

2010

Management's Discussion And Analysis

BELZBERG TECHNOLOGIES INC.

For The Three and Six Months Ended June 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 August 10, 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 Second Quarter 2010 Results

- Net revenue decreased by 36% for the second quarter of 2010 from the same year-ago quarter and decreased by 38% for the six months ended June 30, 2010 from the six months ended June 30, 2009.
- Expense reductions of 28% for the second quarter of 2010 from the second quarter of 2009 and reductions of 28% for the six months ended June 30, 2010 from the six months ended June 30, 2009.
- Loss of \$721 or (\$0.05) per diluted share (including a recovery of restructuring charges of \$221) for the second quarter of 2010 as compared to a loss of \$1,405 or (\$0.09) per share (including an income tax recovery of \$358) in the same year-ago quarter.
- Working capital position of \$13,804 at June 30, 2010 as compared to \$16,201 at December 31, 2009.

The challenging economic and operating environment continued in the second 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 second quarter, the resulting new revenues were not sufficient to offset the loss of revenues from customer losses and lower activity levels from existing customers. Notwithstanding this challenging environment, the Corporation did experience some positive results in the second quarter compared to the same year-ago quarter. The Corporation reduced operating expenses in response to the tough operating environment, including reducing \$1,000 in compensation and related benefits expenses, \$507 in telecommunication and datafeed expenses, \$320 in administrative and other expenses and \$152 in brokerage fee expenses when compared to the same year-ago quarter.

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 of Options Exchange, International Securities Exchange and the Options Clearing Corporation to determine the strength of the business.

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

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

Results of Operations

Total Revenue

Total revenues for the three months ended June 30,

(\$000's)	2010			2009		
	Canada	USA	Total	Canada	USA	Total
Equity orderflow and clearing	\$ 224	\$ 1,439	\$ 1,663	\$ 245	\$ 5,997	\$ 6,242
Electronic option and futures contracts	13	1,066	1,079	11	2,185	2,196
Brokerage option contracts	-	750	750	-	801	801
Subscription fees	837	4	841	1,157	66	1,223
Other revenue	305	57	362	266	94	360
Total revenue	1,379	3,316	4,695	1,679	9,143	10,822
Cost of exchange and clearance fees	-	(872)	(872)	-	(4,809)	(4,809)
Total net revenue	\$ 1,379	\$ 2,444	\$ 3,823	\$ 1,679	\$ 4,334	\$ 6,013

Total net revenue decreased by 36% from \$6,013 in the second quarter of 2009 to \$3,823 in the second quarter of 2010. In the first quarter of 2010, the Corporation generated approximately 64% (second quarter 2009 - 72%) of its net revenue in the U.S. and 36% (second quarter 2009 - 28%) of its net revenues in Canada. A weakening U.S. dollar accounted for approximately \$565 of the decrease.

Transaction Fee Revenue

(i) Equity Order Flow and Clearing Revenues

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

(\$000's)	2010			2009		
	Canada	USA	Total	Canada	USA	Total
Equity orderflow and clearing	\$ 224	\$ 1,439	\$ 1,663	\$ 245	\$ 5,997	\$ 6,242
Cost of exchange and clearance fees	-	(517)	(517)	-	(4,015)	(4,015)
Total net equity orderflow and clearing revenue	\$ 224	\$ 922	\$ 1,146	\$ 245	\$ 1,982	\$ 2,227

Net transaction fee revenue from equity order flow decreased 49% from \$2,227 in the second quarter of 2009 to \$1,146 in the second quarter of 2010.

Net equity order flow and clearing revenues executed on U.S. exchanges decreased by 53% year over year. Total U.S. trading volumes decreased by 64% in the second quarter of 2010 when compared to the same year-ago quarter. Despite adding new customers during the second quarter the decrease can be mainly attributed to the loss of very high volume, low commission rate customers. The cost of equity exchange and clearance fees decreased by 87% in the same year-ago quarter due mainly from the loss of low commission, high volume customers. A weakening U.S. dollar accounted for approximately \$146 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.

Equity order flow revenues executed on Canadian exchanges decreased 9% quarter over quarter mainly as a result of an overall decrease in trading volumes of various customers. 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 June 30,			
	2010	2009	change	% change
Total trading volume (in billions of shares)	1.2	3.3	(2.1)	(64)%
Avg trading volume per day (in millions of shares)	19.1	53.0	(33.9)	(64)%
Avg net transaction fee revenue per trading day (in thousands of CDN\$)	\$ 14.6	\$ 31.5	\$ (16.9)	(54)%
Avg net transaction fee revenue per share	\$ 0.0008	\$ 0.0006	\$ 0.0002	33%
U.S market trading days	63	63	-	

(ii) Electronic Options and Futures Contracts

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

(\$000's)	2010			2009		
	Canada	USA	Total	Canada	USA	Total
Electronic option and futures contracts	\$ 13	\$ 1,066	\$ 1,079	\$ 11	\$ 2,185	\$ 2,196
Cost of exchange and clearance fees	-	(321)	(321)	-	(745)	(745)
Total net electronic option and futures revenues	\$ 13	\$ 745	\$ 758	\$ 11	\$ 1,440	\$ 1,451

Net transaction fee revenue from the electronic execution of options and futures contracts decreased 48% from \$1,451 in the second quarter of 2009 to \$758 in the second quarter of 2010. A weakening U.S. dollar accounted for approximately \$193 of the net decrease in revenues. The total volume of the Corporation's electronic options contracts executed decreased by 28% in the second 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 57% 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 June 30,			
	2010	2009	change	% change
Total trading volume (in millions of contracts)	5.6	7.8	(2.2)	(28)%
Avg trading volume per day (in thousands of contracts)	89.2	123.2	(34.0)	(28)%
Avg net transaction fee revenue per trading day (in thousands of CDN\$)	\$ 11.8	\$ 22.9	\$ (11.1)	(48)%
Avg net transaction fee revenue per contract	\$ 0.13	\$ 0.19	\$ (0.06)	(32)%
U.S market trading days	63	63	-	

Transaction Fee Revenue – Brokerage

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

(\$000's)	2010			2009		
	Canada	USA	Total	Canada	USA	Total
Brokerage option contracts	\$ -	\$ 750	\$ 750	\$ -	\$ 801	\$ 801
Cost of exchange and clearance fees	-	(34)	(34)	-	(49)	(49)
Total net brokerage option contract revenues	\$ -	\$ 716	\$ 716	\$ -	\$ 752	\$ 752

Net transaction fee revenue from the brokerage segment decreased 5% from \$752 in the second quarter of 2009 to \$716 in the second quarter of 2010. A weakening U.S. dollar accounted for approximately \$95 of the net decrease in revenues. The average daily volume of floor option exchange contracts executed increased 13% in the second quarter of 2010 compared to the same year ago quarter and the average fee per contract decreased approximately 4% as competition with electronic execution pricing increased. The cost of brokerage exchange and clearance fees decreased 31% in the second quarter of 2010 compared to the same year ago quarter due to lower option volumes that were cleared by the brokerage segment. The Corporation does not incur exchange fees on contracts executed which it does not clear.

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

U.S. Floor Options Contracts Executed	Three months ended June 30,			
	2010	2009	change	% change
Total trading volume (in millions of contracts)	5.9	5.2	0.7	13%
Avg trading volume per day (in thousands of contracts)	93.4	82.4	11.0	13%
Avg net transaction fee revenue per trading day (in thousands of CDN\$)	\$ 11.4	\$ 11.9	\$ (0.5)	(4)%
Avg net transaction fee revenue per contract	\$ 0.17	\$ 0.14	\$ 0.03	21%
U.S market trading days	63	63	-	

Subscription Fee Revenue

Subscription fee revenue in the core business, which is based on customers paying a fixed monthly fee for use of the Belzberg trading systems and connectivity to the Belzberg network on a per terminal or other contracted basis, decreased by 31% in the second quarter of 2010 to \$841 from \$1,223 in the second quarter of 2009. Despite adding new seats and customers during the period 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, increased 1% to \$362 in the second quarter of 2010 from \$360 in the second quarter of 2009.

Revenues

Total revenues for the six months ended June 30,

(\$000's)	2010			2009		
	Canada	USA	Total	Canada	USA	Total
Equity orderflow and clearing	\$ 438	\$ 3,379	\$ 3,817	\$ 421	\$ 12,111	\$ 12,532
Electronic option and futures contracts	23	2,153	2,176	22	4,200	4,222
Brokerage option contracts	-	1,364	1,364	-	1,964	1,964
Subscription fees	1,768	8	1,776	2,496	122	2,618
Other revenue	561	114	675	551	221	772
Total revenue	2,790	7,018	9,808	3,490	18,618	22,108
Cost of exchange and clearance fees	-	(1,884)	(1,884)	-	(9,368)	(9,368)
Total net revenue	\$ 2,790	\$ 5,134	\$ 7,924	\$ 3,490	\$ 9,250	\$ 12,740

Total Revenues

Total net revenue decreased by 38% from \$12,740 for the six months ended June 30, 2009 to \$7,924 for the six months ended June 30, 2010. The Corporation generated approximately 65% (six months of 2009 - 73%) of its net revenues in the United States and 35% (six months of 2008 - 27%) of its net revenues in Canada.

Transaction Fee Revenue – Core

Equity Order Flow and Clearing

Equity orderflow and clearing revenues for six months ended June 30,

(\$000's)	2010			2009		
	Canada	USA	Total	Canada	USA	Total
Equity orderflow and clearing	\$ 438	\$ 3,379	\$ 3,817	\$ 421	\$ 12,111	\$ 12,532
Cost of exchange and clearance fees	-	(1,235)	(1,235)	-	(7,878)	(7,878)
Total net equity orderflow and clearing revenue	\$ 438	\$ 2,144	\$ 2,582	\$ 421	\$ 4,233	\$ 4,654

Net transaction fee revenue from equity order flow decreased 45% from \$4,654 in the six months ended June 30, 2009 to \$2,582 in the first six months of 2010. Net equity order flow and clearing revenues executed on U.S. exchanges decreased by 49% in the six months year over year. Total U.S. trading volumes decreased by 59% in the six months year over year. The cost of equity exchange and clearance fees decreased 83% in the first six months of 2010 when compared to the same period of 2009. A weakening U.S. dollar accounted for approximately \$550 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.

Equity order flow revenues executed on Canadian exchanges increased 4% in the six months ending June 30, 2010 versus the same period in 2009 mainly as a result of some customers transitioning to a transaction based pricing model. The following table summarizes key performance indicators relating to our U.S. equity order flow:

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

U.S. Equity Order Flow and clearing	Six months ended June 30,			
	2010	2009	change	% change
Total trading volume (in billions of shares)	2.9	7.0	(4.1)	(59)%
Avg trading volume per day (in millions of shares)	23.7	56.7	(33.0)	(59)%
Avg net transaction fee revenue per trading day (in thousands of CDN\$)	\$ 17.3	\$ 34.1	\$ (16.8)	(49)%
Avg net transaction fee revenue per share	\$ 0.0007	\$ 0.0006	\$ 0.0001	17%
U.S market trading days	124	124	-	

Electronic Options and Futures Contracts

Electronic option and futures revenues for the six months ended June 30,

(\$000's)	2010			2009		
	Canada	USA	Total	Canada	USA	Total
Electronic option and futures contracts	\$ 23	\$ 2,153	\$ 2,176	\$ 22	\$ 4,200	\$ 4,222
Cost of exchange and clearance fees	-	(574)	(574)	-	(1,377)	(1,377)
Total net electronic option and futures revenues	\$ 23	\$ 1,579	\$ 1,602	\$ 22	\$ 2,823	\$ 2,845

Net transaction fee revenue from the electronic execution of options and futures contracts decreased by 44% from \$2,845 in the first six months of 2009 to \$1,602 in the first six months of 2010. A weakening U.S. dollar accounted for a decrease to net option revenues of approximately \$460. The total volume of our electronic options contracts executed decreased by 32% 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 our U.S. electronic options contracts executed:

U.S. Electronic Options Contracts Executed	Six months ended June 30,			
	2010	2009	change	% change
Total trading volume (in millions of contracts)	10.1	14.8	(4.7)	(32)%
Avg trading volume per day (in thousands of contracts)	81.8	119.0	(37.2)	(32)%
Avg net transaction fee revenue per trading day (in thousands of CDN\$)	\$ 12.7	\$ 22.8	\$ (10.1)	(44)%
Avg net transaction fee revenue per contract	\$ 0.16	\$ 0.19	\$ (0.03)	(16)%
U.S market trading days	124	124	-	

Transaction Fee Revenue – Brokerage

Brokerage option contract revenues for the six months ended June 30,

(\$000's)	2010			2009		
	Canada	USA	Total	Canada	USA	Total
Brokerage option contracts	\$ -	\$ 1,364	\$ 1,364	\$ -	\$ 1,964	\$ 1,964
Cost of exchange and clearance fees	-	(75)	(75)	-	(113)	(113)
Total net brokerage option contract revenues	\$ -	\$ 1,289	\$ 1,289	\$ -	\$ 1,851	\$ 1,851

Net transaction fee revenue from the brokerage segment decreased 30% to \$1,289 in the six months of 2010 from \$1,851 in the same year-ago period. A weakening U.S. dollar accounted for approximately \$230 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 14% and 19% respectively in the first six months of 2010 when compared to the same year ago period. The cost of brokerage exchange and clearance fees decreased 34% in the six 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 our U.S. floor brokerage options contracts executed:

U.S. Floor Options Contracts Executed	Six months ended June 30,			
	2010	2009	change	% change
Total trading volume (in millions of contracts)	10.2	11.9	(1.7)	(14)%
Avg trading volume per day (in thousands of contracts)	82.3	95.8	(13.5)	(14)%
Avg net transaction fee revenue per trading day (in thousands of CDN\$)	\$ 10.4	\$ 14.9	\$ (4.5)	(30)%
Avg net transaction fee revenue per contract	\$ 0.13	\$ 0.16	\$ (0.03)	(19)%
U.S market trading days	124	124	-	

Subscription Fee Revenue

Subscription fee revenue in the core business, 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 32% to \$1,776 in the six months of 2010 from \$2,618 in the same year-ago period. Despite adding new seats and customers during the six month 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 Company 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 13% to \$675 in the six months of 2010 from \$772 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 June 30,

(\$000's)	Core	Brokerage	Total	% of	Core	Brokerage	Total	% of
	2010	2010	2010	Net	2009	2009	2009	Net
				Revenues				Revenues
Compensation and related benefits	\$ 1,830	\$ 327	\$ 2,157	56 %	\$ 2,752	\$ 410	\$ 3,162	53 %
Telecommunication and datafeed services	1,518	42	1,560	41 %	2,001	66	2,067	34 %
Administrative and other expenses	703	29	732	19 %	1,004	48	1,052	17 %
Brokerage fees	378	139	517	14 %	397	272	669	11 %
Amortization of capital assets	407	3	410	11 %	530	4	534	9 %
Amortization of intangible asset	37	-	37	1 %	55	-	55	1 %
Foreign exchange loss(gain)	(528)	(108)	(636)	(17)%	114	250	364	6 %
Government assistance	(11)	-	(11)	0 %	(95)	-	(95)	(2)%
Restructuring charges	(221)	-	(221)	(6)%	-	-	-	0 %
Interest expense	-	-	-	0 %	12	-	12	0 %
Interest income	(1)	-	(1)	0 %	(44)	-	(44)	(1)%
	\$ 4,112	\$ 432	\$ 4,544	119%	\$ 6,726	\$ 1,050	\$ 7,776	129%

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

(\$000's)	Core	Brokerage	Total	% of	Core	Brokerage	Total	% of
	2010	2010	2010	Net	2009	2009	2009	Net
				Revenues				Revenues
Compensation and related benefits	\$ 4,039	\$ 670	\$ 4,709	59 %	6,062	855	6,917	54 %
Telecommunication and datafeed services	3,163	97	3,260	41 %	3,982	135	4,117	32 %
Administrative and other expenses	1,435	62	1,497	19 %	2,136	106	2,242	18 %
Brokerage fees	877	307	1,184	15 %	1,070	584	1,654	13 %
Amortization of capital assets	845	7	852	11 %	1,049	8	1,057	8 %
Amortization of intangible asset	74	-	74	1 %	110	-	110	1 %
Foreign exchange loss(gain)	(121)	(33)	(154)	(2)%	387	145	532	4 %
Government assistance	(11)	-	(11)	0 %	(95)	-	(95)	(1)%
Restructuring charges	(221)	-	(221)	(3)%	839	-	839	7 %
Interest expense	3	-	3	0 %	18	-	18	0 %
Interest income	(3)	-	(3)	0 %	(128)	(3)	(131)	(1)%
	\$ 10,080	\$ 1,110	\$ 11,190	141%	\$ 15,430	\$ 1,830	\$ 17,260	135%

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 32% to \$2,157 for the quarter ended June 30, 2010 from \$3,162 for the quarter ended June 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 102 full-time employees and 5 part-time employees in the second quarter of 2009 to 75 full-time employees and 2 part-time employees in the second quarter of 2010. At June 30, 2010 the Corporation's headcount was 72 full-time and 2 part-time employees. A weakening U.S. dollar accounted for approximately \$169 of the net decrease in compensation and related benefits.

Compensation and related benefits decreased by 32% to \$4,709 for the six months ended June 30, 2010 from \$6,917 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 and 5 part-time employees in the first six months of 2009 to 78 full-time employees and 2 part-time employees in the six months ended June 30, 2010. A weakening U.S. dollar accounted for approximately \$450 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 25% to \$1,560 for the three months ended June 30, 2010 from \$2,067 for the same year-ago quarter. Approximately \$81 of the decrease resulted from a decrease in customer connections, of which \$40 was not being recovered from customers, \$242 decrease relates to market data feed reductions and \$184 of the decrease relates to a reduction of exchange trading, interoffice, and internet connections. Approximately \$95 of the decrease is due to the foreign exchange effect of a weaker average U.S.\$ exchange rate in the second quarter of 2010 as compared to the same year-ago quarter.

Telecommunication and datafeed services decreased by 21% to \$3,260 for the six months ended June 30, 2010 from \$4,117 for the same year-ago period. Approximately \$220 of the decrease resulted from a decrease in customer connections, of which \$115 was not being recovered from customers, \$379 of the decrease relates to market data feed reductions and \$257 of the decrease relates to a reduction of exchange trading, interoffice, and internet connections. Approximately \$239 of the decrease is due to the foreign exchange effect of a weaker average U.S.\$ exchange rate in the six months ending June 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 30% to \$732 for the quarter ended June 30, 2010 from \$1,052 for the same year ago period. The decrease is mainly attributable to: (i) a decrease in professional fees of \$89, (ii) a decrease in travel, advertising and promotional expenses of \$42, (iii) a decrease in occupancy of \$92, and (iv) a decrease in office and general expenses of \$62.

Administrative and other expenses decreased by 33% to \$1,497 for the first six months ended June 30, 2010 from \$2,242 for the same year ago period. The decrease is mainly

attributable to: (i) a decrease in professional fees of \$252, (ii) a decrease in travel, advertising and promotional expenses of \$161, (iii) a decrease in occupancy of \$143, and (iv) a decrease in office and general expenses of \$105.

Brokerage Fees

Brokerage fees comprise: (i) the commissions the Corporation paid to other brokers and specialists for execution services and/or for the introduction of orderflow, (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 23% to \$517 for the three months ended June 30, 2010 from \$669 for the same year-ago quarter. The decrease can mainly be attributed to lower: (i) technology fees of \$57, and (ii) seat leases of \$135.

Brokerage fees decreased by 29% to \$1,184 for the six months ended June 30, 2010 from \$1,654 for the same year-ago period. The decrease can mainly be attributed to lower: (i) errors of \$101, (ii) seat leases of \$244, and (iii) client trading compensation of \$101.

Amortization of Capital Assets

Amortization of capital assets decreased by 23% to \$410 for the three months ended June 30, 2010 from \$534 for the same year-ago quarter.

Amortization of capital assets decreased by 19% to \$852 for the six months ended June 30, 2010 from \$1,057 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 33% to \$37 for the three months ended June 30, 2010 from \$55 for the same year ago quarter.

Amortization of intangible assets decreased by 33% to \$74 for the six months ended June 30, 2010 from \$110 for the same year ago period.

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

Restructuring Charges

There was a \$221 recovery of restructuring charges in the three and six months ended June 30, 2010. In the three and six months ended June 30, 2009, there were restructuring charges of nil and \$839 respectively. The recovery in 2010 relates mainly to favourable 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 three and six months ended June 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 (Gain)

During the third quarter of 2009, the Corporation ceased its strategy of partially hedging the exposure of its U.S. dollar net assets to fluctuations in the 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 gain of \$636 in the second quarter of 2010, of which approximately \$528 relates to the core business and \$108 relates to the brokerage business for the three months ended June 30, 2010. The foreign exchange gain comprises non-cash gains and losses incurred in translating the net assets of the Corporation's integrated foreign subsidiaries into Canadian dollars. As at June 30, 2010, the Corporation had no foreign exchange option contracts outstanding.

The Corporation incurred a foreign exchange gain of \$154 in the six months ended June 30, 2010, of which approximately \$121 relates to the core business and \$33 relates to the brokerage business for the six months ended June 30, 2010. The foreign exchange gain comprises non-cash gains and losses incurred in translating the net assets of the Corporation's integrated foreign subsidiaries into Canadian dollars. As at June 30, 2010, the Corporation had no foreign exchange option contracts outstanding.

The Corporation 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 the Corporation's integrated foreign subsidiaries in the consolidated statement of operations. As at June 30, 2009, the Corporation had outstanding foreign exchange option contracts for the purchase of CDNS\$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 Corporation 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 Corporation 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 the Corporation's integrated foreign subsidiaries in the consolidated statement of operations. For the six month period ended June 30, 2009, the Corporation 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 the Corporation's integrated foreign subsidiaries in the consolidated statement of operations.

Interest Expense

Interest expense decreased to nil for the three months ended June 30, 2010 from \$12 for the same year-ago quarter.

Interest expense decreased to \$3 for the six months ended June 30, 2010 from \$18 for the same year-ago period.

The majority of the decrease resulted from less utilization of the Corporation's clearing facility to facilitate clearing breaks.

Interest Income

Interest income decreased to \$1 for the three months ended June 30, 2010 from \$44 for the same year-ago quarter.

Interest income decreased to \$3 for the six months ended June 30, 2010 from \$131 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 six months ended June 30, 2010, the Corporation did not record a future income tax recovery as management does not have reasonable assurance that the benefit will be utilized in the future. For the three and six months ended June 30, 2009, the Corporation recorded an income tax recovery of \$358 and \$1,291 respectively.

Net Loss

The net loss for the first quarter ended June 30, 2010 was \$721, as compared to a net loss of \$1,405 for the same year-ago quarter. Diluted loss per share for the quarter ended June 30, 2010, increased to (\$0.05) per share from a diluted loss of (\$0.09) per share for the same year-ago quarter.

The net loss for the six months ended June 30, 2010, was \$3,266 as compared to a net loss of \$3,229 for the same year-ago period. Diluted loss per share for the six months ended June 30, 2010 and 2009 is (\$0.22).

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)	Q2 10	Q1 10	Q4 09	Q3 09	Q2 09	Q1 09	Q4 08	Q3 08
Revenue								
Transaction fees:								
Equity order flow and clearing	\$ 1,663	\$ 2,154	\$ 4,353	\$ 4,147	\$ 6,242	\$ 6,290	\$ 6,463	\$ 4,543
Options and futures contracts	1,829	1,711	2,192	2,437	2,997	3,189	3,679	4,253
Subscription fees	841	935	1,075	1,214	1,223	1,395	1,683	1,764
Other	362	313	322	363	360	412	409	403
	4,695	5,113	7,942	8,161	10,822	11,286	12,234	10,963
Cost of exchange and clearance fees	(872)	(1,012)	(2,916)	(2,813)	(4,809)	(4,559)	(4,383)	(3,379)
Total net revenue	3,823	4,101	5,026	5,348	6,013	6,727	7,851	7,584
Expenses (Income):								
Compensation and related benefits	2,157	2,552	2,881	3,026	3,162	3,755	3,610	3,161
Telecommunication and datafeed services	1,560	1,700	1,842	1,815	2,067	2,050	2,051	1,721
Administrative and other expenses	732	765	1,121	872	1,052	1,190	1,511	1,259
Brokerage fees	517	667	840	650	669	985	988	1,815
Amortization of capital assets	410	442	463	522	534	523	507	469
Amortization of intangible assets	37	37	37	55	55	55	60	53
	5,413	6,163	7,184	6,940	7,539	8,558	8,727	8,478
Loss before the undemoted	(1,590)	(2,062)	(2,158)	(1,592)	(1,526)	(1,831)	(876)	(894)
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)	(636)	482	355	1,200	364	168	(814)	(30)
Interest expense	-	3	3	4	12	6	1	3
Interest income	(1)	(2)	(22)	(40)	(44)	(87)	(117)	(129)
	(869)	483	4,290	1,164	237	926	62	(156)
Loss before income taxes	(721)	(2,545)	(6,448)	(2,756)	(1,763)	(2,757)	(938)	(738)
Provision for (recovery of) income taxes:								
Current	-	-	149	-	-	-	(9)	2
Future	-	-	4,304	(406)	(358)	(933)	(679)	(418)
	-	-	4,453	(406)	(358)	(933)	(688)	(416)
Net loss	\$ (721)	\$ (2,545)	\$ (10,901)	\$ (2,350)	\$ (1,405)	\$ (1,824)	\$ (250)	\$ (322)

Loss per share:

Basic	\$ (0.05)	\$ (0.17)	\$ (0.74)	\$ (0.16)	\$ (0.09)	\$ (0.12)	\$ (0.02)	\$ (0.02)
Diluted	(0.05)	(0.17)	(0.74)	(0.16)	(0.09)	(0.12)	(0.02)	(0.02)

In the second quarter of 2010, there was a recovery of restructuring charges that relates to favourable settlements of employee severance related to terminations in the fourth quarter of 2009.

Revenue from electronic options and futures contracts trended lower in the first quarter of 2010 and 2009 due to reduced volatility levels from 2008 and the loss of a large customer.

Revenue from subscription fees trended lower in the first quarter of 2010 and 2009 from customer seat cancellations either as a result of cost cutting measures or the implementation of alternative solutions.

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.

During the second quarter of 2009, the Corporation decided to cease the process of partially mitigating its exposure to non-cash foreign exchange translation gains and losses. As a result, the foreign exchange translation gain or loss in second quarter of 2009 and subsequent periods was more pronounced than in prior periods other than in the fourth quarter of 2008. In the fourth quarter of 2008, the Corporation had an unusual foreign exchange gain due to the Corporation being able to crystallize gains on a strengthening US\$.

The brokerage fees in the third quarter of 2008 include an unusual trading error of US\$800.

Transactions with Related Parties

During the second quarter of 2010, the Corporation’s subsidiary, Electronic Brokerage Systems, LLC, paid seat lease expenses at market rates of approximately \$12 (three month period ended June 30, 2009 - \$32) and paid for execution services in the amount of \$39 (three month period ended June 30, 2009 - \$51) to a company controlled by the president of Electronic Brokerage Systems, LLC. In addition, Electronic Brokerage Systems, LLC recorded transaction fee revenues of approximately \$7 from the same company for the period ended June 30, 2010 (three month period ended June 30, 2009 - \$125).

For the six month period ended June 30, 2010, Electronic Brokerage Systems, LLC, paid seat lease expenses at market rates of approximately \$31 (six month period ended June 30, 2009 - \$70) and paid for execution services in the amount of \$80 (six month period ended June 30, 2009 - \$105) to a company controlled by the president of Electronic Brokerage Systems, LLC. In addition, Electronic Brokerage Systems, LLC recorded transaction fee

revenues of approximately \$11 from the same company for the period ended June 30, 2010 (six month period ended June 30, 2009 - \$255).

Liquidity and Capital Resources

Financial Position

At June 30, 2010, the Corporation had cash and cash equivalents of \$10,562 and working capital of \$13,804 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 June 30, 2010, Electronic Brokerage Systems, LLC and Robert C. Sheehan & Associates, LLC had net capital of US\$9,029 and US\$569 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 June 30, 2010, Electronic Brokerage Systems, LLC was in compliance with this requirement.

Operating Activities

The Corporation utilized cash flow from operations of \$650 for the quarter ended June 30, 2010 as compared to generating \$6,380 of cash from operations for the quarter ended June 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 \$7,146 year-over-year mainly from:

- (i) The Corporation's cash and cash equivalents segregated under regulations and other to cover customer and correspondent deposits and amounts owed back to proprietary accounts of introducing brokers "(PAIB)" decreased by \$910 at June 30, 2010 as compared to an decrease of \$3,543 at June 30, 2009 (negative year-over-year change of \$2,633);
- (ii) The Corporation's accounts receivable balance decreased by \$645 at June 30, 2010 as compared to a decrease of \$3,528 at June 30, 2009 (negative year-over-year change of \$2,833).
- (iii) Receivables from brokers, dealers and clearing organizations increased by \$625 for the quarter ended June 30, 2010 as compared to a decrease in receivables from brokers, dealers and clearing organizations of \$8,658 for the quarter ended June 30, 2009 (negative second quarter year over year change of \$9,283)

These negative operating cash inflows were offset by:

- (i) The Corporation's accounts payable and accrued liabilities increased by \$488 at June 30, 2010 compared to an increase of \$1,365 at June 30, 2009 (positive year-over-year change of \$877);
- (ii) The Corporation's payable to customers and correspondents relating to customer and correspondent deposits and amounts owed back PAIB increased by \$703 at June 30, 2010 compared to an increase of \$3,157 at June 30, 2009 (positive year-over-year change of \$2,454); and
- (iii) The Corporation did not have an outstanding clearing facility loan at June 30, 2010 compared to an increase of \$4,099 at June 30, 2009 to cover trade breaks (positive year-over-year change of \$4,099).

The Corporation used cash flow for operations of \$4,998 for the six months ended June 30, 2010 as compared to using \$4,760 of cash from operations for the six months ended June 30, 2009. The decrease in the six-month year over year cash flow 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 six-month year over year basis by \$620, 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 \$586 for the six months ended at June 30, 2010 compared to a decrease of \$2,441 for the six months ended June 30, 2009 (negative six month year-over-year change of \$3,027); and
- (ii) The Corporation's accounts payable and accrued liabilities increased by \$2,518 for the six months ended June 30, 2010 compared to a decrease of \$14 for the same year ago period (negative six month year-over-year change of \$2,532);

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 \$852 for the six months ended June 30, 2010 as compared to an increase of \$2,706 for the same year ago period (positive six-month year-over-year change of \$3,558);
- (ii) The Company's deposits with clearing and depository organizations decreased \$60 for the six months ended June 30, 2010. This compared to an increase in deposits with clearing and depository organizations of \$3,111 for the six months ended June 30, 2009 (positive six-month year over year change of \$3,171).

Investing Activities

The Corporation utilized \$42 of cash for investing activities in the quarter ended June 30, 2010 as compared to utilizing \$415 of cash for investing activities in the quarter ended June 30, 2009. Investing activities in the quarter ended June 30, 2010 included the

purchase of capital assets for \$42. Investing activities in the quarter ended June 30, 2009 included the purchase of capital assets of \$415.

The Corporation utilized \$135 of cash for investing activities in the six months ended June 30, 2010 as compared to utilizing \$836 of cash for investing activities in the same year ago period. Investing activities in the six months ended June 30, 2010 included the purchase of capital assets for \$135. Investing activities in the six months ended June 30, 2009 included the purchase of capital assets of \$842, purchase of intangibles 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 June 30, 2010 and 2009.

The Corporation utilized \$67 of cash for financing activities in the six months ended June 30, 2010 as compared to utilizing \$10 of cash from financing activities in the same year ago period. Financing activities in the six month period ended June 30, 2010 and the same year ago period can be attributed to the repurchase of common shares under a Normal Course Issuer Bid. ("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 June 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 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 June 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 June 30, 2010, the Corporation did not make any repurchases. For the six months ending June 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 second omnibus Exposure Draft that Canadian GAAP for publicly accountable enterprises will be converged with IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement, presentation and disclosures. As part of the IFRS conversion project, the Corporation's implemen-

tation team currently consists of the Vice President of Finance who is currently seeking the expertise of a third party and reporting 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.

Management has completed the diagnostic phase and has identified the key areas where changes in accounting policies are expected to affect the Corporation’s consolidated financial statements. Management is still in the process of quantifying the expected material differences between IFRS and the current treatment under Canadian GAAP but expects to complete this assessment in time for parallel recording of financial information in accordance with IFRS beginning in 2010. Management has completed a review of its information systems together with a third party consultant and does not expect any significant modifications will be necessary on conversion. The Corporation’s 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 key areas where differences have been identified and an update on work performed are as follows:

Foreign Currency Translation

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

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

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet (there are no historical rates of exchange for non-monetary assets and liabilities when compared with integrated operations under Canadian GAAP);
- (ii) Income and expenses for each income statement are translated at average exchange rates (amortization is no longer translated at the rates of exchange applicable to the related assets when compared with integrated operations under Canadian GAAP); 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. The Corporation expects to elect the exemption under IFRS 1 allowing the cumulative translation differences for all foreign operations to be set to zero at the date of transition to IFRS.

Share-Based Payment

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

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

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.

The Corporation is still assessing the impact of IAS 36 on its consolidated financial statements and has not reached a conclusion to date but expects to complete this

assessment in time for parallel recording of financial information in accordance with IFRS beginning in 2010.

Business Combinations

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

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 six months ended June 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 our 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 Aug 10, 2010.

Common Shares:	14,637,863
Options to Purchase Common Shares:	
Issued and Outstanding	1,536,334

During the three months ended June 30, 2010 no common shares were repurchased under the Corporations NCIB. For the six month period ending June 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 ("CEO") and the Vice President of Finance, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at June 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.

Managements Report on Internal Control Over Financial Reporting

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