acceptances, having an original term to maturity of less than or equal to 90 days.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives over the following terms:

Furniture and equipment	10 years
Computer equipment and software	3 years
Computer equipment and software under capital lease	3 years
Leasehold improvements	Estimated useful life

(d) Goodwill:

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired. Goodwill is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of impairment loss, if any. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statements of operations.

(e) Intangible assets:

Intangible assets with finite useful lives consist of customer relationships. These intangibles are recorded at cost and are amortized on a straight-line basis over their estimated useful lives of three to five years.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

1. Significant accounting policies (continued):

(f) Impairment of long-lived assets:

Long-lived assets, which consist of capital assets and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(g) Revenue recognition:

The Company's revenue is derived primarily from:

- (i) Subscription fees for providing routing software and services, used for equity and options trading, on a flat fee per terminal or per month basis;
- (ii) Transaction fees for providing routing software and services, used for equity and options trading, on a per share/option or per trade basis and transaction fees for the execution of exchange-traded equity and index options from the floor brokerage; and
- (iii) Other revenue from the development and installation of software for equity and options trading and other revenue from the distribution of financial information and other services.

Revenue is recognized from subscription fees and transaction fees on a monthly basis as the services are provided.

Transaction fees from both the broker-dealer and floor brokerage operations are recognized on a trade date basis once the trades have been executed and collectibility is assured.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

1. Significant accounting policies (continued):

Revenue from the distribution of financial information and other services is recognized on a monthly basis as the services are provided once a contract has been signed and collectibility is assured.

(h) Investment:

The investment comprises common and preferred shares held in the Depository Trust and Clearing Corporation and is stated at cost.

(i) Government assistance:

The Company expenses research and development costs as incurred unless they meet the criteria under GAAP for deferral and amortization. Government assistance for research and development is recognized when earned and when the amount and timing of realization is reasonably determinable.

(j) Investment tax credits:

Investment tax credits ("ITCs") are accounted for as a reduction of the related expenditure items of a current expense nature or as a reduction of capital assets for items of a capital nature when the Company has reasonable assurance that the credit will be realized.

(k) Foreign currency translation:

The Company's foreign operating subsidiaries are considered to be integrated operations and are translated into Canadian dollars using current rates of exchange for monetary assets and liabilities, historical rates of exchange for non-monetary assets and liabilities, and average rates for revenue and expenses, except amortization, which is translated at the rates of exchange applicable to the related assets. Gains or losses resulting from these translation adjustments are included in income.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

1. Significant accounting policies (continued):

Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the balance sheet dates. Revenue and expenses are translated at rates of exchange prevailing on the transaction dates. Any resulting foreign currency translation gains or losses are included in income in the current year.

(l) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Valuation allowances are established when necessary to reduce future income tax assets to the amounts expected to be realized. Income tax expense consists of the income taxes payable for the year and the change during the year in future income tax assets and liabilities.

(m) Stock-based compensation and other stock-based payments:

The Company has a stock-based compensation plan that is described in note 8. For stock options issued to employees and directors prior to January 1, 2003, no compensation expense was recorded when the stock options were issued. The consideration paid on the exercise of options granted to employees and directors prior to January 1, 2003 was credited to capital stock. On January 1, 2003, the Company adopted the fair value method of accounting for stock options granted on or after January 1, 2003. Stock-based compensation related to those awards is recognized based on the fair value of the options on the date of the grant that is determined by using an option-pricing model. The fair value of the options expected to vest is recognized over the vesting period of the options granted as compensation expense and contributed surplus. The contributed surplus balance is reduced as the options are exercised and the amount initially recorded for the options in contributed surplus is credited to capital stock. The contributed surplus balance is also reduced for unvested options that are cancelled and the amount initially recorded in contributed surplus is credited to compensation expense.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

1. Significant accounting policies (continued):

(n) Earnings (loss) per share:

Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similarly to basic earnings (loss) per share, except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, warrants and compensation options, if dilutive ("dilutive securities"). The number of additional shares is calculated by assuming that outstanding dilutive securities were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

(o) Comparative figures:

Certain 2008 figures have been reclassified to conform with the financial statement presentation adopted in 2009. Exchange and clearance fees are incurred by the Company whenever the Company executes an order for a client. Such fees are recoverable from the client and therefore included in revenue. The Company has reclassified such fees from expenses to a deduction from revenue due to the relationship between these costs and equity and options order flow revenue.

(p) Guarantees:

Obligations under guarantees are not recognized in the consolidated financial statements but are disclosed in accordance with The Canadian Institute of Chartered Accountants' ("CICA") Accounting Guideline 14, Disclosure of Guarantees.

(q) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the years. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, goodwill and intangible assets, allowance for doubtful accounts, stock-based compensation and valuation allowance for future income taxes. Actual results could differ from such estimates.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

2. Changes in accounting policies and recent accounting pronouncements:

(a) Changes in accounting policies:

(i) Goodwill and intangible assets:

Effective January 1, 2009, the Company adopted CICA Handbook Section 3064, Goodwill and Intangible Assets, which replaced Handbook Section 3062, Goodwill and Other Intangible Assets, and Handbook Section 3450, Research and Development Costs. This revision aligns Canadian GAAP with International Financial Reporting Standards ("IFRS") and establishes standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. As a result of adopting Section 3064, the Company reclassified \$283 of software from capital assets to other intangible assets on its consolidated balance sheets at January 1, 2009. The Company reclassified \$127 of amortization from amortization of capital assets to amortization of intangible assets on its consolidated statement of operations and retained earnings (deficit) for the year ended December 31, 2008. The Company has also reclassified \$212 from purchases of capital assets to purchases of intangible assets on its consolidated statement of cash flows for the year ended December 31, 2008.

(ii) Financial instruments:

Handbook Section 3862, Financial Instruments - Disclosures, was amended by the CICA in June 2009 to enhance disclosures about fair value measurements and liquidity risk of financial instruments. The amendment is to be applied to annual financial statements with fiscal years ending after September 30, 2009. The purpose of this amendment is to provide further convergence with IFRS.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

2. Changes in accounting policies and recent accounting pronouncements (continued):

Financial instruments recognized at fair value on the consolidated balance sheet must be classified in fair value hierarchy levels as follows:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 - valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities).

The application of this amendment did not have an impact on the Company's disclosure since fair value of all instruments classified as held for trading approximates carrying value due to the immediate or short-term maturity of these financial instruments.

(b) Recent accounting pronouncements:

In March 2009, the Canadian Accounting Standards Board reconfirmed in its second omnibus Exposure Draft that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011, for which current comparative information will be prepared under IFRS. The Company commenced its IFRS conversion project in 2009 and is assessing the potential impacts of this changeover and developing its plan accordingly. At this time, the impact on the future financial position and results of operations is not reasonably determinable or estimable.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

3. Goodwill and intangible assets:

(a) Goodwill:

Goodwill is assigned to the following operating units:

	Core	Brokerage	Total
Balance at December 31, 2007 and 2008	\$ 1,235	\$ 373	\$ 1,608
Impairment charges	(1,235)	(373)	(1,608)
Balance, December 31, 2009	\$ –	\$ –	\$ –

The Company completed its annual impairment test on December 31, 2009 and determined that the goodwill associated with both the Core and Brokerage operating units were fully impaired.

In assessing whether or not there is an impairment, the Company uses an income approach, based on a capitalization of earnings model ("CE"), to determine the fair value of its reporting segments. If there is an indication of impairment, the Company uses the CE and tangible asset backing to estimate the amount of impairment. Under the CE approach, the Company normalizes income for each operating segment for the current year and the previous 2 years. A market comparative approach and forecasted earnings approach is also used to assess the reasonableness of the fair value determined under the CE model.

The tests referred to above require the Company to make various assumptions regarding the capitalization rates and forecasted earnings for the various reporting segments. The assumptions are subjective judgments based on the Company's experience, knowledge of operations and knowledge of the economic environment in which it operates.

(b) Intangible assets:

2009	Cost	Accumulated amortization	Net book value
Customer lists	\$ –	\$ –	\$ –
Computer software	448	307	141
	\$ 448	\$ 307	\$ 141

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

3. Goodwill and intangible assets (continued):

2008	Cost	Accumulated amortization	Net book value
Customer lists	\$ 341	\$ 151	\$ 190
Computer software	441	158	283
	<u>\$ 782</u>	<u>\$ 309</u>	<u>\$ 473</u>

During 2009, the Company performed an impairment analysis on its definite life intangible assets whereby circumstances indicated that the assets may be impaired and determined that the customer lists previously acquired through acquisitions were fully impaired as a result of the loss of customers. An impairment charge of \$137 was recorded.

During 2009, the Company recorded amortization expense of \$202 (2008 - \$198).

During 2009, the Company acquired intangible assets for \$7 (2008 - \$212).

4. Receivable from and payable to brokers, dealers and clearing organization:

Amounts receivable from and payable to brokers, dealers and clearing organization include the following:

	2009	2008
Receivable from:		
Clearing organization	\$ 345	\$ 124
Brokers and dealers	602	1,650
	<u>\$ 947</u>	<u>\$ 1,774</u>
Payable to clearing organization	\$ 345	\$ 131

Receivables from/payable to brokers, dealers and clearing organization include amounts relating to open transactions, unsettled trades and margin deposits.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

5. Government assistance:

The Company applies for ITCs from both Canadian federal and provincial tax authorities relating to amounts expended on scientific research and experimental development ("SR&ED"). ITCs were applied to reduce operating expenses as follows:

	2009	2008
Federal and provincial ITCs relating to 2008 tax year	\$ (99)	\$ -
Federal and provincial ITCs relating to 2007 and prior tax years	-	(60)
	\$ (99)	\$ (60)

During 2009, the Company determined that it no longer has reasonable assurance that it will realize the benefit of the federal ITCs carried forward of \$1,394. Therefore, the related asset has been written down to nil, with the write-down recorded as a current charge to income.

During 2009, the Company collected \$121 of provincial SR&ED tax credits, of which \$84 related to the 2006 tax year and \$37 related to the 2008 tax year. There were no amounts collected during fiscal 2008.

6. Other asset:

	2009	2008
Fair value of foreign exchange option contracts	\$ -	\$ 1,565

7. Capital assets:

2009	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 399	\$ 322	\$ 77
Computer equipment and software	5,260	3,104	2,156
	\$ 5,659	\$ 3,426	\$ 2,233

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

7. Capital assets (continued):

2008	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 432	\$ 306	\$ 126
Computer equipment and software	5,692	2,565	3,127
Leasehold improvements	778	705	73
	<u>\$ 6,902</u>	<u>\$ 3,576</u>	<u>\$ 3,326</u>

The Company reduces the cost and accumulated amortization of fully depreciated assets. As at December 31, 2009, the Company reduced the cost and accumulated amortization of fully depreciated capital assets by \$1,414 (2008 - \$1,576).

Amortization of computer equipment and software under capital lease amounted to nil for the year ended December 31, 2009 (2008 - \$39).

8. Capital stock:

The following summarizes changes to capital stock during 2009 and 2008:

(a) Authorized:

Unlimited common shares

Issued:

	Number of common shares (000's)	Amount
Balance, December 31, 2007	14,791	\$ 39,598
Exercise of stock options	115	364
Stock compensation benefit on exercise of stock options	–	139
Common shares repurchased and cancelled	(71)	(171)
Reduction of stated capital	–	(16,000)
Balance, December 31, 2008	14,835	23,930
Common shares repurchased and cancelled	(109)	(176)
<u>Balance, December 31, 2009</u>	<u>14,726</u>	<u>\$ 23,754</u>

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

8. Capital stock (continued):

(b) Normal course issuer bid:

In December 2009, the Toronto Stock Exchange ("TSX") approved a Normal Course Issuer Bid ("NCIB") for the Company to repurchase up to 740,000 of its common shares over the period from December 8, 2009 to December 7, 2010. During fiscal 2009, the Company repurchased 84,000 common shares at an average price of \$0.77 per share under this NCIB.

In November 2008, the TSX approved a NCIB for the Company to repurchase up to 742,000 of its common shares over the period from December 1, 2008 to November 30, 2009. During fiscal 2009, the Company repurchased 25,000 common shares at an average price of \$1.27 per share under this Normal Course Issuer Bid.

On May 15, 2008, at the Company's annual general meeting, a special resolution was approved by the shareholders to reduce the stated capital of the common shares of the Company by \$16,000.

(c) Earnings (loss) per share:

The following table sets forth the computation of diluted earnings (loss) per share:

	2009	2008
Numerator:		
Net earnings (loss) available to common shareholders	\$ (16,480)	\$ 118
Denominator:		
Weighted average number of common shares outstanding - basic (000's)	14,820	14,829
Effect of dilutive securities:		
Stock options (000's)	—	50
Weighted average number of common shares outstanding - diluted (000's)	14,820	14,879
Earnings (loss) per share:		
Basic	\$ (1.11)	\$ 0.01
Diluted	(1.11)	0.01

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

8. Capital stock (continued):

As at December 31, 2009, there were 520,000 potentially dilutive shares of common stock from stock options that were excluded from the diluted per share calculation because the effect would be anti-dilutive.

As at December 31, 2008, options to purchase 240,000 common shares were excluded from the computation of diluted earnings per share as the exercise price exceeded the average market price of common shares for the year.

(d) The Company has a stock option plan under which the Board of Directors may grant to employees, officers, directors and consultants stock options to purchase from treasury up to 3,926,000 common shares of the Company, of which 2,363,000 remained available to be issued at year end. The majority of stock options granted vest over a three-year period, have a term of five years and are granted with an exercise price equal to the closing market price of the shares on the day prior to the date the options are granted. In certain circumstances, stock options are granted with an exercise price that is higher than the closing market price of the shares on the day prior to the date the options are granted. The stock options outstanding at December 31, 2009 expire on various dates until December 2014.

(e) Summarized information relative to the Company's stock option plan is as follows:

	2009		2008	
	Options (000's)	Weighted average exercise price	Options (000's)	Weighted average exercise price
Outstanding, beginning of year	937	\$ 3.59	593	\$ 4.41
Granted	845	0.93	515	2.62
Exercised	—	—	(115)	3.15
Forfeited and expired	(219)	3.86	(56)	4.28
Outstanding, end of year	1,563	2.11	937	3.59
Options exercisable, end of year	533	\$ 3.53	494	\$ 3.67

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

8. Capital stock (continued):

- (f) The following table summarizes information about stock options outstanding and exercisable at December 31, 2009:

Range of exercise price	Options outstanding			Options exercisable	
	Number outstanding (000's)	Weighted average remaining life (years)	Weighted average exercise price (000's)	Number exercisable	Weighted average exercise price
\$0.70 - \$2.05	1,220	4.5	\$ 1.29	265	\$ 2.05
\$2.06 - \$3.92	148	0.5	3.26	148	3.26
\$3.93 - \$8.65	195	2.5	6.38	120	8.14
	1,563	3.9	2.11	533	3.53

- (g) For stock options granted to employees and directors on or after January 1, 2003, the Company recorded compensation expense of \$279 (2008 - \$283) included in compensation and related benefits.

The weighted average grant date fair value for employee and director options granted during the year ended December 31, 2009 was \$0.34 (2008 - \$1.04), valued using the following weighted average assumptions:

	2009	2008
Risk-free interest rate	2.00%	2.01%
Expected life of the options in years	3.6	5
Expected volatility	47.3%	42.44%

9. Restructuring charges:

Restructuring costs include severance payments and legal expenses related to employee terminations. As at December 31, 2009, restructuring costs of \$868 (2008 - \$1,052) have been paid and \$790 (2008 - nil) is included in accounts payable and accrued liabilities.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

10. Income taxes:

The provision for income taxes reported differs from the amount computed by applying the Canadian statutory rate to earnings before income taxes for the following reasons:

	2009	2008
Loss before income taxes	\$ (13,724)	\$ (818)
Combined basic federal and provincial rate	33.0%	33.5%
Effective income tax recovery based on loss before income taxes	\$ (4,529)	\$ (274)
Decrease (increase) in income tax recovery resulting from:		
Non-deductible items	407	138
Non-deductible portion of exchange related transactions on capital account	(25)	378
Change in valuation allowance	5,854	324
Differences due to higher tax rates for foreign subsidiaries	(406)	(48)
Differences due to changes in exchange rates	782	(1,360)
Other items	116	(4)
Effect of changes in opening tax balances not previously recognized	(93)	(82)
Effect of rate changes on future taxes	423	1
ITCs recoverable	227	(9)
Actual income taxes (recovery)	\$ 2,756	\$ (936)

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

10. Income taxes (continued):

As at December 31, 2009, the Company has available non-capital loss carryforwards that may be used to reduce future taxable income. The Company has recorded a valuation allowance against the benefit of these losses. The loss carryforwards expire as follows:

	Canada	United States	Total
2023	\$ –	\$ 2,200	\$ 2,200
2024	–	1,263	1,263
2028	–	1,729	1,729
2029	4,430	3,150	7,580
	\$ 4,430	\$ 8,342	\$ 12,772

As at December 31, 2009, the Company has an accumulated SR&ED expenditure pool of \$2,072 (2008 - \$2,008) that may be used to reduce future taxable income in Canada. The Company has recorded a valuation allowance against the benefit of the pool. The SR&ED expenditure pool can be carried forward indefinitely.

As at December 31, 2009, the Company has unrecorded ITCs of \$1,394 and unrecorded corporate minimum tax credits of \$77 available to offset future Canadian federal and provincial tax liabilities respectively. The Company has recorded U.S. alternative minimum tax credits of \$147 available to offset future U.S. income tax liabilities. The Company's ITCs expire as follows:

	Canadian corporate minimum tax credits	U.S. alternative minimum tax credits	Canadian investment tax credits
2021	\$ –	\$ –	\$ 331
2022	–	–	281
2023	–	–	191
2024	–	–	181
2025	–	–	124
2026	–	–	152
2027	–	–	72
2028	–	–	62
No expiration	77	147	–
	\$ 77	\$ 147	\$ 1,394

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

10. Income taxes (continued):

The tax effect of loss carryforwards and significant temporary differences representing future income tax assets at December 31 are as follows:

	2009	2008
Future income tax assets:		
Tax benefit of loss carryforwards	\$ 4,534	\$ 2,265
SR&ED expenditure pool	817	731
Capital loss carryforwards	251	324
Capital assets	81	211
Intangible assets	352	–
Other	212	82
	6,247	3,613
Future income tax liabilities:		
SR&ED ITCs	–	(205)
Unrealized foreign exchange	(69)	(28)
Other	–	(11)
Total future tax liabilities	(69)	(244)
Less valuation allowance	(6,178)	(324)
Net future income tax assets	\$ –	\$ 3,045

At the fiscal year end, the Company determined that based on the results of its operations, it is now not more likely than not that it will realize the benefits of its future tax assets and therefore a full valuation allowance has been recorded. The Company continues to evaluate its taxable position and considers factors by tax jurisdiction, such as estimated taxable income, the history of losses for tax purposes and the growth of the Company, among others.

As a result of harmonization of the Ontario provincial income tax system with the Canadian federal income tax system, the net future income tax assets shown above include a tax credit of approximately \$257, which the Company can use to reduce Ontario income taxes over the next four years.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

11. Change in non-cash operating working capital:

	2009	2008
Cash segregated under regulations and other	\$ (2,621)	\$ (184)
Cash and cash equivalents on deposit with clearing and depository organizations	626	982
Receivable from brokers, dealers and clearing organization	827	747
Accounts receivable	3,568	(1,372)
Prepaid expenses and other receivables	66	(154)
Other asset	1,565	(640)
Income taxes receivable	77	(89)
Investment tax credits recoverable	1,517	(203)
Accounts payable and accrued liabilities	(1,174)	2,296
Payable to customers and correspondents	1,765	183
Payable to brokers, dealers and clearing organization	214	(1,784)
Income taxes payable	–	(13)
	<hr/>	<hr/>
	\$ 6,430	\$ (231)

12. Credit facility:

During 2008, the Company's subsidiary, Electronic Brokerage Systems, LLC, obtained a revolving credit facility for U.S. \$25,000 that may only be used to facilitate its clearing and settlement activities. The facility is collateralized by marketable securities that exist only in the event of a clearing break and which are held at the Depository and Trust Company. The facility is payable on demand and bears interest at a variable rate based on the market rate plus an applicable margin paid monthly. Additionally, a fee of 0.275% on the average daily unused portion of the facility is paid quarterly. The outstanding balance of the facility at December 31, 2009 was nil.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

13. Capital disclosures:

The Company's objectives when managing capital are to efficiently provide for the funding of its clearing and settlement operations, capital expenditures, and working capital while ensuring adequate liquidity and solvency and complying with its regulatory capital requirements. The Company aims to provide a platform to effectively fund new growth initiatives and ensuring flexibility in raising capital from multiple sources and markets.

The Company's capital structure consists of shareholders' equity, cash and cash equivalents and a clearing credit facility. The Company makes adjustments to the capital structure depending on economic conditions and the financial position and performance of the Company. In order to maintain or adjust the capital structure, the Company may issue new shares, buy back shares, or issue debt. The Company does not presently utilize any quantitative measures to monitor its capital.

The Company's investment policy is to invest its cash in high grade investment securities with varying terms to maturity, selected with regards to the expected timing of expenditures from continuing operations.

The Company's subsidiaries, Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC, are subject to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital. Under this rule, Electronic Brokerage Systems, LLC is required to maintain "net capital" equal to the greater of U.S. \$500 or 2% of aggregate debit balances arising from customer transactions, as defined, and Robert C. Sheehan & Associates, LLC is required to maintain net capital equal to the greater of U.S. \$100 or 6-2/3% of "aggregate indebtedness", as defined.

As at December 31, 2009, Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC had net capital of U.S. \$9,691 and U.S. \$1,938, and a net capital requirement of U.S. \$500 and U.S. \$100, respectively.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

14. Segmented information:

The Company operates and manages its business in one industry - the financial services sector. The Company has two reportable segments: the Core business and the Brokerage business. In the Core business, the Company creates and provides to institutional customers trade execution software, trade execution services through its broker-dealer and a network for connecting to various exchanges and other markets in North America. The Brokerage business involves the execution of exchange-traded equity and index options on the floor of the Chicago Board Options Exchange.

The accounting policies of the segments are the same as those described in the significant accounting policies (note 1). The Company evaluates performance of the Core business and the Brokerage business based on several factors, of which the primary financial measures are net revenue and earnings before income taxes.

(a) Reportable segments:

2009	Core	Brokerage	Total
External revenue:			
Subscription fees	\$ 4,907	\$ -	\$ 4,907
Equity order flow and clearing	21,032	-	21,032
Options and futures contracts	7,453	3,362	10,815
Other	1,457	-	1,457
Cost of exchange and clearance fees	(14,903)	(194)	(15,097)
	\$ 19,946	\$ 3,168	\$ 23,114
Loss before the undernoted	\$ (7,654)	\$ (591)	\$ (8,245)
Restructuring charges	1,654	4	1,658
Amortization of capital assets	2,028	14	2,042
Amortization of intangible assets	202	-	202
Impairment of goodwill and intangible assets	1,372	373	1,745
Interest:			
Expense	25	-	25
Income	(190)	(3)	(193)
Loss before income taxes	\$ (12,745)	\$ (979)	\$ (13,724)
Total assets	\$ 23,713	\$ 2,508	\$ 26,221
Capital asset expenditures	949	-	949

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

14. Segmented information (continued):

2008	Core	Brokerage	Total
External revenue:			
Subscription fees	\$ 7,087	\$ –	\$ 7,087
Equity order flow and clearing	17,942	–	17,942
Options and futures contracts	11,120	4,100	15,220
Other	1,512	–	1,512
Cost of exchange and clearance fees	(10,899)	(597)	(11,496)
	<hr/>	<hr/>	<hr/>
	\$ 26,762	\$ 3,503	\$ 30,265
Earnings (loss) before the undernoted	\$ 1,818	\$ (60)	\$ 1,758
Restructuring charges	1,052	–	1,052
Amortization of capital assets	1,892	12	1,904
Amortization of intangible assets	198	–	198
Interest:			
Expense	4	–	4
Income	(556)	(26)	(582)
Loss before income taxes	<hr/>	<hr/>	<hr/>
	\$ (772)	\$ (46)	\$ (818)
Total assets	\$ 38,768	\$ 3,190	\$ 41,958
Capital asset expenditures	2,436	37	2,473

(b) Geographic segments:

The Company's external net revenue by geographic region is based on the region in which the net revenue is transacted. The total assets and capital assets are based on the geographic area in which the Company operates:

2009	Canada	United States	Total
External revenue:			
Subscription fees	\$ 4,687	\$ 220	\$ 4,907
Equity order flow and clearing	836	20,196	21,032
Options and futures contracts	46	10,769	10,815
Other	1,103	354	1,457
Cost of exchange and clearance fees	–	(15,097)	(15,097)
	<hr/>	<hr/>	<hr/>
	\$ 6,672	\$ 16,442	\$ 23,114

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

14. Segmented information (continued):

2009	Canada	United States	Total
Total assets	\$ 5,171	\$ 21,050	\$ 26,221
Capital assets	1,148	1,085	2,233
Intangible assets	25	116	141

2008	Canada	United States	Total
External revenue:			
Subscription fees	\$ 6,616	\$ 471	\$ 7,087
Equity order flow and clearing	2,103	15,839	17,942
Options and futures contracts	25	15,195	15,220
Other	1,117	395	1,512
Cost of exchange and clearance fees	–	(11,496)	(11,496)
	\$ 9,861	\$ 20,404	\$ 30,265

2008	Canada	United States	Total
Total assets	\$ 13,194	\$ 28,764	\$ 41,958
Capital assets	1,845	1,481	3,326
Goodwill	–	1,608	1,608
Intangible assets	47	426	473

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

15. Financial instruments:

(a) Financial risk management:

Financial instruments of the Company consist primarily of cash and cash equivalents, cash segregated under regulations and other, cash and cash equivalents on deposit with clearing and depository organizations, accounts receivable, receivable from brokers, dealers and clearing organization, other asset, investment, accounts payable and accrued liabilities, payable to customers and correspondents, and payable to brokers, dealers and clearing organization. The Company designated its cash and cash equivalents, cash segregated under regulations and other, cash and cash equivalents on deposit with clearing and depository organizations, receivables from brokers, dealers and clearing organization and other asset (which includes foreign exchange future and option contracts) as held-for-trading. The carrying value of the held-for-trading financial instruments approximates their fair value because of the relatively short periods to maturity of these instruments. The investment is classified as available-for-sale, which is stated at cost as it does not have a quoted market price in an active market. Accounts receivable are classified as loans and receivables, which are stated at amortized cost. Accounts payable and accrued liabilities, payable to customers and correspondents and payables to brokers, dealers and clearing organization are classified as other financial liabilities. The carrying value of the other financial liabilities approximates their fair value because of the relatively short periods to maturity of these instruments. The Company had no other comprehensive income or loss transactions during the year ended December 31, 2009 and no opening or closing balances for accumulated other comprehensive income or loss.

(b) Credit risk:

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligation and arises principally from the Company's cash and cash equivalents and accounts receivable. The amounts reported in the balance sheet for accounts receivable are net of allowance for bad debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

15. Financial instruments and risk management (continued):

The Company minimizes the credit risk of cash and cash equivalents by depositing only with reputable financial institutions, investing in only high grade investment securities and limiting exposure to any one financial institution, commercial issuer, or investment type and limits the term to maturity to less than one year.

The Company believes that its credit risk with respect to accounts receivable is limited for a number of reasons, including dealing primarily with large Canadian and U.S. banks and brokerage houses. The Company manages its risk through credit policies in the U.S., which includes the analysis of the financial position of its customers, subscribing to an outside credit bureau, and account monitoring procedures. As at December 31, 2009, \$187 of the Company's accounts receivable was past due. During 2010, \$99 of the past due was collected. The remaining past due balances have been fully provided for. All the Company's receivables have been reviewed for indicators of impairment.

At December 31, 2009, two customers accounted for approximately 20% of total accounts receivable (2008 - two customers for 22%). For the years ended December 31, 2009 and 2008, no one customer accounted for 10% or more of total net revenue.

The Company does not have reason to believe the balances on these accounts are impaired.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

15. Financial instruments and risk management (continued):

(c) Currency risk:

The Company is exposed to the risk that future earnings and cash flows will fluctuate as a material amount of the Company's revenue and accounts receivable and related expenses are denominated in U.S. dollars and financial results are reported in Canadian dollars. During 2009 the Company ceased utilizing foreign exchange option contracts to partially mitigate its U.S.-dollar denominated net asset exposure, which is translated into Canadian dollars for reporting purposes. The fair value of these financial instruments as at December 31, 2008 is based on quoted market prices and information available at that time. As at December 31, 2009, the Company had no foreign exchange option contracts outstanding (2008 - Cdn. \$12,000 at U.S. \$0.72, maturing March 2009). For the year ended December 31, 2009, the Company has recorded a gain on the foreign exchange option contracts that were settled for approximately \$368 (2008 - recorded an unrealized gain on the outstanding foreign exchange option contracts of approximately \$366 and recorded a loss on the foreign exchange option contracts that were settled for approximately \$2,205). Realized and unrealized gains or losses on foreign exchange option and future contracts are netted against gains or losses on the translation of the Company's integrated foreign subsidiaries in the consolidated statements of operations.

The Company's exposure to foreign currency risk is primarily related to fluctuations in the value of the Canadian dollar relative to that of the U.S. dollar. If the Canadian dollar appreciated by 1 cent against the U.S. dollar at December 31, 2009, with all other variables held constant, the impact of the foreign currency change on the U.S.-denominated financial instruments would lead to an additional foreign exchange loss of approximately \$170.

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due over the next 12 to 24 months, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's principal cash requirements are for clearing and settling operations, capital expenditures and working capital needs. The Company uses its operating cash flows, clearing facility and cash balances to maintain its liquidity.

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

15. Financial instruments and risk management (continued):

(e) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Cash and cash equivalents of the Company are invested at interest rates at varying rates and mature at various dates over the current operating period and whereby the Company is exposed in the event of fluctuation of the prime rate. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash equivalents is limited because these cash equivalents, although held-for-trading, are generally held to maturity. The Company does not use financial instruments to mitigate this risk.

16. Related party transactions:

During 2009, Electronic Brokerage Systems, LLC paid, at market rates, seat lease expenses of approximately \$142 (2008 - \$121) and execution services of approximately \$194 (2008 - \$180) to a company controlled by the president of Electronic Brokerage Systems, LLC. In addition, Electronic Brokerage Systems, LLC recorded transaction fee revenue at market rates of approximately \$206 (2008 - \$19) from the same company for the year ended December 31, 2009.

17. Commitments, contingencies and guarantees:

(a) The Company's commitments, primarily occupancy and telecommunications costs, require future minimum payments, as summarized below at December 31, 2009:

2010	\$ 3,354
2011	1,810
2012	837
2013	102
Thereafter	47
	<hr/>
	\$ 6,150

BELZBERG TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except where otherwise indicated and per share amounts)

Years ended December 31, 2009 and 2008

17. Commitments, contingencies and guarantees (continued):

- (b) The Company has provided routine indemnifications to its customers against liability if the Company's products infringe on a third party's intellectual property rights. The maximum exposure from these indemnifications cannot be reasonably estimated. In some cases, the Company has recourse against other parties to mitigate its risk of loss from these guarantees. Historically, the Company has made no payments relating to these indemnifications and the Company is not subject to any pending litigation on this matter.

- (c) The Company and a customer of the Company have jointly been named as defendants in an action filed by a client of the customer in relation to alleged deficiencies in services and software provided. As a result of the alleged deficiencies, along with direct claims asserted against the Company's customer, the plaintiffs are seeking to recover damages from trading losses, commissions levied, loss of opportunity, loss of profit, loss of fees, audit costs and loss of goodwill and damage to business reputation in the amount of \$4.5 million plus unspecified special damages. As the suit names both the Company and its customer, the Company has no basis to estimate its portion of the claim. The Company does not believe that it is liable for these claims and has engaged legal counsel to vigorously defend the claim. The Company has no direct contractual relationship with the party who filed the suit. In addition, the Company's contract with its customer limits the Company's liability for the services and software provided.

- (d) There exist certain other claims and potential claims against the Company, none of which is expected to have a material adverse effect on the consolidated financial position of the Company.

SHAREHOLDER INFORMATION

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Market Toronto Stock Exchange Symbol: BLZ

BOARD OF DIRECTORS

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Economist

Stephen Sadler

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Chris Jackson

President, Canadian Operations

Andrew Brenner

President, US Operations

Robert C. Sheehan

Chief Executive Officer, Electronic Brokerage Systems and Robert C. Sheehan & Associates

David Evans

Vice President, Finance

Donald W. Wilson

Senior Manager

Under the rules of the Canadian Securities Administrators, every listed company must disclose its approach to corporate governance with reference to the guidelines set out by Form 58-101F1. The guidelines address matters such as constitution and independence of the Board of Directors, functions to be performed by each member of the Board, and effectiveness of the Board. The Board of Directors of Belzberg Technologies believes that sound corporate governance practices are essential to the well-being of Belzberg Technologies, and have addressed each of the Form 58-101F1 guidelines in the Information Circular.