

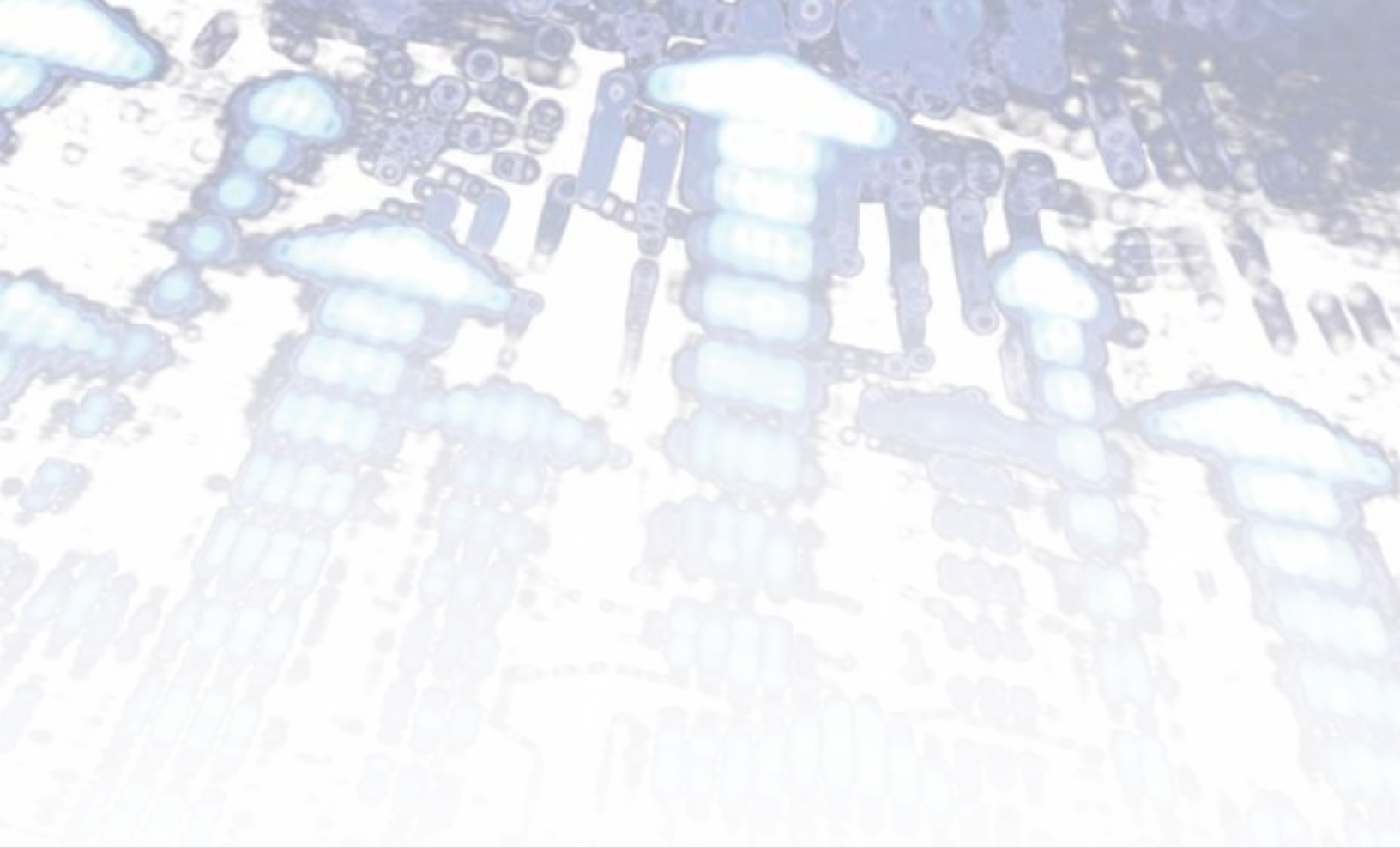


Solium
CAPITAL

2009 Annual Report

Leading the Evolution of Global Stock Plan Management





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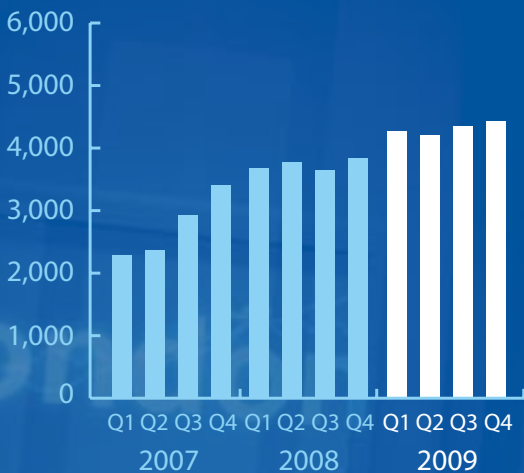
Shareholder's Annual & Special Meeting

The Annual and Special Meeting of Shareholders of Solium Capital Inc. will be held at 2:00 pm in the Chinook Room 2 and 3 of the Telus Convention Centre, South building, main level, 120 9th Avenue SE. Calgary Alberta on May 18, 2010. We encourage all shareholders unable to attend to sign and return the proxy form prior to the meeting or vote their shares via telephone or internet as per the instructions on the proxy form.

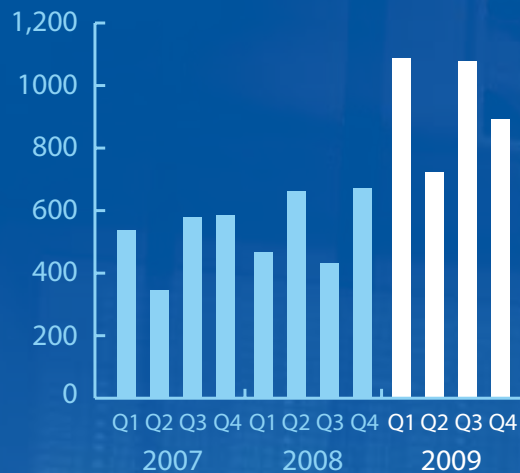
Introduction

Solium was founded in 1999 and is based in Calgary, Alberta, Canada. Solium is a public company listed on the TSX under the symbol SUM. The following charts show the financial highlights of the Company for the last three years. See Management's Discussion and Analysis for an explanation of the changes.

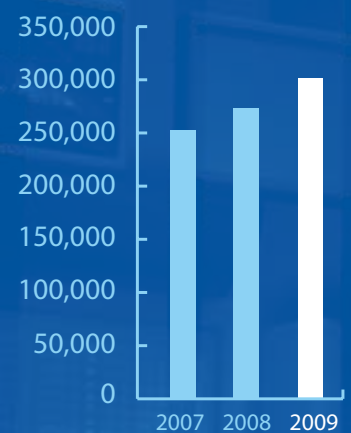
Revenue (\$000s)



EBITDA (\$000s)



Enrolled Participants



Message from the President & Chief Executive Officer

As we conclude 2009, I would characterize the last twelve months as a year of contrast and clarity for Solium Capital. I expect most companies reflecting on the previous year's operating results in their annual reports will reference the unprecedented economic pall we faced as we all entered 2009. It will be a noted determinant in financial performance for many firms and that is fair game. The collective drag on business results across the board during the first six months of 2009 was undeniable and far reaching. For the majority, it was inescapable and I include Solium in that mix. We faced external economic factors that impeded our full revenue and earnings potential over the last twelve months and it should be duly noted. But in contrast to that larger reality, we have delivered to Solium shareholders our most productive year financially. We set new records for revenue, earnings, client count and cash holdings.

It was with this economic backdrop that Solium management set our course for 2009. We accepted there was little we could do to control factors that impacted the general economy and therefore our revenue outlook. We knew we would see increased bankruptcies and mergers, falling trade activity, and reduced and shrinking participant populations as companies reduced their respective workforces to deal with contracting business. But we also embraced the notion that with adversity comes opportunity and from that perspective we made critical decisions on initiatives we could control. First, we sharpened our focus on our costs and looked into every corner of the organization to tighten expenditures and shield ourselves while not surrendering growth in the near term. Second, we re-allocated technology resources to further invest in automation in our business to drive operating efficiencies as we continued to expand. Third, we looked for opportunities to consolidate the market from those competitors that chose to exit the business under the weight of significantly leaner times. Last, we chose to continue to invest in our Shareworks technology to further expand our innovation lead. This multi-pronged strategy enabled Solium to execute on its core strengths, preserving and building its cash reserves and exploiting the revenue levers that have been developed over the last several years. As the economy stabilized mid-year and began its steady recovery through the latter part of 2009, this holistic execution strategy produced strong operating results in a year of generally languishing revenue and compressed earnings for most industries.

As we embark on this upcoming year, Solium is a very select provider of truly global solutions for complex equity programs for public companies of literally any size. We span both Canada and the United States, with vibrant and growing operations in each and that is an exceptionally rare combination. Our end-to-end solutions are delivered through a single technology architecture capable of servicing any global jurisdiction which is indisputably without equal in our industry. It is this advantage that we possess that leaves us extremely well-positioned to continue to garner market share and do so with appropriate returns for our shareholders. It is worth commenting that we added more new license revenue in the U.S. in 2009 than in Canada which is a significant and symbolic inflection point in our U.S. ambitions. We also achieved positive EBITDA performance in our U.S. business in the last quarter of 2009 on a full-cost allocation basis which is another pivotal performance metric towards assessing our success in this market. We now have an established operating platform in the U.S. to leverage our inherent technology advantages and unique service offering to grow our client portfolio and I'm very confident in our ability to do just that.

Like a tall timber battered in a relentless squall, we have weathered trying conditions in the last year and have exhibited deeply sown roots that will serve us well as we continue to ascend in whatever conditions we may endure. I'm optimistic about the year ahead – both for Solium and the economy as a whole. Our continued push to extend our market reach in our principal products not only in North America but Europe will continue in earnest. Our efforts to forge channel relationships with long-established incumbent administrators will also continue and we are actively working on meaningful engagements with several of them. Finally, we see accessible avenues to leverage our capabilities to further expand our revenue model and product mix on the enviable asset base and market position we have fostered over Solium's lifetime. We expect to pursue all of these in the year ahead and I look forward to maintaining our track record of success to prove once again our ability to realize those ambitions.

As always, our success is a byproduct of a growing list of clients that have invested in a relationship with Solium and have driven us to innovate and deliver exemplary customer service every day. That innovation and steadfast dedication to client support comes from a talented team of people at Solium that want to lead – not follow. It's a courageous place to be, but we embrace it and choose not to relinquish it. I acknowledge and thank our customers and our employees at Solium for guiding and supporting us through a turbulent but very successful year in 2009. To our shareholders, I hope this past year has demonstrated a resolute management focus and resilient operating foundation that is exceptionally well poised for global growth and continued value creation. Thank you for your support and belief in our vision for Solium Capital.

Sincerely,



Jeff English

President & CEO
Solium Capital Inc.

2009



Management's Discussion and Analysis

For the Year Ended December 31, 2009

Special Note Regarding Forward-Looking Statements

This Management's Discussion and Analysis ("MD&A") dated as of March 17, 2010, for Solium Capital Inc. ("Solium" or the "Company") should be read in conjunction with the audited Consolidated Financial Statements and the accompanying notes for the year ended December 31, 2009. The Financial Statements and comparative information have been prepared in accordance with Canadian Generally Accepted Accounting Principles. Additional information relating to the Company is available on SEDAR at www.sedar.com under Solium Capital Inc.

All dollar amounts discussed in the MD&A are in Canadian dollars unless otherwise specified.

Certain statements included or incorporated by reference in this MD&A constitute forward-looking statements or forward-looking information under applicable securities legislation. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this MD&A include but are not limited to expectations regarding future revenues, earnings, capital expenditures, and operating and other costs; business strategy and objectives; market trends; acquisition and disposition plans; the sufficiency of cash and working capital for future operations; and the timing and the completion of various development projects.

Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect. In addition to other assumptions identified in this MD&A, assumptions have been made regarding, among other things, the Company's transition to new products and releases; a continuing increase in the number of customer transactions; the length of the sales cycles; the competitive environment; the ability to maintain or accurately forecast revenue from the Company's products or services; the ability of the Company to identify, hire, train, motivate and retain qualified personnel; currency fluctuations; the ability of the Company to develop, introduce and implement new products as well

as enhancements or improvements for existing products that respond, in a timely fashion, to customer/product requirements and rapid technological change; risks associated with operations; the impact of any changes in the laws and regulations in the jurisdictions in which the Company operates; and the effect of new accounting pronouncements or guidance.

Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements or information because the Company can give no assurance that such expectations will prove to be correct. The forward-looking statements and information are based on Solium's current expectations, estimates and projections, and are subject to a number of significant risks and uncertainties that could cause actual results to differ materially from those anticipated. Such risks and uncertainties include, among others, general business and economic conditions; the overall performance of stock market(s); actions of competitors and partners; the regulatory environment; the corporate governance environment and regulatory reporting requirements for Solium's clients; product capability and acceptance; the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations; and the Company's ability to access external sources of financing if required. A more detailed assessment of the risks that could cause actual results to materially differ from current expectations is contained in the Risk Assessment section of this MD&A. The foregoing is not exhaustive and other risks are detailed from time to time in other continuous disclosure filings of the Company. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements or information prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. The Company uses future-oriented financial information for budgeting and planning purposes and the information may not be appropriate for other purposes.



Overview of the Company

Solium specializes in the administration and execution of equity-based incentive and savings plans and is setting the industry standard for service excellence, industry knowledge and innovative technical leadership. Solium's technology platform, Shareworks™, is an online solution that integrates the management of multiple equity plan types including stock options, share appreciation rights ("SARs"), share units, restricted stock awards, and employee share purchase and holdings plans on one comprehensive platform ("incentives").

For corporate clients, Shareworks streamlines an administrator's workflow with regards to the issuance of incentives, the exercise of incentives, reporting of incentives and day-to-day maintenance of the incentives database. Shareworks provides constant online access to reports for securities regulators, internal management and financial disclosure purposes.

Shareworks empowers plan participants by providing direct access to the financial markets through Solium's national online brokerage partners. Shareworks also extends online access to participants to review their stock incentive portfolios from any Internet-connected computer, anywhere in the world.

The Company also has a product suite called StockVantage™ which leverages Solium's Shareworks technology to deliver solutions for companies with smaller stock option plans.

For the Shareworks product, revenues are generated from both the corporate clients and the employee participants. Each implementation of a corporate client typically results in a one-time implementation fee, as well as recurring monthly access fees based on the number of employee participants in the application. Revenue is generated from employee

participants in the form of transaction and money movement fees when an exercise of a stock option, share unit, restricted stock award or SAR occurs, or upon withdrawal of assets from a share purchase or holdings plan. Revenue is also generated through access and administration fees paid to Solium by its brokerage partners in connection with the volume of share transactions driven to the brokerage partners from the Shareworks application.

For the StockVantage product, revenues are generated from corporate clients in the form of implementation revenue and recurring annual access fees based on the number of employee participants in the application.

The Company markets and sells its products through a direct sales force in Canada and the United States ("U.S."). The Company also has a channel agreement with GRS Securities Inc. ("GRS Securities") in Canada. GRS Securities is a wholly-owned subsidiary of The Canada Life Assurance Company, which is a wholly-owned subsidiary of The Great-West Life Assurance Company. Under a revenue sharing arrangement, GRS Securities utilizes Solium's Shareworks platform as part of its service delivery to clients in Canada.

Strategic Progress Update

The following table shows the progress against several key areas of the Company's business strategy during 2009.

Business Strategy	2009 Results
Direct Sales Growth	<ul style="list-style-type: none">» Strong growth in direct sales clients with the implementation of 61 Shareworks and 101 StockVantage clients throughout 2009.» Recurring access fee revenue from direct sales clients grew by \$2.4 million or 22% between fiscal 2009 and 2008.» Participants collectively using either grant-based or share purchase functionality on Shareworks or StockVantage increased by more than 28,000 participants or 10% between fiscal 2009 and 2008.
Market Expansion	<ul style="list-style-type: none">» Strong growth in direct sales clients in the U.S. with the implementation of 44 Shareworks clients throughout 2009.» Recurring access fee revenue from direct sales clients in the U.S. grew by \$832,862 or 28% between fiscal 2009 and 2008.» Participants using Shareworks in the U.S. increased by more than 17,000 participants or 29% between fiscal 2009 and 2008.
Channel Relationships	<ul style="list-style-type: none">» Approximately 20,500 participants are still being serviced under the channel relationship with GRS Securities, and are expected to continue on a go-forward basis.» The Company continues to explore channel opportunities in the U.S.
Revenue Enhancement	<ul style="list-style-type: none">» The revenue stream from Solium's Canadian brokerage partners continues to demonstrate its significance to the Company's operating results. Access and administration fees from brokerage partners related to their access to Shareworks were \$1,019,546 and made up approximately 5% of total revenue in 2009.» Fees from U.S. brokerage partners related to their access to Shareworks were \$211,273.
Product Diversification	<ul style="list-style-type: none">» The StockVantage product continued to display a growth in sales during 2009. Revenue from StockVantage was \$989,466 in 2009, approximately 5% of consolidated revenue.» The Company's money movement and foreign currency solution was implemented for the majority of all clients by the end of 2009. This solution generated revenue of \$485,846 in 2009.
Product Innovation	<ul style="list-style-type: none">» In the last quarter of 2009 Solium released a significant upgrade to the Shareworks platform. This release continues to advance the level of technology being offered to clients, by adding a new look and feel to the exercise process and the enhanced ability to perform exercises across multiple grants simultaneously.
Cost Optimization	<ul style="list-style-type: none">» The Company continued to focus on operational improvements aimed at reducing the average cost to service a participant. Operational costs associated with servicing clients as a percentage of recurring access fee revenue improved from 63% at the beginning of 2009 to 56% at the end of the year, an improvement of 7%. This is estimated to be equivalent to approximately \$760,000 in declining marginal cost.

Financial Highlights

	2009	% Change	2008	% Change	2007
Total revenues	\$19,691,478	16%	\$17,039,855	36%	\$12,544,270
EBITDA ¹	\$3,783,920	69%	\$2,240,273	9%	\$2,051,264
Earnings before taxes	\$3,075,012	153%	\$1,215,176	(13%)	\$1,403,596
Net earnings	\$1,722,974	156%	\$674,116	(46%)	\$1,244,442
Per share - basic	\$0.056	155%	\$0.022	(49%)	\$0.043
Per share - diluted	\$0.055	150%	\$0.022	(45%)	\$0.040
Margins					
EBITDA	19%	6%	13%	(3%)	16%
Earnings before taxes	16%	9%	7%	(4%)	11%
Net earnings	9%	5%	4%	(6%)	10%
Total assets	\$17,821,685	17%	\$15,233,944	2%	\$14,863,554
Total long-term liabilities	\$1,242,031	(42%)	\$2,144,459	(22%)	\$2,753,705
Cash dividends declared	\$Nil	-	\$Nil	-	\$Nil

Notes:

- Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a non-GAAP financial measure which does not have any standardized meaning prescribed by Canadian GAAP (generally accepted accounting principles) and is therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA provides useful information to users as it reflects the net earnings prior to the effect of non-operating expenses such as interest, tax, depreciation and amortization. Management uses EBITDA in measuring the financial performance of the Company as this measure reflects results that are controllable by management in day-to-day operations. Management monitors EBITDA against budget and past results on a regular basis. The measure is a key component in determining the annual bonus pool for staff and management.

The following is a reconciliation of EBITDA to net earnings:

	2009	2008	2007
EBITDA	3,783,920	2,240,273	2,051,264
Interest expense	(53,665)	(161,967)	(116,942)
Amortization	(655,243)	(863,130)	(530,726)
Income tax (expense) recovery	(1,352,038)	(541,060)	(159,154)
Net earnings	1,722,974	674,116	1,244,442

Key Aspects of Overall Performance in 2009

Revenue grew by 16% to \$19.6 million in 2009 (2008 - \$17.0 million). Expenses grew by 5% to \$16.6 million in 2009 (2008 - \$15.8 million). EBITDA increased by 69% to \$3.8 million in 2009 (2008 - \$2.2 million). After the effect of an income tax provision of \$1.4 million (2008 - \$541,060), net earnings for 2009 were \$1.7 million (2008 - \$674,116).

The Company's focus of controlling costs relative to growth in recurring access fees continued to generate solid profit margins in 2009. Although the economy appears to have stabilized relative to the first half of the year, 2009 continued to exhibit challenges in certain aspects of the Company's business. The economic environment continued to negatively affect trade activity which continued to constrain the associated transactional revenues as measured on a per participant basis relative to historical levels. In addition, certain clients were adversely affected by the economic conditions which resulted in the Company experiencing higher attrition than historical norms due to client bankruptcies or reorganizations. Despite client attrition, the Company continued to expand its total client base with new clients and new plans of existing clients that more than offset the attrition in the year.

Some of the key aspects of the Company's overall performance in 2009 were as follows:

» **Strong organic growth:**

The Company continues to experience strong organic growth in the addition of direct sales clients. Access fee revenue was \$13.8 million in 2009 (2008 - \$11.4 million), an increase of 22% between fiscal 2009 and 2008. The recurring access fee revenue is viewed as the foundational base for funding Solium's operations.

Canadian plans with annual access fees of approximately \$1.0 million and U.S. plans with annual access fees of approximately US\$1.1 million were implemented onto Shareworks during 2009. Plans with annual access fees of approximately \$566,000 were implemented onto the StockVantage application during 2009.

New plans were partially offset by client attrition off of Shareworks representing annual access fees of approximately \$475,000 in Canada and US\$278,000 in the U.S., and off of StockVantage representing annual access fees of approximately \$120,000. The attrition results were attributable to the reorganizations and bankruptcies of numerous clients in both Canada and the U.S., including the bankruptcy of a single large Shareworks client in Canada.

» **Operational efficiency improvements:**

The Company continued to focus on improving operational efficiencies that allow for the addition of recurring access fee revenue at a greater rate than the addition of costs to service the business. As a result of operational improvements made in 2009 and 2008, salaries and wages and general and administrative costs together increased by only 6% between fiscal 2009 and 2008, while recurring access fee revenue grew by 22%.

» **Trade activity:**

Transaction administration revenue was \$4.5 million in 2009 (2008 - \$3.6 million). The increase was a result of an increasing contribution from brokerage access and administration fees, along with money movement and foreign currency margin.

Trade activity continued with the same relative weakness as that displayed throughout the last half of 2008. As the share prices of Solium's clients continue to be depressed relative to the strike prices of their stock compensation awards, trade activity was low relative to participant population when compared with historical levels. Participant trade activity relative to the number of direct sales participants in 2009 was only 55% of the average 5-year annual historical level. Brokerage access and administration fees was \$1.2 million in 2009 (2008 - \$990,755). These fees were constrained by the lower than normal trade activity relative to historical levels.

» **Transition of Canadian channel relationship:**

GRS Securities largely wound down its equity administration business and transitioned toward a focus on core non-equity products during 2008. This new focus resulted in GRS Securities significantly reducing its direct use of Solium's Shareworks technology. As a result, channel revenue decreased to \$243,903 in 2009 (2008 - \$824,265).

» **Foreign exchange loss:**

The converted value of the Company's U.S. operations is impacted by fluctuations in the U.S. dollar exchange rate relative to the Canadian dollar. During 2009, the Canadian dollar appreciated on average relative to the U.S. dollar. The Company's net earnings were unfavorably impacted by \$191,640 in 2009 (2008 - gain \$268,530) due to fluctuations in this exchange rate. The foreign exchange loss associated with the translation of net monetary assets for presentation in the Company's consolidated balance sheet on December 31, 2009 is an unrealized loss and makes up the majority of the foreign exchange loss recorded in 2009.

» **Income taxes:**

Positive operating results in the Canadian operations resulted in income tax expense of \$1.4 million in 2009 (2008 - \$541,060).

Results From Operations – Comparison of Fiscal Year 2009 to 2008

Net Financial Results

The Company had earnings before taxes of \$3,075,012 in 2009 (2008 – \$1,215,176). After the effect of an income tax provision of \$1,352,038 (2008 – \$541,060), net earnings for 2009 were \$1,722,974 (2008 – \$674,116).

Revenue Overview

Gross revenue in 2009 was \$19,691,478 (2008 - \$17,039,855). This represents an increase of \$2,652,623 or 16% over the results from 2008. Revenue from Canadian operations was \$14,281,464 in 2009 (2008 - \$12,774,851) while revenue from U.S. operations was \$5,410,014 (2008 - \$4,265,004).

Monthly access fees from full service direct sales clients were distributed in the following geographic locations as at December 31:

	2009 %	2008 %
Canada	72	75
United States	28	25
	100	100

The Company continues to experience strong organic growth in the addition of direct sales clients. Canadian plans with annual access fees of approximately \$1 million and U.S. plans with annual access fees of approximately US\$1.1 million were implemented onto Shareworks during 2009. New plans were partially offset by client attrition representing annual access fees of approximately \$475,000 in Canada and US\$278,000 in the U.S.

As the share prices of Solium's clients continue to be depressed relative to the strike prices of their stock compensation awards, transaction activity and the associated revenues did not grow at a corresponding rate to the growth of the Company's book of direct sales clients in 2009 compared to previous years. Participant trade activity in Canada during 2009 relative to the number of direct sales participants was 55% of the average 5-year annual historical level. For comparative purposes, the Canadian book of business represents the bulk of the Company's business and can reasonably be assumed to be indicative of the relative transaction activity expected in the Company's overall book of business. Total transaction administration revenue (including transaction administration fees, brokerage access and administration fees, money movement fees, and foreign currency margin) was \$4,523,093 in 2009 (2008 - \$3,615,845). Transition of the Company's clients to its new money movement and foreign currency system progressed during 2009, leaving approximately 10% of Shareworks clients still to be converted in 2010.

StockVantage contributed positively to the Company's results in 2009. As at December 31, 2009, 277 clients with 13,260 participants were using the StockVantage platform contributing \$988,466 of revenue in the year (2008 - \$678,418). New plans implemented of approximately \$566,000 in annualized access fees were partially offset by client attrition representing annual access fees of approximately \$120,000.

The increase to revenues from the prior year is attributable to the changes in the following categories:

	2009 \$	2008 \$
Grant based incentives services		
Direct sales		
Access and implementation fees	9,809,314	8,021,326
Transaction administration revenue	2,431,610	2,465,055
	12,240,924	10,486,381
Share purchase services		
Direct sales		
Access and implementation fees	4,564,592	3,902,046
Transaction administration revenue	2,091,483	1,150,790
Channel	243,903	824,265
	6,899,978	5,877,101
Consulting services and special projects	550,576	676,373
	19,691,478	17,039,855

Grant Based Incentives

Grant based incentives include stock options, share appreciation rights, and share unit plans.

Access and implementation fees from direct sales clients totaled \$9,809,314 in 2009 (2008 - \$8,021,326). Access and implementation fees of \$3,538,216 were from U.S. operations in 2009 (2008 - \$2,791,593).

Total transaction administration revenue generated from grant based incentive plans totaled \$2,431,610 in 2009 (2008 - \$2,465,055). As at December 31, 2009, the Company had 169,140 grant-based incentive plan participants (2008 – 164,887) being serviced by the Company. U.S. clients accounted for approximately 60,000 of these participants.

The Company implemented 18 Canadian grant based incentive clients with approximately 12,500 participants and annualized access fees of approximately \$784,000 onto Shareworks during the year. 42 U.S. grant based incentive clients with approximately 13,100 participants and annualized access fees of \$898,000 were implemented onto Shareworks during 2009. 101 plans with 6,600 participants and annualized access fees of approximately \$566,000 were implemented onto the StockVantage application during 2009.

A large Canadian client with approximately 22,000 participants and annual access fees of approximately \$425,000 ceased to use Shareworks during the second quarter of 2009 as a result of the client's bankruptcy. This client was implemented onto the Shareworks application during the second quarter of 2008. In 2008, total access fees of \$296,631 were earned from this client.

Share Purchase

Share purchase access and implementation fees from direct sales clients totaled \$4,564,592 in 2009 (2008 - \$3,902,046). Total transaction administration revenue generated from share purchase plans totaled \$2,091,483 in 2009 (2008 - \$1,150,790).

Share purchase channel revenue from GRS Securities Inc. ("GRS Securities") totaled \$243,903 in 2009 (2008 - \$824,265). The decrease in channel revenue compared to 2008 is mainly due to GRS Securities winding down its equity administration business throughout 2008 towards a focus on core non-equity products.

As at December 31, 2009, the Company had 132,032 share purchase plan participants (2008 – 108,226) being serviced by the Company. 111,510 participants were from direct sales clients (2008 – 97,484) and 20,522 (2008 – 10,742) were from the GRS Securities channel relationship. U.S. clients accounted for approximately 18,000 of the direct sales participants.

During the year, the Company implemented 9 Canadian share purchase plans with approximately 3,800 participants and annualized access fees of \$217,000 onto Shareworks. 8 U.S. share purchase plans with approximately 8,000 participants and annualized access fees of \$182,000 were implemented in 2009.

Special Projects

Special projects revenue totaled \$504,111 in 2009 (2008 - \$674,396). Special projects occur as part of the ongoing administration of client plans and include performing tasks associated with special events such as stock splits, or mergers and acquisitions.

Consulting Services

Consulting services revenue totaled \$46,465 in 2009 (2008 - \$1,977). Consulting services are provided through Solium Equity Consulting Services Inc., a wholly-owned subsidiary that was established in late 2008.

Expenses Overview

Total operating expenses in 2009 were \$16,616,466 (2008 - \$15,824,679). The Company continues to invest in its U.S. operations and initiatives. Expenses incurred in the U.S. operations were \$6,339,768 in 2009 (2008 - \$4,812,679). A formal transfer pricing model was introduced effective January 1, 2009. As a result, \$1,900,518 was charged from the Canadian operations to the U.S. operations for technology and shared operational and development resources during 2009. It is estimated that a similar allocation of costs in 2008 would have resulted in a charge of \$1,319,322 for 2008 from the Canadian operations to the U.S. operations.

Expenses incurred in connection with StockVantage totaled \$779,930 in 2009 (2008 - \$720,841).

Salaries and Wages

Salaries and wages expense was \$11,545,010 in 2009 (2008 - \$10,823,328). The Company ended 2009 with 133 employees (2008 - 128), of which 23 employees were employed by the U.S. operations.

Year-end staff bonuses accrued by the Company at December 31, 2009 totaled \$1,118,089 (2008 - \$660,080). Bonuses to staff are paid out after

year-end based on individual and corporate performance during the year.

Stock based compensation expense recognized in 2009 totaled \$649,519 (2008 - \$675,427).

\$105,107 was incurred during 2009 (2008 - \$95,957) for employer contributions to the Company's Employee Profit Sharing and Employee Share Purchase Plans.

General and Administrative

General and administrative expenses totaled \$4,465,640 in 2009 (2008 - \$4,244,784). The increase from the prior year is attributable to the changes in the following categories:

	2009 \$	2008 \$
Bad debt expense	114,420	56,854
Data feeds	162,318	169,811
Directors fees	83,143	57,713
Errors and omissions	459,901	154,343
Executive relocation	102,131	-
Insurance	124,262	126,368
IT systems and phones	597,341	620,044
Money movement fees	280,870	8,995
Outsourced customer services	223,906	567,546
Professional fees	627,737	673,075
Regulatory compliance	50,291	59,891
Rent and occupancy	773,829	808,356
Travel and entertainment	413,096	617,874
Other	452,395	323,914
	4,465,640	4,244,784

The increase to bad debt expense of \$57,566 between 2009 and 2008 is a reflection of uncollectible invoices mainly resulting from financial difficulties experienced by certain clients.

The Company experienced an increase of \$305,558 in losses between 2009 and 2008, resulting from errors and omissions associated with the administration of client plans. Approximately \$304,000 was related to a one-time processing error in the fourth quarter of 2009. Management has taken subsequent steps to remediate internal processes to prevent this type of error from occurring again.

At the beginning of 2009, an executive from the Company's Canadian operations was transferred to oversee the U.S. operations. \$102,131 was incurred during 2009 to facilitate this transfer.

Money movement costs increased by \$271,875 between 2009 and 2008. The increase is due to third party charges relating to the Company's new money movement and foreign currency system that was implemented throughout 2009. The money movement costs partially offset the associated revenues which are generated from the Company's new money movement and foreign currency system.

Outsourced customer services decreased by \$343,640 between 2009 and 2008 as a result of decreased usage of temporary staff as well as the decreased usage of an outsourced service provider for the issuance of tax slips and participant statements.

Travel and entertainment expenses decreased by \$204,778 between 2009 and 2008. The Company incurs travel expenses due to sales and business development in Canada and the U.S., and due to travel associated with clients located in various geographic locations. Such travel decreased between 2009 and 2008.

Other general and administrative expenses include, among other things, such costs as office supplies, postage and courier, service charges, business taxes, and marketing and promotion.

Amortization

Amortization expense was \$655,243 in 2009 (2008 - \$863,130). The decrease between 2009 and 2008 is attributable to reaching the end of the useful lives of certain assets for accounting purposes.

Interest on Long-term Debt

Solium obtained a \$3.5 million term loan in connection with the acquisition of Allecon Stock Associates LLC (now known as Solium Capital LLC). The term loan is due on July 19, 2010, bears interest at the prime rate plus 1% per annum, and is repayable in monthly installments of \$97,223 plus interest. \$53,665 of interest expense was incurred on this term loan during 2009 (2008 - \$161,967) at an average rate of interest of 3.47% per annum (2008 - 5.18%).

Foreign Exchange Gain or Loss

A foreign exchange loss of \$191,640 was recorded during 2009 (2008 - gain \$268,530). Foreign exchange risk arises because the amount receivable on revenue or payable on expenditures that are denominated in U.S. dollars (USD) may vary when converted to Canadian dollars (CAD) due to changes in exchange rates arising from timing differences between when the revenue or expense occurs and when actual payment is received or made ("transaction exposures") and because the USD denominated monetary net assets of the Company's U.S. subsidiaries may vary on consolidation and revaluation into CAD ("translation exposure"). The foreign exchange loss during 2009 reflects the weakening of the U.S. dollar against the Canadian dollar during the period. The majority of the foreign exchange loss that the Company experienced was unrealized as it largely resulted from the U.S. dollar denominated net monetary assets being translated to Canadian dollars for presentation in the Company's consolidated balance sheet as at December 31, 2009.

Income Taxes

\$1,352,038 of income tax expense was recorded in 2009 (2008 - \$541,060) due to the positive operating results generated in the Canadian operations.

During 2009, \$294,732 of investment tax credits (ITCs) were approved under the Canadian government's scientific research and experimental development ("SRED") program pertaining to 2007 expenditures. These ITCs will be used to offset Canadian federal income taxes payable in 2009. In accordance with generally accepted accounting principles, the ITCs are shown as a reduction of expenses rather than a reduction of income taxes. An application for 2008 SRED has been filed in the amount of \$385,510 and is pending approval.

Summary of Quarterly Results

The following table summarizes the quarterly results for the eight most recently completed quarters.

	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Grant based participants	169,140	161,244	160,696	182,672	164,887	162,444	132,660	120,151
Share purchase participants ¹	132,032	123,567	113,673	114,324	108,226	105,695	123,411	128,920
Revenues	\$5,061,457	\$4,955,850	\$4,801,386	\$4,872,785	\$4,371,511	\$4,162,775	\$4,313,028	\$4,192,541
Expenses	\$4,283,572	\$4,052,400	\$4,261,360	\$4,019,134	\$3,917,753	\$3,972,313	\$3,903,836	\$4,030,777
EBITDA ²	\$893,228	\$1,078,928	\$723,477	\$1,088,287	\$672,877	\$434,839	\$663,641	\$468,916
Earnings before taxes	\$777,885	\$903,450	\$540,026	\$853,651	\$453,758	\$190,462	\$409,192	\$161,764
Net earnings	\$387,058	\$544,271	\$244,067	\$547,578	\$358,173	\$47,595	\$215,974	\$52,374
Per share								
- basic	\$0.012	\$0.020	\$0.008	\$0.012	\$0.012	\$0.002	\$0.007	\$0.002
- diluted	\$0.012	\$0.020	\$0.008	\$0.012	\$0.012	\$0.002	\$0.007	\$0.002

Notes:

- Share purchase participant totals are inclusive of channel participants.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA") is a non-GAAP financial measure which does not have any standardized meaning prescribed by Canadian GAAP (generally accepted accounting principles) and is therefore unlikely to be comparable to similar measures presented by other issuers. EBITDA provides useful information to users as it reflects the net earnings prior to the effect of non-operating expenses such as interest, tax, depreciation and amortization. Management uses EBITDA in measuring the financial performance of the Company as this measure reflects results that are controllable by management in day-to-day operations. Management monitors EBITDA against budget and past results on a regular basis. The measure is a key component in determining the annual bonus pool for staff and management. The following is a reconciliation of EBITDA to net earnings:

The following is a reconciliation of EBITDA to net earnings:

	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
EBITDA	893,228	1,078,928	723,477	1,088,287	672,877	434,839	663,641	468,916
Interest expense	(8,324)	(11,339)	(14,354)	(19,648)	(29,938)	(36,462)	(41,800)	(53,767)
Amortization	(107,019)	(164,139)	(169,097)	(214,988)	(189,181)	(207,915)	(212,649)	(253,385)
Income tax recovery	(390,827)	(359,179)	(295,959)	(306,073)	(95,585)	(142,867)	(193,218)	(109,390)
Net earnings	387,058	544,271	244,067	547,578	358,173	47,595	215,974	52,374

Factors Contributing to Quarterly Results

Seasonality

Fees collected from clients in the form of annual access fees are recurring in nature and are not affected by seasonal factors. However, transaction fees collected from participants upon the exercising of stock based incentive plans or the withdrawal of assets from share purchase plans have displayed a seasonal trend. The Company typically experiences increased transaction revenue during the first quarter of the year in line with the seasonal nature of participant transaction activity.

Market Volatility

Transaction administration fees collected from participants upon the exercising of stock based incentive plans or the withdrawal of assets from share purchase plans are variable in nature. The magnitude of transaction administration fees earned in a period is dependent upon such factors as the overall condition of the stock market, the trading price of the shares of a client, the specific vesting terms within a client's plan and other rules stipulated within a client's plan.

Capital market conditions during 2008 and 2009 resulted in the share prices of Solium's clients being depressed relative to the strike prices of their stock compensation awards. As a result, transaction activity and the associated revenues did not grow at a corresponding rate to the growth of the Company's book of direct sales clients in 2008 and 2009 compared to previous years. Participant trade activity in Canada in 2008 relative to the number of direct sales participants was only 52% of the average annual level in 2007, and was only 62% of the average 5-year annual historical level. Participant trade activity in 2009 was only 89% of the average annual level in 2008, and was only 55% of the 5-year annual historical level.

GRS Securities Inc.

Prior to GRS Securities winding down its equity administration business, Solium serviced approximately 105,000 participants under the channel relationship. As at December 31, 2008, approximately 44,000 participants had transitioned over to Solium as direct sales clients and approximately 51,000 participants had been removed from Solium's application. As at

December 31, 2009, approximately 20,500 participants are still being serviced under the channel relationship, and are expected to continue on a go-forward basis.

As a result of the transition of participants from the channel relationship to direct sales clients, approximately \$1.8 million of annualized access fees were added. This reflects Solium's direct billings to these clients as compared to a percentage of the fees previously shared with GRS Securities. Factoring in transaction administration revenue associated with these direct sales clients, the comparative revenue from these clients is not significantly different than the channel revenue previously generated. However, the margins related to this business being served directly versus through the channel arrangement are compressed due to the operational costs and overhead associated with servicing these clients directly.

Brokerage Access and Administration Fees

The Company has a number of relationships with brokers in Canada and the U.S. (the "Brokers") whereby the Brokers pay to Solium administration fees related to their access to Shareworks. The brokerage access and administration fees from the Brokers vary in line with transactional trade activity. Brokerage access and administration fees have totaled \$297,820, \$313,699, \$328,638, and \$290,663 in the previous consecutive four quarters. Of the amount earned in 2009, approximately \$211,273 is related to Brokers in the U.S.

Income Taxes

Through 2006 and 2007, the Company recorded the benefit of Canadian loss carry forward and tax pool amounts to the extent that management believed these assets would be utilized to offset future taxable income. This resulted in net tax recoveries being recorded over the period. During 2008, future tax assets previously recorded for Canadian tax pools were utilized to offset taxable income and federal taxes payable for the Canadian parent company. As at December 31, 2008, these future tax assets had been fully utilized.



Analysis of Fourth Quarter 2009

Net earnings of \$387,058 (2008 - \$358,173) increased in the fourth quarter of 2009 in comparison to the results of the fourth quarter in 2008. Earnings before taxes of \$777,885 in the fourth quarter of 2009 (2008 - \$453,758) also increased compared to the fourth quarter of 2008.

Financial results between the comparable quarters in 2009 and 2008 increased mainly as a result of the following:

- » Consolidated revenues in the fourth quarter of 2009 were \$5,061,457 (2007 - \$4,371,511), an increase of 16% over the same quarter in 2008, while expenses in the fourth quarter of 2009 were \$4,283,572 (2008 - \$3,917,753), an increase of 9% over the fourth quarter of 2008.
- » Canadian clients with annualized access fees of approximately \$200,000 and U.S. clients with annualized access fees of approximately U.S.\$130,000 were implemented onto Shareworks during the fourth quarter of 2009. StockVantage clients with annualized access fees of approximately \$83,000 were implemented during the fourth quarter.
- » Investment in the Company's strategic initiatives continued in the fourth quarter of 2009. Consolidated results were decreased by net earnings in the U.S. operations of negative \$17,320 (2008 - gain \$35,755). Net earnings in 2009 included \$768,820 (2008 - Nil) of transfer pricing charged from the Canadian operations to the U.S. operations for technology and shared operational and development resources. Net earnings of \$80,848 was earned during the fourth quarter of 2009 (2008 - gain \$34,581) in the operation of StockVantage.
- » Salaries and wages expense increased by \$336,372 between the comparable quarters as a result of the expansion in operations due to the addition of direct sales clients, the continued investment in building out the Shareworks technology, and the increase of the year-end bonus accrual.
- » Errors and omissions expense was \$322,985 in the fourth quarter of 2009 (2008 - \$ 70,414) mainly as a result of a one-time processing error totaling approximately \$304,000. Management has taken subsequent steps to remediate internal processes to prevent this type of error from occurring again.
- » Income taxes increased by \$295,242 between the comparable quarters.
- » A foreign exchange loss of \$28,683 (2008 - \$201,469 gain) was recorded in the fourth quarter of 2009 as a result of the strengthening of the U.S. dollar to the Canadian dollar.

Financial Condition, Liquidity and Capital Resources

Cash and Working Capital

Cash on hand as at December 31, 2009 was \$5,871,245 (2008 - \$2,249,317). Working capital as at December 31, 2009 was \$4,652,024 (2008 - \$2,611,310).

The Company has historically incurred a nominal amount of bad debt expense. During the year ended December 31, 2009, the Company incurred \$114,420 for bad debts (2008 - \$56,854). Due to the recent economic conditions, management focused on the collection of accounts receivable during the year. As at December 31, 2009, the balance of accounts receivable outstanding for greater than 60 days was 10% of total accounts receivable (2008 - 16%).

Cash Flows

Overall, \$3,621,928 of cash was generated during 2009 (2008 - \$543,052).

Cash flow from operating activities was \$4,809,242 in 2009 (2008 - \$3,031,262).

Cash used in financing activities was \$1,023,856 in 2009 (2008 - usage \$948,191). \$1,166,676 of long-term debt was repaid during 2009. \$140,430 was used in the Company's Normal Course Issuer Bid ("NCIB") in 2009.

Cash used in investing activities was \$222,503 in 2009 (2008 - usage \$1,610,767) as a result of the purchasing of capital assets.

Liquidity

It is expected that the Company will generate enough cash and working capital from operations to fund ongoing operations and growth strategies. The Company does not foresee any material fluctuations in its liquidity or working capital position and based on the present level of recurring revenue and expenses, does not foresee any significant change to its working capital requirements.

Contractual Obligations

	Payments Due by Fiscal Period			
	Total	2010	2011	2012
Operating leases	603,079	304,757	221,568	76,754
Long-term debt obligations ¹	680,533	680,533	-	-
Total Contractual Obligations	1,283,612	985,290	221,568	76,754

1. Long-term debt is due on July 19, 2010 and is repayable in monthly installments of \$97,223

Capital Expenditures

Capital expenditures of \$264,618 in 2009 (2008 - \$456,978) were comprised mainly of furniture, equipment, computer hardware, and computer software.

Capital purchases of computer equipment, furniture and fixtures are expected to be less than \$1.0 million for 2010.

It is expected that ongoing capital expenditures will be financed from funds generated by operating activities.

Capital Resources

The Company has a demand operating credit facility of \$1,500,000 available through a Canadian bank. To date, no amounts have been drawn on this credit facility. This facility bears interest at prime rate plus 0.75% per annum. The Company is currently in compliance with the financial covenants associated with this credit facility. Current economic conditions have not caused a change in the Company's objectives, policies or procedures for managing capital.

Share Capital

During 2009, the Company initiated an NCIB program which extends until June 21, 2010. Approval was received from the Toronto Stock Exchange to purchase, for cancellation, up to 502,000 common shares representing 1.6% of the issued and outstanding common shares at the time of approval. Any purchases undertaken are made on the open market through the Toronto Stock Exchange at the market price of such shares at the time of acquisition. 118,400 common shares were purchased during 2009 at a cost of \$140,430.

Transactions with Related Parties

During the year ended December 31, 2009, the Company utilized legal services for general corporate matters totaling \$139,546 (2008 - \$142,781) plus applicable taxes, which were provided by a firm in which a Director of the Company is a partner. These services were measured at fair market value. As at December 31, 2009, \$5,486 (2008 - \$10,345) was payable, inclusive of applicable taxes.

Critical Accounting Estimates

The Company's significant accounting policies are detailed in Note 2 of the December 31, 2009 audited consolidated financial statements. In the determination of financial results, the Company must make certain significant accounting estimates as follows:

Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, using substantively enacted rates, future income tax liabilities and assets are recorded based on temporary differences between the carrying amounts of assets and liabilities on the balance sheet and their tax bases as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. In establishing the appropriate income tax valuation allowances, the Company assesses the realizability of its net future income tax assets and based on all available evidence, both positive and negative, determines whether it is more likely than not that the remaining net future income tax assets or a portion thereof will be realized.

In determining the valuation allowance to establish against these future tax benefits, the Company considers many factors, including the specific tax jurisdiction, the carry forward period, income tax strategies, and forecasted earnings. A valuation allowance is recognized if, based on the weight of available evidence, the Company concludes that it is more likely than not that some portion or all of the future tax benefits will not be realized. On the basis of consecutive quarters of profitability and the Company's forecasts of operating results for the foreseeable future, it has determined that it is more likely than not that a portion of the future income tax assets will be realized.

In evaluating the realizability of the future income tax asset, the financial results of the last four financial quarters are used as a key indicator. In addition, assumptions about the continued ability to service existing clients and add new clients, the sustainability of the capital markets, and the continued ability to manage costs due to growth are inherent in estimating the realizability of the future tax benefits.

Intangible Assets and Goodwill

Goodwill is not amortized but is evaluated for impairment annually during the fourth quarter or more often if events or circumstances indicate there may be an impairment. The impairment test for goodwill is based on a comparison of the carrying amount of the business unit, including the goodwill, with its fair value. When the carrying amount of a business unit exceeds its fair value, any impairment of goodwill is measured by comparing the carrying value of the goodwill with its implied fair value. The implied fair value of goodwill is the excess of the fair value of the

business unit over the fair value of its net tangible and other intangible assets.

Intangible assets with a finite life are amortized over their estimated useful lives and are tested for impairment when conditions exist which may indicate that the estimated future net cash flows from the asset will be insufficient to recover its carrying amount.

The valuation approaches used to test for impairment use key judgments and assumptions that are sensitive to change, which include appropriate sales growth rates, operating margins, weighted average costs of capital (WACC), and comparable company market multiples. When developing these key judgments and assumptions, the Company considers economic, operational and market conditions that could impact the estimated fair value of the business unit or intangible assets. However, estimates are inherently uncertain and represent only management's reasonable expectations regarding future developments. These estimates and key judgments and assumptions upon which the estimates are based will, in all likelihood, differ in some respects from actual future results. For example, should a significant or prolonged deterioration in economic conditions occur, key judgments and assumptions could be impacted. A decline in estimated operating income or an increase in WACC or a prolonged decline in market conditions could result in an additional indication of impairment.

The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. At the end of fiscal 2009, the market capitalization of Solium was \$35 million compared to a book value of \$12 million. Consequently, a potential impairment of goodwill and intangible assets was not more than likely.

Based on results of the impairment tests as at December 31, 2009, the carrying values of goodwill for the U.S. operations and intangible assets exceeded their fair values and no impairment existed.

Changes in Accounting Policies Including Initial Adoption

Goodwill and Intangible Assets

In February 2008, CICA Handbook Section 3064 - *Goodwill and Intangible Assets* was issued replacing Section 3062 - *Goodwill and Other Intangible Assets* and Section 3450 - *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The Company adopted the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this Section did not have a significant impact on the Company's consolidated financial statements.

Credit Risk

On January 1, 2009, the Company adopted the Emerging Issues Committee (“EIC”) Abstract 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. Under EIC-73, an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The implementation of this standard did not have a material impact upon the Company’s consolidated financial statements.

Financial Instruments – Disclosures

In June 2009, CICA Handbook Section 3862, *Financial Instruments – Disclosures*, was amended to include additional disclosure requirements about fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and enhanced liquidity risk disclosure requirements. As a result of the new Section, the Company included additional information in the notes to the financial statements classifying its fair value measurements using a fair value hierarchy.

Future Accounting Pronouncements

Financial Instruments – Recognition and Measurement

In June, 2009, the Accounting Standards Board of Canada (“AcSB”) released *Embedded Derivatives on Reclassification of Financial Assets*, for amendments to Section 3855, *Financial Instruments – Recognition and Measurement*. The amendment indicates that contracts with embedded derivatives cannot be reclassified out of the held for trading category if the embedded derivative cannot be fair valued. This standard will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Business Combinations

In January 2009, CICA Handbook Section 1582 – *Business Combinations* was issued replacing the former Section 1581 – *Business Combinations*. This section establishes standards for the accounting for a business combination under the acquisition method. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 – *Business Combinations*. This new section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. The Company will adopt the new standards for any acquisitions occurring in the fiscal year beginning January 1, 2011.

Consolidated Financial Statements

In January 2009, CICA Handbook Section 1601 – *Consolidated Financial Statements* was issued which, together with new Section 1602 – *Non-controlling Interests*, replaces the former Section 1600 – *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602

establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 – *Consolidated and Separate Financial Statements*. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company does not anticipate that these sections will have a material impact on its consolidated financial statements.

Convergence of Canadian GAAP with International Financial Reporting Standards

The CICA’s Accounting Standards Board announced in 2008 that Canadian publicly accountable enterprises are required to adopt International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), for fiscal years beginning on or after January 1, 2011 with appropriate comparative IFRS financial information for 2010.

The Company has identified the following four phases of its conversion plan to IFRS: diagnostic, detailed assessment, solution development, and implementation.

The diagnostic phase has been completed and involved the preliminary identification of the major accounting differences between Canadian GAAP and IFRS that is expected to affect Solium. The detailed assessment phase is currently in progress and involves a more thorough review of the accounting differences identified in the diagnostic phase to quantify the financial statement impact of the differences, evaluate the transitional options available under IFRS at the adoption date, and determine the most appropriate long-term accounting policies when there is a choice available. In addition, internal process, systems and financial reporting control changes required to affect dual reporting in 2010 and full convergence in 2011 are also being reviewed. System changes that require development or purchase will occur in the solution development phase and will progress concurrently with the detailed assessment phase.

Based on work to-date, significant accounting differences which will likely result in adjustments upon adoption of IFRS are as follows:

» **Business Combinations:**

Under IFRS 3, *Business Combinations* (“IFRS 3”) business combinations must be accounted for by applying the acquisition method. Shares issued as consideration for a business combination transaction must be measured based on the fair value at the acquisition date. Acquisition-related costs such as finders’ fees and legal fees must be expensed at the acquisition date. The acquisition date is defined as the date on which the acquirer obtains control over the acquired entity or business. Under IFRS 1, *First-time Adoption of IFRS* (“IFRS 1”), an entity has the option to retroactively apply IFRS 3 to all business combinations or may elect to apply the standard prospectively only to those business combinations that occur after a chosen date. The Company currently expects to apply the elective exemption for acquisitions that occurred prior to January 1, 2003. Upon transition to IFRS, the Company expects to restate share capital, goodwill and opening retained earnings as a result of applying IFRS 3 to acquisitions that occurred subsequent to January 1, 2003.

» Foreign Currency Translation:

Under IAS 21, *The Effects of Changes in Foreign Exchange Rates* ("IAS 21"), an entity's functional currency is the currency of the primary economic environment in which it operates. Upon transition to IFRS, it is expected that the functional currency for the Company's U.S. operations will be USD and that translation to CAD on consolidation will occur using the current method whereby all assets and liabilities are translated at the closing rate at the end of the reporting period. Under Canadian GAAP, the Company currently classifies its foreign operations as integrated foreign operations and uses the temporal method of translation whereby monetary items on the balance sheet are translated at the prevailing exchange rate at the end of the reporting period and non-monetary items are translated at the exchange rates prevailing at the transaction dates. Under IFRS 1, an entity has the option to deem the cumulative translation gains or losses at the date of transition to IFRS to be zero. The Company currently expects to apply the elective exemption upon adoption to IFRS.

» Share-Based Compensation:

Canadian GAAP allows entities the option of recognizing equity instruments that vest in instalments ("graded vesting") as separate arrangements or as a single pool with a fair value based on the average life of the instruments. Under IFRS 2, *Share-Based Payments* ("IFRS 2"), each instalment must be accounted for as a separate arrangement with its own distinct fair value measurement. Compensation cost for each vesting tranche is recognized over its own distinct vesting period. Under IFRS 1, an entity has the option to not apply IFRS 2 to equity instruments granted on or before November 7, 2002 or which vested before the company's date of transition to IFRS. The Company currently expects to apply the elective exemption upon adoption to IFRS on January 1, 2011.

In addition to the items noted above, there is significantly more disclosure required in many areas, which is not anticipated to have a material impact upon the consolidated financial statements.

The IASB is currently undertaking several IFRS projects which will likely result in significant changes to existing IFRS standards in areas such as financial statement presentation, leases, revenue recognition, post-employment benefits, taxes, and financial instruments. The progress and recommendations of these IASB projects are being monitored closely to ensure that any potential impacts to the convergence project can be addressed.

The Company continues to assess the impact of IFRS 1 and the differences between Canadian GAAP and IFRS. The above disclosures relating to IFRS are based on management's current interpretation of requirements and may change as new information becomes available.

Financial Instruments

Exposure to counterparty credit risk, interest rate risk and foreign currency risk arises in the normal course of the Company's business. The Company currently does not enter into derivative financial instruments to reduce exposure to fluctuations in any of the risks impacting the Company's operations.

The Company has credit risk as a result of its trade accounts receivable. The Company mitigates this risk by dealing with financially sound

companies and, accordingly, does not anticipate any significant credit losses.

The Company has foreign exchange risk because it is exposed to foreign currency fluctuations due to its operations in the United States.

The Company has interest rate risk because the Company is exposed to fluctuations in interest rates from its long-term debt.

Disclosure Controls

The Company has a Corporate Disclosure Policy in place to ensure that communications with the public about the Company are timely, factual and accurate; disseminated in accordance with all applicable legal and regulatory requirements; and that all material information in respect of the Company is communicated to the Chief Executive Officer and the Executive Vice President (EVP), Finance, and where appropriate, the Board of Directors and/or committees thereof. As at December 31, 2009, the Company's Chief Executive Officer and EVP, Finance have concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to Solium is made known to them for disclosure purposes.

It should be noted that while the Chief Executive Officer and EVP, Finance believe that the disclosure controls and procedures will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met.

Internal Control Over Financial Reporting

The Chief Executive Officer and EVP, Finance of Solium are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009, based on the criteria set forth in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, management concluded that, as of December 31, 2009, the Company's internal control over financial reporting was effective based on the criteria established in the *Internal Control – Integrated Framework*. Also, management determined that there were no material weaknesses in Solium's internal control over financial reporting as of December 31, 2009.

No changes were made in the Company's internal control over financial

reporting during the year ended December 31, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

Business Prospects

As at December 31, 2009, the Company had approximately 15,200 participants and \$760,000 in expected annualized access fee revenue in the implementation pipeline.

U.S. Market

Approximately 2,400 of the above-mentioned participants awaiting implementation are from U.S. based clients. Approximately \$240,000 of expected annualized access fee revenue is estimated from these U.S. based clients.

The Company also continues to explore channel opportunities in the U.S.

StockVantage Inc.

Since December 31, 2009, StockVantage has added an additional 22 contracts representing approximately \$73,000 in annualized access fee revenue.

Outstanding Share data

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at the date of this MD&A, there were 31,081,879 common shares outstanding.

Employees, directors, officers and consultants have been granted options to purchase common shares under a stock option plan. As at the date of this MD&A, there were options outstanding to purchase 2,160,873 common shares.

Employees have been granted rights to receive common shares under a share award incentive plan. As at the date of this MD&A, there were 526,877 restricted share units outstanding.

Risk Assessment

Management defines risk as the evaluation of probability that an event might happen in the future that could negatively affect the financial condition and/or results of operations of the Company. The following section describes specific and general risks that could affect the Company. The following descriptions of risk do not include all possible risks as there may be other risks of which management is currently unaware of.

Operational Trading Risk

The Company's end-to-end services often involve the execution of an equity trade in the stock market through one of the Company's brokerage partners. If the Company fails to send instructions to the brokerage partner to conduct a trade on behalf of a client or participant, forwards incorrect trade instructions to the brokerage partner, or fails to send a

trade instruction to the brokerage partner in a timely manner, the market value of a trade could fluctuate adversely and result in a financial loss that may be the responsibility of the Company. Such losses could adversely affect the Company's operating results. The Company currently carries errors & omissions insurance of \$5 million to cover the risk of significant loss due to errors made by its employees or systems that result in third-party claims against the Company. The Company experienced a loss of approximately \$459,901 during 2009 as a result of such errors (2008 - \$154,343). Approximately \$304,000 was related to a one-time processing error in the fourth quarter of 2009. Management has taken subsequent steps to remediate processes to prevent this type of error from occurring again.

Economic conditions

The Company's revenues and operating results are and will continue to be influenced by prevailing general economic conditions. In such cases, customers may reduce their purchases of new outsourced services. In addition, the deterioration of economic conditions could adversely affect payment patterns which could increase the Company's bad debt expense. During an economic downturn, there can be no assurance that the Company's operating results, prospects and financial condition would not be adversely affected. This risk is mitigated by the fact that approximately 70% of the Company's revenues are recurring in nature. However, the Company does not expect that the current uncertain economic and market conditions are likely to stabilize in the near future, and any continuation or worsening of the credit crisis could intensify the adverse effect caused by these uncertain economic and market conditions and adversely affect the Company's operating results, prospects and financial condition.

Dependence on Market Growth

There can be no assurance that the market for the Company's existing solutions will continue to grow, that customers will continue to adopt the Company's solutions or that the Company will be successful in establishing markets for its new products. If the various markets in which the Company's products fail to grow, or grow more slowly than the Company currently anticipates, or if the Company is unable to establish markets for its new products, the Company's business, operating results and financial condition could be materially adversely affected.

Dependence on Partners

The Company has engaged certain partners as part of the delivery of its solutions. Although Solium believes that it has a good relationship with its partners, the termination of these relationships for any reason whatsoever could have a material adverse effect on the Company's business, results of operation and financial condition.

Regulatory Environment

The Company conducts business in a highly regulated industry. Any changes in regulations could have an adverse effect on the Company's business, results of operation and financial condition.

Limited Operating History

There is very little significant historical basis to assess how the Company, as a company whose business involves new and rapidly developing technologies, will respond to competitive, economic and technological challenges. If the Company fails to meet any of these challenges, its operating results could suffer. To continue its profitability, the Company must generate and sustain increased revenues and control future expense levels.

Dependence on Key Personnel

The success of the Company is largely dependent on the performance of its key employees and directors. Failure to retain key employees and directors and to attract and retain additional key employees with necessary skills could have a material adverse impact on the Company's growth and profitability. Competition for highly skilled management, technical and other employees is intense. The departure of any of the members of the Company's executive team and key directors could have a material adverse effect on the Company's business, results of operations and financial condition.

Failure to Manage Growth Successfully

The Company's business has grown rapidly in the last several years. The accelerated growth of the Company's revenue places a strain on managerial and financial resources. The Company's recent expansion has resulted in substantial growth in the number of its employees, the scope of its operating and financial systems and the geographic area of its operations, resulting in increased responsibility for both existing and new management personnel. The Company's future growth will depend upon a number of factors, including the ability to:

- » build and train sales and marketing staff to create an expanding presence in the evolving marketplace for Solium's solutions, and to keep staff informed regarding the technical features, issues and key selling points of Solium's solutions;
- » attract and retain qualified technical personnel to continue to develop reliable and scalable solutions and services that respond to evolving customer needs and technological developments; and
- » expand Solium's internal management and enhance financial controls significantly to maintain control over operations and provide support to other functional areas within Solium.

Solium's inability to achieve any of these objectives could harm the Company's business, financial condition and operating results.

Competition

The market for the administration of alternative stock compensation arrangements for public companies and their employees is highly competitive. The Company has experienced and will continue to experience intense competition from other organizations with more established sales and marketing presence, more technical services and greater financial resources. The Company's competitors may announce new products, services or enhancements that better meet the needs of customers or changing industry standards. Furthermore, additional competitors may enter the market and competition may intensify. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Company's business, results of operation and financial condition.

Risk Associated with a Change in the Company's Pricing Model

The competitive market in which the Company conducts business may require Solium to change its pricing model. If the Company's competitors offer deep discounts on certain products or services in an effort to recapture or gain market share or to sell other products, the Company may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would likely result in a reduction of gross margins and could adversely affect the Company's operating results.

Risks Associated with International Growth

Management of the Company believes that its continued growth will require additional expansion of its sales in foreign markets. Initially, the Company plans to expand its operations in the United States and eventually in the United Kingdom. This expansion has required, and will continue to require, significant management attention and financial resources and could adversely affect the Company's operating margins. In order to increase international sales in subsequent periods, the Company may establish foreign operations, and hire additional personnel. To the extent that the Company is unable to expand international sales in a timely and cost-effective manner, the Company's business, results of operations and financial condition could be materially adversely affected. In addition, even with the possible recruitment of additional personnel, there can be no assurance that the Company will be successful in maintaining or increasing international market demand for the Company's products and services.

Failure to Continue to Adapt to Technological Change and New Product Development

Solium believes that the future success of the Company depends upon its ability to enhance current products or develop and introduce new products. The Company's inability, for technological or other reasons, to develop and introduce products in a timely manner in response to changing market conditions or customer requirements could have a material adverse effect

on the Company's business, results of operations and financial condition. The ability of the Company to compete successfully will depend in large measure on its ability to maintain technically competent research and development staff and to adapt to technological changes and advances in the industry. There can be no assurance that the Company will be successful in these efforts.

Lengthy Sales Cycle

The Company's sales cycle, beginning with an interested customer and culminating in entering into a commercial agreement with the customer, typically ranges from one to twelve months and may be significantly longer. The purchaser typically needs to obtain approval at a number of management levels, which may delay a decision to purchase any of the Company's solutions.

Intellectual Property Risks

In part, the Company's operations and value lies in its ownership and use of intellectual property. As such, its failure to protect its intellectual property may negatively affect its operations and value. Solium regards its software as proprietary and attempts to protect it with copyrights, trademarks and trade secret measures, including restrictions on disclosure and technical measures. Despite these precautions, it may be possible for third parties to copy Solium's programs or aspects of its trade secrets. Solium has no patents, and existing legal and technical precautions afford only limited practical protection. Solium could incur substantial costs in protecting and enforcing its intellectual property rights.

Although Solium is not aware that any of its products infringe the proprietary rights of third parties, there can be no assurance that third parties will not assert patent, trademark, copyright and other intellectual property rights to technologies that are important to Solium. In such event, Solium may be required to incur significant costs in litigating a resolution to the asserted claim. There can be no assurance that such a resolution would not require that Solium pay damages or obtain a license of a third party's proprietary rights in order to continue licensing its products as currently offered, or, if such license is required, that it will be available on terms acceptable to Solium.

Risk of Defects in the Company's Solution

Software products as complex as those offered by the Company may contain errors or defects, especially when first introduced or when new versions or updates are released. The Company regularly introduces new releases and periodically introduces new versions of its software. There can be no assurance that, despite testing by the Company and by its customers, defects and errors will not be found in existing products or in new products, releases, versions or enhancements after the commencement of commercial deployment. Any such defects and errors could result in litigation, adverse customer reactions, negative publicity regarding the Company and its products, harm to the Company's reputation, loss or delay in market acceptance or required product changes, any of which could have a material adverse effect upon the Company's business, results of operations and financial condition.



Management's Report

The accompanying consolidated financial statements of Solium Capital Inc. are the responsibility of the Company's management. These consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles and, where necessary, reflects management's best estimates based on available information. Financial information contained in documents such as the annual report is reviewed to ensure consistency with the financial statements.

The Company maintains appropriate internal control systems designed to ensure that assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors (the "Board") ensures that management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee, which consists solely of outside directors. The Audit Committee meets periodically with the external auditors, with and without the Company's management, to ensure that management responsibilities are discharged and to review the financial statements before they are presented to the Board for approval. The Board has approved the Company's consolidated financial statements on the recommendation of the Audit Committee.

The Company's external auditors, Deloitte & Touche LLP, have audited the consolidated financial statements in accordance with generally accepted standards in Canada. Deloitte & Touche LLP have full and unrestricted access to the Audit Committee to discuss their audit and related findings. Their auditors' report is presented with the consolidated financial statements.

Jeff English
President & Chief Executive Officer

Lynn Leong
Executive Vice President, Finance & Administration

March 5, 2010



Auditor's Report

To the Shareholders of Solium Capital Inc.

We have audited the consolidated balance sheets of Solium Capital Inc. as at December 31, 2009 and 2008 and the consolidated statements of earnings, comprehensive income and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants

March 5, 2010

Consolidated Financial Statements of Solium Capital Inc.

December 31, 2009 and 2008



Consolidated Statements of Earnings, Comprehensive Income and Deficit

(Amounts in Canadian dollars)
Years Ended December 31,

	2009 \$	2008 \$
REVENUE		
Grant based incentive services	12,240,924	10,486,381
Share purchase services	6,656,075	5,877,101
Consulting services and special projects	794,479	676,373
	19,691,478	17,039,855
EXPENSES		
Salaries and wages (Note 9)	11,545,010	10,823,328
General and administrative	4,465,640	4,244,784
Amortization of capital assets	420,321	571,993
Amortization of intangible assets	234,922	291,137
Interest on long-term debt	53,665	161,967
Foreign exchange loss (gain)	191,640	(268,530)
Investment tax credit (Note 10)	(294,732)	-
	16,616,466	15,824,679
EARNINGS BEFORE TAXES	3,075,012	1,215,176
INCOME TAXES (Note 11)		
Current income tax expense	1,350,128	203,061
Future income tax expense	1,910	337,999
	1,352,038	541,060
NET EARNINGS AND COMPREHENSIVE INCOME	1,722,974	674,116
DEFICIT, BEGINNING OF YEAR	(3,303,116)	(3,977,232)
DEFICIT, END OF YEAR	(1,580,142)	(3,303,116)
NET EARNINGS PER SHARE (Note 7)		
Basic	0.056	0.022
Diluted	0.055	0.022

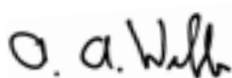
See Notes to the Consolidated Financial Statements

Consolidated Balance Sheets

(Amounts in Canadian dollars)
As at December 31,

	2009 \$	2008 \$
ASSETS		
CURRENT		
Cash	5,871,245	2,249,317
Accounts receivable	2,628,116	3,189,538
Prepaid expenses	366,695	432,764
Current portion of deferred charges	120,221	99,088
	8,986,277	5,970,707
Future income taxes (Note 11)	160,167	199,610
Deferred charges	203,105	200,866
Capital assets (Note 3)	470,207	539,465
Intangible assets (Note 4)	1,252,848	1,574,215
Goodwill	6,749,081	6,749,081
	17,821,685	15,233,944
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	3,059,021	1,760,412
Current portion of deferred revenue	557,275	402,042
Current portion of deferred tenant inducement	38,927	38,989
Current portion of long-term debt (Note 5)	679,030	1,157,954
	4,334,253	3,359,397
Deferred revenue	666,374	834,513
Deferred tenant inducement	56,447	95,318
Future income taxes (Note 11)	519,210	535,597
Long-term debt (Note 5)	-	679,031
	5,576,284	5,503,856
Commitments and Guarantees (Note 16 and 19)		
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	12,472,447	11,962,766
Contributed surplus (Note 8)	1,353,096	1,070,438
Deficit	(1,580,142)	(3,303,116)
	12,245,401	9,730,088
	17,821,685	15,233,944

APPROVED BY THE BOARD:



Anthony Webb
Director



Michael Broadfoot
Director

See Notes to the Consolidated Financial Statements

Consolidated Statement of Cash Flows

(Amounts in Canadian dollars)
Years Ended December 31,

	2009 \$	2008 \$
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings	1,722,974	674,116
Adjustments for items not involving cash:		
Future income taxes	1,910	337,999
Amortization of capital assets	420,321	571,993
Amortization of intangible assets	234,922	291,137
Stock-based compensation expense	649,519	675,427
Amortization of tenant inducement	(42,859)	(38,791)
Deferred financing costs	8,721	16,535
	2,995,508	2,528,416
Future income taxes	21,146	9,624
Tenant inducements received	-	9,133
Changes in non-cash working capital (Note 18)	1,792,588	484,089
	4,809,242	3,031,262
FINANCING		
Repayments of long-term debt	(1,166,676)	(1,166,676)
Issuance of common shares (Note 7)	283,250	218,485
Purchase of common shares in issuer bid (Note 7)	(140,430)	-
	(1,023,856)	(948,191)
INVESTING		
Purchase of capital assets	(264,618)	(456,978)
Adjustment of the acquisition of subsidiary	-	9,745
Changes in non-cash working capital (Note 18)	42,115	(1,163,534)
	(222,503)	(1,610,767)
Effect of foreign exchange on cash held in foreign currency	59,045	70,748
NET INCREASE IN CASH	3,621,928	543,052
CASH, BEGINNING OF YEAR	2,249,317	1,706,265
CASH, END OF YEAR	5,871,245	2,249,317
Supplemental cash flow information:		
Interest paid	46,903	178,502
Income taxes paid	323,541	19,016

See Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

(Amounts in Canadian dollars,
unless otherwise stated)

Years Ended December 31, 2009 and 2008

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1. DESCRIPTION OF BUSINESS

Solium Capital Inc. (the “Company” or “Solium”) is a corporation existing under the laws of Alberta. The consolidated financial statements include the accounts of the Company’s wholly-owned subsidiaries, StockVantage Inc., Solium Equity Consulting Services, Inc., Solium Holdings USA Inc., Solium Capital Ltd., Solium Capital LLC, and Solium Financial Services LLC. StockVantage Inc. was incorporated under the laws of Alberta. Solium Holdings USA Inc., Solium Capital Ltd. and Solium Financial Services LLC were incorporated under the Business Corporations Act of Delaware in the United States. Solium Capital LLC (formerly known as Allecon Stock Associates, LLC) is a Michigan limited liability company.

Solium specializes in technology and services for the administration of equity-based incentive and savings programs for public corporations and their employees. Solium services its clients through a web-based, real-time application called Shareworks™.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”). The consolidated financial statements include the accounts of the Company and its subsidiaries.

b) Accounting changes

Goodwill and intangible assets

In February 2008, CICA Handbook Section 3064 - *Goodwill and Intangible Assets* was issued replacing Section 3062 - *Goodwill and Other Intangible Assets* and Section 3450 - *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The Company adopted the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this Section did not have a significant impact on the Company’s consolidated financial statements.

Credit risk

On January 1, 2009, the Company adopted the Emerging Issues Committee (“EIC”) Abstract 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. Under EIC-173, an entity’s own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The implementation of this standard did not have a material impact upon the Company’s consolidated financial statements.

Financial Instruments – Disclosures

In June 2009, CICA Handbook Section 3862, *Financial Instruments – Disclosures*, was amended to include additional disclosure requirements about fair value measurements of financial instruments, including the relative reliability of the inputs used in those measurements, and enhanced liquidity risk disclosure requirements. As a result of the new Section, the Company included additional information in the notes to the financial statements classifying its fair value measurements using a fair value hierarchy.

c) Translation of foreign currencies

For domestic and integrated foreign operations, assets and liabilities are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. Income and expenses are translated at average exchange rates prevailing during the year with the exception of depreciation which is translated at historical exchange rates. Exchange gains or losses are included in earnings.

d) Cash equivalents

Cash may include cash equivalents, which are short-term, highly liquid investments that have an original maturity of 90 days or less at the time of purchase.

e) Deferred charges

Deferred charges include costs incurred in the implementation of certain client contracts. Where such costs can be readily identified, the costs are deferred and amortized on a straight-line basis over the life of the applicable contract in line with the implementation fees charged to the client, which are also deferred and amortized on a straight-line basis over the life of the client contract.

f) Capital assets

Capital assets are recorded at cost and amortization is provided on a straight-line basis over the following periods:

Computer equipment	3 years
Furniture and office equipment	5 years
Leasehold improvements	5 to 7 years
Computer software	1 year
Trademarks	3 years

g) Business combinations, goodwill and intangible assets

All business combinations are accounted for using the purchase method. Identifiable intangible assets are recognized separately from goodwill. Goodwill represents the excess of the price paid for the business acquired over the fair value of the net identifiable assets acquired.

Goodwill is not amortized but is evaluated for impairment annually or more often if events or circumstances indicate there may be impairment. The impairment test for goodwill is based on a comparison of the carrying amount of the business unit, including the goodwill, with its fair value. When the carrying amount of a business unit exceeds its fair value, any

impairment of goodwill is measured by comparing the carrying value of the goodwill with its implied fair value. The implied fair value of goodwill is the excess of the fair value of the business unit over the fair value of its net tangible and other intangible assets. The Company has evaluated goodwill and no impairment exists for 2009 or 2008

Intangible assets with a finite life are amortized over their estimated useful lives and are tested for impairment when conditions exist which may indicate that the estimated future net cash flows from the asset will be insufficient to recover its carrying amount.

Acquired intangible assets are comprised of customer contracts and non-competition agreements resulting from the acquisition of Allecon Stock Associates, LLC in 2007. Amortization is provided on a straight-line basis over the following periods:

Customer contracts	10 years
Non-competition agreements	2 years

Acquired intangible assets also include the cost of obtaining the brokerage membership in the U.S. This membership does not expire, however certain financial and reporting standards must be maintained or the company is expelled from membership. The membership can be sold or transferred if the brokerage firm is sold. In order to match the cost of obtaining the membership to the period over which the benefit was fully realized, the Company chose to amortize the membership over a period of 12 months.

h) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, using substantively enacted tax rates, future income tax liabilities and assets are recorded based on temporary differences between the carrying amounts of assets and liabilities on the balance sheet and their tax basis as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized. In establishing the appropriate income tax valuation allowances, the Company assesses the realizability of its net future income tax assets and based on all available evidence, both positive and negative, determines whether it is more likely than not that the remaining net future income tax assets or a portion thereof will be realized.

i) Revenue recognition

The Company derives revenues from corporate solutions for the administration of employee stock compensation plans. Corporate access fees are recognized monthly as they are earned over the term of the contract with the client. Corporate implementation fees are deferred and recognized monthly over the life of the applicable client contract or a period of 24 to 36 months if the contract has no finite life. Transaction fees, and brokerage access and administration fees are recognized as transactions are completed.

The Company also derives revenues from channel partners and consulting services. Channel revenue is recognized in the period that services are provided to the channel partner. Consulting revenues are recognized as the services are provided to the client.

j) Research and development costs

Research costs are expensed as incurred. Development costs are also expensed unless they meet specific criteria under Canadian generally accepted accounting principles, in which case they are deferred and amortized on a systematic basis, when possible, to the sale or use of the product or process.

Investment tax credits are recognized using the cost reduction method when there is reasonable assurance of realizability (see Note 10).

k) Stock-based compensation plans

The Company has stock-based compensation plans.

The Company applies the fair value based method of accounting for stock options. On the grant date, accruals of compensation cost are calculated based on the best available estimate of the number of options that are expected to vest. Compensation cost is adjusted for subsequent changes in the actual outcome of service until the vesting date. The cumulative effect of a change in the estimated number of options expected to vest is recognized in the period of change.

Compensation expense is recognized on a straight-line basis over the vesting period of the stock options with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds together with the fair value amount initially recorded in contributed surplus are credited to common shares.

The Company's contributions to the employee profit sharing and share purchase plans are expensed as incurred.

l) Financial instruments

The Company classifies its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

All derivative instruments, if utilized, are recorded on the balance sheet at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recognized in earnings except for derivatives designated as effective cash flow hedges or hedges of foreign currency exposure of a net investment in a self-sustaining foreign operation, the changes in fair value of which are recognized in other comprehensive income.

The Company has designated instruments as follows:

- » Cash and cash equivalents are classified as held-for-trading and are recorded at fair value. Due to the relatively short period to maturity of these financial instruments, the carrying values approximate their fair values.
- » Accounts receivable are classified as loans and receivables. These financial assets are recorded at values that approximate their amortized cost using the effective interest method.

- » Bank overdrafts, accounts payable and accrued liabilities, and long-term debt are classified as other financial liabilities. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition.

m) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates are used in determining the allowance for doubtful accounts, useful lives of long-lived and intangible assets, long-lived asset impairment testing, goodwill, realization of future tax assets, realization of investment tax credits, and valuation of stock-based compensation. Management makes its estimates based on historical experience and on various other assumptions it believes are reasonable. Actual results could differ from these estimates.

n) Future accounting pronouncements

Business combinations

In January 2009, CICA Handbook Section 1582 – *Business Combinations* was issued replacing the former Section 1581 – *Business Combinations*. This section establishes standards for the accounting for a business combination under the acquisition method. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 – *Business Combinations*. This new section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. The Company will adopt the new standards for any acquisitions occurring in the fiscal year beginning January 1, 2011.

Consolidations

In January 2009, CICA Handbook Section 1601 – *Consolidated Financial Statements* was issued which, together with new CICA Handbook Section 1602 – *Non-controlling Interests*, replaces the former Section 1600 – *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 – *Consolidated and Separate Financial Statements*. Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The Company does not anticipate that these sections will have a material impact on its consolidated financial statements.

Financial Instruments – Recognition and Measurement

In June, 2009, the Accounting Standards Board of Canada (“AcSB”) released *Embedded Derivatives on Reclassification of Financial Assets*, for amendments to Section 3855, *Financial Instruments – Recognition and Measurement*. The amendment indicates that contracts with embedded derivatives cannot be reclassified out of the held for trading category if the embedded derivative cannot be fair valued. This standard will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company does not anticipate that these sections will have a material impact on its consolidated financial statements.

International Financial Reporting Standards

The CICA's Accounting Standards Board announced in 2008 that Canadian publicly accountable enterprises are required to adopt International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), for fiscal years beginning on or after January 1, 2011 with appropriate comparative IFRS financial information for 2010. The Company is currently assessing the impact of the ultimate adoption of IFRS on its consolidated financial statements.

3. CAPITAL ASSETS

	2009		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Computer equipment	1,227,046	1,041,078	185,968
Furniture and office equipment	650,634	519,962	130,672
Leasehold improvements	423,551	276,840	146,711
Computer software	357,441	350,585	6,856
Trademarks	2,823	2,823	-
	2,661,495	2,191,288	470,207

	2008		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Computer equipment	1,000,727	895,774	104,953
Furniture and office equipment	640,606	454,999	185,607
Leasehold improvements	423,270	209,770	213,500
Computer software	332,406	298,061	34,345
Incorporation costs	4,767	3,707	1,060
Trademarks	2,823	2,823	-
	2,404,599	1,865,134	539,465

4. INTANGIBLE ASSETS

	2009		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Customer contracts	1,659,165	406,317	1,252,848
Non-competition agreements	250,440	250,440	-
Programming libraries	152,457	152,457	-
U.S. brokerage firm membership	86,445	86,445	-
	2,148,507	895,659	1,252,848

	2008		
	Cost \$	Accumulated Amortization \$	Net Book Value \$
Customer contracts	1,659,165	240,267	1,418,898
Non-competition agreements	250,440	181,568	68,872
Programming libraries	152,457	152,457	-
U.S. brokerage firm membership	86,445	-	86,445
	2,148,507	574,292	1,574,215

5. LONG-TERM DEBT

	2009	2008
Term loan, due on July 19, 2010, bearing interest at prime plus 1% per annum, payable in installments of \$97,223 per month. Secured by an interest in all the Company's assets.	\$680,533	\$1,847,209
Less: net unamortized financing costs	(1,503)	(10,224)
	679,030	1,836,985
Less: current portion of long-term debt	(680,533)	(1,166,676)
Add: current portion of amortization	1,503	8,722
	-	679,031

As at December 31, 2009, the prime interest rate was 2.25% (2008- 3.50%) per annum. The Company is in compliance with all financial covenants of the term loan (see Note 12).

Deferred financing costs of \$1,503 relating to long-term debt have been netted against long-term debt. These costs are taken into earnings using the effective interest method over the life of the related debt.

6. CREDIT FACILITY

The Company has a revolving credit facility of \$1,500,000 with a Canadian bank. The credit facility is secured by a fixed and floating charge on the assets of the Company. Interest is charged at the bank's prime rate plus 0.75% per annum. The provisions under this facility require the maintenance of certain financial ratios. As at December 31, 2009, no amounts were drawn on the credit facility.

7. SHARE CAPITAL

<i>Issued - common shares</i>	Number of Shares	Amount \$
Balance, December 31, 2007	29,999,598	11,574,300
Issued on exercise of stock options (Note 9)	624,081	218,485
Adjustment on exercise of stock options (Note 9)	-	169,981
Balance, December 31, 2008	30,623,679	11,962,766
Issued on exercise of stock options (Note 9)	600,000	283,250
Cancellation of shares purchased in issuer bid	(118,400)	(47,358)
Adjustment on exercise of stock options (Note 9)	-	273,789
Balance, December 31, 2009	31,105,279	12,472,447

During the twelve months ended December 31, 2009, the Company initiated a Normal Course Issuer Bid and purchased 118,400 common shares at a cost of \$140,430 in the open market. \$47,358 has been applied against share capital representing the book value of such shares. The remaining \$93,072 was applied against contributed surplus.

Earnings per share

Earnings per common share are calculated by dividing the earnings applicable to common shareholders by the weighted average number of common shares outstanding. The treasury stock method is used to determine the dilutive impact of stock options. This method assumes that any proceeds from the exercise of stock options would be used to purchase common shares at the average market price during the period.

	2009	2008
Weighted average shares outstanding - basic	30,964,080	30,623,679
Effect of dilutive stock options	105,697	524,924
Diluted weighted average shares outstanding	31,069,777	31,148,603

In the years ended December 31, 2009 and 2008, there was Nil and 132,949, respectively, of stock options excluded from the diluted weighted average shares outstanding calculation due to an anti-dilutive effect as a result of the exercise price being higher than the market price of the stock in the period.

8. CONTRIBUTED SURPLUS

	Amount \$
Balance, December 31, 2007	564,992
Stock-based compensation expense for the year (Note 9)	675,427
Adjustment on exercise of stock options during the year (Note 9)	(169,981)
Balance, December 31, 2008	1,070,438
Stock-based compensation expense for the year (Note 9)	649,519
Cancellation of shares purchased in issuer bid (Note 9)	(93,072)
Adjustment on exercise of stock options during the year (Note 9)	(273,789)
Balance, December 31, 2009	1,353,096

9. STOCK-BASED COMPENSATION PLANS

Stock Options

The Company has a stock option plan open to Directors, officers, employees, consultants and other key personnel of the Company and its subsidiaries. Under this plan, options granted to Directors, officers, employees and consultants may not exceed 15% of the aggregate number of issued and outstanding common shares of the Company on a non-diluted basis at the time of grant. Options expire in five years from the date of grant. Options granted vest 50% on the second anniversary, and an additional 25% on each of the third and fourth anniversaries from the original grant date.

The Company has used the Black-Scholes option pricing model in order to quantify the compensation expense of an option grant. The following table sets forth the weighted-average assumptions used:

	2009	2008
Weighted-average fair value (per share) of options granted	\$0.76	\$0.81
Expected dividend yield	0%	0%
Expected volatility	88.02%	63.01%
Risk-free interest rate	2.20%	3.33%
Expected life	4 years	4 years

Compensation expense related to stock options totaled \$533,617 for the year ended December 31, 2009 (2008 - \$675,427).

<i>Outstanding options</i>	Number of Options	Weighted Average Exercise Price \$
Outstanding, December 31, 2007	3,616,581	0.52
Granted	672,500	2.27
Exercised	(624,081)	0.35
Cancelled	(502,500)	2.97
Forfeited	(130,000)	1.80
Outstanding, December 31, 2008	3,032,500	1.86
Granted	330,123	1.18
Exercised	(600,000)	0.47
Cancelled	(316,250)	2.65
Forfeited	(261,750)	2.03
Outstanding, December 31, 2009	2,184,623	2.00

During the second quarter of 2009, the Company adopted a new policy for the granting of stock options to employees and directors. Under the new policy, rather than an individual receiving 100% of their targeted aggregate amount of options every five years, an annual grant in the amount of 20% of an individual's targeted aggregate amount of options is granted annually. In order to be eligible for annual grants under the new policy, employees were required to agree to cancel a certain percentage of their existing options. Those individuals who retained 100% of their existing options will only become eligible to participate in the annual grants once

all of their current options have expired. An annual grant for an individual is subject to an assessment of the individual's job performance for that period.

316,250 options were cancelled at the end of the second quarter of 2009 in connection with certain individuals' election to cancel existing options and adopt the annual grant program. For accounting purposes, the cancellation and corresponding new annual grants are accounted for as a modification of the pre-existing awards. The incremental fair value associated with the future annual grants will be amortized from the cancellation date through to the final vesting date. The fair value of each estimated new annual grant will be reset at each reporting date during the period up to the legal grant date. In the period in which the legal grant date occurs, cumulative compensation cost will be adjusted to reflect the cumulative effect of measuring compensation cost based on the fair value at the legal grant date rather than the fair value previously used at the cancellation date and subsequent reporting dates. On September 14, 2009, options in the amount of 61,750 were granted to individuals who had elected to cancel previously outstanding options.

Of the 600,000 stock options that were exercised during the year ended December 31, 2009, 600,000 represented options scheduled to expire during the year. The expiry date necessitated the exercise of these options by employees.

<i>Vested options</i>	Number of Options	Weighted Average Exercise Price \$
Vested options, December 31, 2007	1,107,831	0.40
Vested during the year	398,750	0.87
Exercised	(624,081)	1.13
Vested options, December 31, 2008	882,500	0.69
Vested during the year	715,323	2.33
Exercised	(600,000)	0.47
Forfeited	(25,000)	1.50
Vested options, December 31, 2009	972,823	2.01

The following table summarizes additional information relating to stock options outstanding and vested as at December 31, 2009:

Exercise Price	Remaining Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Vested	Weighted Average Exercise Price
\$0.51 to \$1.00	105,000	0.4 years	\$0.75	105,000	\$0.75
\$1.01 to \$1.50	798,373	2.7 years	\$1.23	354,073	\$1.26
\$1.51 to \$2.00	-	-	-	-	-
\$2.01 to \$2.50	677,500	2.9 years	\$2.23	122,500	\$2.19
\$2.51 to \$3.00	603,750	2.6 years	\$2.97	391,250	\$2.97
	2,184,623	2.6 years	\$2.00	972,823	\$2.01

Share Award Incentive Plan

As at December 31, 2009, 526,877 restricted share unit awards ("RSUs") were outstanding to employees of StockVantage Inc. ("StockVantage"), a wholly-owned subsidiary of the Company. These share units vest over a period of three years. Payment in respect of the share units shall be made by delivering common shares of the Company on the vesting dates. The Board of Directors may elect in its sole discretion, on any vesting date pertaining to an RSU award, to pay, in lieu of delivering all or any part of the common shares that would otherwise be deliverable, a cash amount equal to the aggregate fair market value of such common shares that would otherwise be delivered, less all amounts as may be required by law to be withheld.

Compensation expense relating to RSUs totaled \$115,902 for the year ended December 31, 2009 (2008-\$Nil).

Employee Profit Sharing Plan and Share Purchase Plan

Under the Company's Employee Profit Sharing Plan ("EPSP"), employees can contribute up to 5% of their eligible earnings towards the EPSP. The Company contributes out of the Company's profits 50% of the contributions made by employees. Contributions are used to purchase the Company's shares in the open market and are subject to certain vesting rules.

Under the Company's Employee Share Purchase Plan ("ESPP"), employees can contribute annually up to 20% of their eligible earnings to the ESPP. The Company matches employee contributions by 10%, and all such contributions are used to purchase the Company's shares in the open market. Employees are able to participate in either the EPSP or the ESPP, but not both. Executives of the Company are only permitted to participate in the ESPP.

The Company's contributions to the EPSP and ESPP, and costs associated with administering the plans totaled \$105,107 for the year ended December 31, 2009 (2008 - \$95,957).

Director Share Purchase Plan

Under the Company's Director Share Purchase Plan ("DSPP"), directors contribute the cash compensation portion of Director Fees, net of any withholding taxes, towards the DSPP. The Company does not make any matching contributions to the DSPP. Director contributions are used to purchase the Company's shares in the open market.

10. INVESTMENT TAX CREDIT

The Company has applied for investment tax credits under the Canadian government's scientific and experimental development ("SRED") program. During the fourth quarter of 2009, the application for 2007 SRED expenditures was approved resulting in an investment tax credit of \$294,732. This investment tax credit is available to offset Canadian federal income tax payable and has been fully utilized to offset a portion of the tax otherwise payable for the year ended December 31, 2009. An application for 2008 SRED expenditures has been filed and is awaiting assessment and approval by the Canada Revenue Agency. Should this application be successful, \$385,510 will be recorded as a reduction to expenses in the period that approval is received.

11. INCOME TAXES

The provision for income taxes reflects an effective tax rate that differs from the combined federal and provincial statutory rates as follows:

	2009	2008
Earnings before income taxes	3,075,012	1,215,176
Corporate income tax rate	29.73%	30.40%
Computed income tax provision	914,201	369,414
Increase (decrease) resulting from:		
Losses of Canadian subsidiaries not yet utilized	24,809	14,683
Losses in foreign jurisdiction not yet utilized	274,081	164,037
Non-deductible or non-taxable amounts	207,859	100,577
Timing differences	(68,912)	(107,651)
Total income tax expense	1,352,038	541,060
Current	1,350,128	203,061
Future	1,910	337,999
	1,352,038	541,060

The Company's future income tax assets and liabilities consist of the following:

	2009	2008
Future income tax assets		
Capital assets	106,818	137,500
Tenant inducement	25,961	40,964
Alternative minimum tax	-	21,146
Non-capital loss carryforwards	1,035,230	763,467
Capital loss carryforwards	4,350	4,350
	1,172,359	967,427
Valuation allowance	(1,012,192)	(767,817)
	160,167	199,610
Future income tax liabilities		
Intangible assets	(451,025)	(535,597)
Investment tax credit recapture in subsequent year	(68,185)	-
	(519,210)	(535,597)

In assessing the realizability of a future tax asset, management considers whether it is more likely than not that some portion or all of the future tax asset will be realized. The financial results of the last four financial quarters is used as a key indicator. In addition, assumptions are made about the continued ability to service existing clients and add new clients, the sustainability of the capital markets, and the continued ability to manage costs due to growth.

The Company's Canadian subsidiaries have unused non-capital losses of approximately \$122,000 carried forward for Canadian tax purposes. These losses begin to expire in 2015. The Company has not recorded the benefit of such tax loss carryforwards.

The Company also has U.S. federal net operating loss carryforwards of approximately \$2.8 million, which begin to expire in 2025. The Company has not recorded the benefit of such tax loss carryforwards.

The Company has capital losses of approximately \$29,000 available to offset future Canadian capital gains.

12. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to:

- » Maintain financial flexibility in order to preserve its ability to meet financial obligations, including potential obligations arising from additional acquisitions;
- » Deploy capital to provide an appropriate investment return to its shareholders; and
- » Maintain a capital structure that allows multiple financing options to the Company should a financing need arise.

The Company defines its capital as shareholders' equity and long-term debt, including the current portion.

	2009 \$	2008 \$
Shareholders' equity	12,245,401	9,730,088
Long-term debt (principal payments outstanding)	680,533	1,847,209
Total capital	12,925,934	11,577,297

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, or raise debt.

The Company periodically monitors capital as required under the financial covenants of its term loan and credit facility using the following financial metric:

- » Total debt to EBITDA (earnings before interest, taxes, depreciation and amortization)

Total debt is the balance of principal payments outstanding on long-term debt (including the current portion). EBITDA, a non-GAAP measure, is calculated as earnings from operations before interest, taxes, depreciation and amortization.

The following table illustrates the financial ratios calculated on a trailing twelve-month basis ended December 31, 2009 compared to fiscal 2008:

	Guidelines	2009	2008
Net earnings from operations		1,722,974	674,116
Plus:			
interest		53,665	161,967
amortization		655,243	863,130
income tax expense		1,352,038	541,060
EBITDA		3,783,920	2,240,273
Long-term debt (principal payments outstanding)		680,533	1,847,209
EBITDA		3,783,920	2,240,273
Total Debt to EBITDA	Less than 3:1	0.18	0.82

The financial covenants in the Company's term loan and credit facility arrangements are measured on a quarterly basis. The Company is in compliance with all financial covenants.

The Company believes that its ratios are within reasonable limits, in light of the relative size of the Company and its capital management objectives.

13. FINANCIAL INSTRUMENTS

	2009			2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$	\$	\$	\$	\$	\$
Cash equivalents	5,871,245			2,249,317		
Accounts receivable	2,628,116			3,189,538		
Accounts payable and liabilities	3,059,021			1,760,412		
Long-term debt	679,030			1,836,985		

The three levels of the fair value hierarchy are described as follows:

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates cannot be determined with precision as they are subjective in nature and involve uncertainties and matters of judgment.

14. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

Exposure to credit risk, interest rate risk, foreign currency risk and liquidity risk arises in the normal course of the Company's business. The Company currently does not enter into derivative financial instruments to reduce exposure to fluctuations in any of the risks impacting the Company's operations.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company has credit risk as a result of its accounts receivable. The Company mitigates this risk by dealing with financially sound companies and, accordingly, does not anticipate any significant credit losses.

Total accounts receivable (net of allowances) held by the Company at December 31, 2009 amounted to \$2,628,116. Allowances are provided against accounts receivable based on estimated unrecoverable amounts. In determining the recoverability of an account receivable, the Company considers the client's financial position, service history and payment history.

Accounts receivable consist of a large number of customers, spread across diverse industries. The Company does not have significant credit risk exposure to any single counterparty. Of the accounts receivable balance at December 31, 2009, \$108,250 was due from a large direct sales client for license fees and some special projects work. No other customer had an outstanding balance greater than 5% of the total balance of accounts receivable.

As at December 31, 2009, accounts receivable in Canada totaled \$2,037,956 and \$590,160 in the U.S.

Aging of trade accounts receivable that are past due but not impaired:

	2009 \$	2008 \$
61 - 90 days	146,423	272,358
91 - 120 days	52,193	184,913
Greater than 120 days	65,062	49,221
Total	263,678	506,492

The Company had no allowance for doubtful accounts at the end of the year.

Interest Rate Risk

The Company is exposed to interest rate risk because the cash flows associated with its floating rate long-term debt will fluctuate with changes in Canadian interest rates.

Increases of 0.5% in annual Canadian interest rates would have reduced earnings before taxes of approximately \$3,400 for the year ended December 31, 2009. This calculation is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

Foreign Currency Risk

The Company operates in Canada and the United States. The functional currency of the parent company is Canadian dollars (CAD) and the reporting currency is CAD. Foreign exchange risk arises because the amount receivable on revenue or payable on expenditures that are denominated in U.S. dollars (USD) may vary when converted to Canadian dollars (CAD) due to changes in exchange rates arising from timing differences between when the revenue or expense occurs and when actual payment is received or made ("transaction exposures") and because the USD denominated monetary net assets of the Company's U.S. subsidiaries may vary on consolidation and revaluation into CAD ("translation exposure").

The carrying amounts of the Company's USD denominated monetary assets and monetary liabilities at December 31 are as follows:

	2009 USD	2008 USD
Monetary assets	1,248,956	1,216,278
Monetary liabilities	360,241	207,680
Net monetary assets exposed to foreign currency risk	888,715	1,008,598

Based on the balance of net monetary assets as at December 31, 2009, an increase of 1% in the exchange rate of USD to CAD would, everything else being equal, have had a positive effect on earnings before taxes for the year ended December 31, 2009 of approximately \$8,887.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its obligations as they come due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents balances and through the availability of funding from committed credit facilities. As at December 31, 2009, the Company had cash of \$5,871,245 on hand and a \$1.5 million credit facility available to be drawn against.

The following are the contractual maturities of financial liabilities as at December 31, 2009:

	Carrying Amount	Contractual Cash Flows	0 to 6 months	6 to 12 months	After 12 months
Accounts payable and accrued liabilities	3,059,021	3,059,021	3,059,021	-	-
Long-term debt	679,030	680,533	680,533	-	-
Total	3,738,051	3,739,554	3,739,554	-	-

Management believes that future cash flows from operations and availability under existing banking arrangements will be adequate to support these financial liabilities.

15. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2009, the Company utilized legal services for general corporate matters totaling \$139,546 (2008 - \$142,781) plus applicable taxes, which were provided by a firm in which a Director of the Company is a partner. These services were measured at fair market value. As at December 31, 2009, \$5,486 (2008 - \$10,345) was payable, inclusive of applicable taxes.

16. COMMITMENTS

Operating leases

The Company's obligations under operating leases for occupied premises are as follows:

	\$
2010	304,757
2011	221,568
2012	76,754
Total	603,079

17. SEGMENTED INFORMATION

The Company's operations fall into one dominant industry segment, the administration of equity-based incentive and savings programs for public corporations and their employees. Operations are located in Canada and the United States. Executive management assesses the performance of each segment based on income before income taxes.

The accounting policies used in the Company's segments are the same as those described in Note 2 to the consolidated financial statements. Where applicable, inter-segment transactions are reflected at the exchange value, which is the amount agreed to by the parties.

The following is a breakdown of financial information by geographic segment:

Year ended December 31,	2009 \$	2008 \$
Revenue		
Canada	14,281,464	12,774,851
United States	5,410,014	4,265,004
	19,691,478	17,039,855
Earnings (loss) before income taxes		
Canada ^(a)	4,004,766	1,762,851
United States ^(a)	(929,754)	(547,675)
	3,075,012	1,215,176
Net earnings (loss)		
Canada ^(a)	2,568,156	1,116,849
United States ^(a)	(845,182)	(442,733)
	1,722,974	674,116
Capital expenditures		
Canada	240,494	351,603
United States	24,124	105,375
	264,618	456,978

As at December 31,	2009 \$	2008 \$
Total assets		
Canada	8,198,119	4,988,238
United States ^(b)	9,623,566	10,245,706
	17,821,685	15,233,944
Capital assets		
Canada	368,056	399,285
United States	102,151	140,180
	470,207	539,465

a) A formal transfer pricing model was introduced effective January 1, 2009. As a result, \$1,900,518 was charged from the Canadian operations to the U.S. operations for technology and shared operational and development resources for 2009. It is estimated that a similar allocation of costs in 2008 would have resulted in a charge of \$1,319,322 for 2008 from the Canadian operations to the U.S. operations (which are not reflected in the numbers above).

b) Total assets in the U.S. include goodwill resulting from the acquisition of Solium Capital LLC (formerly known as Allecon Stock Associates, LLC).

18. INFORMATION INCLUDED IN CASH FLOWS

Changes in working capital items are detailed as follows:

	2009	2008
	\$	\$
Decrease (increase) in accounts receivable	194,500	(68,889)
Decrease (increase) in prepaid expenses	56,067	(84,197)
Increase in deferred charges	(75,105)	(73,046)
Increase in accounts payable	1,579,525	671,035
Increase in deferred revenue	37,601	39,186
Changes in non-cash operating working capital	1,792,588	484,089
Increase (decrease) in accounts payable	42,115	(1,163,534)
Changes in non-cash investing working capital	42,115	(1,163,534)
Total changes in non-cash working capital	1,834,703	(679,445)

19. GUARANTEES

In the normal course of operations, the Company provides indemnifications that are often standard contractual terms to counterparties in transactions such as purchase and sale contracts, service agreements, and leasing transactions. These indemnification agreements may require the Company to compensate the counterparties for costs incurred as a result of various events, changes in (or in the interpretation of) laws and regulations, or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnification agreements will vary based upon the contract, the nature of which prevents the Company from making a reasonable estimate of the maximum potential amount it could be required to pay counterparties. Historically, the Company has not made any payments under such indemnifications and no amounts have been accrued in the accompanying financial statements with respect to these indemnification guarantees.

Corporate Information

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Rudolph Bester

Executive Vice President, Sales and Marketing

June Davenport

Executive Vice President, Business Integration

Jeff English

President and Chief Executive Officer

Jeannie Kezama

Executive Vice President, Service Operations

Lynn Leong

Executive Vice President, Finance and Administration

Marcos Lopez

Executive Vice President, Corporate Strategy and Business Development

Solium Capital LLC

Vincent Alessi

Vice President

Stephanie Ceglia

Vice President, Strategic Integration - U.S.

Chris Groot

Vice President and General Manager

StockVantage Inc.

Kobe Davis

Vice President, Development

Chris Groot

Vice President, Sales and Marketing

Solium Equity Consulting Services Inc.

Jim McBride

Managing Principal

Directors

Michael Broadfoot

Director, Solium Capital Inc.

Brian Craig

Director, Solium Capital Inc.

Michael Deleray

Partner, Bendigo Partners, LLC.

Jeff English

President and CEO, Solium Capital Inc.

Justin Ferrara

Partner, Macleod Dixon, LLP

Russ Waterhouse

Director, Solium Capital Inc.

Anthony Webb

Former President and Chief Executive Officer, Royal Trust

Investor Information

Transfer Agent

Valiant Trust Company

Legal Counsel

Macleod Dixon LLP

Auditors

Deloitte & Touche LLP

Stock Listing and Symbol

TSX

Symbol: SUM

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