

2010

Management's Discussion and Analysis

BELZBERG TECHNOLOGIES INC.

For The Three and Nine Months Ended September 30, 2010

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 November 12, 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 U.S. 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.

Financial Overview

Highlights of Third Quarter 2010 Results

- Net revenue decreased by 35% for the third quarter of 2010 from the same year-ago quarter and decreased by 37% for the nine months ended September 30, 2010 from the nine months ended September 30, 2009.
- Expense reductions of 25% for the third quarter of 2010 from the third quarter of 2009 and reductions of 27% for the nine months ended September 30, 2010 from the nine months ended September 30, 2009.
- Loss from operations of (\$1,708) for the third quarter of 2010 as compared to a loss from operations of (\$1,592) in the same year-ago quarter. (Loss from operations is defined as the loss before restructuring charges/recovery, government assistance, foreign exchange translation loss/gain, interest income/expenses).
- Loss of (\$2,156) or (\$0.15) per diluted share for the third quarter of 2010 as compared to a loss of (\$2,350) or (\$0.16) per share (including an income tax recovery of \$406) in the same year-ago quarter.
- Working capital position of \$12,016 at September 30, 2010 as compared to \$16,201 at December 31, 2009.

The challenging economic and operating environment continued in the third quarter of 2010 as the Corporation experienced a decline in revenues from the same year-ago quarter. The revenue decline is attributed to a general reduction in trading activity in the U.S. and the loss of certain customers. Despite the addition of new customers across all business segments in the third quarter, the resulting new revenues were not sufficient to offset the loss of revenues from customer losses and lower activity levels from existing customers.

Key Performance Indicators

Management regularly reviews the following key performance indicators to measure the Corporation's 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; and
- 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 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 flows from operations.

Results of Operations

Total Revenues

Total revenues for the three months ended September 30,

| (\$000's) | 2010 | | | 2009 | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Canada | USA | Total | Canada | USA | Total |
| Equity orderflow and clearing | \$ 177 | \$ 439 | \$ 616 | \$ 205 | \$ 3,942 | \$ 4,147 |
| Electronic option and futures contracts | 18 | 974 | 992 | 12 | 1,762 | 1,774 |
| Brokerage option contracts | - | 700 | 700 | - | 663 | 663 |
| Subscription fees | 799 | 4 | 803 | 1,148 | 66 | 1,214 |
| Other revenue | 261 | 60 | 321 | 289 | 74 | 363 |
| Total revenue | 1,255 | 2,177 | 3,432 | 1,654 | 6,507 | 8,161 |
| Cost of exchange and clearance fees | - | 52 | 52 | - | (2,813) | (2,813) |
| Total net revenue | \$ 1,255 | \$ 2,229 | \$ 3,484 | \$ 1,654 | \$ 3,694 | \$ 5,348 |

Total net revenue decreased by 35% from \$5,348 in the third quarter of 2009 to \$3,484 in the third quarter of 2010. In the third quarter of 2010, the Corporation generated approximately 64% (third quarter 2009 - 69%) of its net revenue in the U.S. and 36% (third quarter 2009 - 31%) of its net revenue in Canada. A weakening U.S. dollar accounted for approximately \$119 or 6% of the decrease.

Transaction Fee Revenue

(i) Equity Order Flow and Clearing Revenues

Equity orderflow and clearing revenues for three months ended September 30,

| (\$000's) | 2010 | | | 2009 | | |
|--|---------------|---------------|-----------------|---------------|-----------------|-----------------|
| | Canada | USA | Total | Canada | USA | Total |
| Equity orderflow and clearing | \$ 177 | \$ 439 | \$ 616 | \$ 205 | \$ 3,942 | \$ 4,147 |
| Cost of exchange and clearance fees | - | 386 | 386 | - | (2,333) | (2,333) |
| Total net equity orderflow and clearing revenue | \$ 177 | \$ 825 | \$ 1,002 | \$ 205 | \$ 1,609 | \$ 1,814 |

Net revenue from equity order flow decreased 45% from \$1,814 in the third quarter of 2009 to \$1,002 in the third quarter of 2010.

Net equity order flow and clearing revenues executed on U.S. exchanges decreased by 49% year over year. Total U.S. trading volumes decreased by 41% in the third quarter of 2010 when compared to the same year-ago quarter. The cost of equity exchange and clearance fees changed from an expense to a contribution from the same year-ago quarter as a result of customers receiving rebates from exchanges instead of paying exchange fees for their underlying trading strategy. On certain equity exchanges, liquidity providers are paid rebates instead of being charged trading fees. The Corporation typically passes through exchange rebates or fees to the customer at no markup. 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.

The following table summarizes key performance indicators relating to the Corporation's U.S. equity order flow:

| U.S. Equity Order Flow and clearing | Three months ended September 30, | | | |
|--|----------------------------------|-----------|-------------|----------|
| | 2010 | 2009 | change | % change |
| Total trading volume (in billions of shares) | 1.5 | 2.5 | (1.0) | (41)% |
| Avg trading volume per day (in millions of shares) | 23.5 | 39.5 | (16.0) | (41)% |
| Avg net transaction fee revenue per trading day (in thousands of CDN\$) | \$ 12.9 | \$ 25.1 | \$ (12.2) | (49)% |
| Avg net transaction fee revenue per share | \$ 0.0005 | \$ 0.0006 | \$ (0.0001) | (17)% |
| U.S market trading days | 64 | 64 | - | |

(ii) Electronic Options and Futures Contracts

Electronic option and futures revenues for the three months ended September 30,

| (\$000's) | 2010 | | | 2009 | | |
|---|--------------|---------------|---------------|--------------|-----------------|-----------------|
| | Canada | USA | Total | Canada | USA | Total |
| Electronic option and futures contracts | \$ 18 | \$ 974 | \$ 992 | \$ 12 | \$ 1,762 | \$ 1,774 |
| Cost of exchange and clearance fees | - | (312) | (312) | - | (441) | (441) |
| Total net electronic option and futures revenues | \$ 18 | \$ 662 | \$ 680 | \$ 12 | \$ 1,321 | \$ 1,333 |

Net revenue from the electronic execution of options and futures contracts decreased 49% from \$1,333 in the third quarter of 2009 to \$662 in the third quarter of 2010. A weakening U.S. dollar accounted for approximately \$76 of the net decrease in revenues. The total volume of the Corporation's electronic options contracts executed decreased by 38% in the third quarter of 2010 when compared to the same year ago quarter. Despite adding new customers during the quarter, the decrease is mainly attributable to the loss of one customer and lower trading volumes. The cost of option exchange and clearance fees decreased 29% year over year due to lower volumes cleared and executed.

The following table summarizes key performance indicators relating to the Corporation's U.S. electronic options contracts executed:

| U.S. Electronic Options Contracts Executed | Three months ended September 30, | | | |
|--|----------------------------------|---------|-----------|----------|
| | 2010 | 2009 | change | % change |
| Total trading volume (in millions of contracts) | 4.4 | 7.1 | (2.7) | (38)% |
| Avg trading volume per day (in thousands of contracts) | 69.1 | 111.3 | (42.2) | (38)% |
| Avg net transaction fee revenue per trading day (in thousands of CDN\$) | \$ 10.3 | \$ 20.6 | \$ (10.3) | (50)% |
| Avg net transaction fee revenue per contract | \$ 0.15 | \$ 0.19 | \$ (0.04) | (21)% |
| U.S market trading days | 64 | 64 | - | |

Transaction Fee Revenue – Brokerage

Brokerage option contract revenues for the three months ended September 30,

| (\$000's) | 2010 | | | 2009 | | |
|---|-------------|---------------|---------------|-------------|---------------|---------------|
| | Canada | USA | Total | Canada | USA | Total |
| Brokerage option contracts | \$ - | \$ 700 | \$ 700 | \$ - | \$ 663 | \$ 663 |
| Cost of exchange and clearance fees | - | (22) | (22) | - | (39) | (39) |
| Total net brokerage option contract revenues | \$ - | \$ 678 | \$ 678 | \$ - | \$ 624 | \$ 624 |

Net revenue from the brokerage segment increased 9% from \$624 in the third quarter of 2009 to \$678 in the third quarter of 2010. A weakening U.S. dollar negatively affected the increase by approximately \$34. The average daily volume of floor option exchange contracts executed increased 12% in the third quarter of 2010 compared to the same year ago quarter and the average fee per contract decreased approximately 8% as competition with electronic execution pricing increased. The cost of brokerage exchange and clearance fees decreased 44% in the third quarter of 2010 compared to the same year ago quarter due to the changes in pricing at various exchanges. The Corporation does not incur exchange fees on contracts executed which it does not clear.

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

| U.S. Floor Options Contracts Executed | Three months ended September 30, | | | |
|--|----------------------------------|---------|-----------|----------|
| | 2010 | 2009 | change | % change |
| Total trading volume (in millions of contracts) | 5.6 | 5.0 | 0.6 | 12% |
| Avg trading volume per day (in thousands of contracts) | 86.8 | 77.6 | 9.2 | 12% |
| Avg net transaction fee revenue per trading day (in thousands of CDN\$) | \$ 10.6 | \$ 9.8 | \$ 0.8 | 8% |
| Avg net transaction fee revenue per contract | \$ 0.12 | \$ 0.13 | \$ (0.01) | (8)% |
| U.S market trading days | 64 | 64 | - | |

Subscription Fee Revenue

Subscription fee revenue, 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 34% in the third quarter of 2010 to \$803 from \$1,214 in the third quarter of 2009. The decrease resulted mainly from price adjustments and cancellations of terminals during 2009. There was also a shift of certain subscription based revenues to variable pricing revenues as the Corporation transitions certain customers to a variable pricing model. A variable pricing model will allow the Corporation to benefit from 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 12% to \$321 in the third quarter of 2010 from \$363 in the third quarter of 2009.

Revenues

Total revenues for the nine months ended September 30,

| (\$000's) | 2010 | | | 2009 | | |
|---|-----------------|-----------------|------------------|-----------------|------------------|------------------|
| | Canada | USA | Total | Canada | USA | Total |
| Equity orderflow and clearing | \$ 614 | \$ 3,819 | \$ 4,433 | \$ 626 | \$ 16,053 | \$ 16,679 |
| Electronic option and futures contracts | 42 | 3,126 | 3,168 | 34 | 5,962 | 5,996 |
| Brokerage option contracts | - | 2,064 | 2,064 | - | 2,627 | 2,627 |
| Subscription fees | 2,567 | 12 | 2,579 | 3,644 | 188 | 3,832 |
| Other revenue | 822 | 174 | 996 | 840 | 295 | 1,135 |
| Total revenue | 4,045 | 9,195 | 13,240 | 5,144 | 25,125 | 30,269 |
| Cost of exchange and clearance fees | - | (1,832) | (1,832) | - | (12,181) | (12,181) |
| Total net revenue | \$ 4,045 | \$ 7,363 | \$ 11,408 | \$ 5,144 | \$ 12,944 | \$ 18,088 |

Total Revenues

Total net revenue decreased by 37% from \$18,088 for the nine months ended September 30, 2009 to \$11,408 for the nine months ended September 30, 2010. The Corporation generated approximately 65% (nine months of 2009 - 72%) of its net revenues in the United States and 35% (nine months of 2008 - 28%) of its net revenues in Canada.

Transaction Fee Revenue – Core

Equity Order Flow and Clearing

Equity orderflow and clearing revenues for nine months ended September 30,

| (\$000's) | 2010 | | | 2009 | | |
|--|---------------|-----------------|-----------------|---------------|-----------------|-----------------|
| | Canada | USA | Total | Canada | USA | Total |
| Equity orderflow and clearing | \$ 614 | \$ 3,819 | \$ 4,433 | \$ 626 | \$ 16,053 | \$ 16,679 |
| Cost of exchange and clearance fees | - | (849) | (849) | - | (10,211) | (10,211) |
| Total net equity orderflow and clearing revenue | \$ 614 | \$ 2,970 | \$ 3,584 | \$ 626 | \$ 5,842 | \$ 6,468 |

Net revenue from equity order flow decreased 45% from \$6,468 in the nine months ended September 30, 2009 to \$3,584 in the first nine months of 2010. Net equity order flow and clearing revenues executed on U.S. exchanges decreased by 49% in the nine months year over year. Total U.S. trading volumes decreased by 55% in the nine months year over year. The cost of equity exchange and clearance fees decreased 92% in the first nine months of 2010 when compared to the same period of 2009 as there has been an increase in the volume of trades which received a rebate from various exchanges. A weakening U.S. dollar accounted for approximately \$1,430 of the net decrease in revenues. 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.

The following table summarizes key performance indicators relating to the Corporation's U.S. equity order flow:

| U.S. Equity Order Flow and clearing | nine months ended September 30, | | | |
|--|---------------------------------|-----------|-----------|----------|
| | 2010 | 2009 | change | % change |
| Total trading volume (in billions of shares) | 4.4 | 9.6 | (5.2) | (55)% |
| Avg trading volume per day (in millions of shares) | 23.6 | 50.8 | (27.2) | (55)% |
| Avg net transaction fee revenue per trading day (in thousands of CDN\$) | \$ 15.8 | \$ 31.1 | \$ (15.3) | (49)% |
| Avg net transaction fee revenue per share | \$ 0.0007 | \$ 0.0006 | \$ 0.0001 | 17% |
| U.S market trading days | 188 | 188 | - | |

Electronic Options and Futures Contracts

Electronic option and futures revenues for the nine months ended September 30,

| (\$000's) | 2010 | | | 2009 | | |
|---|--------------|-----------------|-----------------|--------------|-----------------|-----------------|
| | Canada | USA | Total | Canada | USA | Total |
| Electronic option and futures contracts | \$ 42 | \$ 3,168 | \$ 3,210 | \$ 34 | \$ 5,962 | \$ 5,996 |
| Cost of exchange and clearance fees | - | (886) | (886) | - | (1,817) | (1,817) |
| Total net electronic option and futures revenues | \$ 42 | \$ 2,282 | \$ 2,324 | \$ 34 | \$ 4,145 | \$ 4,179 |

Net revenue from the electronic execution of options and futures contracts decreased by 44% from \$4,179 in the first nine months of 2009 to \$2,324 in the first nine months of 2010. A weakening U.S. dollar accounted for a decrease to net option revenues of approximately \$543. The total volume of our electronic options contracts executed decreased by 34% 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 U.S. banks and brokerage houses due to reduced volatility in the financial markets.

The following table summarizes key performance indicators relating to the Corporation's U.S. electronic options contracts executed:

| U.S. Electronic Options Contracts Executed | nine months ended September 30, | | | |
|--|---------------------------------|---------|-----------|----------|
| | 2010 | 2009 | change | % change |
| Total trading volume (in millions of contracts) | 14.6 | 21.9 | (7.3) | (34)% |
| Avg trading volume per day (in thousands of contracts) | 77.5 | 116.4 | (38.9) | (34)% |
| Avg net transaction fee revenue per trading day (in thousands of CDN\$) | \$ 12.1 | \$ 22.0 | \$ (9.9) | (45)% |
| Avg net transaction fee revenue per contract | \$ 0.16 | \$ 0.19 | \$ (0.03) | (16)% |
| U.S market trading days | 188 | 188 | - | |

Transaction Fee Revenue – Brokerage

Brokerage option contract revenues for the nine months ended September 30,

| (\$000's) | 2010 | | | 2009 | | |
|---|-------------|-----------------|-----------------|-------------|-----------------|-----------------|
| | Canada | USA | Total | Canada | USA | Total |
| Brokerage option contracts | \$ - | \$ 2,064 | \$ 2,064 | \$ - | \$ 2,627 | \$ 2,627 |
| Cost of exchange and clearance fees | - | (97) | (97) | - | (153) | (153) |
| Total net brokerage option contract revenues | \$ - | \$ 1,967 | \$ 1,967 | \$ - | \$ 2,474 | \$ 2,474 |

Net revenue from the brokerage segment decreased 20% to \$1, 967 in the nine months of 2010 from \$2,474 in the same year-ago period. A weakening U.S. dollar accounted for approximately \$260 of the net decrease in revenues. The average daily volume of floor option exchange contracts executed and the average net transaction fee revenue per contract decreased 6% and 20%, respectively in the first nine months of 2010 when compared to the same year ago period. The cost of brokerage exchange and clearance fees decreased 37% in the nine months of 2010 when compared to the same year-ago period. The Corporation does not incur exchange fees on contracts executed which it does not clear.

The following table summarizes key performance indicators relating to the Corporation's U.S. floor brokerage options contracts executed:

| U.S. Floor Options Contracts Executed | nine months ended September 30, | | | |
|--|--|-------------|---------------|-----------------|
| | 2010 | 2009 | change | % change |
| Total trading volume (in millions of contracts) | 15.8 | 16.9 | (1.1) | (6)% |
| Avg trading volume per day (in thousands of contracts) | 83.8 | 89.6 | (5.8) | (6)% |
| Avg net transaction fee revenue per trading day (in thousands of CDN\$) | \$ 10.5 | \$ 13.2 | \$ (2.7) | (20)% |
| Avg net transaction fee revenue per contract | \$ 0.12 | \$ 0.15 | \$ (0.03) | (20)% |
| U.S market trading days | 188 | 188 | - | |

Subscription Fee Revenue

Subscription fee revenue, which is based on customers paying a fixed monthly fee for the use of the Belzberg trading systems and connectivity to the Belzberg network on a per terminal or other contracted basis, decreased by 33% to \$2,579 in the nine months of 2010 from \$3,832 in the same year-ago period. The decrease resulted mainly from price adjustments and the cancellation of terminals by customers in 2009. There was also a shift of certain subscription based revenues to variable pricing revenues as the Corporation transitions certain customers to a variable pricing model.

Other Revenue

Other revenue, which includes revenue from information distribution, software development fees, installation fees and recovery of telecommunication charges, decreased by 12% to \$996 in the nine months of 2010 from \$1,135 in the same year-ago period. The decrease related mainly to lower information distribution and dataline recoveries.

Expenses (Income)

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

| (\$000's) | Core | Brokerage | Total | % of | Core | Brokerage | Total | % of |
|---|-----------------|---------------|-----------------|--------------|-----------------|---------------|-----------------|--------------|
| | 2010 | 2010 | 2010 | Net Revenues | 2009 | 2009 | 2009 | Net Revenues |
| Compensation and related benefits | \$ 1,765 | \$ 320 | \$ 2,085 | 60 % | \$ 2,644 | \$ 382 | \$ 3,026 | 57 % |
| Telecommunication and datafeed services | 1,519 | 45 | 1,564 | 45 % | 1,762 | 53 | 1,815 | 34 % |
| Administrative and other expenses | 714 | 22 | 736 | 21 % | 841 | 31 | 872 | 16 % |
| Brokerage fees | 253 | 165 | 418 | 12 % | 385 | 265 | 650 | 12 % |
| Amortization of capital assets | 360 | 3 | 363 | 10 % | 518 | 4 | 522 | 10 % |
| Amortization of intangible assets | 26 | - | 26 | 1 % | 55 | - | 55 | 1 % |
| Foreign exchange loss | 363 | 82 | 445 | 13 % | 980 | 220 | 1,200 | 22 % |
| Government assistance | - | - | - | 0 % | - | - | - | 0 % |
| Restructuring charges | - | - | - | 0 % | - | - | - | 0 % |
| Interest expense | 4 | - | 4 | 0 % | 4 | - | 4 | 0 % |
| Interest income | (1) | - | (1) | 0 % | (40) | - | (40) | (1)% |
| | \$ 5,003 | \$ 637 | \$ 5,640 | 162% | \$ 7,149 | \$ 955 | \$ 8,104 | 151% |

Expenses (Income) for the nine months ended September 30,

| (\$000's) | Core | Brokerage | Total | % of | Core | Brokerage | Total | % of |
|---|------------------|-----------------|------------------|--------------|------------------|-----------------|------------------|--------------|
| | 2010 | 2010 | 2010 | Net Revenues | 2009 | 2009 | 2009 | Net Revenues |
| Compensation and related benefits | \$ 5,805 | \$ 989 | \$ 6,794 | 60 % | \$ 8,706 | \$ 1,237 | \$ 9,943 | 55 % |
| Telecommunication and datafeed services | 4,682 | 142 | 4,824 | 42 % | 5,744 | 188 | 5,932 | 33 % |
| Administrative and other expenses | 2,150 | 83 | 2,233 | 20 % | 2,977 | 137 | 3,114 | 17 % |
| Brokerage fees | 1,130 | 472 | 1,602 | 14 % | 1,455 | 849 | 2,304 | 13 % |
| Amortization of capital assets | 1,205 | 10 | 1,215 | 11 % | 1,567 | 12 | 1,579 | 9 % |
| Amortization of intangible assets | 100 | - | 100 | 1 % | 165 | - | 165 | 1 % |
| Foreign exchange loss(gain) | 243 | 48 | 291 | 3 % | 1,367 | 365 | 1,732 | 10 % |
| Government assistance | (11) | - | (11) | 0 % | (95) | - | (95) | (1)% |
| Restructuring charges | (221) | - | (221) | (2)% | 839 | - | 839 | 5 % |
| Interest expense | 7 | - | 7 | 0 % | 22 | - | 22 | 0 % |
| Interest income | (4) | - | (4) | 0 % | (168) | (3) | (171) | (1)% |
| | \$ 15,086 | \$ 1,744 | \$ 16,830 | 149% | \$ 22,579 | \$ 2,785 | \$ 25,364 | 141% |

Compensation and Related Benefits

Compensation and related benefits comprise the payroll cost of the Corporation's 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 decreased by 31% to \$2,085 for the quarter ended September 30, 2010 from \$3,026 for the quarter ended September 30, 2009. The decrease can be attributed to the restructuring of the Corporation in the first and fourth quarter of 2009. The average headcount was reduced from 104 full-time employees in the third quarter of 2009 to 71 full-time employees in the third quarter of 2010.

Compensation and related benefits decreased by 32% to \$6,794 for the nine months ended September 30, 2010 from \$9,943 for the same year ago period. The decrease can be attributed to the restructuring of the Corporation in the first and fourth quarter of 2009. The average headcount was reduced from 104 full-time employees in the first nine months of 2009 to 76 full-time employees in the nine months ended September 30, 2010. A weakening U.S. dollar accounted for approximately \$498 of the net decrease in compensation and related benefits.

Telecommunication and Datafeed Services

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

Telecommunication and datafeed services decreased by 14% to \$1,564 for the three months ended September 30, 2010 from \$1,815 for the same year-ago quarter. Approximately \$55 of the decrease resulted from a decrease in customer connections, of which \$29 was not being recovered from customers, \$87 decrease relates to market data feed reductions and \$109 of the decrease relates to a reduction of exchange trading, interoffice, and internet connections. Approximately \$38 of the decrease is due to the foreign exchange effect of a weaker average U.S. dollar exchange rate in the three months ending September 30, 2010 as compared to the same year-ago quarter.

Telecommunication and datafeed services decreased by 19% to \$4,824 for the nine months ended September 30, 2010 from \$5,932 for the same year-ago period. Approximately \$211 of the decrease resulted from a decrease in customer connections, of which \$78 was not being recovered from customers, \$465 of the decrease relates to market datafeed reductions and \$366 of the decrease relates to a reduction of exchange trading, interoffice, and internet connections. Approximately \$277 of the decrease is due to the foreign exchange effect of a weaker average U.S. dollar exchange rate in the nine months ending September 30, 2010 as compared to the same year-ago period.

Administrative and Other Expenses

Administrative and other expenses comprise the Corporation's occupancy costs, professional fees for legal and audit services, insurance costs and other office and general expenses.

Administrative and other expenses decreased by 16% to \$736 for the quarter ended September 30, 2010 from \$872 for the same year ago period. The decrease is mainly attributable to: (i) a decrease in professional fees of \$23, (ii) hardware and maintenance expense of \$24, and (iii) a decrease in occupancy of \$70.

Administrative and other expenses decreased by 28% to \$2,233 for the first nine months ended September 30, 2010 from \$3,114 for the same year ago period. The decrease is mainly attributable to: (i) a decrease in professional fees of \$166, (ii) a decrease in travel and advertising expense of \$173, (iii) a decrease in occupancy of \$212, and (iv) a decrease in general office expense of \$97.

Brokerage Fees

Brokerage fees comprise: (i) the commissions the Corporation pays to other brokers and specialists for execution services and/or for the introduction of order flow, (ii) the cost of 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 36% to \$418 for the three months ended September 30, 2010 from \$650 for the same year-ago quarter. The decrease can mainly be attributed to lower: (i) technology fees of \$57, and (ii) seat leases of \$128.

Brokerage fees decreased by 30% to \$1,602 for the nine months ended September 30, 2010 from \$2,304 for the same year-ago period. The decrease can mainly be attributed to

lower: (i) errors of \$119, (ii) seat leases of \$372, and (iii) client trading compensation of \$98, and (iv) technology fees of \$135.

Amortization of Capital Assets

Amortization of capital assets decreased by 30% to \$363 for the three months ended September 30, 2010 from \$522 for the same year-ago period.

Amortization of capital assets decreased by 23% to \$1,215 for the nine months ended September 30, 2010 from \$1,579 for the same year-ago period.

The decrease relates mainly to certain capital assets becoming fully amortized during the year and a reduction in capital expenditures related to computer and network equipment.

Amortization of Intangible Assets

Amortization of intangible assets decreased by 53% to \$26 for the three months ended September 30, 2010 from \$55 for the same year ago period.

Amortization of intangible assets decreased by 39% to \$100 for the nine months ended September 30, 2010 from \$165 for the same year ago period.

The decrease relates to no amortization on customer list intangible assets due to an impairment charge recorded in the fourth quarter of 2009.

Restructuring Charges

There was a \$221 recovery of restructuring charges in the nine months ended September 30, 2010. In the nine months ended September 30, 2009, there were restructuring charges of nil and \$839, respectively. The recovery in 2010 relates mainly the reversal of accrued severance settlements for employee terminations that occurred in the last quarter of 2009. Restructuring charges include the severance and legal expenses related to employee terminations.

Government Assistance

Government assistance in the nine months ended September 30, 2010 relates to the scientific research and development claim for the 2009 year that was filed in the second quarter of 2010.

Foreign Exchange Loss

The foreign exchange loss comprises non-cash gains and losses incurred in translating the net assets of the Corporation's integrated foreign subsidiaries into Canadian dollars.

The Corporation incurred a foreign exchange loss of \$445 in the three months ended September 30, 2010, of which approximately \$364 relates to the core business and \$81 relates to the brokerage business.

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 Canadian and U.S. 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 foreign exchange loss of \$1,200 for the three months ended September 30, 2009. As at September 30, 2010, the Corporation had no foreign exchange option contracts outstanding.

The Corporation incurred a foreign exchange loss of \$291 in the nine months ended September 30, 2010, of which approximately \$243 relates to the core business and \$48 relates to the brokerage business. The Corporation incurred a foreign exchange loss of \$1,732 in the nine months ended September 30, 2009.

Interest Expense

Interest expense was 4 for the three months ended September 30, 2010 and 2009.

Interest expense decreased to \$7 for the nine months ended September 30, 2010 from \$22 for the same year-ago period.

Interest Income

Interest income decreased to \$1 for the three months ended September 30, 2010 from \$40 for the same year-ago quarter.

Interest income decreased to \$4 for the nine months ended September 30, 2010 from \$171 for the same year-ago period.

The decrease resulted mainly from lower cash balances invested and from lower yields on treasury bills, money market funds and bankers' acceptances in which excess cash was invested.

Income Taxes

For the three and nine months ended September 30, 2010, the Corporation did not record a future income tax recovery as management did not have reasonable assurance that the benefit would be utilized in the future. For the three and nine months ended September 30, 2009, the Corporation recorded an income tax recovery of \$406 and \$1,697 respectively.

Net Loss

The net loss for the three months ended September 30, 2010 was \$2,156, as compared to a net loss of \$2,350 for the same year-ago quarter. Diluted loss per share for the quarter ended September 30, 2010, decreased to (\$0.15) per share from a diluted loss of (\$0.16) per share for the same year-ago quarter.

The net loss for the nine months ended September 30, 2010, was \$5,422, as compared to a net loss of \$5,579 for the same year-ago period. Diluted loss per share for the nine months ended September 30, 2010 and 2009 is (\$0.37) and (\$0.38), respectively.

Summary of Quarterly Results

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

Belzberg Technologies Inc.

Summary of Quarterly Results

(Unaudited)

| | FY 2010 | | | | FY 2009 | | | FY 2008 | |
|--|-------------------|-----------------|-------------------|--------------------|-------------------|-------------------|-------------------|-----------------|--|
| (\$000's except per share amounts) | Q3 10 | Q2 10 | Q1 10 | Q4 09 | Q3 09 | Q2 09 | Q1 09 | Q4 08 | |
| Revenue | | | | | | | | | |
| Transaction fees: | | | | | | | | | |
| Equity order flow and clearing | \$ 616 | \$ 1,663 | \$ 2,154 | \$ 4,353 | \$ 4,147 | \$ 6,242 | \$ 6,290 | \$ 6,463 | |
| Options and futures contracts | 1,692 | 1,829 | 1,711 | 2,192 | 2,437 | 2,997 | 3,189 | 3,679 | |
| Subscription fees | 803 | 841 | 935 | 1,075 | 1,214 | 1,223 | 1,395 | 1,683 | |
| Other | 321 | 362 | 313 | 322 | 363 | 360 | 412 | 409 | |
| | 3,432 | 4,695 | 5,113 | 7,942 | 8,161 | 10,822 | 11,286 | 12,234 | |
| Cost of exchange and clearance fees | 52 | (872) | (1,012) | (2,916) | (2,813) | (4,809) | (4,559) | (4,383) | |
| Total net revenue | 3,484 | 3,823 | 4,101 | 5,026 | 5,348 | 6,013 | 6,727 | 7,851 | |
| Expenses (Income): | | | | | | | | | |
| Compensation and related benefits | 2,085 | 2,157 | 2,552 | 2,881 | 3,026 | 3,162 | 3,755 | 3,610 | |
| Telecommunication and datafeed services | 1,564 | 1,560 | 1,700 | 1,842 | 1,815 | 2,067 | 2,050 | 2,051 | |
| Administrative and other expenses | 736 | 732 | 765 | 1,121 | 872 | 1,052 | 1,190 | 1,511 | |
| Brokerage fees | 418 | 517 | 667 | 840 | 650 | 669 | 985 | 988 | |
| Amortization of capital assets | 363 | 410 | 442 | 463 | 522 | 534 | 523 | 507 | |
| Amortization of intangible assets | 26 | 37 | 37 | 37 | 55 | 55 | 55 | 60 | |
| | 5,192 | 5,413 | 6,163 | 7,184 | 6,940 | 7,539 | 8,558 | 8,727 | |
| Loss before the undernoted | (1,708) | (1,590) | (2,062) | (2,158) | (1,592) | (1,526) | (1,831) | (876) | |
| Restructuring charges (recovery) | - | (221) | - | 819 | - | - | 839 | 1,052 | |
| Government assistance | - | (11) | - | 1,390 | - | (95) | - | (60) | |
| Impairment of goodwill and intangible assets | - | - | - | 1,745 | - | - | - | - | |
| Foreign exchange loss (gain) | 445 | (636) | 482 | 355 | 1,200 | 364 | 168 | (814) | |
| Interest expense | 4 | - | 3 | 3 | 4 | 12 | 6 | 1 | |
| Interest income | (1) | (1) | (2) | (22) | (40) | (44) | (87) | (117) | |
| | 448 | (869) | 483 | 4,290 | 1,164 | 237 | 926 | 62 | |
| Loss before income taxes | (2,156) | (721) | (2,545) | (6,448) | (2,756) | (1,763) | (2,757) | (938) | |
| Provision for (recovery of) income taxes: | | | | | | | | | |
| Current | - | - | - | 149 | - | - | - | (9) | |
| Future | - | - | - | 4,304 | (406) | (358) | (933) | (679) | |
| | - | - | - | 4,453 | (406) | (358) | (933) | (688) | |
| Net loss | \$ (2,156) | \$ (721) | \$ (2,545) | \$ (10,901) | \$ (2,350) | \$ (1,405) | \$ (1,824) | \$ (250) | |
| Loss per share: | | | | | | | | | |
| Basic | \$ (0.15) | \$ (0.05) | \$ (0.17) | \$ (0.74) | \$ (0.16) | \$ (0.09) | \$ (0.12) | \$ (0.02) | |
| Diluted | (0.15) | (0.05) | (0.17) | (0.74) | (0.16) | (0.09) | (0.12) | (0.02) | |

In the second quarter of 2010, there was a recovery of restructuring charges that relates to the reversal of accrued severance relating to terminations in the fourth quarter of 2009.

In the fourth quarter of 2009, the Corporation conducted annual goodwill and intangible asset impairment tests. The Corporation compared the fair values of the reporting units to their carrying value for the goodwill impairment test and compared the fair values of the customer list intangibles to their carrying values. As the goodwill and intangible asset impairment tests indicated that their carrying values exceeded their fair values, impairment existed and the Corporation 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 Corporation recorded a write-down of \$1,394 against Canadian Federal Investment Tax Credits (“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 the Corporation’s liquidity or cash flows from operating activities. These assets remain available for use by the Corporation until they expire, beginning in 2021.

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.

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

Transactions with Related Parties

During the third quarter of 2010, the Corporation’s subsidiary, Electronic Brokerage Systems, LLC, paid trading permit expenses at market rates of approximately \$18 (three month period ended September 30, 2009 - \$37) and paid for execution services in the amount of \$40 (three month period ended September 30, 2009 - \$46) to a company controlled by the president of Electronic Brokerage Systems, LLC. (As of July 1, 2010 seat leases were eliminated on the CBOE and were replaced by trading permits.)

For the nine month period ended September 30, 2010, Electronic Brokerage Systems, LLC, paid seat lease/trading permit expenses at market rates of approximately \$52 (nine month period ended September 30, 2009 - \$107) and paid for execution services in the amount of \$120 (nine month period ended September 30, 2009 - \$151) to a company controlled by the president of Electronic Brokerage Systems, LLC. In addition, Electronic Brokerage Systems, LLC recorded transaction fee revenues of approximately \$17 from the same company for the period ended September 30, 2010 (nine month period ended September 30, 2009 - \$228).

Liquidity and Capital Resources

Financial Position

At September 30, 2010, the Corporation had cash and cash equivalents of \$8,813 and working capital of \$12,016 compared to cash and cash equivalents of \$15,670 and working capital of \$16,201 at December 31, 2009.

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\$1,000 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 September 30, 2010, Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC had net capital of US\$8,100 and US\$506 and a net capital requirement of US\$1,000 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 September 30, 2010, Electronic Brokerage Systems, LLC was in compliance with this requirement.

Operating Activities

The Corporation utilized cash flows from operations of \$1,393 for the quarter ended September 30, 2010 as compared to generating \$143 of cash from operations for the quarter ended September 30, 2009. The year-over-year decrease in cash flow generated by operations is mainly attributable to cash flows from non-cash operating working capital. Net cash flows from non-cash operating working capital decreased by \$1,304 year-over-year mainly from:

- (i) Cash and cash equivalents on deposit with clearing and depository organizations increased by \$101 for the quarter ended September 30, 2010 as compared to a decrease of \$2,576 for the quarter ended September 30, 2009 (negative third quarter year over year change of \$2,677); and
- (ii) The Corporation had nil other assets at September 30, 2010 compared to a decrease of \$823 at September 30, 2009 (negative year-over-year change of \$823);

These negative operating cash inflows were offset by:

- (i) The Corporation's accounts payable and accrued liabilities increased by \$1,015 at September 30, 2010 compared to an increase of \$1,389 at September 30, 2009 (positive year-over-year change of \$374);
- (ii) The Corporation's payable to customers and correspondents relating to customer and correspondent deposits and amounts owed back PAIB decreased by \$6 at September 30, 2010 compared to an increase of \$175 at September 30, 2009 (positive year-over-year change of \$181);
- (iii) The Corporation's accounts receivable balance decreased by \$330 at September 30, 2010 as compared to an increase of \$508 at September 30, 2009 (positive year-over-year change of \$838); and
- (iv) Receivables from brokers, dealers and clearing organizations decreased by \$738 for the quarter ended September 30, 2010 as compared to a decrease of \$241 for the quarter ended September 30, 2009 (positive third quarter year over year change of \$497).

The Corporation used cash flows for operations of \$6,391 for the nine months ended September 30, 2010 as compared to using \$4,949 of cash from operations for the nine months ended September 30, 2009. The decrease in the nine-month year over year cash flows from operations was mainly due to the lower profitability of the Corporation and a negative change in non-cash working capital items. Non-cash working capital items decreased in the nine-month period on year over year basis by \$1,924, mainly as a result of the following:

- (i) The Corporation's payable to customers and correspondents relating to customer and correspondent deposits and amounts owed back to PAIB increased by \$580 for the nine months ended at September 30, 2010 compared to a decrease of \$2,266 for the nine months ended September 30, 2009 (negative nine month year-over- year change of \$2,846);
- (ii) The Corporation's accounts payable and accrued liabilities increased by \$3,533 for the nine months ended September 30, 2010 compared to an increase of \$1,375 for the same year ago period (negative nine month year-over-year change of \$2,158); and
- (iii) The Corporation had nil other assets for the nine months ended September 30, 2010, compared to a decrease of \$1,565 for the same year ago period (negative year-over-year change of \$1,565);

These negative operating cash inflows were offset by:

- (i) The Corporation's cash and cash equivalents segregated under regulations and other to cover customer and correspondent deposits and amounts owed back to PAIB decreased by \$881 for the nine months ended September 30, 2010 as compared to an increase of \$2,887 for the same year ago period (positive nine-month year-over-year change of \$3,768); and
- (ii) The Corporation's deposits with clearing and depository organizations increased \$41 for the nine months ended September 30, 2010. This compared to an increase in deposits with clearing and depository organizations of \$535 for the nine months ended September 30, 2009 (positive nine-month year over year change of \$494).

Investing Activities

The Corporation utilized \$88 of cash for investing activities in the quarter ended September 30, 2010 as compared to utilizing \$58 of cash for investing activities in the quarter ended September 30, 2009. Investing activities in the quarter ended September 30, 2010 included the purchase of capital assets for \$88. Investing activities in the quarter ended September 30, 2009 included the purchase of capital assets of \$58.

The Corporation utilized \$223 of cash for investing activities in the nine months ended September 30, 2010 as compared to utilizing \$894 of cash for investing activities in the same year ago period. Investing activities in the nine months ended September 30, 2010 included the purchase of capital assets for \$223. Investing activities in the nine months ended September 30, 2009 included the purchase of capital assets of \$900, purchase of intangible assets of \$7, purchase of investment of \$2 and proceeds from the sale of an investment of \$15.

Financing Activities

The Corporation did not utilize any cash for financing activities in the quarter ended September 30, 2010 as compared to utilizing \$22 of cash for the repurchase of common shares under a Normal Course Issuer Bid (“NCIB”) in the same year ago period.

The Corporation utilized \$67 of cash for financing activities in the nine months ended September 30, 2010 as compared to utilizing \$32 of cash from financing activities in the same year ago period. Financing activities in the nine month period ended September 30, 2010 and the same year ago period can be attributed to the repurchase of common shares under a NCIB.

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 September 30, 2010.

The Corporation’s wholly owned U.S. broker-dealer, Electronic Brokerage Systems, LLC, is required by the Securities Exchange Commission (“SEC”) and the 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

These items are substantially unchanged from those disclosed in the Corporation’s annual MD&A for the year ended December 31, 2009.

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 Canadian 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 Canadian and U.S. 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. There were no derivative financial instruments outstanding at September 30, 2010.

Normal Course Issuer Bid

In December 2009, the Toronto Stock Exchange approved a NCIB for the Corporation to repurchase up to 740,000 of its common shares over the period from December 8, 2009 to December 7, 2010. During the three months ended September 30, 2010, the Corporation did not make any repurchases. For the nine months ending September 30, 2010, the Corporation repurchased 88,000 common shares at an average price of \$0.76 per share under this NCIB. In 2009, the Corporation repurchased 84,000 common shares at an average price of \$0.77 per share under this NCIB.

In November 2008, the Toronto Stock Exchange approved a NCIB for the Corporation 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 Corporation repurchased 25 common shares at an average price of \$1.27 per share under this NCIB.

Future Accounting Changes

International Financial Reporting Standards (“IFRS”) and Update

In March 2009, the Accounting Standards Board (“AcSB”) reconfirmed in its third 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 currently consists of the Vice President of Finance and a third party consultant. The team reports progress 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.

Conversion Plan Status Update

An update on the progress of the Corporation’s IFRS conversion plan is as follows:

- 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 and is expected to be completed in the first quarter of 2011;
- Management has determined the exceptions and elections that will be elected by the Corporation under IFRS 1 *“First-Time Adoption of International Financial Reporting Standards”*
- The selection of the Corporation’s IFRS policies is in progress and is expected to be completed in the first quarter of 2011;
- Management will finalize the opening balance quantitative impacts in the fourth quarter of 2010.
- The development of the financial statement format and changes to note disclosure is in progress and targeted for completion in the first quarter of 2011;
- 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 Vice President of Finance has attended IFRS training courses and continues to be updated on standards currently in development that may affect its changeover plan;
- The Corporation engaged a third party consultant in the third quarter of 2010 to assist in the IFRS implementation plan;
- The Corporation is reviewing its internal controls over financial reporting and disclosure controls and procedures in accordance with its conversion plan, and will update them during the implementation to ensure they are appropriate for reporting under IFRS;
- Management has completed their assessment of the business implications of the transition to IFRS and has not identified any material implications.

First-Time Adoption – IFRS 1 Elections

The Corporation's adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does not require certain and limited option exemptions in specified areas of certain standards from this general requirement. The following are the optional exemptions available under IFRS 1 that are significant to the Corporation:

1. **Cumulative Translation Adjustments-** Retrospective application of IFRS would require us to determine cumulative translation differences (CTA) in accordance with IAS 21, the Effects of Changes in Foreign Exchange Rates, from the date a subsidiary was formed or acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. The Corporation will be electing to recognize all CTA of the foreign subsidiaries into opening retained earnings as of January 1, 2010.
2. **Share-based Payments-** The Corporation may elect prospective application for options granted on or after November 7, 2002, that vested before the date of transition to IFRS. Although not expected to be significant, the Corporation is still in the process of assessing the application of the first time adoption option.
3. **Business Combinations-** An entity may elect to restate business combinations that occurred before the date of transition to IFRS. The Corporation intends to adopt this exemption, thereby resulting in no changes to the accounting for prior business combinations.

The remaining elective exemptions are expected to have limited or no applicability to the Corporation

Accounting Policies

The Corporation continues to assess the aggregate effect of adopting IFRS, and the relevant changes in accounting policies. The changes identified below should not be regarded as a complete list of changes that will result from the transition to IFRS as it is intended to highlight those areas that have been analyzed to date and are believed to be the most significant at this stage.

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); and
- (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.

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.

Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing: (i) first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and (ii) then measuring any impairment by comparing asset carrying values with fair values. International Accounting Standards (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.

There will be no significant impact on the opening balance sheet.

Property, Plant and Equipment

IFRS allows the measurement of capital assets using a cost model or revaluation model. Canadian GAAP only permits the use of a cost model. The Corporation currently intends

to continue using the cost model approach under IFRS and as such, no significant impact is expected on the opening balance sheet or subsequent to transition.

Risks and Uncertainties

The primary risks affecting the Corporation are substantially unchanged from those discussed in the Corporation's annual MD&A for the year ended December 31, 2009 except for the following:

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 three and nine months ended September 30, 2010 and 2009, no one customer accounted for 10% or more of total net revenues. The dependence on a limited number of customers for a substantial amount of the Corporation's revenue could lead to fluctuations in our operating results

Outstanding Share Data

Set out below is the outstanding share data for the Corporation as at November 12, 2010.

| | |
|---|------------|
| Common Shares: | 14,637,863 |
| Options to Purchase Common Shares: | |
| Issued and Outstanding | 1,531,334 |

During the three months ended September 30, 2010, no common shares were repurchased under the Corporation's NCIB. For the nine month period ending September 30, 2010, the Corporation repurchased and cancelled 88 thousand common shares for a total consideration of \$142 under its NCIB.

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 and the Vice President of Finance, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at September 30, 2010, Belzberg's management, with the participation of the President and CEO and the Vice President of Finance, 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.

Management's Report on Internal Controls Over Financial Reporting

There were no changes over the Corporation's internal controls over financial reporting during the three and nine months ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.