

STOCKHOUSE INC  
Form 10-Q  
May 20, 2009

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **March 31, 2009**

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from: \_\_\_\_\_ to \_\_\_\_\_

Commission file number: **0-23687**

**STOCKHOUSE INC.**

(Exact name of registrant as specified in its charter)

**Colorado**

(State or other jurisdiction of incorporation or organization)

**84-1379282**

(IRS Employer Identification No.)

**Suite 500-750 West Pender Street, Vancouver, British Columbia, V6C 2T7**

(Address of principal executive offices)

**(604) 331-0995**

(Registrant's telephone number, including area code)

**STOCKGROUP INFORMATION SYSTEMS INC.**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes:  No:

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T(232.405 of this chapter) during the preceding 12 months(or for shorter period that the registrant was required to submit and post such files). Yes:  No:  (Not yet applicable to the Registrant)

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and

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smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  **(Do not check if a smaller reporting company)** Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)  
Yes:  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by court. Yes:  No:

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 41,295,922 common shares at May 15, 2009 (no par value)

**STOCKHOUSE INC.  
FORM 10-Q**

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**PART I. FINANCIAL INFORMATION****STOCKHOUSE INC.  
(formerly Stockgroup Information Systems Inc.)****CONSOLIDATED BALANCE SHEETS  
(Expressed in Thousands of U.S. Dollars, except number of shares information)  
(Unaudited)**

Continuing operations (note 1)

|                                                           | March 31,<br>2009 | As at<br>December 31,<br>2008 |
|-----------------------------------------------------------|-------------------|-------------------------------|
| <b>ASSETS</b>                                             |                   |                               |
| Current Assets:                                           |                   |                               |
| Cash and cash equivalents (note 1)                        | \$ 518            | \$ 728                        |
| Restricted cash (note 6)                                  | -                 | 131                           |
| Accounts receivable (net of allowance of \$515 and \$347) | 1,077             | 1,327                         |
| Prepaid expenses and other current assets                 | 295               | 253                           |
| <b>TOTAL CURRENT ASSETS</b>                               | <b>1,890</b>      | <b>2,439</b>                  |
| Property and equipment, net (note 3)                      | 498               | 555                           |
| Intangible assets, net                                    | 175               | 208                           |
| <b>TOTAL ASSETS</b>                                       | <b>\$ 2,563</b>   | <b>\$ 3,202</b>               |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>                |                   |                               |
| Current Liabilities:                                      |                   |                               |
| Accounts payable (note 3)                                 | \$ 2,058          | \$ 1,561                      |
| Accrued liabilities (note 3)                              | 1,692             | 2,085                         |
| Deferred revenues                                         | 658               | 711                           |
| Debentures                                                | 549               | 545                           |
| Capital lease obligations                                 | 50                | 78                            |
| <b>TOTAL CURRENT LIABILITIES</b>                          | <b>5,007</b>      | <b>4,980</b>                  |
| Long-term capital lease obligations                       | -                 | 4                             |
| Long-term deferred revenues                               | 93                | 103                           |
| <b>TOTAL LIABILITIES</b>                                  | <b>5,100</b>      | <b>5,087</b>                  |
| <b>SHAREHOLDERS DEFICIENCY (note 4)</b>                   |                   |                               |
| Preferred stock                                           |                   |                               |
| Series A convertible, \$1,000 per share                   |                   |                               |
| authorized 5,000,000 shares                               |                   |                               |
| issued and outstanding 3,000 shares                       | 2,969             | 2,969                         |
| Common stock                                              |                   |                               |
| authorized 75,000,000 shares, no par value:               |                   |                               |
| issued and outstanding 41,295,922 shares                  | 18,910            | 18,910                        |
| Additional paid-in capital                                | 3,853             | 3,820                         |
| Accumulated deficit                                       | (28,269)          | (27,584)                      |
| <b>TOTAL SHAREHOLDERS DEFICIENCY</b>                      | <b>(2,537)</b>    | <b>(1,885)</b>                |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS DEFICIENCY</b>      | <b>\$ 2,563</b>   | <b>\$ 3,202</b>               |

Commitments and contingencies (note 6)

Guarantees (note 8)

See accompanying notes to the Unaudited Interim Consolidated Financial Statements

**STOCKHOUSE INC.**  
**(formerly Stockgroup Information Systems Inc.)**

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Expressed in Thousands of U.S. Dollars, except number of shares and per share information)**  
**(Unaudited)**

|                                                            | Three Months Ended |                 |
|------------------------------------------------------------|--------------------|-----------------|
|                                                            | March 31,          |                 |
|                                                            | 2009               | 2008            |
| <b>REVENUES</b>                                            |                    |                 |
| Licensing and subscriptions                                | \$ 1,672           | \$ 2,624        |
| Advertising                                                | 478                | 875             |
| <b>TOTAL REVENUES</b>                                      | <b>\$ 2,150</b>    | <b>\$ 3,499</b> |
| <b>OPERATING COSTS AND EXPENSES</b>                        |                    |                 |
| Cost of revenues (exclusive of amortization)               | 987                | 1,469           |
| Sales and marketing                                        | 549                | 1,382           |
| Research and development                                   | 136                | 382             |
| General and administrative                                 | 1,107              | 1,915           |
| Amortization of intangible assets                          | 33                 | 144             |
| <b>TOTAL OPERATING EXPENSES</b>                            | <b>2,812</b>       | <b>5,292</b>    |
| Loss from operations                                       | (662)              | (1,793)         |
| Interest and other expense (income), net (note 6)          | 23                 | (347)           |
| Net loss and comprehensive loss                            | \$ (685)           | \$ (1,446)      |
| Net loss per common share:                                 |                    |                 |
| Basic and diluted                                          | \$ (0.02)          | \$ (0.04)       |
| Common shares used in computing basic and diluted net loss |                    |                 |
| per share (thousands)                                      | 41,296             | 41,106          |

See accompanying notes to the Unaudited Interim Consolidated Financial Statements

**STOCKHOUSE INC.**  
**(formerly Stockgroup Information Systems Inc.)**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS (DEFICIENCY) EQUITY**  
**(Expressed in Thousands)**  
**(Unaudited)**

|                                                                                        | Preferred<br>shares<br>No. of<br>shares | Preferred<br>shares<br>\$ | Common<br>stock<br>No. of<br>shares | Common<br>stock<br>\$ | Additional<br>paid-in<br>capital<br>\$ | Accumulated<br>deficit<br>\$ | Total<br>Shareholders<br>(Deficiency)<br>Equity<br>\$ |
|----------------------------------------------------------------------------------------|-----------------------------------------|---------------------------|-------------------------------------|-----------------------|----------------------------------------|------------------------------|-------------------------------------------------------|
| Balance at<br>December 31, 2007                                                        | -                                       | -                         | 40,917                              | 18,902                | 3,652                                  | (21,038)                     | 1,516                                                 |
| Issuance of series A<br>convertible<br>preferred<br>shares                             | 3                                       | 2,969                     | -                                   | -                     | -                                      | -                            | 2,969                                                 |
| Issuance of common<br>stock<br>pursuant to exercise<br>of<br>employee stock<br>options | -                                       | -                         | 779                                 | 176                   | (9)                                    | -                            | 167                                                   |
| Shares returned to<br>settle<br>acquisition<br>liabilities                             | -                                       | -                         | (400)                               | (168)                 | -                                      | -                            | (168)                                                 |
| Stock-based<br>compensation                                                            | -                                       | -                         | -                                   | -                     | 177                                    | -                            | 177                                                   |
| Net loss and<br>comprehensive loss                                                     | -                                       | -                         | -                                   | -                     | -                                      | (6,546)                      | (6,546)                                               |
| Balance at<br>December 31, 2008                                                        | 3                                       | 2,969                     | 41,296                              | 18,910                | 3,820                                  | (27,584)                     | (1,885)                                               |
| Stock-based<br>compensation                                                            | -                                       | -                         | -                                   | -                     | 33                                     | -                            | 33                                                    |
| Net loss and<br>comprehensive loss                                                     | -                                       | -                         | -                                   | -                     | -                                      | (685)                        | (685)                                                 |
| Balance at<br>March 31, 2009                                                           | 3                                       | 2,969                     | 41,296                              | 18,910                | 3,853                                  | (28,269)                     | (2,537)                                               |

See accompanying notes to the Unaudited Interim Consolidated Financial Statements

**STOCKHOUSE INC.**  
(formerly Stockgroup Information Systems Inc.)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Thousands of U.S. Dollars)  
(Unaudited)

|                                                                                             | Three Months Ended<br>March 31, |                |
|---------------------------------------------------------------------------------------------|---------------------------------|----------------|
|                                                                                             | 2009                            | 2008           |
| <b>Operating activities:</b>                                                                |                                 |                |
| Net loss                                                                                    | \$ (685)                        | (1,446)        |
| Adjustments to reconcile net loss to net cash (used in) / provided by operating activities: |                                 |                |
| Amortization of property and equipment                                                      | 87                              | 84             |
| Amortization of intangible assets                                                           | 33                              | 144            |
| Stock-based compensation                                                                    | 33                              | 60             |
| Unrealized foreign exchange loss                                                            | 4                               | -              |
| Changes in operating assets and liabilities:                                                |                                 |                |
| Accounts receivable                                                                         | 250                             | (113)          |
| Prepaid and other current assets                                                            | (42)                            | (132)          |
| Accounts payable                                                                            | 497                             | 181            |
| Accrued liabilities                                                                         | (393)                           | 133            |
| Deferred revenues                                                                           | (63)                            | (57)           |
| <b>CASH USED IN OPERATING ACTIVITIES</b>                                                    | <b>(279)</b>                    | <b>(1,146)</b> |
| <b>Investing activities:</b>                                                                |                                 |                |
| Purchases of property and equipment                                                         | (30)                            | (13)           |
| Restricted cash                                                                             | 131                             | -              |
| Acquisition of Semotus Assets                                                               | -                               | (18)           |
| <b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>                                      | <b>101</b>                      | <b>(31)</b>    |
| <b>Financing activities:</b>                                                                |                                 |                |
| Proceeds on exercise of stock options                                                       | -                               | 116            |
| Repayment of capital lease obligations                                                      | (32)                            | (70)           |
| <b>CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>                                      | <b>(32)</b>                     | <b>46</b>      |
| Net decrease in cash and cash equivalents                                                   | (210)                           | (1,131)        |
| Cash and cash equivalents, beginning of period                                              | 728                             | 2,821          |
| Cash and cash equivalents, end of period                                                    | \$ 518                          | 1,690          |
| <b>Supplemental Cash Flow Information:</b>                                                  |                                 |                |
| Cash                                                                                        | \$ 517                          | \$ 1,689       |
| Cash equivalents                                                                            | \$ 1                            | \$ 1           |
| Interest paid                                                                               | \$ 25                           | \$ 2           |
| Taxes paid                                                                                  |                                 | 1              |
| Assets acquired through capital lease transactions                                          | \$ -                            | \$ 63          |

See accompanying notes to the Unaudited Interim Consolidated Financial Statements





**STOCKHOUSE INC.**  
**(formerly Stockgroup Information Systems Inc.)**

**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2009**

**1. BASIS OF PRESENTATION AND CONTINUING OPERATIONS**

*Basis of Presentation*

The accompanying unaudited interim consolidated financial statements of Stockhouse Inc. and subsidiaries (the Company ) have been prepared by the Company in accordance with United States ( U.S. ) generally accepted accounting principles ( GAAP ) for interim financial information and in accordance with the instructions to Form 10-Q and Article 8-03 of Regulation S X. Accordingly, certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been omitted pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ( SEC ). These unaudited interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and related footnotes thereto of the Company in its Annual Report on Form 10-K for the year ended December 31, 2008 as filed with the SEC on April 1, 2009 and amended Form 10-K/A filed as filed with the SEC on April 6, 2009. In the opinion of management, the adjustments considered necessary for fair presentation, all of which are of a normal and recurring nature have been included in these unaudited interim consolidated financial statements.

The business experiences seasonal variations. Historically, fourth quarter sales have been the strongest; however, due to current volatile economic and financial market conditions, the Company does not expect that will be the case for fiscal 2009. The results of operations for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009 or for other future operating periods. All amounts are stated in U.S. dollars unless otherwise indicated.

The accompanying unaudited interim consolidated financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the realization of assets and discharge of liabilities in the normal course of operations for the foreseeable future. The Company has incurred significant recurring operating losses over the past three years, and has not generated positive cash flow from operations since the first quarter of 2007. For the three months ended March 31, 2009, the Company had a net loss of \$685,000 and used cash of \$279,000 in operating activities. At March 31, 2009, the Company held cash and cash equivalents of \$518,000 and had a net working capital deficit of \$2,459,000. Net working capital is defined as current assets minus current liabilities excluding current deferred revenues. At May 11, 2009, the Company held cash and cash equivalents of \$349,000. These conditions raise doubt about the Company's ability to continue as a going concern.

Management has been able, thus far, to finance the losses, as well as the growth of the business through a series of equity and debt private placements. In November 2008, the Company entered into debenture purchase agreements with multiple subscribers under which the Company issued to the subscribers a total of \$549,000 (C\$672,000) of secured unregistered 18% debentures.

General economic conditions deteriorated during 2008 and the Company's revenue, operating results and cash flows were significantly impacted by the economic slowdown. The duration and depth of this economic slowdown in markets in which the Company operates will continue to impact the Company's future advertising and subscription revenue. Management acted to reduce the Company's operating costs in the second, third, and fourth quarters of 2008, as well as in the first quarter of 2009. These reductions included downsizing the number of staff and executives, renegotiating contracts with significant vendors to reduce costs, and closing unprofitable locations in Europe. Management plans to renegotiate with the holders of the Company's \$549,000 debentures to extend the October 31, 2009 due date. Management believes that if it is successful in renegotiating a one year extension to the debentures due

date, that the Company will have

**STOCKHOUSE INC.**  
**(formerly Stockgroup Information Systems Inc.)**

**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2009**

sufficient resources for the next twelve months to meet its obligations as they fall due in the ordinary course of business.

The Company will also finance any further cash requirements, if necessary, through further debt or equity financings. There is no assurance however, that additional financing can be obtained, or if obtained on terms that are acceptable to management. The accompanying interim consolidated financial statements do not include any adjustments to reflect the possible future effects on recoverability and classification of assets or liabilities should the Company not be able to continue as a going concern.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

There have been no new policies adopted or changes in the Company's accounting policies during the three months ended March 31, 2009 from those previously disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2008, except as follows:

In December 2007, the FASB issued FAS No. 141 (revised 2007), *Business Combinations* ( FAS 141(R) ) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. FAS 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. FAS 141(R) is effective for fiscal years beginning after January 1, 2009. The adoption of FAS 141(R) did not impact the Company's interim consolidated financial statements.

In March 2008, the FASB issued FAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* , ( FAS 161 ) which is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. FAS 161 is effective January 1, 2009. The adoption of FAS 161 did not impact the Company's interim consolidated financial statements.

**STOCKHOUSE INC.**  
**(formerly Stockgroup Information Systems Inc.)**

**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2009**

**3. BALANCE SHEET COMPONENTS**

| (In thousands of Dollars)              | March 31,<br>2009 | December 31,<br>2008 |
|----------------------------------------|-------------------|----------------------|
| <b>PROPERTY AND EQUIPMENT</b>          |                   |                      |
| Computer equipment                     | \$ 1,784          | \$ 1,783             |
| Computer equipment under capital lease | 394               | 412                  |
| Computer software                      | 167               | 168                  |
| Office furniture and equipment         | 107               | 107                  |
| Leasehold improvements                 | 197               | 151                  |
| Total cost                             | 2,649             | 2,621                |
| Less: accumulated amortization         | (2,151)           | (2,066)              |
| Property and equipment, net            | \$ 498            | \$ 555               |
| <b>ACCOUNTS PAYABLE</b>                |                   |                      |
| Trade accounts payable                 | \$ 1,897          | \$ 1,419             |
| Sales taxes payable                    | 161               | 142                  |
| Total accounts payable                 | \$ 2,058          | \$ 1,561             |
| <b>ACCRUED LIABILITIES</b>             |                   |                      |
| Accrued liabilities                    | \$ 459            | \$ 779               |
| Accrued data costs                     | 936               | 1,108                |
| Customer deposits                      | 297               | 198                  |
| Total accrued liabilities              | \$ 1,692          | \$ 2,085             |

In the three months ended March 31, 2009, amortization expense related to property and equipment totaled \$87,000, including \$34,000 amortization for capital assets under lease. In the three months ended March 31, 2008 amortization expense was \$84,000, including \$36,000 of amortization for capital assets under lease.

Substantially all of the Company's property and equipment is located in Canada.

**4. SHAREHOLDERS DEFICIENCY**

The Company is authorized to issue up to 75,000,000 shares of common stock and 5,000,000 shares of preferred stock. The Company did not issue any shares during the three months ending March 31, 2009. During 2008, the Company issued shares on the exercise of stock options and issued preferred shares in an equity financing transaction.

***Stock-Based Compensation Plans and Stock-Based Award Activity***

During the three months ended March 31, 2009, the Company granted stock options to employees, management, consultants and non-employee directors under the 2007 Stock Option Plan (the "2007 Plan") which was approved in June 2007. Stock options granted under the 2007 Plan have a five year life and generally vest annually on the anniversary of the grant date over 3 years at a rate of 34% for the first year and 33% for the remaining two years. All options are denominated in U.S. dollars.



**STOCKHOUSE INC.**  
**(formerly Stockgroup Information Systems Inc.)**

**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2009**

The following table provides information on the Company's outstanding options and options available for grant at March 31, 2009 and activity since December 31, 2008:

|                        | Options Outstanding                               |                      |                          | Weighted<br>Average<br>Exercise<br>Price<br>\$ | Weighted<br>Average<br>Remaining<br>Contractual<br>Term<br>(in years) | Aggregate<br>Intrinsic<br>Value<br>\$<br>(in thousands) |
|------------------------|---------------------------------------------------|----------------------|--------------------------|------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------|
|                        | Number<br>of<br>Options<br>Available<br>For Grant | Number of<br>Options | Price Per<br>Share<br>\$ |                                                |                                                                       |                                                         |
| Balance                |                                                   |                      |                          |                                                |                                                                       |                                                         |
| at December 31, 2008   | 2,262,775                                         | 3,735,625            | \$0.08 - \$0.59          | \$0.33                                         | 3.04                                                                  | \$ -                                                    |
| Options granted        | (842,000)                                         | 842,000              | \$0.08 - \$0.08          |                                                |                                                                       |                                                         |
| Options expired        | -                                                 | -                    |                          |                                                |                                                                       |                                                         |
| Options forfeited      | 1,033,500                                         | (1,033,500)          | \$0.08 - \$1.02          |                                                |                                                                       |                                                         |
| Balance                |                                                   |                      |                          |                                                |                                                                       |                                                         |
| at March 31, 2009      | 2,454,275                                         | 3,544,125            | \$0.08 - \$1.21          | \$0.28                                         | 3.89                                                                  | \$ -                                                    |
| Vested and exercisable |                                                   |                      |                          |                                                |                                                                       |                                                         |
| at                     |                                                   |                      |                          |                                                |                                                                       |                                                         |
| March 31, 2009         |                                                   | 900,562              |                          | \$0.68                                         | 0.56                                                                  | \$ -                                                    |

The aggregate intrinsic value is equal to the difference between the quoted closing market price of the Company's common shares at March 31, 2009 and the exercise price of the underlying awards, where the stock options are in-the-money. No stock options were in-the-money at March 31, 2009.

The following table summarizes the Company's unvested stock options as of March 31, 2009 and changes since December 31, 2008:

|                               | Number of Awards |    | Weighted-Average         |
|-------------------------------|------------------|----|--------------------------|
|                               |                  |    | Grant<br>Date Fair Value |
| Unvested at December 31, 2008 | 2,043,000        | \$ | 0.21                     |
| Granted                       | 842,000          | \$ | 0.08                     |
| Vested                        | 792,062          | \$ | 0.16                     |
| Forfeited                     | (1,033,500)      | \$ | 0.21                     |
| Unvested at March 31, 2009    | 2,643,562        | \$ | 0.20                     |

As of March 31, 2009, total unrecognized compensation expense related to unvested awards granted under the Company's stock option plans was \$181,000. Forfeiture rates used to determine unrecognized compensation expense were based on forfeiture rates experienced for the twelve months ended December 31, 2007 as the forfeiture rates experienced for the twelve months ended March 31, 2009 were abnormally high owing to the termination of employees in the third and fourth quarters of 2008.

**STOCKHOUSE INC.**  
**(formerly Stockgroup Information Systems Inc.)**

**NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2009**

***Stock-Based Compensation Expense***

During the three ended March 31, 2009 and 2008, respectively, net loss included the following stock-based compensation expense:

| (In thousands of Dollars)              | Three Months Ended |        |
|----------------------------------------|--------------------|--------|
|                                        | March 31,          |        |
|                                        | 2009               | 2008   |
| Sales and marketing                    | \$ 13              | \$ (7) |
| Research and development               | (6)                | (3)    |
| General and administrative             | 26                 | 70     |
| Total stock-based compensation expense | \$ 33              | \$ 60  |

Stock-based compensation for research and development for the three months ended March 31, 2009 was \$4,000. This amount was offset by the reversal of \$10,000 for stock-based compensation granted to research and development employees which did not ultimately vest as a result of the termination of their employment.

***Valuation Assumptions Used in Fair-Value Based Calculation Model***

The fair-value of the Company's stock-based awards granted to employees, non-employee directors and consultants for the three months ending March 31, 2009 and 2008 was estimated using the Black-Scholes option-pricing model using the following weighted average assumptions:

|                             | Three Months |         |
|-----------------------------|--------------|---------|
|                             | Ended        |         |
|                             | March 31,    |         |
|                             | 2009         | 2008    |
| Expected life (in years)    | 5            | 5       |
| Risk-free interest rate     | 3%           | 4%      |
| Expected volatility         | 179%         | 101%    |
| Dividend yield              | 0%           | 0%      |
| Fair value per stock option | \$ 0.08      | \$ 0.38 |

The expected life of stock options is equal to the contractual life of the stock options. The exercise price of a stock option is equal to the market value of the Company's common stock on the grant date. The Company uses the zero coupon interest yield rate comparable to the expected life of the option. Expected volatility is based on historical computations of the Company's volatility. The estimated fair value of the stock-based awards is amortized over the vesting period of the underlying awards on a graduated basis.



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**(formerly Stockgroup Information Systems Inc.)**

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**5. SEGMENTED INFORMATION**

The Company operates in one reportable segment. The Company defines a reportable segment as a component of the Company for which separate financial information is available and which is evaluated regularly by the Chief Executive Officer in deciding how to allocate resources and in assessing performance.

The following information is presented by the customer's geographic area:

| Three Months Ending March 31, 2009<br>(In thousands of Dollars) | North<br>America | United<br>Kingdom | Other       | Total           |
|-----------------------------------------------------------------|------------------|-------------------|-------------|-----------------|
| <b>REVENUES</b>                                                 |                  |                   |             |                 |
| Licensing and subscription                                      | \$ 1,510         | \$ 162            | \$ -        | \$ 1,672        |
| Advertising services                                            | 478              | -                 | -           | 478             |
| <b>Total revenues</b>                                           | <b>\$ 1,988</b>  | <b>\$ 162</b>     | <b>\$ -</b> | <b>\$ 2,150</b> |

| Three Months Ending March 31, 2008<br>(In thousands of Dollars) | North<br>America | United<br>Kingdom | Other         | Total           |
|-----------------------------------------------------------------|------------------|-------------------|---------------|-----------------|
| <b>REVENUES</b>                                                 |                  |                   |               |                 |
| Licensing and subscription                                      | \$ 1,921         | \$ 363            | \$ 340        | \$ 2,624        |
| Advertising services                                            | 875              | -                 | -             | 875             |
| <b>Total revenues</b>                                           | <b>\$ 2,796</b>  | <b>\$ 363</b>     | <b>\$ 340</b> | <b>\$ 3,499</b> |

There were no revenues from individual customers greater than 10% of total revenues during the three months ended March 31, 2009 and 2008, respectively. No customer accounted for more than 10% of outstanding trade receivables at March 31, 2009. As at December 31, 2008, one customer accounted for 10% of outstanding trade receivables.

**6. COMMITMENTS AND CONTINGENCIES**

***Commitments***

The following table summarizes the Company's contractual obligations at March 31, 2009:

| (In thousands of Dollars)                 | Total           | Payments Due by Period |               |               |             |             |
|-------------------------------------------|-----------------|------------------------|---------------|---------------|-------------|-------------|
|                                           |                 | Within 1<br>Year       | 2<br>Years    | 3<br>Years    | 4<br>Years  | 5<br>Years  |
| Operating leases                          | \$ 1,633        | \$ 390                 | \$ 803        | \$ 440        | -           | -           |
| Capital leases                            | 50              | 50                     | -             | -             | -           | -           |
| Debt (principal)                          | 549             | 549                    | -             | -             | -           | -           |
| Debt (interest)                           | 49              | 49                     | -             | -             | -           | -           |
| Data provider commitment                  | 254             | 254                    | -             | -             | -           | -           |
| <b>Total contractual cash obligations</b> | <b>\$ 2,535</b> | <b>\$ 1,292</b>        | <b>\$ 803</b> | <b>\$ 440</b> | <b>\$ -</b> | <b>\$ -</b> |



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The Company leases its facilities under operating leases that expire at various times to March 2014. In June 2008, on the expiry of an existing lease, the Company secured new premises in Toronto with a lease term to October 2013. The Company leases certain computer equipment, mainly servers, under capital leases.

***Contingencies***

The Company was the plaintiff in a lawsuit filed in Ontario Superior Court of Justice against Hollinger Inc. and Hollinger Canadian Publishing Holdings Co in which the Company sought to recover approximately \$457,000 from the defendant. The defendant was a vendor to the Company and the amount sought by the Company consisted of unused advertising credits which were prepaid by the Company in 1999. The case was resolved by a negotiated settlement during the first quarter of 2008 and the defendant paid \$340,000 to the Company in full settlement, which is included in other income in that period.

The Company is the plaintiff in a lawsuit filed in the Commercial & Equity Division of the County Court of Victoria in Melbourne, Australia against The Eight Black Partnership Pty and Simon Chen, in which the Company seeks to recover approximately \$435,000 from the defendant. The defendant was a reseller of the Company's Marketstream service in Australia and the amount sought by the Company consists of unpaid Marketstream subscription fees from July 2006 to May 2007, plus interest. The case is currently pending final resolution and there is uncertainty as to what value, if any, will be derived from the lawsuit. No provision has been made for recovery of these credits in the financial statements in any period.

During 2008, an employee of the Company made an application to the District Court of Amsterdam, the Netherlands requesting the Court to order the Company to restore his access to Company systems and continue paying his salary. He further requested that the Court order the temporary restriction of funds then held in the Company's Dutch subsidiary's bank accounts until the terms of his employment could be determined. The Court granted this application and ordered the transfer of €89,110 (\$131,000) from the operating bank accounts to a restricted account. This amount was classified as restricted cash on the consolidated balance sheet at December 31, 2008. During January 2009 the matter was resolved by negotiation and the restriction on the Company's funds was lifted by the Court.

In addition to the above, the Company is involved in various other legal matters which arise from time-to-time in the ordinary course of the Company's business, none of which is believed to be material to its results of operations, liquidity or financial condition at this time. Unless otherwise noted, the Company cannot reasonably estimate at this time whether a monetary settlement will be reached or predict the ultimate resolution of these legal matters.

**7. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company has various financial instruments that must be measured under the fair value accounting standards including: cash and cash equivalents and debentures. The Company currently does not have non-financial assets or non-financial liabilities that are required to be measured at fair value on a recurring basis, with the exception of intangible assets. The Company's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy.

The following table provides a summary of the fair values of assets and liabilities:



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|                           | Carrying<br>Value<br>March 31,<br>2009 | Fair Value Measurements at March 31, 2009 |         |         |
|---------------------------|----------------------------------------|-------------------------------------------|---------|---------|
|                           |                                        | Level 1                                   | Level 2 | Level 3 |
| <b>Assets:</b>            |                                        |                                           |         |         |
| Cash and cash equivalents | \$ 518                                 | \$ 518                                    | \$ -    | \$ -    |
| <b>Liabilities:</b>       |                                        |                                           |         |         |
| Debentures                | \$ 549                                 | \$ -                                      | \$ -    | \$ 549  |

As the debentures were issued late in 2008, the Company believes that the market rate of interest as at March 31, 2009, was not materially different to the rate of interest at which the debentures were issued. Accordingly, the Company believes that the fair value of the debentures approximated their carrying value at March 31, 2009.

## 8. ACCOUNTING FOR AND DISCLOSURE OF GUARANTEES

From time-to-time, the Company enters into certain types of contracts that require it contingently to indemnify parties against third party claims. These contracts primarily relate to: (i) service level agreements with clients, under which the Company may be required to indemnify clients for liabilities related to data transmission and dissemination; and (ii) certain agreements with the Company's officers, directors and employees and third parties, under which the Company may be required to indemnify such persons for liabilities arising out of their duties to the Company.

The Company regularly enters into service level agreements with clients, under which the Company guarantees consistent streaming of data within certain pre-defined tolerances. The terms of these obligations vary and generally are not limited in amount, so it is not possible to express the amount at risk in dollars. Historically, the Company has not been obligated to make significant payments on account of these obligations, and accordingly, no liabilities were recorded for these obligations of this nature on its balance sheets as of March 31, 2009 and December 31, 2008. The Company carries coverage under certain insurance policies to protect itself in the case of an unexpected liability; however, this coverage may not be sufficient.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis should be read together with our unaudited interim consolidated financial statements and the notes to those statements included elsewhere in this quarterly report on Form 10-Q and the consolidated financial statements and the notes to those statements included in our Form 10-K/A for the year ended December 31, 2008. Certain statements contained herein constitute forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. In some cases forward-looking statements can be identified by terminology, such as believes, anticipates, expects, estimates, plans, may, intends, or similar terms. These statements appear in a number of places in this Form 10-K and include statements regarding the intent, belief or current expectations of our company, its directors or its officers with respect to, among other things: (i) trends affecting our financial condition or results of operations, (ii) our business and growth strategies, (iii) the Internet and Internet commerce and (iv) our financing plans. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled Risk Factors, that may cause our Company's or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.*

*Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we undertake no obligation to update publicly any forward-looking statements for any reason, even if new information becomes available or other events occur.*

*Our consolidated financial statements are prepared in accordance with United States generally accepted accounting principles. In this discussion, unless otherwise specified, all references to common stock refer to the shares in our capital stock and the terms we, us and our mean Stockhouse Inc., a Colorado corporation. Effective July 10, 2008, we changed our name from Stockgroup Information Systems Inc. to Stockhouse Inc. ( Stockhouse or the Company ). As a result, effective July 21, 2008, Stockhouse traded on the Over-the-Counter Bulletin Board quotation service operated by FINRA under its new trading symbol STKH.OB (previously since March 17, 1999 under the symbol SWEB) and on the TSX Venture Exchange under its new trading symbol SHC.V (previously since December 17, 2002 under the symbol SWB).*

### Foreign Currency and Exchange Rates

All amounts in this quarterly report are stated in United States ( U.S. ) Dollars unless otherwise indicated. The operations of our Canadian subsidiary have been converted to U.S. dollars for financial statement reporting purposes at an average rate of C\$1.24 per U.S. \$1.00 for the three months ended March 31, 2009. The month-end rate at March 31, 2009 was C\$1.26 per U.S. \$1.00. The average rate was C\$1.00 per U.S. \$1.00 for the three months ended March 31, 2008 and the month-end rate at March 31, 2008 was C\$1.03 per U.S. \$1.00.

The current economic environment has resulted in large fluctuations in the currency markets. As a significant portion of our revenues is earned in Canadian dollars, a strengthening of the U.S. dollar will result in lower reported revenues. We also operate in the United Kingdom, Spain and the Benelux countries and are subject to exchange rate fluctuations in those jurisdictions.

## Overview

### Our Business

Our services can be separated into two categories: (i) Licensing and Subscriptions; and (ii) Advertising Services. The basic commonalities between the two categories are that all of our services relate to the financial markets and all are currently delivered over the Internet or mobile devices.

Much of our sales are driven by popular interest in the stock markets. Advertising services are in greater demand when there is greater overall demand for online advertising across all industries. Our licensing and subscription services are driven by our clients' customers' demand for market information. Our audience levels on our Stockhouse websites are closely correlated with the popularity of the stock market. We believe that greater audience levels on our Stockhouse websites will translate into larger revenues over the long term.

Given the current stock market volatility it is difficult to determine if individuals and companies will continue to have a high level of interest in the markets, or whether given the uncertainty that they will discontinue certain of our services. We believe that despite the volatility there is still a high interest in the markets; however, we are uncertain how our customers may react in the future given the current economic situation. We believe that our advertising from small publicly traded companies will continue to be very low due to the rapid decline of the prices of smaller capitalized companies within the general stock market decline and uncertain economic times which effects their overall spending.

The Internet is the delivery vehicle for all of our products. Increasing numbers of people are using the Internet as a source of stock market information. As a result, financial content is becoming an expected standard offering for media and financial services companies. Financial software and content systems clients, including large news websites, brokerages, banks, and other media are encountering competitive pressures to improve their financial content offerings.

We also receive financial information from suppliers over the Internet and deliver it to mobile devices. Adoption of mobile and smart phones continue to grow at a significant pace as investors and investment professionals use mobile devices to stay connected to the market when they are away from their desktops. In order to capture this market, in January 2007 we acquired a business known in this document as the Mobile Finance Division, or MFD, which provided us with the wireless platform to deliver financial market data, news and limited analytics like charting and portfolio functionality. Having a wireless platform for content delivery, including our Marketstream and Stockstream products, is an important part of our strategy for the growth of our enterprise and increase in our number of retail customers. We believe that this market expansion continues to drive demand for the services provided by this mobile finance business and also provides us with scalability in distributing our content.

On May 2007, we entered into a purchase agreement with Semotus Solutions Inc. ( Semotus ) whereby we acquired the financial information services assets of Semotus, a California based provider of mobile enterprise software solutions. We believe the acquired software enhances our ability to offer our customers a range of scalable wireless financial market data services. During October 2008, we completed the transition of legacy Semotus customers to our Stockstream mobile platform.

## Results of Operations

The following table shows each line item on our unaudited consolidated statements of operations as a percentage of total revenues (rounded to the nearest percentage):

|                                                 | Three Months Ended<br>March 31, |       |
|-------------------------------------------------|---------------------------------|-------|
|                                                 | 2009                            | 2008  |
| Licensing and subscriptions                     | 78%                             | 75%   |
| Advertising services                            | 22%                             | 25%   |
| Total Revenues                                  | 100%                            | 100%  |
| <b>OPERATING COSTS AND EXPENSES</b>             |                                 |       |
| Cost of revenues<br>(exclusive of amortization) | 46%                             | 42%   |
| Sales and marketing                             | 26%                             | 39%   |
| Research and development                        | 6%                              | 11%   |
| General and administrative                      | 51%                             | 55%   |
| Amortization of intangible assets               | 2%                              | 4%    |
| Total operating expenses                        | 131%                            | 151%  |
| Loss from operations                            | (31%)                           | (51%) |
| Interest and other expense (income), net        | 1%                              | 10%   |
| Loss before income taxes                        | (32%)                           | (41%) |
| Provision for income taxes                      | (0%)                            | 0%    |
| Net loss and comprehensive loss                 | (32%)                           | (41%) |

The results of operations for the three ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009 or for other future operating periods especially considering the current volatile economic and financial market conditions.

## Revenues

|                             | Three months ending March 31, |          |            |       |
|-----------------------------|-------------------------------|----------|------------|-------|
|                             | 2009                          | 2008     | Change     |       |
| <b>REVENUES</b>             |                               |          |            |       |
| Licensing and subscriptions | \$ 1,672                      | \$ 2,624 | \$ (952)   | (36%) |
| Advertising services        | 478                           | 875      | (397)      | (45%) |
| Total revenues              | \$ 2,150                      | \$ 3,499 | \$ (1,349) | (39%) |

The majority of our revenues are derived from customers located in North America. There were no revenues from individual customers greater than 10% of total revenues during the three months ended March 31, 2009 and 2008, respectively. No customer accounted for more than 10% of outstanding trade receivables at March 31, 2009. As at December 31, 2008, one customer accounted for 10% of outstanding trade receivables.



**Licensing and Subscriptions**

Licensing and subscriptions revenues decreased by 36% to \$1,672,000 for the three months ended March 31, 2009 from \$2,624,000 for the three months ended March 31, 2008.

The decrease in the three months ended March 31, 2009, was attributable to a 14% decline in licensing sales to institutional customers, reflecting reduced interest in the stock markets by their customers. Subscription revenues from our Stockhouse website also declined by 40% during the three months ended March 31, 2009.

Revenues from mobile customers declined by 55% as the pager subscriber base continued to reduce as expected however our revenue from the Marketstream wireless product sold to professional investors was impacted by the banking crises which significantly reduced the number of employees employed at our institutional clients and impacted the number of subscriptions. In addition, during the three months ended March 31, 2009 we closed our offices in Spain and Holland and consolidated the customers and support to our UK office as part of the cost cutting initiatives commenced in the third and fourth quarters of 2008. These closures caused some disruption in the processing of invoices to customers in these markets for the first quarter of 2009. The associated revenues are expected to be recognized in future periods as the cash is collected.

**Advertising Services**

Advertising services revenues include advertising on our Stockhouse websites and related properties. The Stockhouse brand name and the functionality of the Stockhouse website; including our Stockhouse Blogs, provide us with access to the investment community. The Stockhouse website allows us to provide a range of advertising services for our clients where they gain exposure to an affluent group of consumers. While we believe that the market for online advertising in general will continue to grow and that there will be greater demand among companies for advertising targeted to the investment community, the current economic conditions and decline in the stock market have caused some customers to delay or cancel purchases of advertising services. Our advertising to small publicly traded companies has become significantly negatively impacted. Although the Company is actively replacing this advertising with advertising from national agencies, the increase in national accounts has not made up the decreases in small public company issuer sales. The Company expects public company advertising to continue to be negatively impacted with the current stock market environment.

Advertising services revenues decreased by 45% to \$478,000 for the three months ended March 31, 2009 from \$875,000 for the three months ended March 31, 2008. The decline in the stock market and the uncertain state of the economy since September 2008 resulted in lower revenue levels compared to the prior year period.

**Operating Costs and Expenses**

| (In thousands of Dollars)                       | Three Months Ending March 31, |          |            |        |
|-------------------------------------------------|-------------------------------|----------|------------|--------|
|                                                 | 2009                          | 2008     | Change     |        |
| Cost of revenues (exclusive of amortization) \$ | 987                           | \$ 1,469 | \$ (482)   | (33%)  |
| Sales and marketing                             | 549                           | 1,382    | (833)      | (60%)  |
| Research and development                        | 136                           | 382      | (246)      | (64%)  |
| General and administrative                      | 1,107                         | 1,915    | (808)      | (42%)  |
| Amortization of intangible assets               | 33                            | 144      | (111)      | (77 %) |
| Total operating expenses                        | \$ 2,812                      | \$ 5,292 | \$ (2,480) | (47%)  |

Total operating costs and expenses decreased by 47% for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008, and are attributable to the conclusion of the integration process for the operations acquired in the first quarter of 2007 and the full effect of operational cost reductions undertaken in the third and fourth quarters of 2008.

### ***Cost of revenues***

Our cost of revenues includes costs associated with bandwidth, data feeds and exchange fees, and other direct product costs. Total cost of revenues decreased by 33% to \$987,000 for the three months ended March 31, 2009 from \$1,469,000 for the three months ended March 31, 2008. These expenses as a percentage of total revenues increased for the three months ended March 31, 2009 compared to three months ended March 31, 2008, reflecting the decline in advertising revenue, which does not incur significant costs of revenue.

Our bandwidth and data feed costs are generally correlated with our Stockhouse website and the number of customers to which we license our platform. We are subject to exchange fees, including user fees, which are subject to change. Our costs may increase without a proportionate increase in revenues until we can complete new agreements with our customers to recover these costs. During the first quarter of 2008 we changed our major advertising server which resulted in certain duplicate costs during that period that were not repeated in the first quarter of 2009. We also continued to manage our relationships with our providers, and view our providers as partners with whom we can negotiate as our business needs change.

During the third and fourth quarters of 2008 we reduced data feed costs significantly by eliminating unprofitable feeds, reducing excess bandwidth and re-examining the integrity of our data feed reporting process, and we saw the full benefit of these reductions in the three months ending March 31, 2009.

However, while data feed and bandwidth costs decreased by 33%, revenues decreased by 39%, resulting in a 4% decrease in gross profit for the three months ended March 31, 2009 as compared with the prior year period. We are currently working on renegotiating various vendor agreements with the intent of reducing our overall cost of revenues.

### ***Sales and Marketing***

Sales and marketing expenses decreased by 60% to \$549,000 for the three months ended March 31, 2009 from \$1,382,000 for the three months ended March 31, 2008. These expenses as a percentage of total revenues reduced for the three months ended March 31, 2009 compared to three months ended March 31, 2008, reflecting the impact of the cost reductions undertaken in the third and fourth quarters of 2008.

In addition, reduced revenues in the three months ended March 31, 2009 as compared with the three months ended March 31, 2008 resulted in lower commissions during the period. Stock based compensation expense for sales and marketing employees amounted to \$13,000 for the three months ended March 31, 2009 as compared with \$(7,000) for the three months ended March 31, 2008.

### ***Research and development***

Research and development expenses decreased by 64% to \$136,000 for the three months ended March 31, 2009 from \$382,000 for the three months ended March 31, 2008. These expenses reduced as a percentage of total revenues for the three months ended March 31, 2009 compared to three months ended March 31, 2008.

The April, 2008 release of the Stockhouse website necessitated the addition of 12 employees in February 2007, for which the associated salary costs continued to the end of March 2008. With the project being completed, these costs were eliminated in three months ended March 31, 2009. Our core research and



development team continues to work on the development of our existing products and internal use software solutions to support our business. The agile development methodology adopted during 2008 has enabled us to produce a better solution in less time, thus reducing costs. In addition, the cost reduction measures adopted in the third and four quarters of 2008 contributed to the reduction in research and development costs for the three months ended March 31, 2009 as compared with the three months ended March 31, 2008.

Stock based compensation expense for research and development employees amounted to a gain of \$6,000 for the three months ended March 31, 2009 as compared with a gain \$3,000 for the three months ended March 31, 2008. These gains arose on the reversal of stock based compensation expenses incurred in preceding periods resulting from the resignation or termination of employees.

### *General and Administrative*

General and administrative expenses decreased by 42% to \$1,107,000 for the three months ended March 31, 2009 from \$1,915,000 for the three months ended March 31, 2008. These expenses as a percentage of total revenues reduced for the three months ended March 31, 2009 compared to three months ended March 31, 2008. During the three months ended March 31, 2009 general and administrative expenses decreased as the full effect of cost reduction measures undertaken in the fourth quarter of 2008 were felt. In addition, the unusually large professional fees related to additional work required in the completion of our year-end audit for the consolidated entity incurred in the three months ended March 31, 2008 did not reoccur to the same extent. Stock based compensation expense for general and administrative employees amounted to \$26,000 for the three months ended March 31, 2009 as compared with \$70,000 for the three months ended March 31, 2008. Foreign exchange loss for the quarter ended March 31, 2009 was \$10,000 as compared with \$4,000 during the three months ended March 31, 2008.

### *Amortization of intangible assets*

Amortization of intangible assets was \$33,000 for the three months ended March 31, 2009 and \$144,000 for the three months ended September 30, 2007. Amortization is charged on definite-lived intangible assets, including intellectual property and customer relationships related to our MFD purchase and Semotus asset acquisition. Amortization expense decreased in the current period as the result of impairment charges recorded at June 30, 2008 and December 31, 2008, which reduced the carrying value of these assets.

### **Interest and other income (expense)**

| (In thousands of Dollars)           |       |        | Three Months Ending<br>March 31, |         | Change  |      |
|-------------------------------------|-------|--------|----------------------------------|---------|---------|------|
|                                     | 2009  | 2008   | 2009                             | 2008    | 2009    | 2008 |
| Interest income                     | \$ -  | \$ 12  | \$ (12)                          | \$ (12) | (100%)  |      |
| Interest expense                    | 25    | (2)    | 27                               | (2)     | (1350%) |      |
| Other income (net)                  | (2)   | 337    | (339)                            | 337     | 100%    |      |
| Interest and other income (expense) | \$ 23 | \$ 347 | \$ (324)                         | \$ 347  | (93%)   |      |

The interest expense in the three months ended March 31, 2009 represents interest incurred on our debentures. Other income in the three months ended March 31, 2008 included \$12,000 in interest earned on cash and cash equivalents and \$340,000 resulting from the favorable settlement of the Hollinger litigation.

### **Liquidity and Capital Resources**

Cash and cash equivalents totaled \$518,000 at March 31, 2009; a decrease of \$210,000 from cash and cash equivalents held at December 31, 2008, and a decrease of \$1,172,000 from cash and cash equivalents held at March 31, 2008.



| (In thousands of Dollars)                       | Three Months Ending |            |
|-------------------------------------------------|---------------------|------------|
|                                                 | March 31,           |            |
|                                                 | 2009                | 2008       |
| Cash used in operating activities               | \$ (279)            | \$ (1,146) |
| Cash provided by (used in) investing activities | \$ 101              | \$ (31)    |
| Cash (used in) provided by financing activities | \$ (32)             | \$ 46      |
| Net decrease in cash and cash equivalents       | \$ (210)            | \$ (1,131) |

**Operating Activities.** During the three months ended March 31, 2009 we used more cash than we generated from operations. This was primarily due to the use of cash to fund continuing operations and the infrastructure base required to manage our operations. Our total revenues have decreased compared to prior year periods however, the collection of receivables have been better than expected due to dedicated staffing and focus. During the three months ended March 31, 2009, net accounts receivable balances decreased by \$250,000. Deferred revenues decreased by \$63,000 as customer contracts expired and were not renewed. These uses of cash were offset by an increase of \$104,000 in accounts payable and accrued liabilities, and a decrease of \$42,000 in prepaid and other current assets.

**Investing Activities.** Cash used in the three months ended March 31, 2009, represents cash used for additions to property and equipment of \$30,000, offset by the release of \$131,000 in restricted funds. For the three months ended March 31, 2008, we used \$13,000 for capital assets purchases, and \$18,000 for acquisition costs related to our acquisition of the Semotus assets.

**Financing Activities.** Net cash used in financing activities was \$32,000 for the three months ended March 31, 2009, utilized to repay capital lease obligations. Net cash provided by financing activities in the three months ended March 31, 2008, included stock option exercise proceeds of \$116,000, which were offset by repayments capital lease obligations of amounting to \$70,000.

#### **Future Liquidity Requirements**

Changes in the demand for our products and services are expected to continue to impact our operating cash flow. For the three months ended March 31, 2009 we had net losses of \$685,000. At March 31, 2009, the Company had cash and cash equivalents of \$518,000 and had a net working capital deficit of \$2,459,000, which represented current assets minus current liabilities excluding current deferred revenues. These conditions raise doubt about the Company's ability to continue as a going concern.

General economic conditions deteriorated during 2008 and the Company's revenue, operating results and cash flows were significantly impacted by the economic slowdown. The duration and depth of this economic slowdown in markets in which the Company operates will continue to impact the Company's future advertising and subscription revenue. Management acted to reduce the Company's operating costs in the second, third, and fourth quarters of 2008, as well as in the first quarter of 2009. These reductions included downsizing the number of staff and executives, renegotiating contracts with significant vendors to reduce costs, and closing unprofitable locations in Europe. Management plans to renegotiate with the holders of the Company's \$549,000 debentures to extend the October 31, 2009 due date. Management believes that if it is successful in renegotiating a one year extension to the debentures due date, that the Company will have sufficient resources for the next twelve months to meet its obligations as they fall due in the ordinary course of business.

The Company will also finance any further cash requirements, if necessary, through further debt or equity financings. There is no assurance however, that additional financing can be obtained, or if obtained, on terms that are acceptable to management. The accompanying financial statements do not include any adjustments to reflect the possible future effects on recoverability and classification of assets or liabilities should the Company not be able to continue as a going concern.



We do not expect to declare or pay any cash dividends in the foreseeable future.

### ***Debenture Financing***

In November 2008, we entered into debenture purchase agreements with six subscribers pursuant to which we issued to the subscribers a total of \$549,000 (C\$672,000) of secured unregistered 18% debentures which mature on November 14, 2009 (the debentures). Of this amount, \$163,000 (C\$200,000) was subscribed for by our Chief Executive Officer. Interest accrues on the debentures at a rate of 18% per annum, calculated monthly, and is payable at the end of each of the 4<sup>th</sup> calendar day of January, April, July and October. Subscribers may choose to receive all accrued interest on the maturity date in lieu of the quarterly payments of interest. Our obligations under these debentures are secured by the assets of the Company's wholly-owned subsidiary Stockgroup Media Inc., pursuant to a general security agreement. We may redeem all or any portion of the debentures and any accrued interest thereon, at any time from April 30, 2009 until maturity. Our future liquidity requirements related to these debentures will include approximately \$99,000 in interest payments. We used the proceeds from the sale of debentures for internal working capital purposes.

### **Contractual Obligations**

|                                    | (In thousands of Dollars) | Payments Due by Period |                  |              |              |                         |
|------------------------------------|---------------------------|------------------------|------------------|--------------|--------------|-------------------------|
|                                    |                           | Total                  | Within 1<br>Year | 2 3<br>Years | 4 5<br>Years | More<br>Than 5<br>Years |
| Operating leases                   | \$                        | 1,633                  | \$ 390           | \$ 803       | \$ 440       | -                       |
| Capital leases                     |                           | 50                     | 50               | -            | -            | -                       |
| Debt (principal)                   |                           | 549                    | 549              | -            | -            | -                       |
| Debt (interest)                    |                           | 49                     | 49               | -            | -            | -                       |
| Data provider commitment           |                           | 254                    | 254              | -            | -            | -                       |
| Total contractual cash obligations | \$                        | 2,535                  | \$ 1,292         | \$ 803       | \$ 440       | \$ -                    |

The Company leases its facilities under operating leases that expire at various times to March 2014. In June 2008, on the expiry of an existing lease the Company secured new premises in Toronto with a lease term to October 2013. The Company leases certain computer equipment, mainly servers, under capital leases. During the year ended December 31, 2008 a contract with a major data vendor expired. There has been no interruption of data supply from this vendor, and as of the date of this report we are in negotiations to conclude a new contract.

### **Off-Balance Sheet Arrangements**

We did not have any off-balance sheet arrangements as of March 31, 2009 or December 31, 2008 as that term is defined in Item 303(a) (4) of Regulation S-K.

### **Critical Accounting Policies**

Our audited consolidated financial statements and notes thereto included in our 2008 Annual Report on Form 10-K and Form 10-K/A and our unaudited interim consolidated financial statements and notes thereto included in this Quarterly Report are prepared in accordance with U.S. GAAP. These accounting principles require us to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates, judgments and assumptions are based upon information available to us at the time that they are made. To the extent there are material differences between these estimates, judgments or assumptions and actual results, our consolidated financial statements will be





affected. We believe the following critical accounting policies reflect our most significant estimates, judgments and assumptions used in the preparation of our consolidated financial statements.

- Revenue Recognition
- Allowance for Doubtful Accounts
- Contingencies and Litigation
- Cost of Revenue accruals
- Stock-based Compensation
- Business Combinations
- Foreign Currency
- Accounting for Income Taxes
- Goodwill and other intangible assets
- Impairment of goodwill and other intangible assets

There have been no new policies adopted or changes in the Company's accounting policies during the three months ended March 31, 2009 from those previously disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2008, except as follows:

In December 2007, the FASB issued FAS No. 141 (revised 2007), *Business Combinations* ( FAS 141(R) ) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. FAS 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. FAS 141(R) is effective for fiscal years beginning after January 1, 2009. The adoption of FAS 141(R) did not impact the Company's interim consolidated financial statements.

In March 2008, the FASB issued FAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* , ( FAS 161 ) which is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. FAS 161 is effective January 1, 2009. The adoption of FAS 161 did not impact the Company's interim consolidated financial statements.

### ***Risk Factors Affecting Our Business***

We operate in a rapidly changing environment that involves numerous uncertainties and risks. The following section describes some, but not all, of these risks and uncertainties that may adversely affect our business, financial condition or results of operations. This section should be read in conjunction with the unaudited consolidated financial statements and the accompanying notes thereto including the cautionary statement on forward looking statements of this quarterly report and other parts of Management's Discussion and Analysis included in this Report on Form 10-Q. Additional factors and uncertainties not currently known to us or that we currently consider immaterial could also harm our business, operating results and financial condition.

***Risks Factors Related to Our Business***

***We have a history of operating losses and we cannot predict if or when we will be profitable***

We have a history of operating losses in the past years; including net losses of \$685,000 for the quarter ended March 31, 2009. At March 31, 2009, the Company had cash and cash equivalents of \$518,000 and had a net working capital deficit of \$2,459,000, which represented current assets minus current liabilities excluding current deferred revenues. These conditions raise doubt about the Company's ability to continue as a going concern.

General economic conditions deteriorated during 2008 and the Company's revenue, operating results and cash flows were significantly impacted by the economic slowdown. The duration and depth of this economic slowdown in markets in which the Company operates will continue to impact the Company's future advertising and subscription revenue. Management acted to reduce the Company's operating costs in the second, third, and fourth quarters of 2008, as well as in the first quarter of 2009. These reductions included downsizing the number of staff and executives, renegotiating contracts with significant vendors to reduce costs, and closing unprofitable locations in Europe. Management plans to renegotiate with the holders of the Company's \$549,000 debentures to extend the October 31, 2009 due date. Management believes that if it is successful in renegotiating a one year extension to the debentures due date, that the Company will have sufficient resources for the next twelve months to meet its obligations as they fall due in the ordinary course of business.

The Company will also finance any further cash requirements, if necessary, through further debt or equity financings. There is no assurance however, that additional financing can be obtained, or if obtained, on terms that are acceptable to management. The accompanying financial statements do not include any adjustments to reflect the possible future effects on recoverability and classification of assets or liabilities should the Company not be able to continue as a going concern.

***Computer equipment problems and failures could adversely affect business.***

Problems or failures in Internet-related equipment, including file servers, computers and software, could result in interruptions or slower response times for our web-based services, which could reduce the attractiveness of our website and financial tools to our customers and users. In addition, our customers rely on us for time-sensitive, up-to-date data that is reliably delivered. Our business is dependent on our ability to rapidly and efficiently process substantial quantities of data on our computer-based networks and systems. Should interruptions continue for an extended period we could lose significant business and our reputation could be damaged. Equipment problems and failures could result from a number of causes, including an increase in the number of users of our website, computer viruses, outside programmers penetrating and disrupting software systems, human error, fires, floods, power and telecommunications failures and internal breakdowns. In addition, any disruption in Internet access and data feeds provided by third parties could have a material and adverse effect on our business. If we experience a major disaster such as a fire, theft, or intentional destruction of our computer equipment, we cannot be certain of the extent of the disruption to our business.

***Our competitors may be successful in attracting the clients that we are targeting for our advertising and media services, with the result that our revenues and ability to generate profit from our operations may be reduced.***

We compete in the advertising and communications industry which is highly competitive and which we believe will become more competitive as the business of commercial communication and advertising advances. Our competitors range from large multinational companies to smaller agencies that operate in our target markets. These potential competitors also range from traditional advertising agencies to new media



companies that are integrating traditional advertising services with new media advertising services, such as digital media counseling. In addition, new competitors are emerging who will compete with our business strategy of providing integrated media and advertising professional services. Both existing and new competitors will likely seek to target the same customers that we are targeting, both using traditional advertising models and the integrated media services business model that we are pursuing. In addition, many of these new competitors will have greater financial and operational resources than we do. The ability of our existing and potential competitors to attract the customers and advertising and media service work that we are targeting will reduce the revenues that we are able to achieve from our business activities, will reduce our market share and decrease our ability to generate profit from our operations.

***We may have difficulty scaling and adapting our existing architecture to accommodate increased traffic and technology advances or changing business requirements, which could lead to the loss of customers and advertisers, and cause us to incur expenses to make architectural changes.***

To be successful, our network infrastructure has to perform well and be reliable. The greater the user traffic and the greater the complexity of our products and services, the more computing power we will need. We have spent and expect to incur costs related to the purchase of computer equipment, the upgrade of our technology and network infrastructure to handle increased traffic on our web sites and our servers, and to roll out new products and services. This expansion is expensive and complex and could result in inefficiencies or operational failures. If we do not expand successfully, or if we experience inefficiencies and operational failures, the quality of our products and services and our users' and customers' experience could decline. This could damage our reputation and lead us to lose current and potential users, customers and advertisers. Cost increases, loss of traffic or failure to accommodate new technologies or changing business requirements could materially harm our operating results and financial condition.

***We may not be able to compete successfully against current and future competitors.***

We currently compete with several other companies offering similar services. Many of these companies have significantly greater financial resources, name recognition, and technical and marketing resources, and virtually all of them are seeking to improve their technology, products and services. We cannot assure that we will have the financial resources or the technological expertise to meet this competition successfully.

***We are dependent on activity levels in the securities market. Negative worldwide economic conditions could result in a decrease in our sales and revenue and an increase in our operating costs, which could adversely affect our business and operating results.***

Our business is dependent upon the health of the financial markets as well as the financial health of the participants in those markets. Some of the financial data and information market demand is dependent on activity levels in the securities markets while other demand is static and is not dependent on activity levels. Since October 2008, the U.S. and international financial markets have taken a significant loss and continue to be very volatile. In the event that the downturn in the U.S. or international financial markets is prolonged and results in a significant decline in investor activity, our revenue levels could be materially adversely affected. If the current worldwide economic downturn continues, many of our current or potential future customers may experience serious cash flow problems and as a result may, modify, delay or cancel purchases of our services. Additionally, customers may not be able to pay, or may delay payment of, accounts receivable that are owed to us. Furthermore, the current downturn and market instability makes it difficult for us to forecast our revenues.

***We face government regulation and legal uncertainties.***

The growth and development of the market for Internet commerce and communications has prompted both federal and state laws and regulations concerning the collection and use of personally identifiable information (including consumer credit and financial information under the Gramm-Leach-Bliley Act),



consumer protection, the content of online publications, the taxation of online transactions and the transmission of unsolicited commercial email, popularly known as spam. More laws and regulations are under consideration by various governments, agencies and industry self-regulatory groups. Although our compliance with applicable federal and state laws, regulations and industry guidelines has not had a material adverse effect on us, new laws and regulations may be introduced and modifications to existing laws may be enacted that require us to make changes to our business practices. Although we believe that our practices are in compliance with applicable laws, regulations and policies, if we were required to defend our practices against investigations of state or federal agencies or if our practices were deemed to be violating applicable laws, regulations or policies, we could be penalized and our activities enjoined. Any of the foregoing could increase the cost of conducting online activities, decrease demand for our services, and lessen our ability to effectively market our services, or otherwise materially adversely affect our business, financial condition and results of operations.

***Our ability to comply with all applicable securities laws and rules is largely dependent on our establishment and maintenance of appropriate compliance systems (including proper supervisory procedures and books and records requirements), as well as our ability to attract and retain qualified compliance personnel.***

Because we operate in an industry subject to extensive regulation, new regulation, changes in existing regulation, or changes in the interpretation or enforcement of existing laws and rules could have a material adverse effect on our business, results of operations and financial condition.

***We may be unable to protect the intellectual property rights upon which our business relies.***

We have or may pursue certain trademarks, and we have brand names, Internet domain names, website designs, programs and certain subscriber lists which make up the intellectual property we view as important to our business. It may be possible for a third party to copy or otherwise obtain or use our intellectual property without authorization or to develop similar technology independently. There can also be no assurance that our business activities will not infringe upon the proprietary rights of others, or that other parties will not assert infringement claims against us, including claims that by, directly or indirectly, providing hyperlink text links to websites operated by third parties, we have infringed upon the proprietary rights of other third parties. Due to the global nature of the Internet, there can be no assurance that obtaining trademark protection in the United States will prevent infringements on our trademarks by parties in other countries. We have not sought or obtained any patents on our proprietary software and data processing applications.

Litigation may be necessary in the future to enforce our intellectual property rights, to protect trade secrets or patents that we may obtain, or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of resources and could have a material adverse effect on our future operating results.

***An interruption in the supply of products and services that we obtain from third parties could cause a decline in sales of the services from our company, and products we purchase to avoid shortages may become obsolete before we can use them.***

In designing, developing and supporting the data services of our Company, we have relied on wireless carriers, wireless handheld device manufacturers, content providers, software providers and companies that manage some of our other services such as our internal IT operations and customer care services. These suppliers may experience difficulty in supplying us products or services sufficient to meet our needs or they may terminate or fail to renew contracts for supplying us these products or services on terms we find acceptable. Any significant interruption in the supply of any of these products or services could cause a decline in sales of our services unless and until we are able to replace the functionality provided by these products and services. We also depend on third parties to deliver and support reliable products, enhance our





current products, develop new products on a timely and cost-effective basis and respond to emerging industry standards and other technological changes. In addition, we rely on the ability of our content providers to continue to provide us with uninterrupted access to the news and financial information we provide to our customers. The failure of third parties to meet these criteria, or their refusal or failure to deliver the information for whatever reason could materially harm our business and would also affect our ability to sell our products.

***Our industry is a rapidly evolving market therefore our product and service offerings could become obsolete unless we respond effectively and on a timely basis to rapid technological changes.***

The successful execution of our business strategy is contingent upon wireless network operators launching and maintaining mobile location services, our ability to create new software and adapt our existing software products and website to rapidly changing technologies, industry standards and customer needs. As a result of the complexities inherent in our product offerings, new technologies may require long development and testing periods. Additionally, new products may not achieve market acceptance or our competitors could develop alternative technologies that gain broader market acceptance than our products. If we are unable to develop and introduce technologically advanced products that respond to evolving industry standards and customer needs, or if we are unable to complete the development and introduction of these products on a timely and cost effective basis, we will have incurred substantial resources without realizing the anticipated revenues, which would have an adverse effect on our results of operations and financial condition.

The applicability to the Internet of existing laws governing issues such as intellectual property ownership and infringement, copyright, trademark, trade secrets, taxation, obscenity, libel, employment and personal privacy is uncertain and developing. Any new legislation or regulation, or the application or interpretation of existing laws, may have a material adverse effect on our business, results of operations and financial condition. Additionally, modifications to our business plans or operations to comply with changing regulations or certain actions taken by regulatory authorities may increase our costs of providing our product and service offerings and materially adversely affect our financial condition.

If mobile equipment manufacturers do not overcome capacity, technology and equipment limitations, we may not be able to sell our products and services.

The wireless technology currently in use by most wireless carriers has limited bandwidth, which restricts network capacity to deliver bandwidth-intensive applications like data services to a large number of users. Because of capacity limitations, wireless users may not be able to connect to their network when they wish to, and the connection is likely to be slow, especially when receiving data transmissions. Data services also may be more expensive than users are willing to pay. To overcome these obstacles, wireless equipment manufacturers will need to develop new technology, standards, equipment and devices that are capable of providing higher bandwidth services at lower cost. We cannot be sure that manufacturers will be able to develop technology and equipment that reliably delivers large quantities of data at a reasonable price. If more capacity is not added, a sufficient market for our products and services is not likely to develop or be sustained and sales of our products and services would decline and our business would suffer.

***Some mobile operators charge fees for data usage.***

Our wireless service is a live streaming service which uses continued bandwidth and wireless usage charges. In the event that some wireless providers do not provide unlimited data at a flat rate, this may limit market acceptance of our product due to the cost of data service when used on a sustained basis. Some wireless providers who do offer flat rates do not allow the continuous data stream functionality on Blackberry® devices to be activated may limit our sales.

***We depend on Key Personnel. The Loss of Key Personnel and Difficulty Attracting and Retaining Qualified Personnel Could Harm Our Business.***



We depend on the continued contributions of our executive officers, sales, technical and other critical personnel to execute our business plan. We believe our success depends heavily on the contributions of our employees and on attracting, motivating and retaining our officers and other management and technical personnel. Competition for such personnel is intense and there can be no assurance that we will be able to attract and retain such personnel. The loss of the services of any key personnel, the inability to attract and retain qualified personnel in the future, or any delays in hiring required personnel, particularly technical engineers and sales personnel, could have a material adverse affect on our business, results of operations and financial condition.

***We may fail to support our anticipated growth in operations which could reduce demand for our services and materially adversely affect our revenue.***

Our business strategy is based on the assumption that the number of customers, the amount of information they want to receive and the number of services we offer will all increase. We must continue to develop and expand our systems and operations to accommodate this growth. In addition, information technology has dropped dramatically in price over the past years and is expected to continue to drop, such that more customers will be required to maintain the same levels of revenue. The expansion and adaptation of our systems operations requires substantial financial, operational and management resources. Due to the limited deployment of our services to date, the ability of our systems and operations to connect and manage a substantially larger number of customers while maintaining superior performance is unknown. Any failure on our part to develop and maintain our wireless data services as we experience rapid growth could significantly reduce demand for our services and materially adversely affect our revenue.

***We may be held liable for online information or services provided by third parties or us.***

Because materials may be downloaded by the public on Internet services offered by us or the Internet access providers with whom we have relationships, and because third party information may be posted by third parties on our website through discussion forums and otherwise, there is the potential that claims will be made against us for defamation, negligence, copyright or trademark infringement or other theories. Such claims have been brought against providers of online services in the past. To date we have been named in at least one lawsuit in which defamation is alleged to have occurred on our Internet discussion forum called Bull Boards. The imposition of liability based on such claims could materially and adversely affect us.

Even to the extent such claims do not result in liability, we could incur significant costs in investigating and defending against such claims. The imposition on us of potential liability for information or services carried on or disseminated through our website could require implementation of measures to reduce exposure to such liability, which may require the expenditure of substantial resources and limit the attractiveness of services to members and users.

We post news clippings from other news websites on the Stockhouse and SmallCapCenter websites with links to the source site. Most publishers currently encourage this practice, although certain publishers have requested that we cease posting their stories. We have complied with their request in each case. To the extent that a large majority of news publishers prohibit posting of their stories on our websites or begin charging royalty fees for such stories, our website traffic could decrease or our costs could increase, thereby adversely impacting our profitability.

We generally purchase data including trademarked and copy-written data that may or may not be under contract. The advancement in technologies and increased sophistication of systems is resulting in increased scrutiny of data and costs. We attempt to stay current with all vendors however the timing of identifying the vendors and costs of data may cause significant increase in cost of rates.

Our general liability insurance will not cover all potential claims to which we are exposed or may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our business, results of operations and financial condition.

***We may pursue strategic acquisitions and investments that could have an adverse effect on our business if they are unsuccessful.***

As part of our business strategy, we have acquired companies and may continue to acquire companies, technologies and product lines to complement our internally developed products. In January 2007, we acquired the Mobile Finance Division of TeleCommunication Systems Inc. The benefits of this acquisition have not fully materialized to date and we have incurred greater costs than anticipated in integrating the acquired division into our business. It is possible that the contemplated benefits of future acquisitions may not materialize within the time periods or to the extent anticipated. Critical to the success of this strategy in the future and, ultimately our business as a whole, is the orderly, effective integration of acquired businesses, technologies, product lines and employees into our organization. If this integration is unsuccessful, our business will suffer. There is also the risk that our valuation assumptions and models for the acquired product or business may be overly optimistic or inaccurate if customers do not demand the acquired company's products to the extent we expect, the technology does not function as we expect or the technology we acquire is the subject of infringement or trade secret claims by third parties.

The identification of acquisition candidates is difficult and we may not correctly assess the risks related to such acquisitions and investments. In particular, our determinations and assessments of acquisition candidates involve assessments of the financial performance of the acquisition candidates and past financial performance that we observe may not be indicative of future financial performance. In addition, acquisitions could be effected on terms less satisfactory to us than expected and the newly acquired companies may not be successfully integrated into our cohesive operations or in a way that produces the synergies or other benefits we hope to achieve. If these risks materialize, the benefit that we derive from businesses that we acquire may be less than the costs to us of acquiring these businesses, with the result that our operating losses could increase.

***Because our product and service offerings are sold internationally, we are subject to risks of conducting business in foreign countries.***

During the three months ended March 31, 2009, our primary customer base was in North America and Europe. In addition, a portion of the revenue historically generated by our company has typically been generated outside the United States. We believe our revenue will be increasingly dependent on business in foreign countries, and we will be subject to the social, political and economic risks of conducting business in foreign countries, including:

- inability to adapt our products and services to local business practices, language, customs and mobile user preferences;
- costs of adapting our product and service offerings for foreign markets;
- inability to locate qualified local employees, partners and suppliers;
- inability to collect amounts owed by customers;
- reduced protection of intellectual property rights;
- the potential burdens of complying with a variety of U.S. and foreign laws, trade standards and regulatory requirements, including the regulation of wireless communications and the Internet and uncertainty regarding liability for information retrieved and replicated in foreign countries;
- general geopolitical risks, such as political and economic instability and changes in diplomatic and trade relations; and
- unpredictable fluctuations in currency exchange rates.



Any of the foregoing risks could have a material adverse effect on our business by diverting resources toward addressing them or by reducing or eliminating sales in such foreign countries.

***The Wireless Industry is Experiencing Rapid Technological Change, and We May Lose Customers If We Fail to Keep Up With These Changes.***

The wireless communications industry is experiencing significant technological change, as evidenced by the ongoing improvements in the capacity and quality of digital technology, the development and commercial acceptance of wireless data services, shorter development cycles for new products and enhancements and changes in end-user requirements and preferences. The cost of implementing or competing against future technological innovations may be prohibitive to us, and we may lose customers if we fail to keep up with these changes.

***Our legacy pager business is deteriorating rapidly.***

Through the purchase of MFD, we acquired their legacy business of providing financial information to pager devices. Pagers represented the majority of the revenue of the Mobile Finance Division at acquisition. Most customers have been with the company for years but are changing to other types of wireless devices. The company has seen a rapid loss of subscribers for its pager service and there can be no assurance that the Company can convert the subscribers to its Marketstream wireless offering. In addition, telecommunication companies are shutting down their pager networks and rendering the service inoperable. If this occurs in countries we operate in, we would be unable to service our pager customers.

***Involvement in Certain Legal Proceedings.***

We are involved in various legal matters which arise from time-to-time in the ordinary course of business, none of which we believe is material to our results of operations, liquidity or financial condition at this time. We cannot reasonably estimate at this time whether a monetary settlement will be reached or predict the ultimate resolution of these legal matters.

***Our Business and Stock Price May Be Adversely Affected If Our Internal Controls Are Not Effective.***

Section 404 the Sarbanes-Oxley Act of 2002 requires companies to conduct a comprehensive evaluation of their internal control over financial reporting. To comply with this statute, we are required to document and test our internal control over financial reporting and our management is required to assess and issue a report concerning our internal control over financial reporting. Our independent registered public accounting firm is not required to report on the effectiveness of our internal control over financial reporting.

As described in Part II Item 9A. Controls and Procedures of our Form 10-K for the year ended December 31, 2008 our Chief Executive Officer and Chief Financial Officer concluded, as discussed in Item 4 below, that a material weakness existed in our control over financial reporting as of December 31, 2008 and as a result, that our disclosure controls and procedures were not effective.

Management has and continues to evaluate its key financial processes to assess risk of material weaknesses. As a result of finalizing the Company's annual consolidated financial statements, management identified several significant deficiencies in the effectiveness of internal control over financial reporting in its financial close and reporting processes. Management believes that, when considered in the aggregate, these significant deficiencies constituted a material weakness.

Although we believe we are taking appropriate actions to remediate the control deficiencies we have identified and to strengthen our internal control over financial reporting, we cannot assure you that we will not discover other material weaknesses in the future. The existence of one or more material weaknesses



could result in errors in our financial statements, and substantial costs and resources may be required to rectify these or other internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of our common stock could decline significantly, we may be unable to obtain additional financing to operate and expand our business, and our business and financial condition could be harmed.

***Risk Factors Related to Ownership of Our Common Stock***

***We are significantly influenced by our officers, directors and entities affiliated with them.***

In the aggregate, beneficial ownership of our shares by our directors and officers represents approximately 19% of issued and outstanding shares of our common stock at March 30, 2009. These shareholders, if acting together, will be able to influence significantly all matters requiring approval by shareholders, including the election of directors and the approval of mergers or other business combinations transactions.

***Trading of our stock may be restricted by the SEC's penny stock regulations, which may limit a shareholder's ability to buy and sell our stock.***

The Securities and Exchange Commission (the "SEC") has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

***Future issuances of shares may adversely impact the value of our stock.***

We may attempt to raise additional capital through the sale of common stock and issuance of preferred shares in the future. Future issuances of common stock may dilute your position in us.

***Our stock price is vulnerable to buying and selling pressures.***

As there is a limited market for our common stock, there may be considerable volatility in our stock price due to selling and buying pressures. Future sales of shares by our existing or future shareholders could cause the market price of our common stock to decline. At May 11, 2009, there were 41,295,922 issued and outstanding shares of our common stock; however, a portion of these shares are subject to trading restrictions in the United States.





*Our Board of Directors may authorize and issue preferred shares.*

Our Board of Directors have the authority to issue preferred shares with rights, preferences and/or privileges senior to or on parity with the rights of the holders of common stock. Our Board of Directors approved the issuance of 5,000,000 preferred shares and the Company issued 3,000 of these shares in May 2008. The potential consequences to our investors include a loss of perceived value of the stock in the market and a loss of future earnings and dividends, if and when dividends are declared.

Some of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of their assets are located outside the United States. As a result, you may have no effective recourse against the management for misconduct and it may be difficult for investors to enforce within the United States, any judgments obtained against our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any U.S. state.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Not applicable.

#### **Item 4. Controls and Procedures**

As disclosed in our Form 10-K filed on April 1, 2009, during our 2008 year end closing process our Chief Executive Officer and Chief Financial Officer concluded that the Company's internal control over financial reporting were not effective as at December 31, 2008, owing to several significant deficiencies in the effectiveness of internal control over financial reporting in its financial close and reporting processes, including accounting for foreign exchange. Management believes that, when considered in the aggregate, these significant deficiencies constituted a material weakness. A material weakness as defined in Rule 1-02 of Regulation S-X and adopted by PCAOB Auditing Standard 5 is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Management attributes this material weakness to legacy systems, and a lack of appropriately skilled personnel resources.

Although the Company has implemented additional levels of supervisory review in the three months ended March 31, 2009, Management has concluded that significant deficiencies in the effectiveness of internal controls over financial reporting in its financial close and reporting process still exist and that there can be no assurance that these measures can definitively prevent errors from occurring in the future. Management is continuing to take steps to enhance and improve its internal controls by implementing more timely reporting and additional levels of supervisory review.

#### **Inherent Limitations of Internal Controls**

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Management does not expect that our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Part II. OTHER INFORMATION

### Item 1. Legal Proceedings

The Company was the plaintiff in a lawsuit filed in Ontario Superior Court of Justice against Hollinger Inc. and Hollinger Canadian Publishing Holdings Co in which the Company sought to recover approximately \$457,000 from the defendant. The defendant was a vendor to the Company and the amount sought by the Company consisted of unused advertising credits which were prepaid by the Company in 1999. The case was resolved by a negotiated settlement during the first quarter of 2008 and the defendant paid \$340,000 to the Company in full settlement, which is included in other income in that period.

The Company is the plaintiff in a lawsuit filed in the Commercial & Equity Division of the County Court of Victoria in Melbourne, Australia against The Eight Black Partnership Pty and Simon Chen, in which the Company seeks to recover approximately \$435,000 from the defendant. The defendant was a reseller of the Company's Marketstream service in Australia and the amount sought by the Company consists of unpaid Marketstream subscription fees from July 2006 to May 2007, plus interest. The case is currently pending final resolution and there is uncertainty as to what value, if any, will be derived from the lawsuit. No provision has been made for recovery of these credits in the financial statements in any period.

During 2008, an employee of the Company made an application to the District Court of Amsterdam, the Netherlands requesting the Court to order the Company to restore his access to Company systems and continue paying his salary. He further requested that the Court order the temporary restriction of funds then held in the Company's Dutch subsidiary's bank accounts until the terms of his employment could be determined. The Court granted this application and ordered the transfer of €89,110 (\$131,000) from the operating bank accounts to a restricted account. This amount was classified as restricted cash on the consolidated balance sheet at December 31, 2008. During January 2009 the matter was resolved by negotiation, and the restriction on the Company's funds lifted by the Court.

In addition to the above, the Company is involved in various other legal matters which arise from time-to-time in the ordinary course of the Company's business, none of which is believed to be material to its results of operations, liquidity or financial condition at this time. Unless otherwise noted, the Company cannot reasonably estimate at this time whether a monetary settlement will be reached or predict the ultimate resolution of these legal matters.

### Item 1A. Risk Factors

Not applicable.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We did not complete any sales of our equity securities that were not registered under the Securities Act of 1933, since the completion of our fiscal quarter ended March 31, 2009.

**Item 6. Exhibits**

The following exhibits are filed as part of this Form 10-Q:

| Exhibit No. | Exhibit Title                                                                                                                                                                                   |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 31.1        | <u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act</u>                                                                                                  |
| 31.2        | <u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act.</u>                                                                                                 |
| 32.1        | <u>Certification of Chief Executive Officer furnished pursuant to Rule 13a-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).</u> |
| 32.2        | <u>Certification of Chief Financial Officer furnished pursuant to Rule 13a-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).</u> |

The following exhibits are incorporated by reference:

| Exhibit number | Description                                                                                                                                                                                                                                                                                                                                                                            |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3.1            | Articles of Incorporation & Bylaws are incorporated by reference to form 10SB12G filed on 1/29/1998 (File No. 000-23687).                                                                                                                                                                                                                                                              |
| 3.2            | Articles of Amendment dated July 10, 2008 is incorporated by reference to form 8-K filed on 7/24/2008 (File No. 000-23687).                                                                                                                                                                                                                                                            |
| 3.3            | Articles of Amendment dated September 30, 2001 is incorporated by reference to form 8-K filed on 9/30/2001 (File No. 000-23687).                                                                                                                                                                                                                                                       |
| 4.1            | Certificate of Designation for Series A Convertible Preferred Stock is incorporated by reference to form 10-Q filed on 5/14/2008 (File No. 000-23687).                                                                                                                                                                                                                                 |
| 10.1           | Private Placement Subscription Agreement dated September 26, 2006 between the Company and various directors and senior management is incorporated by reference to form 8-K filed on 9/28/2006 (File No. 000-23687).                                                                                                                                                                    |
| 10.2           | Purchase Agreement between Stockgroup Information Systems Inc., Stockgroup Systems Ltd., Stockgroup Media, Inc., TeleCommunication Systems, Inc., and TeleCommunication Systems (Holdings) Limited is incorporated by reference to form 8-K filed on 2/16/2007 (File No. 000- 23687).                                                                                                  |
| 10.3           | Audited Combined Financial Statements of Mobile Finance Division (A division of TeleCommunication Systems, Inc.) ( MFD ) for the years ended December 31, 2005 and 2006 and Unaudited <i>Pro forma</i> Consolidated Financial Statements of Stockgroup Information Systems as of December 31, 2006 is incorporated by reference to form 8-K/A filed on 4/16/2007 (File No. 000-23687). |
| 10.4           | Form of Private Placement Subscription Agreement dated May 15, 2007 is incorporated by reference to form 8-K filed on 5/21/2007 (File No. 000-23687).                                                                                                                                                                                                                                  |
| 10.5           | Form of Registration Rights Agreement dated May 15, 2007 is incorporated by reference to form 8-K filed on 5/21/2007 (File No. 000-23687).                                                                                                                                                                                                                                             |
| 10.6           |                                                                                                                                                                                                                                                                                                                                                                                        |

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Asset Purchase Agreement dated May 8, 2007 between the Company and Semotus Solutions Inc. is incorporated by reference to form 8-K filed on 5/10/2007 (File No. 000-23687).

10.7 Amended Purchase Agreement dated January 24, 2007 between the Company and TeleCommunication Systems, Inc. is incorporated by reference to form 8-K filed on 2/20/2007 (File No. 000-23687).

10.8 Purchase Agreement dated January 24, 2007 between the Company and TeleCommunication Systems, Inc. is incorporated by reference to form 8-K filed on 2/20/2007 (File No. 000-23687).

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- 10.9 Series A Convertible Preferred Stock Purchase Agreement dated April 30, 2008 is incorporated by reference to form 8-K filed on 5/7/2008 (File No. 000-23687).
- 10.10 Form of Secured Debenture Agreement dated November 14, 2008 Canadian Version is incorporated by reference to form 10-Q filed on 11/17/2008 (File No. 000-23687).
- 10.11 Form of Secured Debenture Agreement dated November 14, 2008 US Version is incorporated by reference to form 10-Q filed on 11/17/2008 (File No. 000-23687).
- 10.12 Debenture Purchase Agreement is incorporated by reference to form 10-Q filed on 11/17/2008 (File No. 000-23687).
- 10.13 General Security Agreement is incorporated by reference to form 10-Q filed on 11/17/2008 (File No. 000-23687).
- 10.14 Lease agreement dated September 19, 2006 between the Company and Pacific Centre Leaseholds Limited is incorporated by reference to form 10-K filed on 4/1/2009 (File No. 000-23687).
- 10.15 Lease agreement dated May 8, 2008 between the Company and University Equities Inc is incorporated by reference to form 10-K filed on 4/1/2009 (File No. 000-23687).
- 10.16 Stockgroup Information Systems Inc. 2003 Stock Option Plan Amended is incorporated by reference to form S-8 filed on 5/19/2006 (File No. 000-23687).
- 10.17 Stockgroup Information Systems Inc. Amended and Restated Stock Option Plan 2007 is incorporated by reference to form 10-Q filed on 8/13/2008 (File No. 000-23687).
- 10.18 Employment Agreement dated February 9, 2004 between the Company and Marcus New is incorporated by reference to form 10-KSB filed on 03/11/2004 (File No. 000-23687).
- 10.19 Employment Agreement dated December 28, 2007 between the Company and Karl Buhr is incorporated by reference to form 8-K filed on 2/21/2008 (File No. 000-23687).
- 10.20 Employment Agreement dated February 20, 2008 between the Company and Audrey Brownmiller is incorporated by reference to form 8-K filed on 2/21/2008 (File No. 000-23687).
- 10.21 Amended employment agreement dated October 31, 2008 between the Company and Karl Buhr is incorporated by reference to form 10-K filed on 4/1/2009 (File No. 000-23687).
- 10.22 Employment Agreement dated December 8, 2008 between the Company and Joseph Lee is incorporated by reference to form 8-K filed on 1/8/2009 (File No. 000-23687).

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**STOCKHOUSE INC.**

(Registrant)

Date: May 20, 2009

By: /s/ Marcus New

Marcus New

Chief Executive Officer

(Principal Executive Officer)

By: /s/ Joseph HN Lee

Joseph HN Lee

Chief Financial Officer

(Principal Financial Officer)