

Q2 2009

Management's Discussion And Analysis
BELZBERG TECHNOLOGIES INC.
For The Three and Six Months Ended June 30, 2009

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 unaudited consolidated interim financial statements and related notes for the quarter ended June 30, 2009 of Belzberg Technologies Inc. (referred to in this MD&A as the "Company", "Belzberg", "our" and "we") and the MD&A, audited consolidated financial statements and the notes thereto for the year ended December 31, 2008. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). All amounts reported in this MD&A are in thousands of Canadian dollars unless otherwise specified. Additional information relating to the Company, including the Company's Annual Information Form is on SEDAR at www.sedar.com. The MD&A is as of August 10, 2009.

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 Company'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 Company's results. For a more detailed discussion of these factors refer to the section titled "Risks and Uncertainties" in the Company's annual MD&A filed on Sedar. All factors should be considered carefully when making decisions with respect to the Company and undue reliance should not be placed on the Company's forward-looking statements. The Company 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 leading provider of exchange connectivity, trade execution, order management and routing software for the financial industry. In addition to its technology, through one of its wholly owned subsidiaries, an agency-only broker-dealer, the Company offers low cost trade execution. 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. Belzberg products enable traders to execute and manage large volumes of transactions at high speed, and with great reliability and security.

Major financial institutions, broker-dealers, buy-side institutions, banks, and others use all or a subset of Belzberg trading products to automate their order execution, basket trading, arbitrage, retail order management, and real-time inventory management, as demanded by each situation.

In September, 2002, Belzberg announced that its wholly owned subsidiary, Electronic Brokerage Systems, LLC, had become a member of the National Securities Clearing Corporation (“NSCC”). In November, 2002, the Company announced that Electronic Brokerage Systems, LLC also became a member of the New York Stock Exchange (“NYSE”). These memberships allowed the Company to become self-clearing, which significantly reduced the Company’s clearing costs.

In 2001, the Company expanded its business by acquiring a broker-dealer that provides the execution of exchange-traded equity and index options on the Chicago Board Options Exchange.

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

In 2008, the Company was approved by the Financial Industry Regulatory Authority (“FINRA”) to provide full clearing services.

Overview

Highlights of Second Quarter 2009 Results

- Loss of \$1,405 or (\$0.09) per diluted share for the second quarter of 2009, compared to a loss of \$428 or (\$0.03) per diluted share in the same year-ago quarter;
- Total Revenue increased by 21% to \$10,822 for the second quarter of 2009, up from \$8,974 in the same year-ago quarter. Revenue before pass-throughs decreased by 12% to \$5,795 for the second quarter of 2009, down from \$6,600 in the same year-ago quarter;
- Working capital position of \$21,031 at June 30, 2009 as compared to \$22,340 at March 31, 2009.

The second quarter of 2009 proved to be a challenging quarter for the Company with revenue before pass-throughs declining by 12% from both the same year-ago quarter and from the sequential quarter. Trading volumes declined from the first quarter of 2009 by 9% in our US equity business and by 5% in our options business which was consistent with industry wide trends. Our subscription business experienced a net loss of users in the second quarter from continued cost cutting and downsizing by customers. Expenses before restructuring charges declined by \$668 from the first quarter as management focused on controlling costs in the challenging environment.

The Company’s financial position remained positive at June 30, 2009 with cash and cash equivalents of \$13,464 (March 31, 2009 - \$7,567) and working capital of \$21,031 (March 31, 2009 - \$22,340).

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 Company.

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

Results of Operations

Revenues

Total Revenues for the three months ended June 30,

(\$000s)	2009			2008		
	Canada	USA	Total	Canada	USA	Total
Transaction fees - core						
Equity order flow and clearing	\$ 245	\$ 5,997	\$ 6,242	\$ 510	\$ 2,647	\$ 3,157
Electronic option and futures contracts	11	2,185	2,196	5	2,990	2,995
Total transaction fees - core	256	8,182	8,438	515	5,637	6,152
Transaction fees - brokerage	-	801	801	-	677	677
Subscription fees	1,157	66	1,223	1,662	125	1,787
Other revenue	266	94	360	264	94	358
Total	\$ 1,679	\$ 9,143	\$ 10,822	\$ 2,441	\$ 6,533	\$ 8,974

Total Revenues

Total revenue increased by 21% from \$8,974 for the quarter ended June 30, 2008 to \$10,822 for the quarter ended June 30, 2009. In the second quarter of 2009, the Company generated approximately 84% (second quarter of 2008 - 73%) of its revenues in the United States and 16% (second quarter of 2008 - 27%) of its revenues in Canada. The Company expects that revenues from the United States will increase at a greater rate than revenues from Canada as the direct sales force focuses on attracting order flow revenue from U.S. based customers.

Transaction Fee Revenue – Core

(i) Equity Order Flow and Clearing

Transaction fee revenue (including the recovery of pass through costs) from clearing, sponsored access and the routing of equity order flow through the Belzberg Gateway increased by 98% to \$6,242 in the second quarter of 2008 from \$3,157 in the same year-ago quarter.

Equity order flow and clearing revenues executed on U.S. exchanges increased by 127% to \$5,997 in the second quarter of 2009 from \$2,647 in the same year-ago quarter. Approximately \$2,908 of the increase resulted from higher pass-through revenues on which the Company makes no mark-up while a strengthening US dollar accounted for approximately \$249 net of pass-throughs of the increase. The total volume of shares executed by our wholly owned U.S. broker-dealer increased by approximately 41% year over year but most of the increase was executed by very low commission rate customers. The Company 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 executed on Canadian exchanges decreased by 52% due to 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	Three months ended June 30,		change	% change
	2009	2008		
Total trading volume (in billions of shares)	3.3	2.4	0.9	38%
Avg trading volume per day (in millions of shares)	53.0	37.1	15.9	43%
Avg transaction fee revenue per trading day including passthroughs (in thousands CDN\$)	\$ 95.2	\$ 41.4	\$ 53.8	130%
Avg transaction fee revenue per trading day before passthroughs (in thousands CDN\$)	\$ 32.4	\$ 25.0	\$ 7.4	30%
Avg transaction fee revenue per share including passthroughs	\$ 0.0018	\$ 0.0011	\$ 0.0007	64%
Avg transaction fee revenue per share before passthroughs	\$ 0.0006	\$ 0.0007	\$ (0.0001)	(14)%
U.S market trading days	63	64	(1)	

(ii) Electronic Options and Futures Contracts

Transaction fee revenue (including the recovery of pass through costs) from the electronic execution of options and futures contracts through the Belzberg Gateway decreased by 27% to \$2,196 in the second quarter of 2009 from \$2,995 in the same year-ago quarter. Approximately \$242 of the decrease resulted from lower pass-through revenues on which the Company makes no mark-up while a strengthening US dollar accounted for an increase to option revenues of approximately \$198 net of passthroughs. The total volume of our electronic options contracts executed decreased by 43% on a year over year basis of which

63% related to the loss of one customer while the balance related to a slowdown or cessation of trading by US banks and brokerage houses affected by the financial crisis.

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

U.S Electronic Options Contracts Executed	Three months ended June 30,		change	% change
	2009	2008		
Total trading volume (in millions of contracts)	7.8	13.8	(6.0)	(43)%
Avg trading volume per day (in thousands of contracts)	123.1	216.2	(93.1)	(43)%
Avg transaction fee revenue per trading day including passthroughs (in thousands CDN\$)	\$ 34.7	\$ 46.7	\$ (12.0)	(26)%
Avg transaction fee revenue per trading day before passthroughs (in thousands CDN\$)	\$ 23.6	\$ 32.0	\$ (8.4)	(26)%
Avg transaction fee revenue per contract including passthroughs	\$ 0.28	\$ 0.22	\$ 0.06	27%
Avg transaction fee revenue per contract before passthroughs	\$ 0.19	\$ 0.15	\$ 0.04	27%
U.S market trading days	63	64	(1)	

Transaction Fee Revenue – Brokerage

Transaction fee revenue from the brokerage segment (including the recovery of pass through costs) increased by 18% to \$801 in the second quarter of 2009 from \$677 in the same year-ago quarter. The majority of the increase came from 2 new customers. A strengthening US dollar accounted for approximately \$98 of the year over year increase.

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

U.S Floor Options Contracts Executed	Three months ended June 30,		change	% change
	2009	2008		
Total trading volume (in millions of contracts)	5.2	3.2	2.0	62%
Avg trading volume per day (in thousands of contracts)	82.4	50.1	32.3	64%
Avg transaction fee revenue per trading day including passthroughs (in thousands CDN\$)	\$ 12.7	\$ 10.6	\$ 2.1	20%
Avg transaction fee revenue per trading day before passthroughs (in thousands CDN\$)	\$ 12.3	\$ 9.9	\$ 2.4	24%
Avg transaction fee revenue per contract including passthroughs	\$ 0.15	\$ 0.21	\$ (0.06)	(29)%
Avg transaction fee revenue per contract before passthroughs	\$ 0.15	\$ 0.20	\$ (0.05)	(25)%
U.S market trading days	63	64	(1)	

Subscription Fee Revenue

Subscription fee revenue in the core business, which is based on customers paying a fixed monthly fee for connectivity to the Belzberg Gateway on a per terminal or other contracted basis, decreased by 32% to \$1,223 in the second quarter of 2009 from \$1,787 in the same year-ago quarter. 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 Company transitions certain customers to a transaction based model.

Other Revenue

Other revenue, which includes revenue from information distribution, software development fees, installation fees and revenue from connectivity to the Belzberg Gateway, was essentially unchanged in the second quarters of 2009 and 2008.

Revenues

Total Revenues for the six months ended June 30,

(\$000s)	2009			2008		
	Canada	USA	Total	Canada	USA	Total
Transaction fees - core						
Equity order flow and clearing	\$ 421	\$ 12,111	\$ 12,532	\$ 1,302	\$ 5,632	\$ 6,934
Electronic option and futures contracts	22	4,200	4,222	12	5,621	5,633
Total transaction fees - core	443	16,311	16,754	1,314	11,253	12,567
Transaction fees - brokerage	-	1,964	1,964	-	1,657	1,657
Subscription fees	2,496	122	2,618	3,391	249	3,640
Other revenue	551	221	772	502	198	700
Total	\$ 3,490	\$ 18,618	\$ 22,108	\$ 5,207	\$ 13,357	\$ 18,564

Total Revenues

Total revenue increased by 19% from \$18,564 for the six months ended June 30, 2008 to \$22,108 for the six months ended June 30, 2009. The Company generated approximately 84% (six months of 2008 - 72%) of its revenues in the United States and 16% (six months of 2008 - 28%) of its revenues in Canada.

Transaction Fee Revenue – Core

(i) Equity Order Flow and Clearing

Transaction fee revenue (including the recovery of pass through costs) from clearing, sponsored access and the routing of equity order flow through the Belzberg Gateway increased by 81% to \$12,532 in the six months of 2009 from \$6,934 in the same year-ago period. U.S. equity order flow and clearing revenue increased by 115% in the six-months year over year. Approximately \$5,679 of the U.S. equity and clearing revenue increase in the six-month period resulted from higher pass-through revenues on which the Company makes no mark-up. A strengthening US dollar accounted for approximately \$732 of the U.S. equity and clearing revenue increase excluding pass-throughs. The balance of the

year over year U.S. equity and clearing revenue increase came mainly from new clearing customers. The total volume of shares executed by our wholly owned U.S. broker-dealer increased by approximately 24% for the six month period year over year although much of the volume increase was executed by very low commission rate customers. The Company continues to experience pricing pressure in the U.S. equity markets as a result of competition from electronic execution providers and traditional broker-dealers.

Canadian equity order flow revenue decreased by 68% in the six-month period year over year mainly as a result of a sellside customer internalizing its flow and from the loss of buy-side volumes.

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

U.S Equity Order Flow	Six months ended June 30,		change	% change
	2009	2008		
Total trading volume (in billions of shares)	7.0	5.6	1.4	24%
Avg trading volume per day (in millions of shares)	56.7	45.2	11.5	25%
Avg transaction fee revenue per trading day including passthroughs (in thousands CDN\$)	\$ 97.7	\$ 45.1	\$ 52.6	117%
Avg transaction fee revenue per trading day before passthroughs (in thousands CDN\$)	\$ 36.3	\$ 29.6	\$ 6.7	23%
Avg transaction fee revenue per share including passthroughs	\$ 0.0017	\$ 0.0010	\$ 0.0007	70%
Avg transaction fee revenue per share before passthroughs	\$ 0.0006	\$ 0.0007	\$ (0.0001)	(14)%
U.S market trading days	124	125	(1)	

(ii) Electronic Options and Futures Contracts

Transaction fee revenue (including the recovery of pass through costs) from the electronic execution of options and futures contracts through the Belzberg Gateway decreased by 25% to \$4,222 in the six months of 2009 from \$5,633 in the same year-ago period. Approximately \$363 of the decrease resulted from lower pass-through revenues on which the Company makes no mark-up while a strengthening US dollar accounted for an increase to option revenues of approximately \$477 net of passthroughs. The total volume of our electronic options contracts executed decreased by 44% on a year over year basis of which approximately one half related to the loss of one customer while the balance related to a slowdown or cessation of trading by US banks and brokerage houses affected by the financial crisis.

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

U.S Electronic Options Contracts Executed	Six months ended June 30,		change	% change
	2009	2008		
Total trading volume (in millions of contracts)	14.8	26.2	(11.5)	(44)%
Avg trading volume per day (in thousands of contracts)	119.0	210.0	(91.0)	(43)%
Avg transaction fee revenue per trading day including passthroughs (in thousands CDNS)	\$ 33.9	\$ 45.0	\$ (11.1)	(25)%
Avg transaction fee revenue per trading day before passthroughs (in thousands CDNS)	\$ 23.6	\$ 31.9	\$ (8.3)	(26)%
Avg transaction fee revenue per contract including passthroughs	\$ 0.280	\$ 0.210	\$ 0.07	33%
Avg transaction fee revenue per contract before passthroughs	\$ 0.200	\$ 0.150	\$ 0.05	33%
U.S market trading days	124	125	(1)	

Transaction Fee Revenue – Brokerage

Transaction fee revenue from the brokerage segment (including the recovery of pass through costs) increased by 19% to \$1,964 in the six months of 2009 from \$1,657 in the same year-ago period. A strengthening US dollar accounted for approximately \$278 of the year over year increase net of pass-throughs while pass-through revenues on which the Company makes no mark-up declined by \$197. The balance of the increase resulted mainly from 2 new customers.

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

U.S Floor Options Contracts Executed	Six months ended June 30,		change	% change
	2009	2008		
Total trading volume (in millions of contracts)	11.9	6.8	5.1	75%
Avg trading volume per day (in thousands of contracts)	95.8	54.5	41.3	76%
Avg transaction fee revenue per trading day including passthroughs (in thousands CDN\$)	\$ 15.8	\$ 13.2	\$ 2.6	20%
Avg transaction fee revenue per trading day before passthroughs (in thousands CDN\$)	\$ 15.2	\$ 11.0	\$ 4.2	38%
Avg transaction fee revenue per contract including passthroughs	\$ 0.17	\$ 0.24	\$ (0.07)	(29)%
Avg transaction fee revenue per contract before passthroughs	\$ 0.16	\$ 0.20	\$ (0.04)	(20)%
U.S market trading days	124	125	(1)	

Subscription Fee Revenue

Subscription fee revenue in the core business, which is based on customers paying a fixed monthly fee for connectivity to the Belzberg Gateway on a per terminal or other contracted basis, decreased by 28% to \$2,618 in the six months of 2009 from \$3,640 in the same year-ago period. 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 Company transitions certain customers to a transaction based model.

Other Revenue

Other revenue, which includes revenue from information distribution, software development fees, installation fees and revenue from connectivity to the Belzberg Gateway, increased by 10% to \$772 in the six months of 2009 from \$700 in the same year-ago period. The increase related mainly to higher information distribution revenues of \$42 and higher dataline recoveries of \$34 offset by lower installation fees.

Expenses (Income)

Expenses (Income) for the three months ended June 30,

(\$000's)	Core 2009	Brokerage 2009	Total 2009	% of Revenues	Core 2008	Brokerage 2008	Total 2008	% of Revenues
Exchange, clearing and brokerage fees	\$ 5,157	\$ 321	\$ 5,478	51 %	\$ 2,890	\$ 246	\$ 3,136	35 %
Compensation and related benefits	2,752	410	3,162	29 %	2,610	341	2,951	33 %
Telecommunication and datafeed services	2,001	66	2,067	19 %	1,608	54	1,662	19 %
Administrative and other expenses	1,004	48	1,052	10 %	1,265	151	1,416	16 %
Government assistance	(95)	-	(95)	(1)%	-	-	-	-
Amortization of capital assets	530	4	534	5 %	463	2	465	5 %
Amortization of intangible assets	55	-	55	1 %	47	-	47	1 %
Foreign exchange loss	114	250	364	3 %	36	22	58	1 %
Interest expense	12	-	12	-	-	-	-	-
Interest income	(44)	-	(44)	-	(143)	(6)	(149)	(2)%
	\$ 11,486	\$ 1,099	\$ 12,585	116%	\$ 8,776	\$ 810	\$ 9,586	107%

Expenses (Income) for the six months ended June 30,

(\$000's)	Core 2009	Brokerage 2009	Total 2009	% of Revenues	Core 2008	Brokerage 2008	Total 2008	% of Revenues
Exchange, clearing and brokerage fees	\$ 10,325	\$ 697	\$ 11,022	50 %	\$ 4,800	\$ 656	\$ 5,456	29 %
Compensation and related benefits	6,062	855	6,917	31 %	4,998	733	5,731	31 %
Telecommunication and datafeed services	3,982	135	4,117	19 %	3,117	99	3,216	17 %
Administrative and other expenses	2,136	106	2,242	10 %	2,307	202	2,509	14 %
Government assistance	(95)	-	(95)	-	-	-	-	-
Restructuring expenses	839	-	839	4 %	-	-	-	-
Amortization of capital assets	1,049	8	1,057	5 %	924	4	928	5 %
Amortization of intangible assets	110	-	110	-	85	-	85	-
Foreign exchange loss(gain)	387	145	532	2 %	200	(83)	117	1 %
Interest expense	18	-	18	-	-	-	-	-
Interest income	(128)	(3)	(131)	(1)%	(321)	(15)	(336)	(2)%
	\$ 24,685	\$ 1,943	\$ 26,628	120%	\$ 16,110	\$ 1,596	\$ 17,706	95%

Exchange, Clearing and Brokerage Fees

Exchange, clearing and brokerage fees are comprised of:

- (i) the transaction fees we pay to the various exchanges, ECN's and clearing organizations for the execution and clearing of our customer equity and option orders;
- (ii) the commissions we pay to other brokers and specialists for execution services and/or for the introduction of orderflow;
- (iii) the cost of our exchange and clearing organization memberships;

- (iv) the cost of seat leases, trading licenses and other brokerage fees;
- (v) the cost of any trading errors that may arise.

Exchange, clearing and brokerage fees increased by 75% to \$5,478 in the second quarter of 2009 from \$3,136 in the same year-ago quarter. The increase resulted mainly from:

- (i) higher equity exchange/ecn fees in the core business of approximately \$2,938 from a combination of (a) higher exchange fee pricing implemented on the NYSE, (ii) a strengthening US\$ that added approximately \$162 to the exchange fees reported in CDN\$ and (iii) higher trading volumes that generated additional exchange fees.
- (ii) Higher option floor brokerage costs of \$62 from the increased number of CBOE option contracts executed and increased account maintenance charges.
- (iii) Higher seat lease/trading license costs and higher third party technology costs of \$49 mainly due to a stronger US\$.

The above increases were offset by (i) lower commissions of \$263 paid to other brokers for execution services and for the introduction of business, (ii) lower trading errors of \$197 and (iii) lower option exchange fees of \$236 from reduced option volumes executed.

Exchange, clearing and brokerage fees increased by 102% to \$11,022 in the six months of 2009 from \$5,456 in the same year-ago period. The increase resulted mainly from:

- (i) higher equity exchange/ecn fees in the core business of approximately \$5,949 from a combination of (a) higher exchange fee pricing implemented on the NYSE, (ii) a strengthening US\$ that added approximately \$371 to the exchange fees reported in CDN\$ and (iii) higher trading volumes that generated additional exchange fees.
- (ii) Higher equity clearing fees of \$195 from a credit received from the NSCC in the prior year not recurring in the current year.
- (iii) Higher option floor brokerage costs of \$142 from the increased number of CBOE option contracts executed and increased account maintenance charges.
- (iv) Higher seat lease/trading license costs and higher third party technology costs of \$195 (of which \$100 related to a stronger US\$) with the balance related to increased CBOE seat lease costs and costs for our clearing system.
- (v) An accrual of \$100 for a potential client trading issue.

The above increases were offset by (i) lower commissions of \$392 paid to other brokers for execution services and for the introduction of business, (ii) lower trading errors of \$163 and (iii) lower option exchange fees of \$484 from reduced option volumes executed.

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 7% to \$3,162 in the second quarter of 2009 from \$2,951 in the same year-ago quarter. The year over year increase resulted

mainly from (i) a stronger US\$ that increased compensation reported in CDN\$ by approximately \$240; (ii) higher stock based compensation of \$40 from additional option grants and (iii) additional sales commissions of \$176 net of the foreign exchange effect paid to NY floor brokers with a book of business.

The above increases were offset by both a reduction in salaries of employees terminated in Q1'09 and lower vacation accrual totaling approximately \$250.

Our average headcount in the second quarter of 2009 was 104 full time employees and 3 part time employees as compared to 102 full time employees and 5 part time employees in the same year-ago quarter.

Compensation and related benefits increased by 21% to \$6,917 in the six months of 2009 from \$5,731 in the same year-ago period. The year over year increase resulted mainly from (i) a stronger US\$ that increased compensation reported in CDN\$ by approximately \$624; (ii) higher stock based compensation of \$65 from additional option grants and (iii) additional sales commissions of \$450 net of the foreign exchange effect paid to NY floor brokers with a book of business.

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 24% to \$2,067 in the second quarter of 2009 from \$1,662 in the same year-ago quarter. Datafeed and market access services increased by approximately \$148 mainly as a result of:

- (i) A stronger US\$ that increased datafeed costs reported in CDN\$ by approximately \$87.
- (ii) An accrual for a contract termination of \$50.
- (iii) Additional cost of Bloomberg terminals, NYSE ARCA book access, NYSE feeds and feedhandler costs net of feeds that were cancelled of \$21.

These increases were offset by datafeed services of \$27 that were cancelled.

Telecommunication costs increased by approximately \$257 mainly as a result of:

- (i) Connections to market data lines and trading connections increased by \$274 of which approximately \$76 resulted from a stronger US\$. The balance of the increase resulted from increased bandwidth for Activ connections, TSX, INET, NASDAQ, Alpha, Omega, Atrium, Chi-X, Belzberg channelized T3 and ARCA connections. Also new T3's were installed between Chicago and New York and between Toronto and New York to handle increased load.
- (ii) Connections to customers decreased by \$16 from cancellations.

Telecommunication and datafeed services increased by 28% to \$4,117 in the six-month period of 2009 from \$3,216 in the same year-ago period.

Datafeed and market access services increased in the six-month period by approximately \$312 mainly as a result of:

- (i) A stronger US\$ that increased datafeed costs reported in CDN\$ by approximately \$163.
- (ii) An accrual for a contract termination of \$50.
- (iii) Additional cost of Bloomberg terminals, Nasdaq feeds, Activ feeds, NYSE ARCA book access, NYSE feeds and feedhandler costs of \$99.

Telecommunication costs increased in the six-month period by approximately \$589 mainly as a result of:

- (i) Connections to market data lines and trading connections increased by \$549 of which approximately \$200 resulted from a stronger US\$. The balance of the increase resulted from increased bandwidth for Activ connections, TSX, INET, NASDAQ, Alpha, Omega, Atrium, Chi-X, Belzberg channelized T3 and ARCA connections. Also new T3's were installed between Chicago and New York and between Toronto and New York to handle increased load.
- (ii) Connections to customers increased by \$40 of which \$32 resulted from a stronger US\$.

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 26% to \$1,052 in the second quarter of 2009 from \$1,416 in the same year-ago quarter. The decrease resulted mainly from:

- (i) An additional doubtful debt provision of \$100 in our floor brokerage operation in the prior year that did not recur in the current year.
- (ii) Lower legal fees of \$64 and lower other professional and consulting fees of \$11.
- (iii) Lower travel expenses of \$77.
- (iv) Lower advertising and promotional costs of \$63.
- (v) Lower director fees of \$35.
- (vi) Lower office and general expenses of \$35.

These decreases were offset by higher bank charges of \$20.

Administrative and other expenses increased by 11% to \$2,242 in the six months of 2009 from \$2,509 in the same year-ago period. For the six-month period the decreases resulted mainly from:

- (i) An additional doubtful debt provision of \$100 in our floor brokerage operation in the prior year that did not recur in the current year.
- (ii) Lower legal fees of \$113 offset by higher other professional and consulting fees of \$59.
- (iii) Lower travel expenses of \$79.
- (iv) Lower advertising and promotional costs of \$42.
- (v) Lower office and general expenses of \$102 of which a large percentage related to attending fewer conferences.

(vi) Lower director fees of \$31.

These decreases were offset by (i) higher occupancy costs of \$81 of which \$64 related to a stronger US\$ and the balance to additional space rented in Chicago, (ii) higher bank charges of \$41 and (iii) additional software maintenance agreements of \$26.

Restructuring Charges

Restructuring charges of \$839 relate mainly to the severance packages for employee terminations that occurred in the first quarter of 2009.

Government Assistance

Government assistance relates to the scientific research and development claim for the 2008 year that was filed in the second quarter of 2009.

Amortization of Capital Assets

Amortization of capital assets increased by 15% in the second quarter of 2009 to \$534 from \$465 in the same year-ago quarter.

Amortization of capital assets increased by 14% in the six month period of 2009 to \$1,057 from \$928 in the same year-ago period.

The year over year increase resulted from the purchase of additional computer and network equipment to handle the increased capacity of datafeeds, servers for clearing, and general upgrades to datacentres.

Amortization of Intangible Assets

Amortization of intangible assets increased by 17% to \$55 in the second quarter of 2009 from \$47 in the same year-ago quarter.

Amortization of intangible assets increased by 29% to \$110 in the six month period of 2009 from \$85 in the same year-ago quarter.

The increase relates mainly to amortization of computer software additions related to our clearing business now classified as intangible assets in accordance with the new CICA Handbook Section 3064, *Goodwill and Intangible Assets*. The intangibles are being amortized on a straight line basis over three to five years.

Foreign Exchange Loss (Gain)

The Company uses foreign currency futures and options contracts to manage a portion of its exposure to fluctuations in foreign exchange rates. The Company recognizes changes in the fair value of the derivative instruments into income each period. The Company is currently in the process of exiting its hedging strategy in an orderly manner and will no longer hedge its exposure to fluctuations in foreign exchange rates.

The Company incurred a net foreign exchange loss of \$364 (of which \$250 occurred in the brokerage segment and \$114 occurred in the core segment) for the quarter ended June 30, 2009 as a result of a strengthening Canadian dollar. 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 June 30, 2009, the Company had outstanding foreign exchange option contracts for the purchase of CDN\$5,000 at U.S.\$0.72 maturing in September 2009. The unrealized gain on these outstanding option contracts was approximately \$346 for the three-month period ended June 30, 2009. The Company also realized gains of approximately \$429 for the three-

month period ended June 30, 2009 on foreign exchange option contracts that were settled in the second quarter of 2009.

For the six-month period ended June 30, 2009 the Company incurred a net foreign exchange loss of \$532 (of which a loss of \$145 occurred in the brokerage segment and a loss of \$387 occurred in the core segment). 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. For the six-month period ended June 30, 2009 the Company realized losses of approximately \$292 on foreign exchange option contracts that were settled and had unrealized gains of approximately \$406 on option contracts that were not settled. 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.

The Company incurred a net foreign exchange loss of \$58 (of which \$22 occurred in the brokerage segment and \$36 occurred in the core segment) for the quarter ended June 30, 2008 as a result of a strengthening Canadian dollar. 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 June 30, 2008, the Company had outstanding foreign exchange futures contracts for the purchase of CDN\$13,000 at U.S.\$0.94 maturing in September 2008. The unrealized loss on these outstanding futures contracts was approximately \$178 for the three-month period ended June 30, 2008. The Company also realized gains of approximately \$202 for the three-month period ended June 30, 2008 on foreign exchange option contracts that were settled in the second quarter of 2008.

For the six-month period ended June 30, 2008 the Company incurred a net foreign exchange loss of \$117 (of which a gain of \$83 occurred in the brokerage segment and a loss of \$200 occurred in the core segment). 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. For the six-month period ended June 30, 2008 the Company realized losses of approximately \$266 on foreign exchange option contracts that were settled and had unrealized losses of approximately \$178 on futures contracts that were not settled. 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.

Interest Expense

Interest expense increased to \$12 in the second quarter of 2009 from \$nil in the same year-ago quarter. The increase resulted from utilization of the clearing facility to cover clearing breaks.

Interest expense increased by to \$18 in the six months of 2009 from \$nil in the same year ago period. The increase resulted from utilization of the clearing facility to cover clearing breaks.

Interest Income

Interest income decreased by \$105 to \$44 in the second quarter of 2009 from \$149 in the same year-ago quarter. This resulted mainly from lower yields on T/Bill and Bankers Acceptances (BA) investments and lower cash balances.

Interest income decreased by \$205 to \$131 in the six months of 2009 from \$336 in the same year-ago period. This resulted mainly from lower yields on T/Bill and BA investments in the six month period year over year and lower cash balances.

Income Taxes

For the three months ended June 30, 2009, the Company recorded a net income tax recovery of approximately \$358 based upon its loss for the quarter by jurisdiction and a determination that the realization of certain tax assets, including available tax loss carryforwards and research and development tax pools, is more likely than not. For the six-month period ended June 30, 2009, the Company recorded a net income tax recovery of \$1,291 based upon its year to date loss.

For the three months ended June 30, 2008, the Company recorded a net income tax recovery of approximately \$184 based upon its loss for the quarter by jurisdiction and a determination that the realization of certain tax assets, including available tax loss carryforwards and research and development tax pools, is more likely than not. For the six-month period ended June 30, 2008, the Company recorded a net income tax expense of \$168 based upon its year to date profitability.

Any change in management's estimates could result in an additional income tax recovery or expense in the future.

Net Earnings (Loss)

The net loss for the quarter ended June 30, 2009 was (\$1,405) compared to a net loss of (\$428) for the same year-ago quarter. Diluted loss per share for the quarter ended June 30, 2009 was (\$0.09) per share compared to a diluted loss of (\$0.03) per share for the same year-ago quarter.

The net loss for the six months ended June 30, 2009 was (\$3,229) from net earnings of \$690 for the same year-ago period. Diluted loss per share for the six months ended June 30, 2009, was (\$0.22) per share from diluted earnings of \$0.05 per share for the same year-ago period.

Summary of Quarterly Results

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

Belzberg Technologies Inc.

Summary of Quarterly Results

(Unaudited)	FY 2009		FY 2008				FY 2007	
(\$000's except per share amounts)	Q2 09	Q1 09	Q4 08	Q3 08	Q2 08	Q1 08	Q4 07	Q3 07
Revenue:								
Transaction fees:								
Equity order flow and clearing	\$ 6,242	\$ 6,290	\$ 6,463	\$ 4,543	\$ 3,157	\$ 3,779	\$ 3,455	\$ 3,396
Options and futures contracts	2,997	3,189	3,679	4,253	3,672	3,616	3,294	4,123
	9,239	9,479	10,142	8,796	6,829	7,395	6,749	7,519
Subscription fees	1,223	1,395	1,683	1,764	1,787	1,853	1,885	1,821
Other	360	412	409	403	358	342	328	347
Total Revenue	10,822	11,286	12,234	10,963	8,974	9,590	8,962	9,687
Expenses (Income)								
Exchange, clearing and other brokerage fees	5,478	5,544	5,371	5,194	3,136	2,320	2,236	2,233
Compensation and related benefits	3,162	3,755	3,610	3,161	2,951	2,780	2,598	2,668
Telecommunication and datafeed services	2,067	2,050	2,051	1,721	1,662	1,554	1,459	1,531
Administrative and other expenses	1,052	1,190	1,511	1,259	1,416	1,093	1,294	989
Strategic process expenses	-	-	-	-	-	-	-	93
Amortization of capital assets	534	523	507	469	465	463	416	379
Amortization of intangible assets	55	55	60	53	47	38	34	33
Foreign exchange loss (gain)	364	168	(814)	(30)	58	59	156	158
Government assistance	(95)	-	(60)	-	-	-	(936)	-
Interest expense	12	6	1	3	-	-	2	1
Interest income	(44)	(87)	(117)	(129)	(149)	(187)	(220)	(215)
Restructuring charges	-	839	1,052	-	-	-	-	-
	12,585	14,043	13,172	11,701	9,586	8,120	7,039	7,870
Net earnings (loss) before taxes	\$ (1,763)	\$ (2,757)	\$ (938)	\$ (738)	\$ (612)	\$ 1,470	\$ 1,923	\$ 1,817
Provision for (recovery of) income taxes								
Current	-	-	(9)	2	-	7	123	-
Future	(358)	(933)	(679)	(418)	(184)	345	(263)	-
	(358)	(933)	(688)	(416)	(184)	352	(140)	-
Net earnings (loss)	\$ (1,405)	\$ (1,824)	\$ (250)	\$ (322)	\$ (428)	\$ 1,118	\$ 2,063	\$ 1,817
Earnings (loss) per share:								
Basic	\$ (0.09)	\$ (0.12)	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ 0.08	\$ 0.14	\$ 0.12
Diluted	(0.09)	(0.12)	(0.02)	(0.02)	(0.03)	0.07	0.14	0.12
Weighted avg number of common and common equivalent shares outstanding:								
Basic	14,829	14,835	14,835	14,841	14,846	14,791	14,786	14,682
Diluted	14,829	14,835	14,835	14,879	14,938	14,935	14,964	15,125
Capital asset expenditures	415	427	495	736	218	1,024	453	366
Total assets	41,479	51,349	41,958	40,992	39,816	41,121	41,272	35,804
Shareholders' equity	31,954	33,279	35,050	35,137	35,450	35,862	34,592	32,459

Government assistance in the fourth quarter of 2007 relates to the recording of federal SR&ED tax credits not previously recognized based upon management's best estimate of federal ITC's that would be utilized to offset future Canadian federal income tax liabilities.

Transactions with Related Parties

During the quarter ended June 30, 2009, the Company's subsidiary, Electronic Brokerage Systems, LLC, paid seat lease expenses at market rates of approximately \$32 (period ended June 30, 2008 - \$30) and paid for execution services in the amount of \$51 (period ended June 30, 2008 - \$43) to a company controlled by the president of Electronic Brokerage Systems, LLC. For the six month period Electronic Brokerage Systems, LLC paid seat lease expenses at market rates of approximately \$70 (six month period ended June 30, 2008 - \$50) and paid for execution services in the amount of \$105 (six month period ended June 30, 2008 - \$87) to a company controlled by the president of Electronic Brokerage Systems, LLC. In addition, Electronic Brokerage Systems, LLC recorded transaction fee revenues for the second quarter of approximately \$125 (second quarter ended June 30, 2008 - \$3) from the same company. For the six-month period Electronic Brokerage Systems, LLC recorded transaction fee revenues of approximately \$255 (six months ended June 30, 2008 - \$7) from the same company.

Liquidity and Capital Resources

Financial Position

At June 30, 2009 the Company had cash and cash equivalents of \$13,464 and working capital of \$21,031 as compared to cash and cash equivalents of \$7,567 and working capital of \$22,340 at March 31, 2009. The increase in cash and cash equivalents at June 30, 2009 resulted from the clearing of a trade-break that occurred at the end of the first quarter.

The Company's subsidiary Electronic Brokerage Systems has a US\$25,000 clearing facility. The facility when utilized is collateralized by marketable securities ("the pledged securities") that are held at the Depository and Trust Company ("DTC") as a result of a clearing break. There were no amounts outstanding under this facility at June 30, 2009.

The Company's subsidiaries Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC ("RCS") 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 US\$500 or 2% of aggregate debit balances arising from customer transactions, as defined, and RCS is required to maintain net capital equal to the greater of US\$100 or 6-2/3% of aggregate indebtedness, as defined. As at June 30, 2009, Electronic Brokerage Systems, LLC and RCS had net capital of US\$9,707 and US\$502 million and a net capital requirement of US\$550 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 June 30, 2009, Electronic Brokerage Systems, LLC had net capital of US\$9,707.

Operating Activities

The Company generated cash flow from operations of \$6,380 for the quarter ended June 30, 2009 as compared to cash used for operations of \$574 for the quarter ended June 30, 2008. The increase in the second quarter year over year cash flow from operations was due to a positive change in non-cash working capital items. Non-cash working capital items increased in the second quarter on a year over year basis by \$7,727 mainly as a result of the following:

- (i) Receivables from brokers, dealers and clearing organizations decreased by \$8,658 for the quarter ended June 30, 2009 as a result of trades that cleared up in the second quarter of 2009. This compared to a decrease in receivables from brokers, dealers and clearing organizations of \$365 for the quarter ended June 30, 2008 as a result of trades that cleared up in the second quarter of 2008 and from lower deposits at a broker dealer. (positive second quarter year over year change of \$8,293).
- (ii) Accounts receivable decreased by \$3,528 for the quarter ended June 30, 2009 from payments received and a slowdown in clearing business. This compared to an increase in accounts receivable of \$424 for the quarter ended June 30, 2008. (positive second quarter year over year change of \$3,952).
- (iii) Cash and cash equivalents segregated under regulations and other decreased by \$3,543 for the quarter ended June 30, 2009 to pay amounts owing to customers and correspondents. There was no cash and cash equivalents segregated under regulations in the quarter ended June 30, 2008. (positive second quarter year over year change of \$3,543).
- (iv) Other assets decreased by \$349 for the quarter ended June 30, 2009 from the sale of foreign exchange option contracts. This compared to an increase in other assets of \$70 for the quarter ended June 30, 2008. (positive second quarter year over year change of \$419).
- (v) Payable to brokers, dealers and clearing organizations increased by \$26 for the quarter ended June 30, 2009 as compared to a decrease of \$236 for the quarter ended June 30, 2008. (positive second quarter year over year change of \$262).
- (vi) Accounts payable decreased by \$623 for the quarter ended June 30, 2009 as compared to a decrease of \$681 for the quarter ended June 30, 2008. (positive second quarter year over year change of \$58).

These positive cash inflows for the second quarter were offset by:

- (i) Payable to customers and correspondents decreased by \$3,157 for the quarter ended June 30, 2009 from payments to customers. There were no payables to customers and correspondents in the quarter ended June 30, 2008. (negative second quarter year over year change of \$3,157).
- (ii) The clearing facility loan decreased by \$4,099 for the quarter ended June 30, 2009 as a result of a trade break that cleared in the second quarter and cash returned from the clearing corporation to repay the facility loan. There was no clearing facility loan in the quarter ended June 30, 2008. (negative second quarter year over year change of \$4,099).
- (iii) The restructuring accrual decreased by \$742 for the quarter ended June 30, 2009 as a result of payment of severances. There was no restructuring accrual in the quarter ended June 30, 2008. (negative second quarter year over year change of \$742).
- (iv) Cash and cash equivalents on deposit with clearing and depository organizations increased by \$62 for the quarter ended June 30, 2009. This compared to a decrease in cash and cash equivalents on deposit with clearing and depository organizations for the quarter ended June 30, 2008. (negative second quarter year over year change of \$740).

- (v) Prepaid expenses and other receivables increased by \$181 for the quarter ended June 30, 2009. This compared to an increase in prepaid and other receivables of \$123 for the quarter ended June 30, 2008. (negative second quarter year over year change of \$58).
- (vi) Investment tax credits recoverable increased by \$81 for the quarter ended June 30, 2009. This compared to an increase in investment tax credits of \$77 for the quarter ended June 30, 2008. (negative second quarter year over year change of \$4).

The Company used cash flow for operations of \$4,760 for the six months ended June 30, 2009 as compared to generating \$2,741 of cash from operations for the six months ended June 30, 2008. The decrease in the six-month year over year cash flow from operations was mainly due to the lower profitability of the Company and a negative change in non-cash working capital items. Non-cash working capital items decreased in the six-month year over year basis by \$3,114 mainly as a result of the following:

- (i) The Company's deposits with clearing and depository organizations increased by \$3,111 for the six months ended June 30, 2009 as a result of a clearing break. This compared to a decrease in deposits with clearing and depository organizations of \$1,284 for the six months ended June 30, 2008 from trades that cleared after year-end. (negative six-month year over year change of \$4,395).
- (ii) Cash and cash equivalents segregated under regulations and other increased by \$2,706 for the six months ended June 30, 2009 to cover the Proprietary accounts of Introducing Brokers ("PAIB"). There were no equivalent amounts for the six months ended June 30, 2008. (negative six-month year over year change of \$2,706).
- (iii) Net Receivables from/payable to brokers, dealers and clearing organizations increased by \$269 for the six months ended June 30, 2009. This compared to decrease in net receivables from/payables to brokers, dealers and clearing organizations of \$125 for the six months ended June 30, 2008 as a result of trades that cleared up after year end and from lower deposits at a broker dealer. (negative six month year over year change of \$394).
- (iv) Income taxes receivable increased by \$15 for the six months ended June 30, 2009 as a result of installments made. Income taxes payable decreased by \$6 for the six months ended June 30, 2008 from payments made. (negative six-month year over year change of \$9).

These negative cash inflows for the six month period were offset by:

- (i) The Company's accounts receivable balance decreased by \$996 for the six months ended June 30, 2009 as compared to an increase in accounts receivable balance of \$120 for the six months ended June 30, 2008. (positive six-month year over year change of \$1,116).
- (ii) Payable to customers and correspondents increased by \$2,441 for the six months ended June 30, 2009. This payable was covered by cash segregated

under regulations and other. There were no equivalent amounts for the six months ended June 30, 2008. (positive six-month year over year change of \$2,441).

- (iii) Other assets decreased by \$742 for the six months ended June 30, 2009 from the sale of foreign exchange option contracts. This compared to a decrease in other assets of \$328 for the six months ended June 30, 2008. (positive six-month year over year change of \$414).
- (iv) The Company's accounts payable balances increased for the six months ended June 30, 2009 by \$14 as compared to a decrease in accounts payable for the six months ended June 30, 2008 of \$276 (positive six month year over year change of \$290).
- (v) Investment tax credits recoverable increased by \$4 for the six months ended June 30, 2009. This compared to an increase in investment tax credits recoverable for the six months ended June 30, 2008 of \$117 for corporate minimum taxes paid in Canada and the USA (positive six month year over year change of \$113).
- (vi) Prepaid expenses and other receivables increased by \$181 for the six months ended June 30, 2009 as compared to an increase of \$197 in the six months ended June 30, 2008 (positive six month year over year change of \$16).

Investing Activities

The Company utilized \$415 of cash for investing activities in the quarter ended June 30, 2009 as compared to utilizing \$389 of cash for investing activities in the quarter ended June 30, 2008. Investing activities consisted primarily of the acquisition of network equipment required to maintain high-speed connectivity between customers, the Company and a multitude of exchanges and other markets for live trade execution. The Company also invested in software to facilitate its clearing operations.

The Company utilized \$836 of cash for investing activities in the six months ended June 30, 2009 as compared to utilizing \$1,454 of cash for investing activities in the six months ended June 30, 2008. Investing activities consisted primarily of the acquisition of network equipment required to maintain high-speed connectivity between customers, the Company and a multitude of exchanges and other markets for live trade execution. The Company also invested in software to facilitate its clearing operations. In the six month period ended June 30, 2009, the Company received proceeds from the sale of an investment of \$15 and utilized \$2 for the purchase of an investment.

Financing Activities

The Company utilized \$23 of cash for financing activities in the quarter ended June 30, 2008 as compared to \$nil in the quarter ended June 30, 2009. Financing activities in the quarter ended June 30, 2008 included proceeds from the exercise of employee stock options of \$14 and cash utilized for the repurchase of common shares under a normal course issuer bid of \$37.

The Company utilized \$10 of cash from financing activities in the six months ended June 30, 2009 as compared to generating \$64 of cash from financing activities in the six months ended June 30, 2008. Financing activities in the six months ended June 30, 2009 included repurchase of common shares under a normal course issuer bid of \$10. Financing activities in the six months ended June 30, 2008 included repayment of capital lease

obligations of \$27, repurchase of common shares under a normal course issuer bid of \$273 and proceeds from the exercise of employee stock options of \$364.

Liquidity and Sources of Financing

The Company'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 Company ("DTC") as a result of a clearing break.

The Company's wholly owned U.S. broker-dealer, Electronic Brokerage Systems, is required by the SEC and 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 may restrict the Company's ability to withdraw capital from its brokerage subsidiary to fund its working capital requirements.

The Company is dependant upon Electronic Brokerage Systems to fund a certain portion of its working capital requirements and to fund a certain amount of its capital asset expenditures.

The Company believes that its cash and cash equivalents together with its clearing facility is sufficient to fund its cash requirements for the 2009 year.

Commitments and Contractual Obligations

These items are substantially unchanged from those disclosed in Company's annual MD&A for the year ended December 31, 2008.

Off-Balance Sheet Arrangements

The Company 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 Company 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 terms 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 Company has not paid any amounts to settle claims or defend lawsuits.

Derivative Financial Instruments

Derivative financial instruments are utilized by the Company in the management of its foreign currency exposures (primarily U.S. and Canadian dollars). The Company has from time to time, entered into forward and option foreign exchange contracts intended to

manage portions of this risk. The Company'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 June 30, 2009 and June 30, 2008 was based upon quoted market prices. The Company has decided to exit its hedging strategy in an orderly manner and will no longer manage its foreign currency exposures.

As at June 30, 2009, the Company had outstanding foreign exchange option contracts for the purchase of CDN\$5,000 at U.S.\$0.72 maturing in September 2009. The unrealized gain on these outstanding option contracts was approximately \$346 for the three-month period ended June 30, 2009. The Company also realized gains of approximately \$429 for the three-month period ended June 30, 2009 on foreign exchange option contracts that were settled in the second quarter of 2009. For the six-month period ended June 30, 2009 the Company realized losses of approximately \$292 on foreign exchange option contracts that were settled and had unrealized gains of approximately \$406 on option contracts that were not settled. 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 June 30, 2008, the Company had outstanding foreign exchange futures contracts for the purchase of CDN\$13,000 at U.S.\$0.94 maturing in September 2008. The unrealized loss on these outstanding futures contracts was approximately \$178 for the three-month period ended June 30, 2008. The Company also realized gains of approximately \$202 for the three-month period ended June 30, 2008 on foreign exchange option contracts that were settled in the second quarter of 2008. For the six-month period ended June 30, 2008 the Company realized losses of approximately \$266 on foreign exchange option contracts that were settled and had unrealized losses of approximately \$178 on futures contracts that were not settled. 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.

Critical Accounting Policies and Estimates

These items are unchanged from those discussed in the Company's annual MD&A for the year ended December 31, 2008 except for the following:

Changes in accounting policies:

Effective January 1, 2009, the Company adopted the following 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. Refer to note 2(b) in the Interim Consolidated Financial Statements for the quarter ended June 30, 2009 for the effect of this change in accounting policy.

Future accounting changes:

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in cal-

endar year 2011. The conversion to IFRS will be required, for the Company, for interim and annual financial statements beginning on January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement, presentation and disclosures. During 2008 the Company's finance team completed a stage 1 diagnostic and scoping phase for the adoption of IFRS which identified the main differences between the accounting treatments applied by the Company under Canadian GAAP and IFRS as well as the practical implications related to the measure. While the adoption of IFRS is not expected to have a material impact on the reported cash flows of the Company, it is expected to have a material impact on the Company's consolidated balance sheets and consolidated statements of operations and deficit. (Refer to the MD&A for the year ended December 31, 2008 for a discussion of the expected changes). The Company is currently in stage 2 of its IFRS conversion whereby it is examining potential accounting policy choices under IFRS and the required changes to our accounting system. Further disclosure will be provided once available.

Risks and Uncertainties

The primary risks affecting the Company are substantially unchanged from those discussed in the Company's annual MD&A for the year ended December 31, 2008 except for the following:

Customer Dependence: For the quarter ended June 30, 2009, one customer accounted for approximately 28% of total revenue including passthroughs (but only 1% of revenue excluding passthroughs). The three largest customers accounted for approximately 18% of revenue before passthroughs.

For the six month period ended June 30, 2009, one customer accounted for approximately 25% of total revenue including passthroughs (but only 2% of revenue excluding passthroughs). The three largest customers accounted for approximately 17% of revenue before passthroughs in the six month period ended June 30, 2009.

The loss of these significant customers may have a material and adverse effect on our revenue and results of operations.

Litigation: 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.

Patent Information

The Company concluded its review of options to realize the value of its patents with a third party and did not enter into any arrangements. The Company has consequently decided to narrow the scope of its patent protection to a restricted number of jurisdictions.

Outstanding Share Data

Set out below is the outstanding share data for the Company as at August 10, 2009.

Common Shares:	14,826
Options to Purchase Common Shares:	
Issued and Outstanding	1,187

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 June 30, 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.

Internal Controls Over Financial Reporting

There were no changes over the Company's internal controls over financial reporting during the period ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.